# WASECO RESOURCES INC.

**(an exploration stage company)**

# Unaudited Interim Condensed Financial Statements

**(Expressed in Canadian dollars)**

**As at and for the six months ended**
**August 31, 2013 and 2012**

(an exploration stage company)

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Waseco Resources Inc. [the "Company"] are the responsibility of management and have been approved by the Board of Directors of the Company.

The unaudited interim condensed financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies as disclosed in the notes to the unaudited interim condensed financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim financial statements have been prepared fairly, in all material respects and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim condensed financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim condensed financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

As the Company is a Venture Issuer (as defined under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P") and/or ICFR, as defined in NI 52-109.

| | |
|---|---|
| "Richard Williams" | "James (Jay) Richardson" |
| President | Chief Financial Officer |

### NOTICE TO READER

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim condensed financial statements for the six months ended August 31, 2013 and 2012 have not been reviewed by the Company's auditors.

## Statements of Financial Position

**(Expressed in Canadian Dollars)**

(an exploration stage company)

| | Six Months Ended August 31, 2013 | Year Ended February 28, 2013 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **126,849** | 137,500 |
| Refundable provincial exploration tax credits | **18,858** | 18,858 |
| Sales taxes recoverable | **3,310** | 43,206 |
| Short-term loan receivable - secured (Notes 6 and 7) | **12,000** | 105,250 |
| **Total Assets** | **161,017** | 304,814 |
| **Liabilities** | | |
| Current liabilities | | |
| Trade payables and accruals | **51,088** | 46,568 |
| Exploration deposits received, net | **212,510** | 112,349 |
| | **263,598** | 158,917 |
| **Shareholders' Equity** | | |
| Share capital | **5,777,662** | 5,777,662 |
| Share payment reserves | **175,202** | 170,802 |
| Deficit | **(6,055,445)** | (5,802,567) |
| **Total Shareholders' Equity** | **(102,581)** | 145,897 |
| **Total Liabilities and Shareholders' Equity** | **161,017** | 304,814 |

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 15)

Approved by the Board:

("Signed") James (Jay) Richardson
CFO & Director

("Signed") Richard Williams
CEO & Director

The accompanying notes are an integral part of these financial statements

WASECO RESOURCES INC.

**Unaudited Interim Statements of Comprehensive Loss and Deficit**
(Expressed in Canadian Dollars)

(an exploration stage company)

| | Six month period ended August 31, | | Three month period ended August 31, | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$** | $ | **$** | $ |
| **Expenses** | | | | |
| General and administrative | **30,973** | 30,442 | 15,691 | 15,383 |
| Shareholder relations and regulatory fees | **9,770** | 17,495 | 9,007 | 16,871 |
| Professional fees | **16,000** | 17,888 | 6,750 | 9,388 |
| Share based payments | **4,400** | - | 4,400 | - |
| Exploration and evaluation expenditures | **196,958** | 380,688 | 110,543 | 287,132 |
| | **258,101** | 446,513 | 146,391 | 328,774 |
| Loss before other income | **(258,101)** | (446,513) | (146,391) | (328,774) |
| Other income: | | | | |
| Miscellaneous income | **157** | 2,164 | 157 | 2,164 |
| Interest | **5,066** | 4,085 | 5,000 | 2,445 |
| | **5,223** | 6,249 | 5,157 | 4,609 |
| **Comprehensive loss** | **(252,878)** | (440,264) | (141,234) | (324,165) |
| Loss per share -basic and diluted | **(0.008)** | (0.015) | (0.005) | (0.011) |
| Weighted average number of shares outstanding - basic and diluted | **30,311,155** | 30,311,155 | 30,311,155 | 30,311,155 |

*The accompanying notes are an integral part of these interim financial statements*

(an exploration stage company)

**Statements of Changes in Equity**

**(Expressed in Canadian Dollars)**

| | Capital Stock | | Reserves | | |
|---|---|---|---|---|---|
| | **Number of shares** | **Amount** | **Share based payments** | **Retained earnings (Deficit)** | **Total** |
| | | $ | $ | $ | $ |
| Balance at March 1, 2012 | 30,311,155 | 5,777,662 | 170,802 | (5,167,616) | 780,848 |
| Comprehensive loss for the year ended February 28, 2013 | - | - | - | (634,951) | (634,951) |
| Balance at February 29, 2013 | 30,311,155 | 5,777,662 | 170,802 | (5,802,567) | 145,897 |
| Share based payments | - | - | 4,400 | - | 4,400 |
| **Comprehensive loss for the six month period ended August 31, 2013** | **-** | **-** | **-** | **(252,878)** | **(252,878)** |
| **Balance at August 31, 2013** | **30,311,155** | **5,777,662** | **175,202** | **(6,055,445)** | **(102,581)** |

| | Capital Stock | | Reserves | | |
|---|---|---|---|---|---|
| | **Number of shares** | **Amount** | **Share based payments** | **Retained earnings (Deficit)** | **Total** |
| | | $ | $ | $ | $ |
| Balance at March 1, 2012 | 30,511,155 | 5,777,662 | 128,902 | (5,016,088) | 890,477 |
| Comprehensive loss for the six months ended August 31, 2012 | - | - | - | (440,264) | (440,264) |
| Balance at August 31, 2012 | 30,511,155 | 5,777,662 | 128,902 | (5,456,352) | 450,213 |

