INCA ONE RESOURCES CORP.

(An Exploration Stage Company)

Consolidated Financial Statements
For the Years Ended April 30, 2014 and 2013
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Inca One Resources Corp.

We have audited the accompanying consolidated financial statements of Inca One Resources Corp., which comprise the consolidated statements of financial position as at April 30, 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, 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.

Auditors' 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 audit 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Inca One Resources Corp. as at April 30, 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 qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Inca One Resources Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

August 27, 2014

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INCA ONE RESOURCES CORP.
(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	April 30, 2014	April 30, 2013
		$	$
Assets			
Current:			
Cash and cash equivalents	4	78,710	684,724
Receivables	5	9,511	49,181
Marketable securities	6	847,448	-
Prepaid expenses and deposits		65,288	42,338
Inventory	7	408,228	-
		1,409,185	776,243
Deferred financing costs		23,421	-
Property, plant and equipment	8	1,093,456	31,659
Exploration and evaluation assets	9	20,000	2,588,368
Total assets		2,546,062	3,396,270
Liabilities			
Current:			
Accounts payable and accrued liabilities		497,284	137,207
Due to related parties	13	295,927	41,976
Convertible debenture advances	20	325,000	-
Promissory notes payable – current portion	10(a)	120,000	-
		1,238,211	179,183
Promissory notes payable	10(b)	428,998	-
Convertible debentures – liability component	11	197,351	-
		1,864,560	179,183
Shareholders' Equity			
Share capital	12	11,231,319	9,206,889
Reserves	12	217,439	688,801
Convertible debentures – equity component	11	73,087	-
Deficit		(10,840,343)	(6,678,603)
		681,502	3,217,087
Total liabilities and shareholders' equity		2,546,062	3,396,270

Nature of operations and going concern (Note 1)
Commitments (Notes 9, 10, 11, 12, 14 and 20)
Subsequent events (Notes 9, 12 and 20)

Approved on behalf of the Board of Directors on August 27, 2014

"Edward Kelly"	*"Oliver Foeste"*
Director	Director

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

INCA ONE RESOURCES CORP.
(An Exploration Stage Company)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Years ended April 30, 2014	2013
		$	$
Operating expenses:			
Consulting and management fees	13	238,542	180,761
Depreciation	8	7,074	2,420
Foreign exchange loss		21,541	9,438
Office, rent and administration	13	126,408	110,407
Professional fees	13	260,978	105,547
Regulatory fees		14,731	18,140
Share-based payments	12 & 13	105,658	136,035
Transfer agent and shareholder information		351,195	97,591
Travel, advertising and promotion		220,336	219,556
Write-down of exploration and evaluation assets	9	2,819,667	-
Total operating expenses		(4,166,130)	(879,895)
Finance income (expense):			
Accretion of convertible debentures	11	(7,143)	-
Finance and other costs		(97,481)	(4,878)
Finance income		1,111	1,786
		(103,513)	(3,092)
Net loss for the year		(4,269,643)	(882,987)
Other comprehensive income (loss):			
Unrealized loss on marketable securities	7	(472,552)	-
Foreign currency translation adjustment		21,439	(6,232)
		(451,113)	(6,232)
Comprehensive loss for the year		(4,720,756)	(889,219)
Basic and diluted loss per share		(0.09)	(0.03)
Weighted average number of common shares outstanding		47,993,952	29,657,290

INCA ONE RESOURCES CORP.

