NICKEL NORTH EXPLORATION CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

(Unaudited –Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT

The accompanying unaudited interim financial report of the Company has been prepared by and is the responsibility of the Company's management. The Company's independent auditor has not performed a review of this financial report in accordance with securities legislation and the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NICKEL NORTH EXPLORATION CORP.
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note		June 30, 2014		December 31, 2013 (Audited)
ASSETS					
Current assets					
Cash and cash equivalents	4	$	1,144,919	$	1,124,184
Sales tax recoverable and other receivables			450,387		1,266,588
Prepaid expenses and deposits			1,827		16,431
Restricted cash	5		28,750		28,750
Total current assets			1,625,883		2,435,953
Non-current assets					
Equipment	6		3,986		3,483
Exploration and evaluation assets	7		9,195,969		8,791,475
Total assets		$	10,825,838	$	11,230,911
LIABILITIES AND EQUITY					
Current liabilities					
Accounts and other payables	8	$	245,882	$	204,451
Flow-through share premium liability	9		165,159		332,537
Total current liabilities			411,041		536,988
Deferred income tax liabilities			630,315		630,315
Total liabilities			1,041,356		1,167,303
Equity					
Share capital	9		9,967,079		9,967,079
Contributed surplus	9		736,112		736,112
Deficit			(918,709)		(639,583)
Total equity			9,784,482		10,063,608
Total liabilities and equity		$	10,825,838	$	11,230,911

Going Concern (Note 2)
Subsequent Event (Note 14)

The financial statements were authorized for issue by the board of directors on August 28, 2014 and were signed on its behalf by:

"Jingbin Wang"	*"Richard Barclay"*
Director	Director

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

NICKEL NORTH EXPLORATION CORP.
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

		Three Months Ended		Six Months Ended	
	Note	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
EXPENSES					
Accounting and audit		$ 29,500	$ 34,000	$ 29,500	$ 35,000
Bank charges and interest		245	2,598	505	5,258
Consulting fees	10	182,238	82,140	220,484	221,719
Depreciation		585	417	1,170	773
Legal		17,873	27,466	18,073	51,025
Media and conference		2,123	1,839	2,263	4,629
Office administration and miscellaneous		24,298	20,845	45,026	42,077
Transfer agent and filing fees		4,344	17,222	12,355	29,388
Share-based payments		-	1,199	-	1,199
Travel and promotion		14,154	17,740	61,488	90,175
Wages and benefits		29,832	35,164	59,840	65,446
		(305,192)	(240,630)	(450,704)	(546,689)
OTHER ITEMS					
Interest and other income		2,411	2,495	4,200	3,665
Settlement of flow-through premium liability	9	24,840	-	167,378	50,092
		27,251	2,495	171,578	53,757
Net and comprehensive loss for the period		$ (277,941)	$ (238,135)	$ (279,126)	$ (492,932)
Basic and diluted loss per common share	9	$(0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding		65,718,747	50,824,074	65,718,747	40,143,865

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

NICKEL NORTH EXPLORATION CORP.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, January 1, 2013	32,920,405	$ 5,054,809	$ 165,298	$(1,455,633)	$ 3,764,474
Comprehensive loss for the period	-	-	-	(492,932)	(492,932)
Non-flow-through private placements	8,000,000	1,440,000	560,000	-	2,000,000
Shares issued for exploration and evaluation assets	6,131,675	919,751	-	-	919,751
Share-based payments	-	-	1,199	-	1,199
Flow-through private placements	16,666,667	2,500,000	-	-	2,500,000
Agent's warrants issued	-	(9,615)	9,615	-	-
Share issuance costs	-	(176,291)	-	-	(176,291)
Balance, June 30, 2013	63,718,747	9,728,654	736,112	(1,948,565)	8,516,201
Comprehensive income for the period	-	-	-	1,308,982	1,308,982
Shares issued - acquisition of exploration and evaluation assets	2,000,000	240,000	-	-	240,000
Share issuance costs	-	(1,575)	-	-	(1,575)
Balance, December 31, 2013	65,718,747	9,967,079	736,112	(639,583)	10,063,608
Comprehensive loss for the period	-	-	-	(279,126)	(279,126)
Balance, June 30, 2014	65,718,747	$ 9,967,079	$ 736,112	$ (918,709)	$ 9,784,482