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

## Unaudited Interim Statements of Cash Flow

(Expressed in Canadian Dollars)

(an exploration stage company)

| | Six month period ended August 31, | | Three month period ended August 31, | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| **Operating activities** | | | | |
| Net comprehensive (loss)/gain for the period | **(252,878)** | (440,264) | (141,234) | (324,165) |
| Adjustments to reconcile net income to cash flow from operating activities: | | | | |
| Share based payments | **4,400** | - | 4,400 | - |
| Impact on cash flow of net changes in non-cash working capital items: | | | | |
| Sales taxes recoverable | **39,896** | (7,608) | 41,775 | (5,707) |
| Accounts receivable | **-** | (2,164) | - | (2,164) |
| Exploration deposits receivable | **100,161** | - | 100,161 | - |
| Accounts payable and accruals | **4,520** | 76,445 | 1,539 | 74,543 |
| | **(103,901)** | (373,591) | 6,641 | (257,493) |
| **Investing** | | | | |
| Short term loan receivable - secured (Note 8.) | **93,250** | (101,750) | 95,000 | (1,750) |
| | **93,250** | (101,750) | 95,000 | (1,750) |
| **Increase (decrease) in cash and cash equivalents** | **(10,651)** | (475,341) | 101,641 | (259,243) |
| Cash and cash equivalents, beginning of period | **137,500** | 914,267 | 25,208 | 698,169 |
| **Cash and Cash Equivalents at End of Period** | **126,849** | 438,926 | 126,849 | 438,926 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Waseco Resources Inc. ("Waseco" or the "Company") is continued under the laws of Ontario. The principal business activity of the Company is mineral exploration in Canada and Nevada, U.S.A. as more particularly described in Note 10. The Company's registered office is Suite 1500, 2 Queen Street East, Toronto, Ontario, M5C 3G5.

As at August 31, 2013, the Company had working capital of ($102,581) (February 28, 2013 - $145,897), had accumulated losses of $6,055,445 (February 28, 2013 - $5,802,567) and expects to incur future losses in the development of its business, all of which casts significant doubt on the Company's ability to continue as a going concern. These financial statements have been prepared on the basis that the Company will continue as a going concern and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of opera tions.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and 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 title may be subject to unregistered prior agreements, aboriginal claims, unregistered claims, and non-compliance with regulatory and environmental requirements.

Management plans to secure necessary financing, as and when needed, through a combination of the issue of new equity or debt instruments and the entering into of joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

For further comments on the Company's liquidity risk refer to Note 4 (ii) below.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These unaudited interim condensed financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were authorized for issuance by the Board of Directors of the Company on October29, 2013.

## 2. BASIS OF PREPARATION (continued)

### 2.2 Basis of presentation and functional and presentation currency

These unaudited interim condensed financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's February 28, 2013 audited annual financial statements.

The financial statements are presented in Canadian Dollars, which is the functional currency of the Company.

### 2.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, IFRS, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2012. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9 *'Financial Instruments: Classification and Measurement'* – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IAS 1 '*Presentation of Financial Statements'* – The IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income ("OCI") on the basis of whether they are potentially re-classifiable to profit and loss.
- IAS 32 '*Financial instruments, Presentation'* – In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.
- IFRS 11 *'Joint Arrangements'* – is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues in accordance with the arrangement, whereas entities in the latter case account for the arrangements using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

Management has adopted the above standards in the Company's financial statements for the period beginning March 1, 2013, with the exception of IFRS 9, with no significant effect on the financial statements.

## 3. CAPITAL MANAGEMENT

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 and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

All of the properties in which the Company currently has an interest are in the exploration stage with no operating revenues; as such the Company may be dependent on external financing to fund its activities. If, however, the joint venture decides to continue the exploration in Quebec then the Company would have a source of revenue. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

There has been significant market turbulence worldwide due to the credit crisis and potential of a global recession. These market conditions have and are expected to continue to have an adverse impact on the ability of junior mining exploration companies to secure equity funding. The Company has historically relied, beyond revenue amounts generated, on equity financing to raise capital and expects to be able to continue to do so, but its ability to do so may be impacted by the current global situation and economic uncertainties. Management has considered how these conditions have impacted the Company's viability given its current capital structure and considers that until the outcome of future financing activities is known there is considerable uncertainty about the appropriateness of the use of the going concern basis of accounting but management is confident of the sufficiency of its present working capital to at least meet its needs for the next twelve months.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended August 31, 2013. The Company is not subject to externally imposed capital requirements.

