Roche Bay PLC

Consolidated Financial Statements

March 31, 2014 and 2013

(Expressed in United States Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Roche Bay PLC

We have audited the accompanying consolidated financial statements of Roche Bay PLC, which comprise the consolidated statements of financial position as at March 31, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Roche Bay PLC as at March 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that may cast significant doubt about Roche Bay PLC's ability to continue as a going concern.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
July 3, 2014

Consolidated Statements of Financial Position
(Expressed in United States Dollars)
March 31, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash	**$ 47,784**	$ 177,910
Marketable securities *(note 4)*	**406,136**	396,577
	453,920	574,487
Mineral resources *(note 5)*	**1,780,313**	1,781,872
	$ 2,234,233	$ 2,356,359
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 7)*	**$ 1,289,360**	$ 1,112,144
Shareholders' equity		
Share capital *(note 6)*	**13,735,345**	13,735,345
Deficit	**(12,790,472)**	(12,491,130)
	944,873	1,244,215
	$ 2,234,233	$ 2,356,359

Going concern *(note 1)*

Subsequent event *(note 12)*

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

Approved by the Board

Signed: ***"Benjamin Cox"***

Director

Signed: ***"Moshe Cohen"***

Director

Consolidated Statements of Changes in Equity
for the years ended March 31, 2014 and 2013
(Expressed in United States Dollars)

	Share Capital			
	Number of Shares	**Amount**	**Deficit**	**Total**
Balance, March 31, 2012	**7,373,953**	**$ 13,735,345**	**$ (11,159,460)**	**$ 2,575,885**
Net loss and comprehensive loss for the year	-	-	(1,331,670)	(1,331,670)
Balance, March 31, 2013	**7,373,953**	**13,735,345**	**(12,491,130)**	**1,244,215**
Net loss and comprehensive loss for the year	-	-	(299,342)	(299,342)
Balance, March 31, 2014	**7,373,953**	**$ 13,735,345**	**$ (12,790,472)**	**$ 944,873**

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

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States Dollars)
for the years ended March 31, 2014 and 2013

	2014	2013
Expenses		
Director fees *(note 7)*	**$ 335,100**	$ 335,100
Consultants *(note 7)*	**60,000**	58,751
Head office services *(note 7)*	**54,000**	72,000
Foreign exchange loss	**42,247**	9,510
Audit fees	**31,810**	38,310
Professional fees *(note 7)*	**26,380**	60,560
Travel and entertainment	**22,679**	30,080
General administration expenses	**16,572**	13,067
Telephone and communications	**6,910**	8,077
Conferences	**2,288**	1,750
Interest income	**(22)**	(37)
Loss from operations	**(597,964)**	(627,168)
Other (income) expenses		
Unrealized loss on marketable securities	**148,714**	985,342
Loss from sale of marketable securities	**40,192**	26,160
Gain on contingencies *(note 11)*	**-**	(32,000)
Gain on buy-out option *(note 5)*	**(487,528)**	(275,000)
	(298,622)	704,502
Loss before provision for income taxes	**(299,342)**	(1,331,670)
Net loss and comprehensive loss for the year	**$ (299,342)**	$ (1,331,670)
Basic and diluted net loss per share *(note 2)*	**$ (0.04)**	$ (0.18)
Weighted average number of common shares outstanding - basic and diluted *(note 2)*	**7,373,953**	7,373,953

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

Consolidated Statements of Cash Flows
for the years ended March 31, 2014 and 2013
(Expressed in United States Dollars)

	2014	2013
Cash flow from operating activities		
Net loss and comprehensive loss for the year	**$ (299,342)**	$ (1,331,670)
Items not affecting cash from operating activities:		
Gain on contingencies	**-**	(32,000)
Unrealized loss on marketable securities	**148,714**	985,342
Loss on sale of marketable securities	**40,192**	26,160
Foreign exchange loss	**42,247**	9,510
Non-cash proceeds from buy-out option	**(299,541)**	-
	(367,730)	(342,658)
Non-cash working capital items:		
Decrease in prepaid expenses	**-**	45,113
Increase in accounts payable and accrued liabilities	**177,216**	90,124
	(190,514)	(207,421)
Cash flow from investing activities		
Recovery of mineral resources	**-**	75,000
Mineral resources expenditures	**(10,153)**	(31,372)
Proceeds from disposal of marketable securities	**70,541**	148,417
Purchase of marketable securities	**-**	(44,258)
	60,388	147,787
Decrease in cash	**(130,126)**	(59,634)
Cash, beginning of year	**177,910**	237,544
Cash, end of year	**$ 47,784**	$ 177,910

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

1. Nature of the Company and Going Concern

Roche Bay PLC (the "Company") is a mineral assets holding company that owns extensive mineral interests on the Melville Peninsula in Nunavut, Canada.