(An Exploration Stage Company)
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital		Reserves					Convertible debenture – equity component	Deficit	Total shareholders' equity
	Common shares	Amount	Stock options	Warrants	Foreign currency translation	Other	Total			
	#	$	$	$	$	$	$	$	$	$
Balance, April 30, 2012	22,772,374	6,955,586	527,402	335,145	(221)	42,931	905,257	-	(5,829,628)	2,031,215
Comprehensive loss for the year	-	-	-	-	(6,232)	-	(6,232)	-	(882,987)	(889,219)
Private placement	20,716,800	2,071,680	-	-	-	-	-	-	-	2,071,680
Share issuance costs – cash	-	(153,945)	-	-	-	-	-	-	-	(153,945)
Share issuance costs – warrants	-	(44,508)	-	44,508	-	-	44,508	-	-	-
Expired warrants	-	335,145	-	(335,145)	-	-	(335,145)	-	-	-
Expired options	-	-	(34,012)	-	-	-	(34,012)	-	34,012	-
Reallocation of shares returned to treasury	-	42,931	-	-	-	(42,931)	(42,931)	-	-	-
Share-based payments	-	-	157,356	-	-	-	157,356	-	-	157,356
Balance, April 30, 2013	43,489,174	9,206,889	650,746	44,508	(6,453)	-	688,801	-	(6,678,603)	3,217,087
Comprehensive loss for the year	-	-	-	-	21,439	(472,552)	(451,113)	-	(4,269,643)	(4,720,756)
Private placements for cash	7,125,500	712,550	-	-	-	-	-	-	-	712,550
Private placement for GRIT Shares	12,000,000	1,320,000	-	-	-	-	-	-	-	1,320,000
Finder fees paid in shares	960,000	105,600	-	-	-	-	-	-	-	105,600
Share issuance costs – cash	-	(131,724)	-	-	-	-	-	-	-	(131,724)
Convertible debentures	-	-	-	-	-	-	-	76,336	-	76,336
Convertible debentures issuance costs – cash	-	-	-	-	-	-	-	(3,249)	-	(3,249)
Expired warrants	-	18,004	-	(18,004)	-	-	(18,004)	-	-	-
Expired options	-	-	(107,903)	-	-	-	(107,903)	-	107,903	-
Share-based payments	-	-	105,658	-	-	-	105,658		-	105,658
Balance, April 30, 2014	63,574,674	11,231,319	648,501	26,504	14,986	(472,552)	217,439	73,087	(10,840,343)	681,502

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

INCA ONE RESOURCES CORP.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years ended April 30,	
	2014	2013
Cash flows provided by (used in):	$	$
Operating activities:		
Net loss for the year	(4,269,643)	(882,987)
Items not involving cash:		
Depreciation	7,074	2,420
Share-based payments	105,658	136,035
Write-down of exploration and evaluation assets	2,819,667	-
Accretion of convertible debentures	7,143	-
Accrued interest	14,038	-
Changes in non-cash operating working capital:		
Receivables	14,670	85,140
Prepaid expenses and deposits	(22,298)	(6,164)
Inventory	(392,138)	-
Accounts payable and accrued liabilities and due to related parties	347,642	70,078
	(1,368,187)	(595,478)
Financing activities:		
Promissory notes payable, net of issuance costs	584,960	-
Repayments of promissory notes	(50,000)	-
Convertible debentures, net of issuance costs	263,295	-
Proceeds on issuance of common shares	737,550	2,071,680
Share issuance cost	(26,124)	(153,945)
Convertible debenture advances	325,000	-
Deferred financing costs	(23,421)	-
	1,811,260	1,917,735
Investing activities:		
Purchase of property, plant and equipment	(762,368)	(18,384)
Exploration and evaluation assets	(236,106)	(1,157,483)
	(998,474)	(1,175,867)
(Decrease) increase in cash and cash equivalents	(555,401)	146,390
Effect of exchange rates on cash held in foreign currencies	(50,613)	(4,696)
Cash and cash equivalents, beginning of year	684,724	543,030
Cash and cash equivalents, end of year	78,710	684,724

Supplemental disclosure with respect to cash flows (Note 19)

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

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Inca One Resources Corp. (the "Company") was incorporated under the laws of Canada on November 9, 2005 and was continued under the British Columbia Business Corporations Act on November 26, 2010. On May 11, 2011, the Company changed its name from SUB Capital Inc. to Inca One Metals Corp. and on October 26, 2011, to Inca One Resources Corp. The Company's shares are traded on the TSX Venture Exchange (the "TSX-V") under the symbol "IO" and on the Frankfurt Stock Exchange under the symbol "SU9.F". The head office and principal address of the Company are located at Suite 1125 – 595 Howe Street, Vancouver, Canada, V6C 2T5 and its registered office is located at Suite 2600 – 1066 West Hastings Street, Vancouver, Canada, V6E 3X1.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended April 30, 2014, the Company incurred a net loss of $4,269,643. As of that date the Company had a deficit of $10,840,343 and working capital of $170,974. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds from its Peruvian toll-milling operations and its ability to raise equity capital or borrowings sufficient to meet current and future obligations. These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. Management intends to finance operating costs over the next year with proceeds from a combination of debt and revenues from toll-milling operations. Subsequent to the year ended April 30, 2014, the Company received gross proceeds of $2,700,000 from a bond financing (Note 20).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").The accounting principles adopted are consistent with those of the previous financial year.

