INLET RESOURCES LTD.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

MORGAN LLP
CHARTERED ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Inlet Resources Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Inlet Resources Ltd. which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of comprehensive (loss) income, statements of cash flows, and statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Inlet Resources Ltd. as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Vancouver, Canada *"Morgan LLP"*

March 19, 2014 Chartered Accountants

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INLET RESOURCES LTD.

STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	DECEMBER 31	
	2013	2012
ASSETS		
Current		
Cash	**$ 1,618,155**	$ 2,027,153
Amounts receivable	**4,588**	8,433
Prepaid expenses	**5,987**	4,426
Total Current Assets	**1,628,730**	2,040,012
Exploration and Evaluation Assets (Note 6)	**242,026**	237,026
Total Assets	**$ 1,870,756**	$ 2,277,038
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 40,112**	$ 30,933
EQUITY		
Share Capital (Note 7)	**16,172,798**	16,172,798
Reserves	**368,792**	368,792
Deficit	**(14,710,946)**	(14,295,485)
	1,830,644	2,246,105
Total Liabilities And Equity	**$ 1,870,756**	$ 2,277,038

These financial statements were authorized for issue by the Board of Directors on March 19, 2014. They are signed on behalf of the Board of Directors by:

"David Baker"	"Earl Terris"
Director	Director

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

INLET RESOURCES LTD.

STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Expressed in Canadian dollars)

	YEARS ENDED DECEMBER 31	
	2013	2012
Expenses		
Consulting and administration fees (Note 8)	**$ 82,000**	$ 76,500
Management fees (Note 8)	**64,000**	60,000
Professional fees	**55,752**	46,371
Property investigation	**15,450**	12,751
Rent, telephone, office expenses (Note 8)	**144,259**	104,564
Shareholders' communication	**35,248**	12,808
Transfer agent and filing fees	**18,266**	19,107
Loss Before Other Items And Income Taxes	**(414,975)**	(332,101)
Other Items		
Interest income (expense)	**(486)**	1,730
Gain from sale of marketable securities (Note 5)	**-**	1,038,049
(Loss) Income Before Income Taxes	**(415,461)**	707,678
Deferred Income Tax Expense	**-**	(69,620)
Net (Loss) Income For The Year	**(415,461)**	638,058
Other Comprehensive (Loss) Income		
Reclassification of realized gain on sale of marketable securities	**-**	(462,829)
Comprehensive (Loss) Income For The Year	**$ (415,461)**	$ 175,229
(Loss) Income Per Share, Basic and Diluted	**$ (0.02)**	$ 0.04
Weighted Average Common Shares Outstanding, Basic and Diluted	**17,467,317**	17,467,317

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

INLET RESOURCES LTD.

STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	YEARS ENDED DECEMBER 31	
	2013	2012
Cash Flows Provided By (Used In):		
Operating Activities		
Net (loss) income for the year	**$ (415,461)**	$ 638,058
Items not involving cash:		
Gain on sale of marketable securities	**-**	(1,038,049)
Income tax expense	**-**	69,620
Net changes in non-cash working capital items:		
Accounts receivable	**3,845**	6,488
Prepaid expenses	**(1,561)**	16,633
Accounts payable and accrued liabilities	**9,179**	2,910
	(403,998)	(304,340)
Investing Activities		
Proceeds on sale of marketable securities	**-**	1,232,400
Deferred exploration costs	**(5,000)**	(3,130)
	(5,000)	1,229,270
(Decrease) Increase In Cash	**(408,998)**	924,930
Cash, Beginning Of Year	**2,027,153**	1,102,223
Cash, End Of Year	**$ 1,618,155**	$ 2,027,153
Supplemental Cash Flow Information		
Cash paid for income taxes	**$ -**	$ -
Cash paid for interest	**$ -**	$ -

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

INLET RESOURCES LTD.

STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars, except number of shares)

	SHARE CAPITAL		RESERVES			
	SHARES	AMOUNT	SHARE-BASED PAYMENT RESERVE	AVAILABLE-FOR-SALE REVALUATION RESERVE	DEFICIT	TOTAL
Balance, December 31, 2011	17,467,317	$ 16,172,798	$ 368,792	$ 462,829	$ (14,933,543)	$ 2,070,876
Realized gain on sale of marketable securities	-	-	-	(462,829)	-	(462,829)
Net income for the year	-	-	-	-	638,058	638,058
Balance, December 31, 2012	17,467,317	16,172,798	368,792	-	(14,295,485)	2,246,105
Net loss for the year	-	-	-	-	(415,461)	(415,461)
Balance, December 31, 2013	**17,467,317**	**$ 16,172,798**	**$ 368,792**	**$ -**	**$ (14,710,946)**	**$ 1,830,644**

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

INLET RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Inlet Resources Ltd. ("the Company") carries out its business activities exclusively in Canada, and is engaged in the acquisition, exploration, development and subsequent production relating to mineral properties. The Company is a public corporation incorporated in British Columbia, Canada. The Company's principal place of business is #3904 – 1077 West Cordova Street, Vancouver, BC, V6C 2C6 and its registered records office is located on the 10th Floor – 595 Howe Street, Vancouver, BC, V6C 2T5.

2. BASIS OF PRESENTATION

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of annual financial statements.

Basis of measurement

These financial statements have been prepared on a historical cost basis, modified by the revaluation of available-for-sale financial assets.

Significant accounting judgments and estimates

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant areas where management's judgment is applied include, but are not limited to, asset and investment valuations, equipment lives, contingent liabilities, tax provisions and deferred income tax balances, asset retirement obligations and other accrued liabilities, and inputs used in accounting for share-based compensation expense. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash consists of cash on hand and demand deposits. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change and have maturities of three months or less from the date of acquisition, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. The Company did not have cash equivalents as at December 31, 2013 and 2012.

b) Marketable Securities

The Company classifies its marketable securities as “available for sale” and records the marketable securities at their fair values. Quarterly revaluation of the marketable securities is performed and unrealized gains or losses are recorded as reserve for available-for-sale assets until sold when gains and losses are recognized in the statements of operations.

c) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Exploration and Evaluation Assets (Continued)

It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

d) Property Option Agreements

The Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded; option payments are recorded as resource property costs or recoveries when the payments are made or received.

e) Impairment of Non-Financial Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

As asset's recoverable amount is the higher of fair value less costs to sell and value in use. 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Impairment of Non-Financial Assets (Continued)

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

f) Decommissioning Liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of loss over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of loss. The liability is assessed at each reporting date for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

g) Share-based Payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Share-based Payments (Continued)

The fair value for share purchase options granted to employees and consultants are measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted are measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized is adjusted to reflect the actual number of share purchase options that are expected to vest.

h) Fair Value of Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair values using the residual method to determine the fair value of warrants issued. Warrants issued to brokers are evaluated using the Black-Scholes method.

i) Flow-Through financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the deferred tax liability is recognized as a tax recovery to the extent that suitable deferred tax assets are available.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the “look-back” rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

j) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Income Taxes (Continued)

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

k) Income and Loss Per Common Share

Basic income and loss per share is computed by dividing the net income and loss by the weighted average number of common shares outstanding during the year. The diluted income and loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the stock options and warrants that are used to purchase common shares at the average market price during the period. No stock options and warrants were outstanding during the years ended December 31, 2013 and 2012.

l) Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into Canadian dollars, using the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities are translated at current rates of exchange and non-monetary assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated at average rates of exchange for the year, except for amortization and depletion which are translated at rates in effect when the related assets were acquired. All exchange gains and losses are recognized in the statement of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Accounting Standards and Amendments Issued Not Yet Effective

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

IAS 32 – Financial Instruments: Presentation

IAS 32, *Financial Instrument: Presentation* introduces amendments requiring incremental disclosures and clarity an entity's ability to offset financial assets and financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2014. The Company does not expect a significant impact to the Company's financial statements as a result of this standard.