The Company was incorporated in Gibraltar on February 11, 1997, (Gibraltar Registered Company No. 60527) and its principal place of business is located at Suite 2F/2, Eurolife Building, 1 Corral Road, Gibraltar.

These consolidated financial statements for the years ended March 31, 2014 and 2013, were authorized for issuance by the Board of Directors of the Company on July 3, 2014.

The Company has incurred a current year loss of $299,342 and has an accumulated deficit of $12,790,472 at March 31, 2014. In addition, the Company had a working capital deficiency of $(835,440) at March 31, 2014.

The above factors raise significant doubt about the Company's ability to continue as a going concern. In order to meet future expenditures and cover administrative costs, the Company may need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These consolidated financial statements have been prepared on a going concern basis that assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The recoverability of the amounts shown for mineral resources is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in mineral resources, the ability of the Company to secure continued financial support to develop its mineral properties, and upon future profitable production.

These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to achieve profitable operations or secure continued financing. Changes in future conditions could require material write downs of the carrying values of mineral resources.

2. Significant Accounting Policies

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

2. Significant Accounting Policies - continued

Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS and using the accounting policies described herein.

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

These consolidated financial statements reflect the consolidated financial position as at March 31, 2014 and 2013, and the results of operations for the years then ended of Roche Bay PLC and its wholly-owned subsidiary Roche Bay East Limited.

Consolidated financial statements

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Cash

Cash consists of deposits with financial institutions and cash held with securities brokers.

Financial instruments

With the exception of the marketable securities, all of the Company's existing financial instruments are classified as either loans and receivables or other financial liabilities both of which are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the instrument’s expected life to the net carrying amount on initial recognition.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Other financial liabilities and evaluation expenditures are de-recognized when the obligations are discharged, cancelled or expired.

The carrying amount of loans and receivables and other financial liabilities approximate their fair values due to their short-term nature.

2. Significant Accounting Policies - continued

Financial instruments - continued

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified as FVTPL when the financial asset is held-for-trading or it is designated upon initial recognition as FVTPL. A financial asset is classified as held-for-trading if (1) it has been acquired principally for the purpose of selling or repurchasing in the near term; (2) it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (3) it is a derivative that is not designated and effective as a hedging instrument. Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss. Transaction costs are expensed as incurred.

The Company has designated its marketable securities as FVTPL financial assets.

Financial Liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include accounts payables and accrued liabilities.

Financial liabilities are classified as FVTPL if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments (including separated embedded derivatives) unless they are designated as effective hedging instruments. Gains or losses on liabilities classified as FVTPL are recognized in the consolidated statements of loss and comprehensive loss.

Financial hierarchy

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

The Company's marketable securities are classified within level 1 of the fair value hierarchy.

2. Significant Accounting Policies - continued

Mineral resources

Mineral resources are recognized at the cost of acquiring licenses, including the costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs are capitalized once the Company has obtained the legal right to explore. Mineral resources are amortized when technical feasibility and commercial viability of the property can be demonstrated.

Asset retirement obligation

The Company's mineral exploration activities are subject to various laws and regulations governing the protection of the environment in the federal and regional jurisdictions in which it operates. The Company believes its operations are in compliance with all applicable laws and regulations. The Company expects to make, in the future, expenditures that comply with such laws and regulations but cannot predict the full amount or timing of such future expenditures. A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise.

The Company recognizes an estimate of the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated non-discounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material ARO's to record in these consolidated financial statements.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amount of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment. The Company has assessed all of its non-financial assets and has determined that there is no impairment.

Provisions

A provision is recognized in the statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at the pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

2. Significant Accounting Policies - continued

Income taxes

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or subsequently enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

The Company recognizes deferred tax on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computing taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

The Company does not currently have any potentially dilutive instruments outstanding.

Significant accounting judgments and estimates

The application of the Company's accounting policies in compliance with IFRS requires management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities. Actual results could 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 future periods if the revision affects both current and future periods.

As described in Note 1, the recoverability of the capitalized mineral resources are subject to significant assumptions about the future made by management at the end of the reporting period.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

2. Significant Accounting Policies - continued

Share-based payment transactions

For equity settled transactions, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case the Company measures their value by reference to the fair value of the equity instruments granted.