These consolidated financial statements have been prepared on a historical cost basis and were approved by the board of directors for issue on August 27, 2014.

(b) Basis of Consolidation

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, Inca One Metals Peru S.A. ("IO Metals"), Dynasty One S.A. ("Dynasty One"), Chala One S.A.C. ("Chala One"), and Minera Huaquillas SAC ("Minera"), a private company incorporated in Peru (Note 9(b)). Although Minera is not a subsidiary of the Company the Company consolidates

100% of its operations as they have effective control and therefore the right to obtain the majority of the benefits and are exposed to the risks of the activities of Minera.

Control is achieved when the Company is exposed to, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

(c) Use of Estimates and Judgments

The preparation of the Company's consolidated financial statements in accordance with IAS 1, *Presentation of Financial Statements*, requires management to make certain critical accounting estimates and to exercise judgment that affect the accounting policies and the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant accounting judgments

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include but are not limited to the following:

(i) Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).

(ii) Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined the exploration and evaluation 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 geologic and other technical information, a history of conversion of mineral

deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, the evaluation of permitting and environmental issues and local support for the project, and the ability to find joint venture partners if necessary.

(iii) Commencement of commercial production

Management has determined that operations have not yet progressed beyond the test toll milling stage and therefore has not begun to deplete property, plant and equipment or record revenue. The Company assesses the stage of its mineral properties or processing plant to determine when they estimate it is substantially complete and ready for its intended use. Criteria used to assess when a property has commenced commercial production include the level of capital expenditures incurred relative to the expected costs to complete, the completion of a reasonable period of testing of the property, plant and equipment, the ability to produce saleable metals, the attainment of relevant permits, the ability to sustain ongoing production; and the achievement of pre-determined production targets. Once management determines that a property or plant has reached commercial production, costs capitalized during development begin to be amortized.

(iv) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

(v) Exploration and evaluation assets title

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of exploration and evaluation assets. Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and regulatory requirements. To the best of the Company's knowledge, title to all of its exploration and evaluation assets is in good standing.

Significant estimates and assumptions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

(i) Value of share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require 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 estimates and the Company's earnings and equity reserves.

(ii) Value of convertible debentures

For accounting purposes, each convertible debenture is separated into its liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue is calculated as the discounted cash flows for the convertible debenture assuming a 20% effective interest rate which was the estimated rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components.

(iii) Value of marketable securities

Marketable securities have been classified as available-for-sale financial instruments and are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive income (loss). The fair value of the shares currently included in marketable securities has been estimated using their April 30, 2014 share trading price which, due to the absence of a lengthy trading history and restrictive holding periods attached to these shares, may not be indicative of actual fair value. Changes in the share trading price after April 30, 2014 can materially affect the fair value estimates and the Company's earnings.

(iv) Decommissioning obligations

Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation and exploration and development property. In addition, future changes to environmental laws and regulations may increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for site closure and reclamation. The provision represents management's best estimate of the present value of the future decommissioning obligation. The calculation of this estimate is based on a number of input variables including the quantity and sales price of gold expected to eventually be recovered from the Company's tailings pond.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future decommissioning costs is subject to change based on amendments to laws and regulations, changes in technology, actual quantities and grade of gold eventually recovered from tailings, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(v) Deferred taxes

Deferred tax assets and liabilities are measured using the tax rates expected to be in effect in future periods. Management estimates these future tax rates based on information available at the period end. Actual future rates may be significantly different. Factors causing such differences include changes in the ruling government or changes in national or regional economic circumstances of the areas where mines are located.

(d) Functional and Presentation of Foreign Currency

(i) Functional and presentation currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Canadian company. The functional currency of IO Metals and Minera is the Peruvian Sol. The functional currency of Dynasty One, Chala One, and Corizona One is the US dollar.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in profit or loss.

(iii) Consolidated entities

The results and financial position of consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as foreign currency translation adjustment.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

(e) Cash and Cash Equivalents

Cash and cash equivalents include short-term deposits and guaranteed investment certificates that are cashable at any time at the option of the holder.

