UNIVERSAL VENTURES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED

JUNE 30, 2014 AND 2013

(UNAUDITED)

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute to Chartered Accountants for a review of interim financial statements by an entity's auditors

UNIVERSAL VENTURES INC.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

EXPRESSED IN CANADIAN DOLLARS

ASSETS		**June 30, 2014** (unaudited)		**December 31, 2013** (audited)
Current				
Cash	$	219,920	$	267,650
Amounts receivable		2,153		2,583
Prepaid expenses		4,801		2,878
		226,874		273,111
Exploration and evaluation assets (Note 4)		484,477		419,477
Reclamation bond		5,000		5,000
	$	716,351	$	697,588
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	8,418	$	4,620
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		1,146,548		1,011,563
Contributed surplus		202,667		225,107
Deficit		(641,282)		(543,702)
		707,933		692,968
	$	716,351	$	697,588

NATURE AND CONTINUANCE OF OPERATIONS (Notes 1 and 2b)
COMMITMENTS (Notes 4)

Authorized for issuance on behalf of the Board on July 25, 2014:

"Jerry Minni" Director

"Charalambos Katevatis" Director

UNIVERSAL VENTURES INC.

CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

EXPRESSED IN CANADIAN DOLLARS

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
EXPENSES				
Advertising and promotion	$ 1,329	$ –	$ 2,086	$ 2,919
Management fees	15,000	9,000	24,000	18,000
Office and miscellaneous	584	2,412	977	2,491
Professional fees	25,585	8,764	38,658	39,119
Rent	(405)	5,510	2,222	11,015
Share based payments	12,545	–	12,545	–
Transfer agent and filing fees	6,116	5,789	13,498	12,307
Travel	3,594	2,661	3,594	2,661
Net loss and comprehensive loss, end of period	$ (64,348)	$ (34,136)	$ (97,580)	$ (88,512)
Loss per share (basic and diluted)	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	7,958,003	7,818,443	7,958,003	7,818,443

The accompanying notes are an integral part of these financial statements.

UNIVERSAL VENTURES INC.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

EXPRESSED IN CANADIAN DOLLARS **UNAUDITED**

	Common Shares				
	Number of Shares	Amount	Contributed Surplus	Deficit	Total
		$	$	$	$
Balance, December 31, 2013	7,818,443	1,011,563	225,107	(543,702)	692,968
Shares issued for exploration and evaluation asset	100,000	50,000	–	–	50,000
Shares issued on exercise of stock options	200,000	85,498	(35,498)	–	50,000
Share base payments	–	–	12,545	–	12,545
Comprehensive loss	–	–	–	(97,580)	(97,580)
Balance, June 30, 2014	8,118,443	1,147,061	202,154	(641,282)	707,933
Balance, December 31, 2012	7,818,443	1,011,563	225,107	(414,174)	822,496
Comprehensive loss	–	–	–	(88,512)	(88,512)
Balance June 30, 2013	7,818,443	1,011,563	225,107	(502,686)	733,984

UNIVERSAL VENTURES INC.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

EXPRESSED IN CANADIAN DOLLARS

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the period	$ (64,348)	$ (34,136)	$ (97,580)	$ (88,512)
Items not affecting cash:				
Share based payment	12,545	–	12,545	–
	(51,803)	(34,136)	(85,035)	(88,512)
Changes in non-cash working capital balances:				
HST receivables	(391)	18,110	430	42,231
Prepaid expenses	(1,923)	(22,781)	(1,923)	2,145
Accounts payable accrued liabilities	(6,003)	–	3,798	(116,808)
Cash used in operating activities	(60,120)	(38,807)	(82,730)	(160,944)
INVESTING ACTIVITES				
Exploration and evaluation assets	–	(3,753)	(15,000)	(13,918)
Cash used in investing activity	–	(3,753)	(15,000)	(13,918)
FINANCING ACTIVITIES				
Shares issued for cash	50,000	–	50,000	–
Cash provided in financing activities	50,000	–	50,000	–
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(10,120)	(42,560)	(47,730)	(174,862)
CASH, BEGINNING OF PERIOD	230,040	361,402	267,650	493,704
CASH, END OF PERIOD	$ 219,920	$ 318,842	$ 219,920	$ 318,842
SUPPLEMENTAL DISCLOSURES				
Interest paid	$ –	$ –	$ –	$ –
Income tax paid	$ –	$ –	$ –	$ –
Share’s issued for exploration and evaluation assets	$ 50,000	$ –	$ 50,000	$ –

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Universal Ventures Inc. ("the Company") was incorporated pursuant to the British Columbia Business Corporations Act on December 21, 2010 as Magic Ventures Inc. The Company changed its name to Universal Ventures Inc. on January 4, 2011. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol "UN". The address of the Company's corporate office and its principal place of business is 600-666 Burrard Street, Vancouver, British Columbia, Canada V6C 3P6.

The principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired.

The Company is an exploration stage company and is in the process of acquiring and exploring its interest in the TIB property. At June 30, 2014, the Company had not yet determined whether the property contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production from the properties or realizing proceeds from their disposition.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements are prepared in accordance with accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on July 25, 2014.

b) Going concern

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. At June 30, 2014, the Company had incurred a net loss of $97,580 and an accumulated deficit of $64,282 which have been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future, which raise significant doubts about the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

c) Functional currency

The functional and presentation currency of the Company is the Canadian dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Measurement basis

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in paragraph k) and l). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting estimates and judgments

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience, current and future economic conditions and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Estimate and underlying assumptions are reviewed on an ongoing basis, and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods if the revision affects both the current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates

i. the inputs used in accounting for share-based payments;

ii. the assessment of indications of impairment of exploration and evaluation assets and related determination and write-down of the assets, where applicable; and

Critical accounting judgments

i. the determination of categories of financial assets and financial liabilities identified as financial instruments, which involves judgments or assessments made by management;

ii. the determination of whether it is likely that future economic benefits associated with the exploration and evaluation expenditures capitalized will flow to the Company, which may be based on assumptions about future events or circumstances;

iii. the determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets; and

iv. the recognition of provisions for restoration, rehabilitation and environmental obligations.

c) Deferred finance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as exploration and evaluation assets and classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full be development or sale.

The recoverability of mineral properties and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to exploration and evaluation costs as do not necessarily reflect present or future values.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for corporate income tax purposes, the Company has no right to claim these costs as tax deductible expenses.

When mineral properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain in profit or loss.

Recorded costs of exploration and evaluation are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Payments on mineral property option agreements are made at the discretion of the Company and, accordingly, are recorded on a cash basis.

The Company's entitlement to mineral exploration tax credits are accounted for on a cash basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment

(i) Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the asset impaired. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

Exploration and evaluation assets are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of the value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

When an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance costs. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

As at June 30, 2014, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Government assistance

B.C. mining exploration tax credits for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective mineral property.

h) Share-based payments

The Company has an equity-settled share-based compensation plan. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date, using the Black-Scholes option pricing model, and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Consideration received on the exercise of stock options is recorded in share capital and the related share based payment in contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

i) Basic and diluted loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

j) Income taxes

Income tax on profit or loss comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial assets

All financial assets are initially recorded at fair value and classified upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At June 30, 2014, the Company has not classified any financial assets as held to maturity, loans and receivables or available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

l) Financial liabilities

All financial liabilities are initially recorded at fair value and classified upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s accounts payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has no financial liabilities classified as FVTPL.

m) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective January 1, 2015

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

The IASB extended the mandatory effective date for IFRS 9 to on or after January 1, 2015 with early adoption permitted. As a result, there were amendments to IAS 32, *Financial Instruments – Presentation* to clarify the offsetting between financial assets and liabilities, which are mandatory effective on or after January 1, 2014. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

EXPRESSED IN CANADIAN DOLLARS

4. EXPLORATION AND EVALUATION ASSETS

TIB Project

On March 8, 2011, the Company entered into an Option Agreement, which was subsequently amended on February 22, 2012 (the "Agreement") with an individual, who became a director of the Company, and a non-related third party (the "Optionors"), whereunder the Company was granted an irrevocable and exclusive option to acquire a 100% interest in certain mineral claims located in the Alberni Mining Division, British Columbia. The claims consist of 22 contiguous mineral claims. To exercise the option, the Company must pay an amount of $137,500 in cash, issue 500,000 common shares to the Optionors and incur a minimum of $300,000 in exploration expenditures, in accordance with the following schedule:

Date for Completion	Cash Payment	Number of Common Shares to be Issued	Minimum Exploration Expenditures to be Incurred
Upon execution of the Agreement (paid)	$ 7,500	–	$ –
On or before March 8, 2012 (paid and incurred)	10,000	–	100,000
On or before March 8, 2013 (paid)	10,000	–	–
On or before March 8, 2014 (paid and issued)	15,000	100,000	–
On or before March 8, 2015	15,000	100,000	–
On or before March 8, 2016	30,000	100,000	–
On or before March 8, 2017	50,000	200,000	–
Any time prior to earning the option	–	–	200,000
TOTAL	$137,500	500,000	$ 300,000

In accordance with the terms of the Agreement, the Optionors will retain a 2% net smelter returns royalty (the "NSR") in respect of the Property. The Company has the option to purchase the NSR at any time during a five year period commencing from the date upon which the Property is put into commercial production in consideration of the payment of $1,000,000 per percentage point.