Foreign currency translation

The Company's mineral asset holding activities primarily operate in an economic environment where the functional currency is the United States dollar. Transactions in foreign currencies are translated to the functional currency at exchange rates in effect at the dates of the transactions. Monetary assets and liabilities of the Company’s operations denominated in a currency other than the United States dollar are translated into United States dollars at the exchange rate as at the end of the reporting period. Non-monetary assets and liabilities are translated at historical exchange rates at the transaction date. Depreciation is translated at historical exchange rates at the transaction date. The calculated exchange gains and losses are included in net loss and comprehensive loss for the period.

Changes in accounting policies

The IASB issued new standards and amendments effective for, and adopted in the current year. The adoption of the following accounting policies had no impact on the Company's consolidated financial statements:

IFRS 10, Consolidated Financial Statements ("IFRS 10"), establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidated – Special Purpose Entities”.

IFRS 11, Joint Arrangements ("IFRS 11"), establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes the current IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities – Non Monetary Contributions by Venturers”.

IFRS 12, Disclosure of Interest in Other Entities (“IFRS 12”), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

IFRS 13, Fair Value Measurement, converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The measurement of the fair value of an asset or liability is based on assumptions that market participants would pay when pricing the asset or liability under market conditions.

Reclassification

Certain comparative figures have been reclassified to conform with the current period financial statement presentation. There has been no impact to the deficit or net loss and comprehensive loss.

3. Future Accounting Pronouncements

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(Expressed in United States Dollars)

4. Marketable Securities

Marketable securities consist of common shares held in Advanced Explorations Inc ("AXI") and West Melville Metals Inc. ("WMM").

AXI common shares

	Common Shares	Amount
Balance, March 31, 2012	**2,161,787**	801,861
Common shares sold	**(661,000)**	(174,577)
Unrealized loss and foreign exchange	**-**	(492,213)
Balance, March 31, 2013	**1,500,787**	135,071
Common shares received (*note 5*)	**5,500,000**	299,541
Settlement of contingencies (*note 11*)	**(200,000)**	(18,000)
Common shares sold	**(742,287)**	(57,275)
Unrealized loss and foreign exchange	**-**	(27,670)
Balance, March 31, 2014	**6,058,500**	331,667

WMM common shares

	Common Shares	Amount
Balance, March 31, 2012	**-**	-
Common shares received (*note 5*)	**1,563,374**	688,160
Common shares purchased	**180,000**	44,258
Unrealized loss and foreign exchange	**-**	(470,912)
Balance, March 31, 2013	**1,743,374**	261,506
Common shares received (*note 5*)	**200,000**	11,712
Common shares sold	**(46,650)**	(43,866)
Unrealized loss and foreign exchange	**-**	(154,883)
Balance, March 31, 2014	**1,896,724**	74,469

During the year ended March 31, 2014, the Company received 5,500,000 AXI common shares under the terms of its agreements with AXI (note 5).

During the year ended March 31, 2014, the Company received 200,000 WMM common shares under the terms of its amending agreement with WMM (note 5). Under the terms of the original Option Agreement dated May 6, 2011, the Company received 1,743,374 WMM common shares (note 5).

5. Mineral Resources

Eastern Project

The Company has entered into an Option and Farm-Out Agreement ("Option Agreement") and various amending agreements with Advanced Explorations Inc. ("AXI"), under which AXI has the right to acquire a 100% interest in the Company's Magnetite Project on the Eastern Melville Peninsula, Nunavut Territory (the "Eastern Project"). Under the Option Agreement and the various amendments, AXI has attained a 75% interest in the property and the Company retains 25%.

The agreement entered into on March 23, 2009 amended the terms of the original Option Agreement containing certain provisions with respect to royalties (the "Royalty Payments") should AXI not exercise its buy-out options.

On December 15, 2013 the Company entered into an Amending Agreement ("Amending Agreement") which amends the Royalty Agreements. Under the Amending Agreement, the Company agreed to accept the following consideration in satisfaction of the cash payment of $1,000,000 that was due on December 15, 2013:

(a) $50,000 cash payment on December 31, 2013 (received)

(b) $100,000 cash payment on or before January 31, 2014 (received)

(c) $50,000 cash payment on or before March 15, 2014 (received)

(d) $50,000 cash payment on or before June 15, 2014 (note 12)

(e) $50,000 cash payment on or before September 15, 2014

(f) 5,500,000 common shares of AXI on TSX approval of the Amending Agreement (received - note 4)

(g) On September 15, 2014, AXI shall issue the Company common shares with a value of $350,000 at a price per share equal to the volume weighted average price for the 30 days period prior to the date of issuance, subject to a minimum of $0.05 per common share

The Amending Agreement further provides that until December 15, 2020 AXI shall have the right to exercise a royalty repurchase option to reduce the royalty rates under the Royalty Agreement, as follows:

1. In respect of the royalty on any mineral product such as iron concentrate and iron ore pellets being under 90% iron by weight, AXI shall have the option to reduce the royalty down to as low as 2% upon payment of $12,000,000 for every 1% of the royalty; and
2. In respect of the royalty on any mineral product such as iron concentrate and iron nuggets being over 90% iron by weight, AXI shall have the option to reduce the royalty down to as low as 2% upon payment of $12,000,000 for every 0.5% of the royalty.