(f) Inventory

Finished goods, work-in-process and stockpiled ore are measured at the lower of average cost and net realizable value. Net realizable value is the amount estimated to be obtained from sale of the inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale. The production cost of inventories is determined on a weighted average basis and includes cost of production consumables, direct labor, overhead and depreciation of property, plant and equipment.

Any write-down of inventory is recognized as an expense in profit or loss in the period the write-down occurs. Reversal of any write-down of inventory, arising from an increase in net realizable value, is recognized in profit or loss as a reduction in the amount of inventory recognized as an expense in the period in which the reversal occurs. Prior to commencement of commercial production, write-down of inventory is capitalized to property, plant and equipment.

(g) Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. The annual rate used to compute depreciation is as follows:

Computer hardware	declining-balance basis	30%
Furniture and equipment	declining-balance basis	20%

Depreciation of property and plant will be recorded at the date the commissioning is complete and it is available for its intended use.

(h) Exploration and Evaluation Assets

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage. Once a right to explore a mineral property has been secured, exploration and evaluation expenditures are capitalized and include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration costs include value added taxes incurred in foreign jurisdictions when recoverability of these taxes is uncertain. Costs incurred before the Company has obtained the legal rights to explore a mineral property are expensed as incurred.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the right of tenure is current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that mineral property are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective mineral properties. The Company reviews its exploration and evaluation assets for indicators of impairment on a periodic basis.

(i) Impairment of Non-financial Assets

The carrying amount of the Company's non-financial assets (which include property, plant and equipment, and exploration and evaluation assets) is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. An impairment loss with respect to goodwill is never reversed.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(j) Decommissioning Obligations

The liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized decommissioning costs will be amortized to expense over the life of the related assets using the units-of-production method. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

As at April 30, 2014 and 2013, the Company has determined that it does not have material decommissioning obligations.

(k) Promissory Notes Payable

Promissory notes payable are recognized initially at fair value, net of transaction costs incurred. The notes are subsequently stated at amortized cost with any difference between the proceeds and redemption value recognized in profit or loss over the term of the debt using the effective interest rate method. Debt is classified as current unless the Company has an unconditional right to defer settlement, or the note holder has agreed that they do not contemplate redeeming their promissory note, for at least 12 months after the statement of financial position date.

(l) Convertible Debentures

Convertible debentures are separated into their liability and equity components on the consolidated statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for debt with similar terms at the time of issue. The fair value of the equity component (conversion feature) is determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component.

(m) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company’s common shares and share purchase warrants and options are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

(n) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. Amounts recorded for forfeited or expired unexercised options are reversed in the period the forfeiture occurs.

(o) Revenue

The Company recognizes interest income on an accrual basis, dividends when declared, and investment gains and losses when realized. Interest income includes amortization of any premium or discount recognized at date of purchase. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base.

When the fair value of an investment falls below its cost, and the decline is determined to be other than temporary, a loss equivalent to the difference between cost and current fair value is recorded in the Company's consolidated statement of operations.

Revenue from operations is recognized when:

- The significant risks and rewards of ownership have been transferred;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of consideration received or receivable. Proceeds from the sale of finished goods produced prior to the date that the Chala Plant commences commercial production are credited to property, plant and equipment.

(p) Loss per Share

The Company calculates basic loss per share by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding during the relevant period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the

common shares during the period exceeds the exercise price of the options and warrants. All potential dilutive common shares are anti-dilutive for the years presented.

(q) Comprehensive Loss

Comprehensive loss consists of loss for the year and other comprehensive loss. Unrealized gains and losses on financial assets classified as available-for-sale are recorded in other comprehensive loss until the criteria for recognition in profit or loss are met.

(r) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired.

Non-derivative financial assets

(i) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are either held for trading for purposes of short-term profit taking or classified at fair value through profit or loss. Financial assets are designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch, the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy or the financial asset contains one or more embedded derivatives. They are initially and subsequently measured at fair value and changes in fair value are recognized in profit or loss for the period. The Company does not have any financial assets at fair value through profit or loss.

(ii)Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company has designated its cash and cash equivalents and other receivables as loans and receivables.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost, using the effective interest method, less any impairment losses. The Company does not have any held-to-maturity financial assets.

