



MARITIME RESOURCES CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the Six Months Ended
June 30, 2014
(Expressed in Canadian Dollars)
(Unaudited)



MARITIME RESOURCES CORP.

Notice

Notice of No Auditor Review of the Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Maritime Resources Corp. ("the Company"), for the six months ended June 30, 2014, have been prepared by management and have not been the subject of a review by the Company's independent auditor.

MARITIME RESOURCES CORP.**Condensed Interim Statements of Financial Position**

(Expressed in Canadian Dollars)

(Unaudited -- Prepared by Management)

| | Note | | June 30, 2014 | | December 31, 2013 |
|---|--------|----|---------------|----|-------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash | 6 | \$ | 65,438 | \$ | 158,478 |
| Restricted cash | 6 | | 46,686 | | - |
| Receivables | 7 | | 7,612 | | 9,378 |
| Prepaid expenses | | | 14,155 | | 10,785 |
| | | | 133,891 | | 178,641 |
| Exploration and evaluation assets | 8 | | 4,704,464 | | 4,600,234 |
| | | \$ | 4,838,355 | \$ | 4,778,875 |
| Liabilities and Shareholders' Equity | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | 9 & 15 | \$ | 37,965 | \$ | 140,693 |
| Loans | 10 | | - | | 120,000 |
| Other liability | 11 | | 12,750 | | - |
| | | | 50,715 | | 260,693 |
| Shareholders' Equity | | | | | |
| Share capital | 13 | | 6,041,152 | | 5,524,652 |
| Warrants | 14 | | 8,000 | | - |
| Share-based payments reserve | 13 | | 553,783 | | 402,652 |
| Deficit | | | (1,815,295) | | (1,409,122) |
| | | | 4,787,640 | | 4,518,182 |
| | | \$ | 4,838,355 | \$ | 4,778,875 |

See accompanying notes to the financial statements.

Approved and authorized for issuance by the Board of Directors:

"Douglas Fulcher"

..... Director

Douglas Fulcher

"Maynard Brown"

..... Director

Maynard Brown

MARITIME RESOURCES CORP.

Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited -- Prepared by Management)

| | | For the Three Months Ended | | For the Six Months Ended | |
|---|-------|----------------------------|---------------------|--------------------------|---------------------|
| | Note | June 30 | | June 30 | |
| | | 2014 | 2013 | 2014 | 2013 |
| Expenses | | | | | |
| Administration and other | | \$ 31,645 | \$ 17,650 | \$ 58,072 | \$ 42,943 |
| Consulting | | 53,467 | 36,900 | 90,367 | 77,800 |
| Directors' fees | 15(b) | (22,500) | 22,500 | - | 45,000 |
| Financing expense and interest on loans payable | 10 | 1,710 | 27,222 | 4,669 | 53,852 |
| Investor relations and promotion | | 24,409 | 42,122 | 65,224 | 59,381 |
| Professional fees | | 14,806 | 13,010 | 36,710 | 24,495 |
| Share-based payments | 13(c) | 152,845 | 1,323 | 152,905 | 113,519 |
| Loss Before Deferred Tax Recovery | | (256,382) | (160,727) | (407,947) | (416,990) |
| Deferred tax recovery - flow-through | | - | - | - | 64,950 |
| Loss and Comprehensive Loss for the Period | | \$ (256,382) | \$ (160,727) | \$ (407,947) | \$ (352,040) |
| Loss Per Share - Basic | | \$ (0.007) | \$ (0.005) | \$ (0.012) | \$ (0.012) |
| Weighted Average Number of Common Shares Outstanding | | 34,272,603 | 30,535,423 | 33,840,268 | 30,532,929 |

See accompanying notes to the financial statements.

MARITIME RESOURCES CORP.**Condensed Interim Statements of Cash Flows**

(Expressed in Canadian Dollars)