The Amending Agreement further provides that AXI may earn a 100% interest in the Eastern Property, until December 15, 2015, by making a one-time payment of $9,000,000 to the Company.

As a result of previously received payments and consideration, the carrying value of the Eastern Project is $Nil (2013 - $Nil). Therefore, any additional payments and consideration received are recognized into other income on the consolidated statement of loss and comprehensive loss.

5. Mineral Resources - continued

Western Project

On May 4, 2011, the Company entered into an Option Agreement with principals of the Discovery Group, a Canadian mining development group, through West Melville Mining Company Ltd ("WMM"), for the development of lease number 2826 (the "WMM Option Agreement"). According to the terms of the WMM Option Agreement, WMM can earn up to a 70% interest in the lease through the exercise of successive options subject to fulfilling certain drilling and development milestones.

The requirements to render the first option exercisable were not achieved by WMM within the contracted deadline of 10 months from the date of the agreement, or approximately March 4, 2012, and consequently the Company entered into an amendment dated December 29, 2011 that extended this deadline to 13 months, or approximately June 4, 2012.

On May 31, 2012 the Company agreed to another amendment extending the deadline of the first option to September 30, 2012 and the second option to December 31, 2015. As well, the amendment modified the terms of the consideration to be received. On October 3, 2012 the Company agreed to extend the amendment to October 31, 2012 in exchange for $75,000 CDN in cash and the share payment due on the first option was reduced by 150,000 common shares.

On October 31, 2012 WMM issued to the Company 1,563,374 common shares as part of the first option, which was 5% of WMM's issued and outstanding common shares less 150,000 common shares. To complete the first option and acquire a 30% interest in the lease, as of March 31, 2013, WMM was required to issue another 5% of their issued and outstanding common shares to the Company and incur an aggregate of $2,500,000 in exploration expenditures on or before September 30, 2013. The required aggregate exploration expenditures was met by WMM.

On May 10, 2013, the Company and WMM have agreed to another amendment to the WMM Option Agreement to extend the dates by which the first and second options must be exercised from September 30, 2013, to December 1, 2014 for the first option and from December 31, 2015, to April 15, 2017 for the second option. For consideration for the extensions, WMM issued 200,000 common shares to the Company (note 4). The fair value of the WMM shares received has been included as a recovery in the mineral property.

(Expressed in United States Dollars)

5. Mineral Resources - continued

The mineral resources consist of:

	2014	2013
Eastern Project	**$ -**	$ -
Western Project:		
Acquisition costs	**2,375,434**	2,375,434
Development costs	**89,890**	89,891
Lease payments	**89,586**	79,432
Recovery	**(774,597)**	(762,885)
	$ 1,780,313	$ 1,781,872

6. Share Capital

Authorized

10,000,000 Common shares

Issued and outstanding

	Shares	**Amount**
March 31, 2014, and 2013	**7,373,953**	**$ 13,735,345**

(Expressed in United States Dollars)

7. Related Party Transactions and Balances

During the year ended March 31, 2014, the Company was charged $54,000 (2013 - $72,000) in fees for administrative services provided by a significant shareholder. As at March 31, 2014, accounts payable and accrued liabilities included $285,874 owing to this shareholder (2013 - $231,874).

The Company has retained Iris Cox, the wife of CEO Benjamin Cox, as in-house legal counsel on a flat rate fee of $4,500 per quarter. For the year ended March 31, 2014, $18,000 (2013 - $18,000) is included in professional fees. As at March 31, 2014, there is $30,000 (2013 - $30,000) included in accounts payable and accrued liabilities related to these services.

Due to directors

	2014	2013
Due to directors	**$ 845,642**	$ 697,525

Amounts due to Directors are included in accounts payable and accrued liabilities and arise from fees for which the payment has been deferred indefinitely. These balances are non-interest bearing with no fixed terms of repayment. Included in these balances are accounts payable to Benjamin Cox & Associates for the services of Benjamin Cox (CEO) and accounts payable to Moshe Cohen (CFO). The accounts payable for the services of Benjamin Cox and Moshe Cohen are described below under the heading Key Management Compensation.