(iv) Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than permanent impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income (loss) and presented within equity in accumulated other comprehensive income. When the financial assets are sold or a permanent impairment write-down is required, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has designated its marketable securities as available-for-sale financial assets.

Non-derivative financial liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities.

All financial liabilities are recognized initially at fair value less any directly attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company's non-derivative financial liabilities include its accounts payable and accrued liabilities, due to related parties, and promissory notes payable, which are designated as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has no financial liabilities classified as FVTPL.

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

In the case of equity instruments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognized in profit or loss.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or in the case of amounts receivable are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(o) Income taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date. As the Company is in a loss position there is no current tax payable.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets liabilities and assets.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning before or on January 1, 2013.

The following new standards, amendments and interpretations that have been adopted for the Company's current fiscal year have not had a material impact on the Company:

IFRS 11 "Joint Arrangements"
IFRS 12 "Disclosure of Interests in Other Entities"
IFRS 13 "Fair Value Measurement"
IAS 1 "Presentation of Financial Statements" amendments

The following revised standard is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Company has not completed its assessment of the impact that the new and amended standard will have on its financial statements.

IFRS 9 "Financial instruments"
The IASB intends to replace IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety with IFRS 9 which is intended to reduce the complexity in the classification and measurement of financial instruments.

The Company has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective.

NOTE 4 – CASH AND CASH EQUIVALENTS

	April 30, 2014	April 30, 2013
Cash and cash equivalents consist of:	$	$
Cash	78,710	606,724
Guaranteed Investment Certificates	-	78,000
	78,710	684,724

NOTE 5 – RECEIVABLES

	April 30, 2014	April 30, 2013
	$	$
GST recoverable	9,511	16,720
Other receivable	-	7,461
Share subscription receivable	-	25,000
	9,511	49,181

NOTE 6 – MARKETABLE SECURITIES

Marketable securities consist of 733,007 shares in Global Resources Investment Trust PLC ("GRIT") which were acquired on February 28, 2014 in exchange for the issue of 12,000,000 common shares in the Company at a value of $0.11 per share.

As of April 30, 2014 the GRIT shares were recorded at a fair value of $847,448 (2013 – $nil) based on the GRIT share trading price of CDN$1.156 (GBP £0.625), and an unrealized loss of $472,552 resulting from the revaluation was included in other comprehensive loss for the year ended April 30, 2014 (2013 – $nil).

To date in August 2014, the average GRIT share trading price was trading at a lesser value than as at April 30, 2014. Until September 7, 2014 sales of the Company's GRIT shares are required to be arranged by GRIT.

NOTE 7 – INVENTORY

	April 30, 2014	April 30, 2013
	$	$
Stockpiled ore	8,128	-
Gold and activated carbon	400,100	-
	408,228	-

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

	Chala Plant	Computer	Furniture and Equipment	Total
	$	**$**	**$**	**$**
Costs:				
Balance, April 30, 2012	-	14,865	8,381	23,246
Additions	-	4,128	14,256	18,384
Foreign exchange	-	315	403	718
Balance, April 30, 2013	-	19,308	23,040	42,348
Additions	1,035,105	404	35,423	1,070,932
Foreign exchange	-	281	195	476
Balance, April 30, 2014	1,035,105	19,993	58,658	1,113,756
Accumulated Depreciation:				
Balance, April 30, 2012	-	2,391	1,257	3,648
Depreciation	-	3,529	3,426	6,955
Foreign exchange	-	40	46	86
Balance, April 30, 2013	-	5,960	4,729	10,689
Depreciation	-	3,271	6,085	9,356
Foreign exchange	-	142	113	255
Balance, April 30, 2014	-	9,373	10,927	20,300
Net Book Value:				
April 30, 2013	-	13,348	18,311	31,659
April 30, 2014	1,035,105	10,620	47,731	1,093,456

On June 6, 2013, the Company entered into a Letter of Intent to acquire 100% of a permitted and operational milling facility ("Chala Plant") in Southern Peru for US$240,000. Of this amount, US$150,000 has been paid and the remaining US$90,000 has been accrued and is payable once transfer of the permitted facility is complete. Transfer of formal title is subject to a number of conditions. A finder fee of US$40,000 and a sourcing and technical advice fee of US$59,000, inclusive of value added taxes ("VAT"), were paid in connection with the acquisition of the milling facility. An additional US$59,000, including VAT for sourcing and technical advice, was paid once the plant became operational and had

processed 250 tons of ore. All VAT paid is not currently refundable to the Company, but the amounts may be used in the future to offset amounts due to the Peruvian tax administration by the Company, resulting from VAT charged on future sales.