Total costs incurred on exploration and evaluation assets are summarized as follows:

	June 30, 2013	**Dec. 31, 2013**
Acquisition costs:		
Balance, beginning	$ 27,500	$ 17,500
Cash payment under the Agreement	15,000	10,000
Shares issued under the Agreement	50,000	–
Balance, ending	92,500	27,500
Deferred exploration expenditures:		
Balance, beginning	391,977	388,059
Geologist fees, survey and assays	–	3,918
Balance, ending	391,977	391,977
Total costs, end of the period	$ 484,477	$ 419,477

EXPRESSED IN CANADIAN DOLLARS

5. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The following is a summary of balances and transactions with a director, an officer and former director, and companies controlled by directors of the Company:

		2014		2013
Related party transactions				
Management fees paid to a company controlled by a director	$	24,000	$	18,000
Rental income received from a company with directors in common		8,505		–
Accounting fees paid to a company controlled by a director		12,250		10,100
Amounts paid by the Company for acquisition of the TIB project to a director (See Note 4)		15,000		5,000
Accounts payable owing to Companies controlled by directors	$	4,830	$	4,620

The remuneration of key management personnel during the period ended June 30, 2014 and 2013 is summarized below:

		2014		2013
Key management compensation				
Management fees	$	24,000	$	18,000
Share-based payments	$	12,545	$	–

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer.

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

The Company is authorized to issue 100,000,000 common shares without par value.

a) On March 8, 2014, the Company issued 100,000 common shares pursuant to the TIB Project Property Option Agreement.

b) The Company issue 200,000 shares pursuant to exercise of stock options.

Securities held in escrow

Pursuant to the escrow agreements, 2,200,000 common shares issued and outstanding were escrowed and are scheduled for release at 10% on the listing date and at 15% on every six months from date of listing. At June 30, 2014, 990,000 common shares (June 30, 2013: 1,650,000 common shares) remained in escrow.

Stock options

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan") approved by the shareholders on December 31, 2011 which complies with the rules and policies of the TSX Venture Exchange. Under the plan, the aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless otherwise specified by the Board of Directors.

EXPRESSED IN CANADIAN DOLLARS

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Stock options (continued)

A Summary of the Company's stock options are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, December 31, 2013	650,000	$0.29
Exercised	(200,000)	
Granted	50,000	
Expired	(50,000)	
Outstanding and exercisable, June 30, 2014	450,000	$0.32

The weighted average remaining contractual life of the outstanding and exercisable options at June 30, 2014 is 2.41 years.

As at June 30, 2014, the Company had stock options outstanding to directors, officers and consultants as follows:

Stock options	Exercise Price	Expiry Date
100,000	$0.25	September 5, 2014
300,000	$0.33	September 21, 2017
50,000	$0.36	April 28, 2016
450,000		

Share-based payments were calculated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2014
Share price at grant date	$ 0.36
Risk-free interest	1.07%
Expected dividend yield	-
Expected stock price volatility	143%
Expected option life in years	2.0

Warrants

A Summary of the Company's share purchase warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, December 31, 2013 and June 30, 2014	1,557	$0.25

7. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern (see Note 2 b). The Company does not have any externally imposed capital requirements to which it is subject.

As at June 30, 2014, the Company had capital resources consisting of cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company will continue to rely on capital markets to support continued growth.

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments

The Company's financial instruments include cash and accounts payable. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

As at June 30, 2014:

	Level 1	Level 2	Level 3	Total
Cash	$ 219,920	-	-	$ 219,920

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities.

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash the Company places the instrument with a major financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at June 30, 2014, the Company had cash of $230,040 to settle accounts payable of $14,421 which fall due for payment within twelve months of the balance sheet date.

(iv) *Liquidity risk (continued)*

Significant commitments in years subsequent to June 30, 2014 are as follows:

	<1 year	**1 – 3 Years**	**Total**
Accounts payable	$ 8,418	–	8,418

(v) *Commodity Price Risk*

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

9. COMMITMENTS

The Company is committed to certain cash payments, share issuances and exploration expenditures as described in Note 4.