Also included in accounts payable and accrued liabilities are amounts owing to former directors of the Company in the amount of $22,451 as at March 31, 2014 (2013 - $22,451).

During the year ended March 31, 2014, the Company was charged $335,100 (2013 - $335,100) in Directors fees. Included in this amount are fees charged by Benjamin Cox and Associates for the services of Benjamin Cox (CEO) and fees charged by Moshe Cohen (CFO). The fees for the services of Benjamin Cox and Moshe Cohen are described below under the heading Key Management Compensation.

Key Management Compensation

During the year ended March 31, 2014, the Company was charged $215,100 (2013 - $215,100) for these services and $60,000 (2013 - $58,751) for additional consulting services by other staff from these companies. As at March 31, 2014, there is $Nil (2013 - $339) owing to Oren Inc. included in accounts payable and accrued liabilities.

During the year ended March 31, 2014, the CFO of the Company, Moshe Cohen, earned executive director fees of $48,000 (2013 - $48,000), which are included in directors fees on the consolidated statements of loss and comprehensive loss.

Included in accounts payable and accrued liabilities at March 31, 2014, is $204,100 (2013 - $211,593) due to the CEO and $73,210 (2013 - $61,810) due to the CFO.

8. Management of Capital

The Company considers its capital structure to consist of shareholders' equity. The Company's objective in managing capital is to maintain adequate levels of funding to support organizational functions and obtain sufficient funding to further the identification and development of metals deposits. 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. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. 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 and economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the years ended March 31, 2014 and 2013. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

9. Financial Instruments and Risk Management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk and commodity and price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the consolidated statement of financial position date under its financial instruments is summarized as follows:

The majority of the Company's cash is held with major financial institutions in Canada, and management believes the exposure to credit risk with such institutions is not significant. Those financial assets that potentially subject the Company to credit risk are its cash held in trust by securities brokers. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash is held and the securities brokers they use. The Company's maximum exposure to credit risk as at March 31, 2014, is the carrying value of its financial assets.

9. Financial Instruments and Risk Management - continued

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operating requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 8, in normal circumstances.

Interest rate risk

The Company has no significant exposure at March 31, 2014, to interest rate risk through its financial instruments.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Commodity price risk is remote since the Company is not a producing entity. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

The Company is exposed to equity price risk on its marketable securities and a 1% change in the price of those underlying securities would result in a gain or loss of $4,061.

Currency risk

The Company's currency risk arises primarily with fluctuations in the U.S and Canadian dollars. A 1% change in the exchange rate with the Canadian dollar would result in a foreign exchange gain or loss of approximately $4,910 based on the cash balances held in Canadian dollar as of March 31, 2014.

(Expressed in United States Dollars)

10. Income Taxes

(a) Provision for Income Taxes

The following table reconciles the expected income tax recovery at the statutory rate of 10.00% for 2014 and 2013 in Gibraltar to the amount recognized in the consolidated statements of loss and comprehensive loss:

		2014		2013
Loss before provision for income taxes	**$**	**(299,342)**	$	(1,331,670)
Expected income tax recovery	**$**	**(29,934)**	$	(133,167)
Non-deductible differences		**56,550**		91,080
Earning in foreign jurisdictions subject to different tax rates		**(22,276)**		(59,213)
Utilization of losses not previously recognized		**79,500**		-
Changes in tax benefits not recognized		**(83,840)**		101,300
Income tax expense reflected in the consolidated statements of loss and comprehensive loss	**$**	**-**	$	-

(b) Deferred Income Taxes

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

Deferred income tax assets have not been recognized in respect of the following items:

		2014		2013
Deferred income tax assets				
Non-capital losses - Canada	**$**	**848,040**	$	1,149,560
Capital losses - Canada	**$**	**13,950**	$	-
Deductible temporary differences	**$**	**1,660**	$	23,040

The non-capital losses expire between 2030 and 2033 The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

11. Contingencies

From time to time, in the normal course of business, the Company may be involved in litigation and claims. As at March 31, 2013, there was $18,000 included in accounts payable and accrued liabilities with respect to these costs. The amount accrued at March 31, 2013, is based on a settlement that the Company reached in December 2012, with respect to one specific claim, to transfer 200,000 AXI common shares to the plaintiff. The Company had transferred these shares in settlement during the year ended March 31, 2014.

12. Subsequent Event

The Company has not yet received the $50,000 cash payment as required under the Amending Agreement with AXI dated December 15, 2013 (note 5). The Company is exploring the options available to them under the terms of the Amending Agreement.