As at April 30, 2014, total additional plant upgrade costs and capitalized pre-operating costs of $613,622 have been incurred.

Depreciation during the year ended April 30, 2014 was $9,356 (2013 – $6,955), of which $2,282 was capitalized to exploration and evaluation assets (2013 – $4,535).

NOTE 9 – EXPLORATION AND EVALUATION ASSETS

(a) Corizona Project

Pursuant to an Assignment of Contractual Position Agreement formalized under Peruvian law on January 25, 2013, and amended on May 28, 2013 and June 5, 2013, between the Company and Canadian Mining S.A. ("Canadian Mining"), a privately held Peruvian company, the Company was granted an exclusive right to acquire 100% of a mining lease and purchase option for a mineral property ("the Corizona Project") located in Peru in exchange for cash of US$50,000 (paid).

Pursuant to the underlying Mining Lease with Purchase Option Agreement dated January 24, 2013, between Canadian Mining and the Peruvian owner of the mineral property, Sociedad Minera Corizona Limited Liability Lima ("SMRL"), Canadian Mining is entitled to conduct mining activity on the Corizona Project property and holds an option to purchase the Corizona Project until February 27, 2015.

In order to earn its interest in the mineral property option the Company will be required to pay SMRL cash of US$730,000 at the date of signing the transfer of the concession, US$730,000 at the date such transfer is registered in the Lima, Peru Mining Registry office and will also be required to pay US$490,000 to Canadian Mining within five days of the date that the option is legally acquired by the Company. A finder fee of $20,000 was paid with respect to the option assignment acquisition.

Effective March 27, 2013 the Company entered into a Service Provision Agreement with Canadian Mining whereby the Company committed to pay cash of US$50,000 to Canadian Mining for the provision of sourcing and technical advice which results in the Company acquiring a plant, and an additional US$50,000 payable once this plant becomes operational. On June 6, 2013 the Company entered into a contract to purchase the Chala Plant and has paid US$100,000 in satisfaction of this service provision commitment – see Note 8. A finder fee of US$25,000 was also paid with respect to a bulk sample processing agreement which was terminated in the current year.

On June 5, 2013, the Company committed to a three year renewable Joint Venture Agreement with Canadian Mining for purposes of development and operation of the Corizona Project and further exploration and evaluation. Pursuant to the terms of this agreement the joint venture will be operated by Canadian Mining and the Company will contribute all of the initial funding in exchange for an 80% share of the Corizona Project's net profits.

Subsequent to April 30, 2014 the Company terminated the Joint Venture Agreement between itself and Canadian Mining and has commenced discussions with SMRL in order to continue exploration activity and acquire an option to purchase the Corizona property. For accounting purposes due to the uncertainty of successfully acquiring an option to purchase the Corizona property from SMRL, a write-down of exploration and evaluation assets of $367,337 has been recorded during the year ended April 30, 2014.

As at April 30, 2014, the Company has paid the following amounts with respect to the Corizona Project:

	Corizona Project Peru
	$
Balance, April 30, 2012	-
Acquisition costs:	
Option payments	50,235
Finder fee – cash	20,000
Professional and regulatory fees	22,064
	92,299
Exploration costs:	
Field expenses	25,845
Geology	8,497
Office and administration	1,156
Plant sourcing	30,228
Site advisory	10,269
Rent, utilities and maintenance	9,936
Travel and accommodation	9,831
Value added tax	7,329
	103,091
Balance, April 30, 2013	195,390
Exploration costs:	
Field expenses	78,639
Geology	40,586
Office and administration	1,234
Site advisory	10,018
Rent, utilities and maintenance	17,166
Travel and accommodation	29,276
Value added tax	13,244
Foreign exchange	1,784
	191,947
Write-down of exploration and evaluation assets	(367,337)
Balance, April 30, 2014	20,000