(Unaudited -- Prepared by Management)

| | For the Three Months Ended | | For the Six Months Ended | |
|--|----------------------------|--------------|--------------------------|--------------|
| | June 30 | | June 30 | |
| | 2014 | 2013 | 2014 | 2013 |
| Operating Activities | | | | |
| Loss for the period | \$ (256,382) | \$ (160,727) | \$ (407,947) | \$ (352,040) |
| Items not involving cash: | | | | |
| Share-based payments | 152,845 | 1,323 | 152,905 | 113,519 |
| Financing expense and interest on loan payable | 1,710 | 17,140 | 4,669 | 33,906 |
| Deferred tax recovery - flow-through | - | - | - | (64,950) |
| | (101,827) | (142,264) | (250,373) | (269,565) |
| Changes in non-cash working capital: | | | | |
| Receivables | (1,320) | 19,892 | 1,766 | 116,657 |
| Prepaid expenses | (11,590) | (5,723) | (3,370) | 401 |
| Accounts payable and accrued liabilities | (151,708) | 28,444 | (103,300) | 36,674 |
| | (164,618) | 42,613 | (104,904) | 153,732 |
| Cash Used in Operating Activities | (266,445) | (99,651) | (355,277) | (115,833) |
| Investing Activities | | | | |
| Exploration and evaluation expenditures | (60,502) | (57,923) | (103,658) | (176,515) |
| Government grants and cost recovery received on exploration and evaluation assets | - | 44,748 | - | 44,748 |
| Changes in non-cash working capital related to exploration and evaluation assets | - | 8,836 | - | 7,495 |
| Cash Used in Investing Activities | (60,502) | (4,339) | (103,658) | (124,272) |
| Financing Activities | | | | |
| Repayment of loan | (120,000) | - | (120,000) | - |
| Interest paid | (1,710) | - | (4,669) | - |
| Shares and warrants issued for cash | 537,250 | 18,750 | 537,250 | 18,750 |
| Cash Provided by Financing Activities | 415,540 | 18,750 | 412,581 | 18,750 |
| Change in cash for the period | 88,593 | (85,240) | (46,354) | (221,355) |
| Cash and Restricted Cash, Beginning of Period | 23,531 | 241,225 | 158,478 | 377,340 |
| Cash and Restricted Cash, End of Period | \$ 112,124 | \$ 155,985 | \$ 112,124 | \$ 155,985 |
| Cash paid for interest | \$ 6,707 | \$ - | \$ 6,707 | \$ - |
| Exploration and evaluation assets included in accounts payable and accrued liabilities | \$ 572 | \$ 8,836 | \$ 572 | \$ 8,836 |
| Non-Cash Financing activities: | | | | |
| Other liability on flow-through share premium | \$ 12,750 | \$ - | \$ 12,750 | \$ - |
| Fair value of warrants issued | \$ 8,000 | \$ - | \$ 8,000 | \$ - |

See accompanying notes to the financial statements.

MARITIME RESOURCES CORP.

Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited -- Prepared by Management)

| | Note | Share Capital | | Warrants | Share-based Payments Reserve | Deficit | Total Shareholders' Equity |
|--|-------|-------------------|---------------------|-------------------|------------------------------------|-----------------------|----------------------------------|
| | | Shares | Amount | | | | |
| Balance, December 31, 2012 | | 30,524,825 | \$ 4,698,373 | \$ 102,664 | \$ 355,304 | \$ (855,319) | \$ 4,301,022 |
| Loss for the period | | - | - | - | - | (352,040) | (352,040) |
| Exercise of warrants | | 75,000 | 21,000 | (2,250) | - | - | 18,750 |
| Non-cash transactions | | | | | | | |
| Share-based payments | | - | - | - | 113,519 | - | 113,519 |
| Transfer of share-based payments expired | | - | - | - | (14,824) | 14,824 | - |
| Balance, June 30, 2013 | | 30,599,825 | \$ 4,719,373 | \$ 100,414 | \$ 453,999 | \$ (1,192,535) | \$ 4,081,251 |
| Loss for the period | | - | - | - | - | (244,902) | (244,902) |
| Exercise of stock options | | 400,000 | 80,000 | - | - | - | 80,000 |
| Exercise of warrants | | 2,403,305 | 598,576 | 2,250 | - | - | 600,826 |
| Non-cash transactions | | | | | | | |
| Share-based payments | | - | - | - | 1,007 | - | 1,007 |
| Reclassification of share-based payments on options exercise | | - | 52,354 | - | (52,354) | - | - |
| Transfer of fair value assigned under IFRS on exercise of warrants | | - | 74,349 | (74,349) | - | - | - |
| Transfer of warrants expired | | - | - | (28,315) | - | 28,315 | - |
| Balance, December 31, 2013 | | 33,403,130 | \$ 5,524,652 | \$ - | \$ 402,652 | \$ (1,409,122) | \$ 4,518,182 |
| Loss for the period | | - | - | - | - | (407,947) | (407,947) |
| Shares and warrants issued upon private placement | 13(b) | 2,098,000 | 529,250 | 8,000 | - | - | 537,250 |
| Non-cash transactions | | | | | | | |
| Other liability on flow-through share premium | 11 | - | (12,750) | - | - | - | (12,750) |
| Share-based payments | | - | - | - | 152,905 | - | 152,905 |
| Transfer of share-based payments expired | | - | - | - | (1,774) | 1,774 | - |
| Balance, June 30, 2014 | | 35,501,130 | \$ 6,041,152 | \$ 8,000 | \$ 553,783 | \$ (1,815,295) | \$ 4,787,640 |

See accompanying notes to the financial statements.