## 4. FINANCIAL INSTRUMENTS

### Fair value

The Company has designated its cash and cash equivalents as Fair Value Through Profit and Loss ("FVTPL"), which are measured at fair value. Trade and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables, trade and other payables and due to related parties are determined from transaction values which were derived from observable market inputs.

## 4. FINANCIAL INSTRUMENTS (continued)

As at August 31, 2013, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments is reflected below:

**i) Credit risk**

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the balance sheet.

a. **Cash and cash equivalents** – Cash and cash equivalents are held with major Canadian banks and therefore the risk of loss is minimal.

b. **Trade and other receivables** – Apart from the Subsequent Event identified in Note 15, the Company is exposed to minimal credit risks as a significant portion of the receivables are from the Canadian Government.

**ii) Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. At August 31, 2013, the Company had working capital of ($102,581) (February 28, 2013 – $145,897). In order to meet its longer-term working capital and property exploration expenditures, the Company would, if necessary, attempt to secure further financing to ensure that those obligations were properly discharged. Management believes that the Company has sufficient working capital to discharge its current and anticipated obligations for a minimum of one year. There can be no assurance that Waseco will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Waseco may change and shareholders may suffer additional dilution.

**iii) Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

**iv) Interest rate risk**

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

(Expressed in Canadian Dollars)

## 5. CASH AND CASH EQUIVALENTS

The balance at August 31, 2013, consists of $126,849 (February 28, 2013 - $137,500) on deposit with two major Canadian banks.

## 6. TRADE AND OTHER RECEIVABLES

| | As at | |
|---|---|---|
| | **August 31, 2013** | February 28, 2013 |
| Refundable provincial exploration tax credit | **18,858** | 18,858 |
| Sales taxes recoverable | **3,310** | 43,206 |
| Short-term loan receivable-secured (note 7) | **12,000** | 105,250 |
| | **34,168** | 167,314 |

The Company's trade and other receivables arise from the following sources:

At August 31, 2013, the Company anticipated full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 4. The Company holds no collateral at August 31, 2013 against these receivables.

## 7. SHORT-TERM LOAN RECEIVABLE

On April 18$^{th}$, 2012, the Company optioned from Sparton Resources Inc., a 75% interest in a lease covering 29 claims on the Battle Mountain Gold Trend in Lander County, Nevada. As part of the option agreement, the Company agreed to provide a $100,000 loan for one year, secured by the remaining 25% interest in the lease. The loan is interest bearing at 7% per annum. On June 25, 2013, the Company renegotiated its contract with Sparton Resources with respect to the Battle Mountain Property in Nevada.

Sparton agreed to pay Waseco $5,000 for a six-month extension to the terms of the secured loan of $100,000 made to it by Waseco, together with accrued interest to original maturity of $7,000, and Sparton agreed to provide a one year extension on Waseco's remaining work commitment.

Subsequent to the period end, the loan lapsed. (Refer to Notes 10 and 15).

(Expressed in Canadian Dollars)

## 8. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities of the Company are principally amounts owing for operating activities and amounts owing to professional advisors in the normal course of business. Exploration deposits received is a deposit received re the AREVA joint venture.

| | As at | |
|---|---|---|
| | **August 31, 2013** | February 28, 2013 |
| Trade payables and accruals | **51,088** | 46,568 |
| Exploration deposits received, net | **212,510** | 112,349 |
| | **263,598** | 158,917 |

## 9. RELATED PARTY TRANSACTIONS

The financial statements include no balances and transactions with directors and/or officers of the Company other than management fee payments and reimbursements of out of pocket amounts paid by them on behalf of the Company and $9,821 owing to Richard Williams, a director, for advances made on behalf of the Company. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties which are not in excess of fair market values.

The Company's related parties consist of the following officers, directors, and companies:

| **Officers and directors** | **Title** |
|---|---|
| Richard Williams | President, Chief Executive Officer and Director |
| James Richardson | Chief Financial Officer and Director |
| Rick Ekstein | Director |
| Derek Bartlett | Director |
| Peter Sever | Director |

During the six months ended August 31, 2013, The Company paid $30,000 (2012 - $30,000) to officers of the Company for management fees.

On April 18, 2012, the Company provided Sparton Resources Inc. ("Sparton") with a $100,000 loan for one year as part of the terms of an option agreement with Sparton as detailed further in Note 7. Mr. Williams, the Company President and C.E.O., is a director of Sparton and as such Sparton is a related party. He abstained from voting on the transaction.