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

NICKEL NORTH EXPLORATION CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (279,126)	$ (492,932)
Items not affecting cash:		
Extinguishment of accounts payable		-
Write-off of other payables		-
Depreciation	1,170	773
Accrued interest on loans		-
Share based payments	-	1,199
Other Income – Flow-through shares	(167,378)	(50,092)
Changes in non-cash working capital items:		
Sales tax and other receivables	816,201	(738,295)
Prepaid expenses and deposits	14,604	11,045
Account and other payables	75,868	279,287
Net cash received (used) in operating activities	461,339	(989,015)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(438,931)	(450,423)
Purchase of equipment	(1,673)	(2,237)
Net cash used in investing activities	(440,604)	(452,660)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan received from a related party	-	300,000
Repayment of related party loan	-	(300,000)
Proceeds from shares issued for cash	-	7,000,000
Share issuance costs	-	(176,291)
Net cash provided by financing activities	-	6,823,709
Change in cash and cash equivalents during the period	20,735	5,382,034
Cash and cash equivalents, beginning of the period	1,124,184	97,595
Cash and cash equivalents, end of the period	$ 1,144,919	$ 5,479,629

Supplemental cash flow information (Note 11)

1. NATURE OF BUSINESS

Nickel North Exploration Corp. (formerly Orient Venture Capital Inc.) (the "Company") was incorporated under the laws of British Columbia, Canada on February 27, 2007 as Orient Ventures Capital Inc. and changed its name to Nickel North Exploration Corp. on July 30, 2012. The Company maintains its registered and head office at Suite 3114, 1055 Dunsmuir Street, Vancouver, British Columbia, Canada, V7X 1G4.

The Company is currently engaged in the acquisition, exploration, and development of mineral property interests in Canada. The Company's common shares are listed on the TSX-V under the symbol "NNX".

2. BACKGROUND AND BASIS OF PREPARATION

Basis of preparation

These condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by International Accounting Standard Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The condensed interim financial statements do not include all of the disclosures required for a competed set of annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair values. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Going concern

The Company is an exploration stage company. At present, the Company's operations do not generate cash flow. For the six months ended June 30, 2014, the Company had incurred a net loss of $279,126 and at June 30, 2014, an accumulated deficit of $918,709. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to obtain adequate financing in the near future, which raise significant doubts about the Company's ability to continue as a going concern. The directors, after reviewing the current cash position and having considered the Company's ability to raise funds in the short term, believe that the going concern basis is appropriate in preparing its financial statements.

These financial statements do not include adjustments that would be required if going concern was not deemed an appropriate basis for preparation of the financial statements. These adjustments could be material.

2. BACKGROUND AND BASIS OF PREPARATION (continued)

Use of estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

Actual results could differ from these estimates. Significant areas requiring the use of management estimates and judgments include:

(i) Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these assets. The assessment of indications of impairment and the measuring of the recoverable amount when impairment tests have been prepared involve judgment. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.
(ii) The determination of the fair value of stock options or warrants using stock option pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.
(iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
(iv) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.
(v) The recognition of provisions for restoration, rehabilitation and environmental obligation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in the Company's annual financial statements for the year ended December 31, 2013 were consistently applied to all the periods presented unless otherwise noted below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2014 had no significant impact on the Company's financial statements for the periods presented.

IAS 36 ***Impairment of Assets*** - In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when and asset's or a CGU's recoverable amount is based on fair value less costs of disposal.

IFRIC 21 ***Levies*** - In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on or after January 1, 2015, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective January 1, 2015

IFRS 9 ***Financial Instruments*** - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted by amendments to IAS 32, January 1, 2014.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

(Expressed in Canadian Dollars)

4. CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013
Cash	$ 444,919	$ 324,184
Guaranteed investment certificates	700,000	800,000
	$ 1,144,919	$ 1,124,184

The Company's guaranteed investment certificate of $700,000 bears interest rate at the prime rate minus 1.80% per annum and matures on November 5, 2014.

5. RESTRICTED CASH

The Company has provided corporate credit cards to its management with a credit limit totalling $25,000 to pay the Company's expenses. As collateral for the credit cards, the Company has a one-year term deposit of $28,750 earning annual interest at the prime rate minus 1.90% per annum. As at June 30, 2014, the credit cards had a payable balance of $3,283 (December 31, 2013 – credit balance of $298) in total.