MARITIME RESOURCES CORP.

Notes to Condensed Interim Financial Statements
For the Six Months Ended June 30, 2014 and 2013
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Maritime Resources Corp. (the “Company” or “Maritime”) was incorporated under the *Business Corporations Act* (British Columbia) on May 14, 2007. The principal activities of the Company are the exploration of resource properties in Green Bay, Newfoundland, Canada. The Company is considered to be in the exploration stage.

The address of the Company’s corporate office and principal place of business is Suite 615 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

These condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate the acquisition of, participation in or interest in new properties, assets or business opportunities, and raise additional funds by way of equity financings. Any acquisition may be subject to shareholder and regulatory approval and obtaining the necessary financing. Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain operations may be impaired. The available funds are insufficient to continue operations for the ensuing year. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be successful in doing so in the future. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The financial statements have been prepared on a historical basis, using the accrual basis of accounting except for cash flow information. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s audited financial statements as at and for the year ended December 31, 2013. Accordingly accounting policies applied are the same as those applied in the Company’s annual financial statements which are filed on SEDAR at www.sedar.com.

These financial statements were authorized for issue by the Board of Directors on August 19, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Use of estimates and judgment

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of

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making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical judgments exercised in the application of accounting policies and estimates having the most significant effects on the amounts recognized in these financial statements include:

Economic recoverability and profitability of future economic benefits of exploration and evaluation assets – Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits, including geological and other technical information, a history of conversion of mineral deposits with similar characteristics to its properties, evaluation of permitting and environmental issues and other such factors.

Valuation of share-based payments, agent compensation and finders' warrants – The Company uses the Black-Scholes Pricing Model for valuation of share-based payments, agent compensation and finders' warrants, which requires the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

Income taxes – In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.

(b) Flow-through shares and unit offerings

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the "flow-through share premium") as follows:

- Share capital – the market value of the share
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature based on the residual value method.
- Warrants – recorded as reserves based on the residual value method.

Thereafter, as qualifying resource expenditures are incurred, these costs are expensed and the flow-through share premium is amortized to profit or loss.

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At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time (before or after the end of the reporting 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 and recorded to profit or loss.

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the quoted market price of the common shares at the time the units are priced, then to the flow-through tax premium, if any and thereafter to warrants.

(c) Segmented information

The Company has one operating segment, mineral exploration and development, and operates in one geographical segment, being Canada.

(d) Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

(e) IAS 32, "Financial Instruments: Presentation"

The Company adopted IAS 32 effective with January 1, 2014. The Company has evaluated the impact of this standard on its financial statements, and believes it has no impact on the statements of financial position or results of operations.

4. FINANCIAL INSTRUMENTS

The Company has classified its cash, including any restricted cash, as Fair Value through Profit or Loss ("FVTPL") (using level 1 of the fair value hierarchy); receivables (excluding tax arrangements) as loans and receivables; and accounts payable and accrued liabilities and loans as other financial liabilities.

The carrying values of cash and restricted cash, accounts receivables and accounts payable approximate their fair values due to the short-term maturity of these financial instruments.

The Company's financial instruments (net of accruals) as at June 30, 2014 and December 31, 2013 are as follows:

| | June 30, 2014 | | December 31, 2013 | |
|------------------------------|---------------|---------|-------------------|---------|
| Financial assets | | | | |
| Cash and restricted cash | \$ | 112,124 | \$ | 158,478 |
| Financial liabilities | | | | |
| Accounts payable | \$ | 30,965 | \$ | 11,155 |
| Loans and interest payable | | - | | 122,038 |
| | \$ | 30,965 | \$ | 133,193 |

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5. FINANCIAL RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash, restricted cash and receivables, other than Goods and Services Tax (“GST”). The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

The Company manages credit risk with respect to its cash by maintaining demand deposits with a major Canadian financial institution; however, this exposes the Company’s cash to concentration of credit risk as all amounts are held at a single institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company is exposed to liquidity risk.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company’s monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company’s monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign currency risk as its monetary assets and liabilities are denominated in Canadian dollars.