IFRS 9 – Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company has yet to assess the full impact of IFRS 9.

4. FINANCIAL INSTRUMENTS

a) Designations

The Company's financial instruments consist of cash, marketable securities, amounts receivable, accounts payable and accrued liabilities.

The Company has designated its marketable securities, comprising of shares listed on a recognized stock exchange, as available-for-sale securities and reports them at fair value. The amounts by which fair values of these securities differ from cost represent unrealized gains and losses and are recognized in other comprehensive income (loss). All realized gains and losses are recognized in the net income (loss) in the period of disposition. The fair value of these securities is market value. The market value of publicly traded securities is based on quoted market prices.

Cash is designated as held-for-trading; amounts receivable as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

4. FINANCIAL INSTRUMENTS (Continued)

b) Fair Value

The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair values of financial instruments that are measured on a recurring basis comprise the Company's investments in marketable securities. These fair values are determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. The carrying amount of all other financial instruments is a reasonable approximation of fair value.

c) Risk Management

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency, credit, interest rate and liquidity risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

The Company's credit risk is primarily attributable to cash. Cash is held in a reputable Canadian bank which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Our interest rate risk mainly arises from the interest rate impact on our cash. A change in interest rate would have a minimal effect on the profitability of the Company.

4. FINANCIAL INSTRUMENTS (Continued)

c) Risk Management (Continued)

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2013, the Company held cash of $1,618,155 and had liabilities of $40,112. All of the Company's liabilities have contractual maturities of less than 30 days and were subject to normal trade terms. Liquidity risk is assessed as minimal.

Other Price Risk

The Company's investment in marketable securities is classified as available-for-sale and is traded on the TSX Venture Exchange. As at December 31, 2013 and 2012, all the Company's holdings of marketable securities were disposed.

d) Comprehensive income

A statement of comprehensive (loss) income forms part of the Company's financial statements and displays current period net income and other comprehensive (loss) income. Other comprehensive income consists of unrealized gains on available-for-sale financial assets. The cumulative changes in other comprehensive income are included in accumulated other comprehensive income within shareholders' equity in the consolidated balance sheet. Upon disposition of the available-for-sale financial assets, the accumulated other comprehensive (loss) income has been reclassified as realized gain (loss) and included in net (loss) income.

5. MARKETABLE SECURITIES

During March 2012, the Company disposed all 3,160,000 common shares of Goldbrook Ventures Inc., a public company related by virtue of common directors and a common officer, at the price of $0.39 per share as a result of a take-over acquisition.

6. EXPLORATION AND EVALUATION ASSETS

Costs incurred to date include:

	December 31, 2011	Additions	December 31, 2012	Additions	**December 31, 2013**
Claims and maintenance	$ 33,178	$ 1,456	$ 34,634	$ 5,000	**$ 39,634**
Drilling and field work	61,440	-	61,440	-	**61,440**
Equipment rental	11,621	154	11,775	-	**11,775**
Geological consulting	92,288	1,480	93,768	-	**93,768**
Reports	19,218	-	19,218	-	**19,218**
Supplies and sampling	14,641	-	14,641	-	**14,641**
Other	20,286	40	20,326	-	**20,326**
	252,672	3,130	255,802	5,000	**260,802**
Tax credits	(18,776)	-	(18,776)	-	**(18,776)**
Total mineral property deferred costs	$ 233,896	$ 3,130	$ 237,026	$ 5,000	**$ 242,026**

Broken Hill-Leo Property

The Company holds an option agreement with Timer Explorations Inc., a company related by common directors, to acquire a 50% interest in the Broken Hill-Leo property which comprises 56 mineral claims (133 claim units), located approximately 150 kilometers north-east of Kamloops, British Columbia. The Company may earn a 50% interest in Broken Hill-Leo property by sharing 50% of the $125,000 required work program expenditures (incurred as of December 31, 2008) and funding 50% of the advance royalty payments of $5,000 each subsequent year to the optionor until a total $100,000 ($25,000 paid) has been paid.