6. EQUIPMENT

	Office Equipment
Cost	
Balance as at January 1, 2013	$ 2,773
Addition for the period	2,237
Balance as at June 30, 2013	5,010
Addition for the period	339
Balance as at December 31, 2013	5,349
Addition for the period	1,673
Balance as at June 30, 2014	7,022
Accumulated depreciation	
Balance as at January 1, 2013	230
Depreciation for the period	773
Balance as at June 30, 2013	1,003
Depreciation for the period	863
Balance as at December 31, 2013	1,866
Depreciation for the period	1,170
Balance as at June 30, 2014	3,036
Net book value as at December 31, 2013	$ 3,483
Net book value as at June 30, 2014	$ 3,986

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

	January 1, 2013	Additions	December 31, 2013	Additions	June 30, 2014
Hawk Ridge Property, Quebec					
Acquisition costs					
Option payment	$ 1,897,906	$ 919,751	$ 2,817,657	$ -	$ 2,817,657
Other property costs	30,050	65,645	95,695	-	95,695
	1,927,956	985,396	2,913,352	-	2,913,352
Exploration costs					
Accommodation/camp	93,439	315,865	409,304	-	409,304
Assays	84,076	419,203	503,279	12,801	516,080
Drilling	302,585	1,203,210	1,505,795	1,650	1,507,445
Field supplies	121,147	616,130	737,277	3,261	740,538
Geological consulting	349,497	1,012,861	1,362,358	429,603	1,791,961
Miscellaneous	40,224	61,824	102,048	15,256	117,304
Transportation	361,524	987,180	1,348,704	-	1,348,704
Travel	56,464	167,178	223,642	29,476	253,118
	1,408,956	4,783,451	6,192,407	492,047	6,684,454
Exploration prepayment	204,309	(134,299)	70,010	17,500	87,510
Mining exploration tax credits	-	(624,294)	(624,294)	(108,365)	(732,659)
Balance, end of period	3,541,221	5,010,254	8,551,475	401,182	8,952,657
Nairn Property, Ontario					
Acquisition costs	-	240,000	240,000	2,182	242,182
Exploration costs					
Geological consulting	-	-	-	650	650
Miscellaneous	-	-	-	480	480
	-	-	-	1,130	1,130
Balance, end of period	-	240,000	240,000	3,312	243,312
Total balance, end of period	$ 3,541,221	$ 5,250,254	$ 8,791,475	$ 404,494	$ 9,195,969

Hawk Ridge Property:

On March 29, 2012, the Company entered into an option agreement with Anthem Resources Inc. (“Anthem”) and its wholly-owned subsidiary (together the “Optionors”), which was subsequently amended on May 15, 2012 (the “First Amendment”), on February 15, 2013 (the “Second Amendment”), and on April 17, 2013 (the “Third Amendment”) whereby the Optionors granted the Company an option to acquire a 100% interest in the Hawk Ridge Ni-Cu-PGE Project in Northern Quebec (the “Hawk Ridge Property”) by making staged payments totaling $2,000,000 in cash and $1,000,000 equivalent in common shares of the Company to Anthem by December 31, 2013 as follows:

- Pay $500,000 in cash (paid) and $250,000 in common shares (issued) within five business day of TSX-V final approval of the transaction;
- Pay $500,000 in cash (paid) and $250,000 in common shares (issued) by December 31, 2012; and
- Pay $1,000,000 in cash (reduced by $92,081 for 20% of geophysical survey costs paid by the Company) and issue $500,000 in common shares ($500,000 divided by the greater of (A) the price per consideration share (“Share”), equal to 10% discount to the Share’s moving average trading price for the 20 day period immediately preceding the date of issuance, and (B) $0.20) on or before December 31, 2013 (issued).

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended December 31, 2013, under the Third Amendment, in lieu of paying $1,000,000 in cash on or before December 31, 2013, the Company issued to the Optionors 3,631,675 units (the "Conversion Units") equal to $907,919 ($1,000,000 less $92,081 for the geophysical survey costs) divided by $0.25 per Conversion Unit. Each Conversion Unit consists of one common share and one half of one common share purchase warrant with each whole warrant entitling the holder to acquire one additional common share for a period of two years, at an exercise price of $0.35 per share in the first year and $0.60 per share in the second year. In addition, the Company issued 2,500,000 common shares equal to $500,000 divided by the greater of $0.20 or a 10% discount to the 20 day moving average trading price of the Company for the 20 day period immediately preceding the date of issuance.