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(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

There were no changes in the Company's approach to managing the above risks.

6. CASH

| | June 30, 2014 | | December 31, 2013 | |
|--|---------------|---------|-------------------|---------|
| Cash | \$ | 65,438 | \$ | 158,478 |
| Restricted cash (flow-through funds for exploration) | | 46,686 | | - |
| | \$ | 112,124 | \$ | 158,478 |

Exploration funds raised through the issuance of flow-through shares are required to be spent on mineral exploration related activities in Canada only.

7. RECEIVABLES

| | June 30, 2014 | | December 31, 2013 | |
|----------------|---------------|-------|-------------------|-------|
| GST receivable | \$ | 7,612 | \$ | 7,261 |
| Other | | - | | 2,117 |
| | \$ | 7,612 | \$ | 9,378 |

8. EXPLORATION AND EVALUATION ASSETS

The Company owns a 100% interest in the Green Bay property, subject to a 2% net smelter return royalty on future production from the property with the exception of production from the Orion deposit. Expenditures incurred on the Green Bay property during the periods ended June 30, 2014 and December 31, 2013 are as follows:

| | June 30, 2014 | | December 31, 2013 | |
|---|---------------|------------------|-------------------|------------------|
| Balance at the beginning of the period | \$ | 4,600,234 | \$ | 4,302,405 |
| Exploration costs: | | | | |
| Drilling | | 1,125 | | 5,988 |
| Geology and reports writing | | 90,365 | | 277,621 |
| Property | | 12,740 | | 12,162 |
| Trenching | | - | | 11,489 |
| Metallurgy | | - | | 16,132 |
| Reports | | - | | 18,300 |
| Other | | - | | 10,035 |
| | | 104,230 | | 351,727 |
| Less: | | | | |
| Recoveries & Grants | | - | | (53,898) |
| Net additions | | 104,230 | | 297,829 |
| Balance at the end of the period | \$ | 4,704,464 | \$ | 4,600,234 |

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9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | June 30, 2014 | | December 31, 2013 | |
|------------------------|---------------|--------|-------------------|---------|
| Accounts payable | \$ | 5,221 | \$ | 6,014 |
| Accrued liabilities | | 7,000 | | 15,000 |
| Interest payable | | - | | 2,038 |
| Due to related parties | | 25,744 | | 117,641 |
| | \$ | 37,965 | \$ | 140,693 |

10. LOANS

On November 7, 2012, the Company completed loan arrangements by way of promissory notes (“Notes”) for total proceeds of \$400,000. The Notes matured on October 31, 2013 and bore interest of 10% per annum. In connection with these loans, the Company, as a bonus to the lenders, issued in the aggregate 400,000 common shares at a total fair value of \$68,000, which transaction cost was amortized and expensed prior to December 31, 2013.

During the year ended December 31, 2013, the Company repaid, in the aggregate, principal of \$280,000 and interest of \$42,317 to some of the lenders. The Company re-entered into a loan arrangement for total principal of \$120,000, with interest bearing at 10% per annum and due on demand.

On May 22, 2014, the Company repaid the remaining principal of \$120,000 and interest of \$6,707 by way of \$707 in cash, issuance of securities, as to 104,000 non-flow-through units (as those are defined in Note 13(b)) at \$0.25 per unit, and 400,000 common shares at \$0.25 per common share (Note 13(b)).

11. OTHER LIABILITY

Other liability of \$12,750 consists of the tax premium portion of 255,000 flow-through shares issued at \$0.30 per unit in May and June 2014 (Note 13(b)). The difference between the closing prices and issued prices, net of the value of the one warrant issued with each share, is treated as a liability in accordance with IFRS. It will be reversed into earnings as the Company renounces the incurred eligible expenditures at the end of the year.

12. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders’ equity and debt obligations. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company’s business. The Company does not pay dividends and is not subject to any externally imposed capital requirements.

The Company raises capital through the issuance of its share capital and promissory notes to fund operations, and the identification and evaluation of exploration assets. Although the Company has been successful at raising funds in the past through issuance of common shares, there can be no assurance that it will continue to be able to do so in the future.

There were no changes to the Company’s approach to capital management during the period ended June 30, 2014. The Company is not subject to any externally imposed capital restrictions.