(b) Las Huaquillas Project

	Las Huaquillas Project Peru
	$
Balance, April 30, 2012	1,395,072
Exploration costs:	
Field expenses	204,054
Geology	43,479
Office and administration	30,833
Professional fees	110,090
Rent, utilities and maintenance	29,881
Travel and accommodation	75,807
Value added tax	26,118
Wages and contract labor	468,679
Foreign exchange	8,965
	997,906
Balance, April 30, 2013	2,392,978
Exploration costs:	
Field expenses	1,343
Geology	93
Office and administration	2,497
Professional fees	8,673
Rent, utilities and maintenance	10,584
Travel and accommodation	198
Value added tax	2,358
Wages and contract labor	51,324
Foreign exchange	(17,718)
	59,352
Write-down of exploration and evaluation assets	(2,452,330)
Balance, April 30, 2014	-

On March 25, 2011 and later amended on January 18, 2012, the Company entered into a definitive letter agreement (the "Agreement") with Rial Minera SAC ("Rial") and its shareholders (collectively the "Optionors") pursuant to which the Company was granted an option to acquire all of the issued and outstanding shares of Rial (the "Rial Shares"). Rial is a private Peruvian company that owns a 100% interest in the Las Huaquillas gold-copper project (the "Las Huaquillas Project"). Pursuant to the Agreement, the Company could acquire 100% of the Rial Shares, by paying an aggregate of US$5,000,000 to the Optionors; issuing 8,000,000 common shares of the Company; and incurring exploration expenditures of US$10,000,000 over a period of four years. As at April 30, 2014, the Company has paid US$375,000 and issued 325,000 shares for acquisition costs payable pursuant to the terms of the Agreement. As further consideration for the acquisition, the Company entered into a finder fees agreement dated July 31, 2011 and later amended by a letter agreement dated January 19,

2012, to pay finder fees of US$282,500 and to issue 400,000 common shares of the Company over a period of four years. As at April 30, 2014, the Company had issued 16,250 shares and paid US$35,625 in cash pursuant to the terms of this finder fees agreement.

After entering into the two agreements the Company expended considerable time and expense to obtain the requisite drilling permits for the Las Huaquillas Project and in June 2013, these drill permits were received. After the Company determined that it was unable to source a joint venture partner or formalize an amended agreement with the Optionors the Company terminated the option. For financial reporting purposes, due to the absence of sufficient verifiable information to support a recoverable value of the Las Huaquillas Project and drilling permits thereon, this value has been deemed to be zero. Accordingly a write-down of exploration and evaluation assets of $2,452,330 has been recorded during the year ended April 30, 2014.

NOTE 10 – PROMISSORY NOTES PAYABLE

(a) Promissory Notes Payable – current portion

During the year ended April 30, 2014, two directors and officers of the Company advanced to the Company a total of $170,000 in cash in exchange for promissory notes. The notes are unsecured and payable on demand with an interest rate of 20% per annum calculated and paid quarterly in arrears. As at April 30, 2014, $50,000 of the principal has been repaid and interest expense of $17,512 has been recorded with respect to these promissory notes, of which $16,512 has been included in accounts payable and accrued liabilities and due to related parties.

(b) Promissory Notes Payable – long term portion

On October 22, 2013 and November 6, 2013, the Company closed a non-brokered private placement of secured, redeemable promissory notes for gross proceeds of $420,000. Of this amount $150,000 was issued to a director and officer and to a company controlled by a director. The promissory notes mature after 24 months and bear interest at 20% per annum. At the option of one of the subscribers, accrued interest of $14,038 has been added to the principal of the promissory notes instead of being paid in cash. Subscribers are entitled to redeem their investment principal plus accrued interest on or after six months by providing 30 days written notice in advance of three month promissory note rollover periods. To date none of the long term promissory notes have been redeemed and the note holders have confirmed in writing that they do not intend to redeem the notes within one year of April 30, 2014. Accordingly these notes have been classified as long term liabilities.

The notes are secured by a security interest in all of the Company’s present and after acquired property pursuant to an underlying Security Agreement but are subordinate to any security held by holders of the Convertible Debentures.

A cash finder fee of $2,500 and legal and regulatory costs of $2,540 incurred in connection with the financing were charged against the promissory notes amount payable. As at April 30, 2014 interest expense of $43,389 has been recorded with respect to these promissory notes, of which $1,901 is included in accounts payable and accrued liabilities and due to related parties.