During the year ended December 31, 2012, the Company issued 2,302,032 units with a fair value of $460,406 as geophysical survey expense. Each unit comprised one common share and one-half of a share purchase warrant; each whole warrant entitles the holder to acquire one common share for a period of two years following the closing date at a price of $0.35 in the first year and at a price of $0.60 in the second year.

The property is subject to a 3% net smelter returns royalty ("NSR") and the Company has the option to purchase one-third of the NSR (1%) for $1,000,000.

On May 1, 2013, the Company has fulfilled all option payments and acquired 100% ownership of the Hawk Ridge Property.

The exploration expenditures incurred on the property in Quebec are entitled to certain Quebec mining exploration tax credits. During the year ended December 31, 2013, the Company has submitted a claim for the mining exploration tax credit of $624,294 for the eligible exploration expenditures incurred for the period from the completion of QT to March 31, 2013. During the six months ended June 30, 2014, the Company has submitted a claim for the mining exploration tax credit of $108,365 for the eligible exploration expenditures incurred for the period from April 1, 2013 to December 31, 2013.

Nairn Property:

On August 23, 2013, pursuant to a property purchase agreement with Sino Minerals Corp. ("Sino Minerals") entered into on June 27, 2013, the Company acquired all of Sino Mineral's 100% interest in 14 mining claims covering a total area of approximately 2,860 hectares located in the Province of Ontario and known as the Nairn Property (the "Nairn Property"), subject to a 2% net smelter returns royalty over six of the claims and third party freehold patent surface rights over eight of the claims. In consideration for the Nairn Property, the Company issued to Sino Minerals 2,000,000 common shares at a market price of $0.12 per share for a fair value of $240,000.

8. ACCOUNTS AND OTHER PAYABLES

The Company's accounts and other payables are as follows:

	June 30, 2014	December 31, 2013
Accounts payable	$ 55,676	$ 48,303
Amounts due to related parties (Note 10)	25,923	17,325
Accrued expenses to related parties (Note 10)	148,000	129,257
Other payable	16,283	9,566
	$ 245,882	$ 204,451

Accounts payable of the Company principally comprises amounts outstanding for trade purchases relating to exploration activities and accrued expenses for operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL

Authorized

The Company has authorized an unlimited number of common shares with no par value and an unlimited number of non-voting, non-participating, non-cumulative preferred shares without par value issuable in series.

Shares issued and outstanding

	Note	Number of Common Shares	$
Balance, January 1, 2013		32,920,405	5,054,809
Shares issued pursuant to non-flow-through private placements	i)	8,000,000	1,440,000
Shares issued to Anthem pursuant to the option agreement	ii)	6,131,675	919,751
Shares issued pursuant to flow-through private placements	iii)	16,666,667	2,500,000
Share issuance costs paid in cash	iii)	-	(176,291)
Agents warrants issued	iii)	-	(9,615)
Balance, June 30, 2013		63,718,747	9,728,654
Share issuance costs paid in cash	iii)	-	(1,575)
Shares issued to Sino Minerals to purchase Nairn Property	iv)	2,000,000	240,000
Balance, December 31, 2013 and June 30, 2014		65,718,747	9,967,079

Starting from January 1, 2013, the Company:

i) Completed a non-brokered private placement of 8,000,000 units at a price of $0.25 per unit for gross proceeds of $2,000,000. Each unit consists of one common share and one half of a share purchase warrant; each whole warrant entitles the holder to acquire one additional common share at a price of $0.35 until March 28, 2014 and at a price of $0.60 until March 28, 2015.

ii) Issued 6,131,675 common shares pursuant to the Third Amendment to acquire the Hawk Ridge Property with a fair value of $919,751.

iii) Completed a brokered financing of 16,666,667 flow-through shares at a price of $0.30 per flow-through share for gross proceeds of $5,000,000. The Company incurred share issuance costs of $177,866 and issued 250,000 agent's warrants in connection with the financing. Each agent's warrant is exercisable until May 30, 2015 to acquire one common share at a price of $0.35. The agent's warrants were valued at $9,615. Pursuant to the terms of the flow-through agreements, the Company is required to comply with the contractual obligations and the renouncement requirements of the Canadian Income Tax Act. On February 12, 2014, the Company renounced $5,000,000 exploration expenditures and commit to spend the entire $5,000,000 on qualifying exploration expenditures by December 31, 2014.