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13. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

On May 9, 2014, the Company announced a non-brokered private placement ("Private Placement") for gross proceeds of up to \$750,000 by way of up to 2,400,000 non-flow-through units ("NFT Units") at \$0.25 per NFT Unit and up to 500,000 flow-through units ("FT Units") at \$0.30 per FT Unit. Each NFT Unit consists of one non-flow-through common share and one share purchase warrant ("Warrant"). Each FT Unit consists of one flow-through common share and one Warrant. All Warrants are non-transferable, and each Warrant entitles the holder to purchase one non-flow-through common share at a price of \$0.35 per common share for 12 months following the date of closing.

The Company closed the first tranche of the Private Placement on May 22, 2014, for total gross proceeds of \$511,250, as to 235,000 FT Units and 913,000 NFT Units, such that it issued 235,000 flow-through common shares, 913,000 common shares, and a total of 1,148,000 Warrants allowing for the purchase of up to, in the aggregate, 1,148,000 common shares at \$0.35 until May 21, 2015. The Company also issued 850,000 common shares at \$0.25 per common share pertaining to the settlement of debt and interest thereon (Note 10). Of the NFT Units issued, 104,000 were issued in settlement of debt and interest thereon (Note 10).

The Company closed the second and final tranche of the Private Placement on June 18, 2014 for total gross proceeds of \$26,000, as to 20,000 FT Units and 80,000 NFT Units, such that it issued 20,000 flow-through common shares, 80,000 common shares, and a total of 100,000 Warrants allowing for the purchase of up to, in the aggregate, 100,000 common shares at \$0.35 until June 17, 2015.

No finders' fees were paid in connection with the Private Placement.

(c) Stock options

The Company has a "rolling" stock option plan for its directors, officers, employees and consultants. The terms of the plan provide for options to be granted to a maximum of 10% of the issued and outstanding common shares of the Company at the time of grant of the stock options. The exercise price of each option shall not be less than the minimum price permitted by the policies of the TSX Venture Exchange, and the options may be granted for a maximum term of ten years from the date of grant. The Company records the fair value of all options granted using the Black-Scholes model as share-based payment expense over the vesting period of the options. Vesting terms are determined by the Board of Directors.

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A summary of the Company's stock options as at June 30, 2014 and December 31, 2013 and changes during the periods then ended follows:

| | Number of Options | Weighted Average |
|--------------------------------|------------------------------|-----------------------------|
| Outstanding, December 31, 2012 | 2,325,000 | \$ 0.176 |
| Granted | 675,000 | \$ 0.200 |
| Expired | (175,000) | \$ 0.229 |
| Outstanding, June 30, 2013 | 2,825,000 | \$ 0.179 |
| Exercised | (400,000) | \$ 0.200 |
| Outstanding, December 31, 2013 | 2,425,000 | \$ 0.175 |
| Granted | 660,000 | \$ 0.280 |
| Expired | (10,000) | \$ 0.200 |
| Outstanding, June 30 2014 | 3,075,000 | \$ 0.198 |
| Exercisable, June 30 2014 | 3,060,000 | \$ 0.197 |

During the period ended June 30, 2014, options allowing for the purchase of up to 660,000 common shares were granted (2013: 675,000) and options allowing for the purchase of up to 10,000 common shares expired (2013: 175,000). At June 30, 2014, options allowing for the purchase, in the aggregate, of 3,060,000 (2013: 2,806,250) shares were vested and exercisable, with a weighted average exercise price of \$0.197 (2013: \$0.179) per share and a weighted average remaining contractual life of 2.81 (2013: 2.80) years.

The Company has estimated the forfeiture rate to be 0.00%. Expected volatility was determined based on the historical movements in the closing price of the Company's, or comparable companies' stocks for a length of time to the expected life of each option.

The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for the grants as follows:

| | 2014 | 2013 |
|---------------------------------|-------------|-------------|
| Risk-free interest rate | 1.53% | 1.41% |
| Expected dividend yield | Nil | Nil |
| Expected stock price volatility | 125% | 127% |
| Expected option life in years | 5 | 5 |

As at June 30, 2014, stock options outstanding were as follows:

| Number of Options | Exercise Price | Expiry Date | Weighted Average Remaining Contractual Life in Years | Weighted Average Exercise Price |
|------------------------------|---------------------------|------------------------|---|--|
| 1,000,000 | \$0.150 | 01-Oct-15 | | |
| 150,000 | \$0.165 | 26-Nov-15 | | |
| 390,000 | \$0.200 | 14-Dec-16 | | |
| 200,000 | \$0.175 | 26-Apr-17 | | |
| 675,000 | \$0.200 | 21-Jan-18 | | |
| 660,000 | \$0.280 | 29-May-19 | | |
| 3,075,000 | | | 2.81 | 0.198 |