(Expressed in Canadian Dollars)

## 10. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenses for the Company are broken down as follows:

| Property | (CANADA) James Bay Lowland Ontario | (CANADA) Labrador Trough Quebec | (FOREIGN) Battle Mountain Nevada |
|---|---|---|---|
| Balance, March 1, 2012 | 170,324 | 43,900 | - |
| Property expenditures | - | 23,192 | 489,003 |
| Balance, February 28, 2013 | 170,324 | 67,092 | 489,003 |
| Property expenditures | - | 1,568 | 195,390 |
| Balance, August 31, 2013 | 170,324 | 68,660 | 684,393 |

The Company has interests in the following properties:

1. Quebec-Labrador Trough – The Company controls these uranium properties which consist of multiple blocks. The Company has a joint venture agreement with AREVA and to date the Company's monetary contribution has been $67,092 in addition to the underlying properties.

2. James Bay Lowlands – The Company acquired a 5% interest in 2003 in a 2,440 acre claim block adjacent to the DeBeers Victor mine in the Attawapisakat Region in Northern Ontario. The property is subject to a 2% net smelter return ("NSR"), with the Company and its joint venture partners having a right of first refusal to buy out 1%.

3. Battle Mountain Nevada - The Company optioned a 75% interest in a lease covering 29 claims on the Battle Mountain Gold Trend in Lander County, Nevada. In order to satisfy the terms of the option, the Company is to maintain the property in good standing by making quarterly lease payments of $4,250, paying the annual advanced royalty payments of US$75,000 (paid for 2013). Approximately $684,000 has been spent on the property. (Refer to Note 7 above and Note 15 below.)

## 11. CAPITAL STOCK

***Share Capital***

Waseco is authorized to issue an unlimited number of common shares. The issued and outstanding share capital consists of common shares.

An analysis of movements in Capital Stock is set out in the Equity analysis (Page 5) above.

(Expressed in Canadian Dollars)

**11. CAPITAL STOCK** (continued)

***Share-Based Payment Plan***

Waseco has established a stock option plan to provide additional incentive to its directors, officers, employees, service providers, or consultants in their efforts on behalf of the Company in the conduct of its affairs. The total number of shares which may be issued thereunder shall not exceed 10% of the then issued and outstanding shares of the Company. Under the terms of the plan, options shall vest immediately except those options granted to consultants or persons employed in investor relations activities, which are to vest over a twelve month period. All options expire on the fifth anniversary from the grant date, unless specified otherwise in a Director's Resolution.

The exercise price of each option issued shall not be less than the closing market price of the Company's stock on the day immediately preceding the date of grant.

| Years ended | August 31, 2013 | | February 28, 2013 | |
|---|---|---|---|---|
| | Weighted Average Exercise Price | No. of Options | Weighted Average Exercise Price | No. of Options |
| Outstanding at beginning of period | $0.10 | 1,000,000 | $0.10 | 1,000,000 |
| Transactions during the period | | | | |
| Granted | $0.10 | 200,000 | - | - |
| Exercised | - | - | - | - |
| Expired | - | - | - | - |
| **Outstanding at end of period** | **$0.10** | **1,200,000** | - | 1,000,000 |
| **Exercisable at end of period** | **$0.10** | **1,200,000** | $0.10 | 1,000,000 |

**12. RESERVE FOR SHARE BASED PAYMENTS**

An analysis of movements in Share-Based Payments is set out in the Equity analysis above. During the six months ended August 31, 2013, 200,000 options were issued to a director and a charge of $4,400 was made to the Share Based Payments Account. This $4,400 Black-Scholes calculation was based on the following: share price $0.05, exercise price $0.10, time to maturity 3 years, annual risk-free interest rate 3.5% and annualized volatility 90%.

**13. INCOME TAXES**

At February 28, 2013, the Company has $799,000 (2012 - $193,200) in non-capital losses carried forward for which no benefit has been recognized in the accounts. If these losses are not utilized they will expire between 2028 and 2033.

At February 28, 2013, the Company has $5,099,500 (2012 - $4,558,600) of unused CCEE, CCDE, FEDE and CFRE expenses and capital losses of $312,400 (2012 - $312,400). The tax benefits pertaining to these expenses are available to be carried forward and similarly no benefit has been recognized in the accounts.

## 14. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

## 15. SUBSEQUENT EVENTS

Subsequent to the end of the Quarter, the extension for the repayment of the Sparton loan lapsed. The Company therefore now holds a 100% interest in the Battle Mountain Ridge Property (subject to underlying royalties). Also as a result of the lapse, the Company no longer has any exploration expenditure obligations. In order to maintain the property in good standing, the Company continues to have quarterly lease payments of $4,250 (paid up to date) and annual advance royalty payments of US$75,000 (paid for 2013).