    For the purposes of calculating the tax effect of any premium related to the issuance of flow-through shares, management reviewed the quoted market price per non-flow-through share on the issuance date and compared it to the price used in this issuance and determined that there was a premium of $0.15 per flow-through share. As at June 30, 2014, the Company recognized $165,159 (December 31, 2013 - $332,537) as premium on the flow-through share liability. During the six month period ended June 30, 2014, the Company recognized $167,378 (June 30, 2013 - $50,092) as other income for the tax deduction passed on to the flow-through shareholders under the renouncement filed.

iv) Issued 2,000,000 common shares to acquire Nairn Property with a fair value of $240,000.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

Escrow shares

21,536,726 common shares issued prior to the completion of the Qualifying Transaction are subject to escrow. Pursuant to TSX-V Policy 2.4, 10% of the escrowed common shares will be released from escrow on the listing date and 15% will be released every six months thereafter over a period of thirty six months. As at June 30, 2014, 9,679,526 (December 31, 2013 – 12,906,035) common shares remained in escrow.

Basic and diluted earnings/loss per share

The calculation of basic and diluted loss per share for the six month period ended June 30, 2014 was based on net loss of $279,126 (June 30, 2013 – net loss of $492,932), attributable to common shareholders and a weighted average number of common shares outstanding of 65,718,747 (June 30, 2013 – 40,143,865).

At June 30, 2014, 2,214,125 stock options (December 31, 2013 – 2,214,125), 15,749,154 warrants (December 31, 2013 – 15,749,154), and 151,810 agent's warrants (December 31, 2013 – 151,810) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, outstanding and exercisable at January 1, 2013	2,233,250	$ 0.20
Options granted	200,000	0.20
Balance, outstanding and exercisable at June 30, 2013	2,433,250	0.20
Cancelled	(19,125)	0.20
Expired	(200,000)	0.20
Balance, outstanding and exercisable at December 31, 2013 and June 30, 2014	2,214,125	$ 0.20

The following options to acquire common shares were outstanding at June 30, 2014.

Number of Shares	Exercise Price	Expiry Date
2,214,125	$ 0.20	August 28, 2017

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

Warrants

The Company uses the residual value approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant. Agents' warrants are measured at fair value on the date of the grant as determined using a Black-Scholes option pricing model.

Starting from January 1, 2013:

The fair value of 4,000,000 warrants issued in connection with the non-brokered private placement of 8,000,000 units on March 28, 2013 was $560,000 based on the residual value approach.

The fair value of 250,000 agent warrants issued in connection with the private placement of 16,666,667 units in May 2013 was $9,615. The Company used the Black-Scholes option pricing model based on the following assumptions: a risk-free interest rate of 1.02%, an expected life of 2 years, annualized volatility of 100%, a dividend rate of 0%, and a market price of the shares at grant date of $0.15. The fair value of the agent warrants issued was $0.04.

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, Outstanding and Exercisable at January 1, 2013	9,835,126	$	0.48
Warrants issued	4,000,000		0.48
Warrants issued	1,815,838		0.48
Agent's warrants issued	250,000		0.35
Balance, Outstanding and Exercisable at June 30, 2013, December 31, 2013 and June 30, 2014	15,900,964	$	0.47

As at June 30, 2014 the following warrants were outstanding:

	Number of Warrants		Exercise Price		Expiry Date
Warrants	9,683,316	$	0.35	for 1st year	August 2, 2014
			0.60	for 2nd year	
Agent's warrants	151,810	$	0.22		August 2, 2014
Warrants	4,000,000	$	0.35	for 1st year	March 28, 2015
			0.60	for 2nd year	
Warrants	1,815,838	$	0.35	for 1st year	May 1, 2015
			0.60	for 2nd year	
Agent's warrants	250,000	$	0.35		May 30, 2015
	15,900,964				

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

The Company entered into the following related party transactions for the six months ended June 30, 2014:

a) Incurred corporate consulting fees of $32,121 (June 30, 2013 - $56,064) from a company owned by the former CEO of the Company. Incurred $100,000 termination payment to the former CEO of the Company for the contractual obligation.

b) Incurred consulting fees of $nil (June 30, 2013 - $14,930) from a company controlled by the former CFO of the Company for corporate consulting services provided.

c) Incurred consulting fees of $15,000 (June 30, 2013 - $15,000) from a company controlled by a director of the Company for corporate consulting services provided.