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Share-based payments charged to operations on options vested for the six months ended June 30, 2014 and 2013 were as follows:

| | For the Three Months Ended | | For the Six Month Ended | |
|-----------------------|----------------------------|---------------|-------------------------|---------------|
| | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 |
| Accounting | \$ 5,905 | \$ - | \$ 5,905 | \$ 4,253 |
| Consulting | 68,500 | - | 68,500 | 59,548 |
| Investor relations | 492 | 1,323 | 552 | 2,931 |
| Salaries and benefits | 77,948 | - | 77,948 | 46,787 |
| | \$ 152,845 | \$ 1,323 | \$ 152,905 | \$ 113,519 |

14. WARRANTS

During the six months ended June 30, 2014, the Company issued 1,248,000 share purchase warrants in connection with the private placement. All the warrants entitle the holder to purchase one common share at a price of \$0.35, with 1,148,000 of the warrants expiring on May 21, 2015 and 100,000 expiring on June 17, 2015. The warrants were valued using the residual method (Note 3(b)), such that the 1,148,000 warrants issued on May 22, 2014 were valued at \$Nil and 200,000 warrants issued on June 18, 2014 were valued at \$8,000.

A summary of the status of the Company's warrants as at December 31, 2013 and June 30, 2014 follows:

| | Number of Warrants | Amount | Expiry Date |
|--|--------------------|----------|-------------|
| Outstanding and exercisable, December 31, 2013 | - | \$ - | |
| Issued during the period | | | |
| Private placement | | | |
| - Tranche 1 | 1,148,000 | - | 21-May-15 |
| - Tranche 2 | 100,000 | 8,000 | 17-Jun-15 |
| Outstanding, June 30, 2014 | 1,248,000 | \$ 8,000 | |

15. RELATED PARTY TRANSACTIONS

(a) Services

The Company's related parties consist of directors, executive officers, significant shareholders and companies controlled or influenced by them. The Company incurred fees and expenses* in the normal course of operations in connection with companies owned by such parties as follows:

| | For the Three Months Ended | | For the Six Months Ended | |
|-----------------------|----------------------------|---------------|--------------------------|---------------|
| | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 |
| Consulting | 53,467 | 36,900 | \$ 94,367 | \$ 77,800 |
| Directors' fees | - | 22,500 | - | 45,000 |
| Geological consulting | 16,200 | 16,200 | 32,400 | 32,400 |
| | \$ 69,667 | \$ 75,600 | \$ 126,767 | \$ 155,200 |

* Excluding shares-based payments on vesting of incentive stock options using the Black-Scholes Pricing Model.

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During the six months ended June 30, 2014, the Company was charged \$46,109 (2013 - \$53,268) by a company related by virtue of common directorship and which, at June 30, 2014, held approximately 34% of the Company's issued and outstanding shares, in respect of office administration, accounting, rent, insurance and investor relations expenses. At June 30, 2014, accounts payable and accrued liabilities included \$780 (2013: \$9,338) owed to that party.

(b) Compensation of key management personnel

Key management personnel consist of the directors and executive officers of the Company. The remuneration, including stock-based compensation, of key management personnel follows:

| | For the Three Months Ended | | For the Six Months Ended | |
|-----------------------|----------------------------|---------------|--------------------------|---------------|
| | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 |
| Consulting | \$ 53,467 | \$ 36,900 | \$ 94,367 | \$ 77,800 |
| Directors' fees | - | 22,500 | - | 45,000 |
| Geological consulting | 16,200 | 16,200 | 32,400 | 32,400 |
| Share-based payments | 121,646 | - | 121,646 | 93,574 |
| | \$ 191,313 | \$ 75,600 | \$ 248,413 | \$ 248,774 |

From October 1, 2012, the Company agreed to compensate its 5 non-executive directors for their services, as to \$1,500 per month for each non-executive director. On May 16, 2014, the Company elected to terminate the arrangement effective January 1, 2014, pursuant to which the Company wrote off directors' fees in the amount of \$22,500. On May 22, 2014, the Company issued 450,000 common shares valued at \$0.25 per share to its non-executive directors, to settle fees of \$112,500 accrued to December 31, 2013.

At June 30, 2014, accounts payable and accrued liabilities included \$24,745 (2013: \$Nil) in respect of a former CEO's fees.

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the period.