All claims are subject to a 2% net smelter returns royalty in favour of the optionor.

7. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Incentive Stock Options

The Company has a fixed stock option plan whereby a maximum of 10% of the issued shares may be reserved for issuance.

There were no stock options granted during the years ended December 31, 2013 and 2012.

c) Share Purchase Warrants

As at December 31, 2013 and 2012, there were no share purchase warrants outstanding.

8. RELATED PARTIES

All related party transactions and amounts owing are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company retains the services of certain directors and officers. Management fees, consulting fees, and accounting fees paid to related parties were as follows:

Key Management Compensation

	YEARS ENDED DECEMBER 31	
	2013	2012
Management fees paid to the President	**$ 60,000**	$ 60,000
Management fees paid to a director	**4,000**	-
Consulting fees paid to a director	**15,000**	15,000
Professional fees paid to an officer	**18,000**	18,000
Total	**$ 97,000**	$ 93,000

Other Amounts Paid to Management

	YEARS ENDED DECEMBER 31	
	2013	2012
Rent paid to the President	**$ 5,714**	$ 16,500
Equipment rental paid to the President	**5,812**	5,812
Total	**$ 11,526**	$ 22,312

8. RELATED PARTIES (Continued)

During the year ended December 31, 2013, the Company paid $24,000 (2012 - $24,000) in consulting fees to a company controlled by the spouse of the President.

At December 31, 2013, prepaid expenses include $864 (2012 - $543) paid to a company controlled by a director for future expenses.

9. INCOME TAXES

A reconciliation of the expected income tax (recovery) expense to the actual income tax expense (benefit) is as follows:

	2013	2012
Statutory rates	**26%**	25%
Expected income tax (recovery) expense at statutory rate	**$ (107,000)**	$ 160,000
Items not subject to tax	**-**	(121,000)
Prior year tax losses applied	**-**	44,000
Effect of rate change	**(26,000)**	-
Increase (decrease) in valuation allowance	**133,000**	(13,380)
Deferred income tax (recovery) expense	**$ -**	$ 69,620

The components of deferred income taxes are:

	2013	2012
Deferred income tax assets:		
Non-capital losses carry forwards	**$ 635,000**	$ 510,000
Resource deductions	**130,000**	121,000
Other assets	**3,000**	3,000
	768,000	634,000
Deferred income tax liability:		
Marketable securities	**-**	(70,000)
	768,000	634,000
Valuation allowance	**(768,000)**	(634,000)
Net deferred income tax asset	**$ -**	$ -

9. INCOME TAXES (Continued)

The Company has available tax losses of approximately $2,442,000 which may be offset against future Canadian taxable income. These losses expire as follows:

2014	$ 291,000
2015	265,000
2026	244,000
2027	238,000
2028	281,000
2029	250,000
2030	238,000
2031	235,000
2032	400,000
	$ 2,442,000

In addition, the Company has resource related expenditures totaling $740,000 (2012 - $719,000) which can be carried forward indefinitely to offset future taxable income.

10. CAPITAL MANAGEMENT

The Company manages capital with the goal to safeguard the Company's ability to continue as a going concern and ensure its ability to further explore and develop its mineral property holdings in Canada. The Company includes cash and the components of shareholders' equity in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

To ensure continued operations, the Company depends on external financing to fund its activities. The Company manages its capital requirements through the preparation of annual expenditure budgets, which are updated regularly to take into account factors such as successful financings to fund activities, changes in property holdings and related obligations, and exploration activities. The Company is not subject to externally imposed capital requirements.