d) Incurred consulting fees of $nil (June 30, 2013 - $34,875) from a company controlled by the former CFO of the Company for services provided in connection with the financing, marketing and investor relations.

e) Incurred corporate consulting fees of $nil (June 30, 2013 - $6,200) from a company owned by a former director of the Company.

f) Incurred corporate consulting fees of $7,500 (June 30, 2013 - $8,500) from a company with two directors in common.

g) Incurred interest expense of $nil (June 30, 2013 - $4,866) on a loan from a company controlled by directors of the Company. The principal of the loan was $300,000 pursuant to a loan agreement entered on February 8, 2013. The loan was unsecured, accrued interest at 8% per annum and was fully repaid in May 2013.

h) Incurred director fees of $45,363 (June 30, 2013 - $53,500) from the directors of the Company.

i) Incurred $95,925 (June 30, 2013 - $75,436) geological consulting fees for exploration expenditures to companies controlled by directors and by the former CEO of the Company.

j) As at June 30, 2014, included in accounts and other payables is $173,923 (December 31, 2013 - $146,582) due to directors, officers and companies controlled by directors and officers for services rendered. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management personnel during the six month periods ended June 30, 2014 and 2013 is as follows:

	Six Months Ended June 30, 2014	Six Months Ended June 30,2013
Short-term benefits	$ 296,737	$ 224,005

(Expressed in Canadian Dollars)

11. SUPPLEMENTAL CASH FLOW INFORMATION

	Six Months Ended June 30, 2014	Six Months Ended June 30,2013
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ 4,866

There were no significant non-cash investing or financing transactions for the six month period ended June 30, 2014.

Significant non-cash investing and financing transactions during the six month period ended June 30, 2013 included:

(a) The Company issued 6,131,675 common shares with a fair value of $919,751 pursuant to the Third Amendment to acquire the Hawk Ridge Property.
(b) The Company issued 250,000 agent's warrant with a fair value of $9,615 as financing fees for the flow-through private placements in May 2013.

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, and acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management.

There were no changes in the Company's approach to capital management from the prior year. The Company is not subject to externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash and cash equivalents, restricted cash, account and other payables. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The fair value of these financial instruments approximates their carrying value due to their short terms of maturity.

The following table summarizes the carrying values of the Company's financial instruments:

		June 30, 2014	December 31, 2013
FVTPL	(i)	$ 1,173,669	$ 1,152,934
Other financial liabilities	(ii)	$ 245,882	$ 204,451

(i) Cash and cash equivalents, restricted cash
(ii) Accounts and other payables

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market data

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

	Level 1	Level 2	Level 3	Total June 30, 2014
Cash and cash equivalents	$ 1,144,919	$ -	$ -	$ 1,144,919
Restricted cash	$ 28,750	$ -	$ -	$ 28,750

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash and cash equivalents. The credit risk with respect to its cash and cash equivalents is minimal as they are held with high-credit quality financial institutions. Management does not expect these counterparties to fail to meet their obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. As at June 30, 2014, the Company had a working capital of $1,214,842. All of the Company's financial liabilities are classified as current.

At present, the Company's operations do not generate cash flow. The Company's primary source of funding has been the issuance of equity securities through private placements and the exercise of stock options and warrants. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

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

	< 1 year	1 – 3 years	Total
Accounts and other payables	$ 245,882	$ -	$ 245,882

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions. The interest rate risks on cash and cash equivalents are not considered significant due to their short-term nature.

14 SUBSEQUENT EVENTS

On August 28, 2014, the Company announces that, subject to regulatory approval, the Company intends to complete a private placement (the "Offering") of an unsecured convertible debenture (the "Debenture") in the principal amount of a minimum of $1,000,000 and a maximum of $1,500,000 with Sinotech (Hong Kong) Corporation Limited ("Sinotech"). The principal amount of the Debenture will mature twelve months after issuance (the "Maturity Date") and accrue interest at 8% per annum payable on the Maturity Date. At any time after the date that is six months after issuance of the Debenture, the Company may convert all or any part of the principal amount outstanding under the Debenture into common shares in the capital of the Company (each, a "Share") at a conversion price of $0.10 per Share and any accrued but unpaid interest thereon at the greater of $0.10 per Share and the Market Price (as defined in the policies of the TSX Venture Exchange) at the time of conversion. The proceeds of the Offering are expected to be used by the Company for the exploration program on the Company's Hawk Ridge Project.