NOTE 11 – CONVERTIBLE DEBENTURES

	Liability Component	Equity Component
	$	$
Balance, April 30, 2013	-	-
October 30, 2013 – Amount at date of issue	198,664	76,336
Issuance costs allocated	(8,456)	(3,249)
Accretion and amortization	7,143	-
Balance, April 30, 2014	197,351	73,087

On October 30, 2013, the Company completed a secured convertible debenture offering for gross proceeds of $275,000. Of this amount $75,000 was issued to two directors and officers or to individuals to who they were related. The debentures mature on October 30, 2018 although are redeemable at the Company's option after October 30, 2016.

The debentures are secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement and hold preference to any security held by holders of the promissory notes.

Until October 30, 2014 each debenture holder has the option to convert up to 20% of the debenture principal and all of the interest payable into common shares by providing 30 days written notice in advance of three month debenture rollover periods. The conversion of debenture principal will be based on a share price of $0.10 and the conversion of any interest payable will be based on the greater of $0.10 per share or the closing share price on the date the Company receives notice from the holder.

For accounting purposes, each convertible debenture is separated into its liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debenture assuming a 20% effective interest rate which was the estimated rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component.

Interest on the debentures is payable at the rate of 10% per annum calculated and paid quarterly in arrears. Professional fees of $11,705 have been incurred in connection with the debenture offering and have been recorded against the liability and equity components on a pro-rata basis. The issuance costs allocated to the liability component are being amortized to profit or loss over the life of the convertible debentures. The issuance costs allocated to the equity component are charged directly to equity.

During the year ended April 30, 2014, the Company recorded accretion expense and amortization of issuance costs of $7,143, and interest expense of $19,945 all of which has been paid as of April 30, 2014.

NOTE 12 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued Share Capital

At April 30, 2014, there were 63,574,674 issued and fully paid common shares (2013 – 43,489,174).

(c) Share Issuances

On September 28, 2012 and October 12, 2012, the Company completed a private placement of 11,181,800 units at $0.10 per unit for gross proceeds of $1,118,180. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to acquire one additional common share of the Company at $0.20 per share for a period of one year. The Company allocated $1,118,180 of the total proceeds to the common shares and a nominal amount to the attached warrants.

In connection with this private placement finder's fees were paid consisting of cash of $55,194 and 550,443 share purchase warrants with each warrant having terms identical to warrants issued as part of the unit financing. Share-based compensation of $18,004 arising from the issue of these compensation warrants was charged to share issue costs and credited to warrant reserve. Other share issuance costs with respect to the private placement included legal fees of $14,419, and regulatory expenses of $5,591.

For purposes of the calculations of compensation charge associated with agent's warrants granted, the following assumptions were used for the Black-Scholes model.

Risk-free interest rate	0.78%
Expected dividends	$nil
Expected volatility	109%
Expected life	1 year

On April 5, 2013, the Company completed a private placement of 9,535,000 units at $0.10 per unit for gross proceeds of $953,500. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at $0.20 per share for a period of three years. The warrants are subject to an acceleration provision whereby the warrant holders will be required to exercise their warrants within a period of 30 days if the Company's common shares close at or above $0.30 per share for 5 consecutive trading days, otherwise the warrants will, if not exercised, expire at the end of such 30 day period. The Company allocated $953,500 of the total proceeds to the common shares and a nominal amount to the attached warrants.

In connection with this private placement finder's fees were paid consisting of cash of $58,080 and 590,800 share purchase warrants with each warrant having terms identical to warrants issued as part of the unit financing. Share-based compensation of $26,504 arising from the issue of these

compensation warrants was charged to share issue costs and credited to warrant reserve. Other share issuance costs with respect to the private placement included legal fees of $15,144, and regulatory expenses of $5,517.

For purposes of the calculations of compensation charge associated with agent's warrants granted, the following assumptions were used for the Black-Scholes model.

Risk-free interest rate	1.13%
Expected dividends	$nil
Expected volatility	106%
Expected life	3 years

On December 2, 2013 and December 23, 2013, the Company completed a private placement of 5,115,500 shares at $0.10 per share for gross proceeds of $511,550. Share issuance costs with respect to the private placement included legal fees of $6,164, regulatory expenses of $2,250, and other issue costs of $3,822.

On February 19, 2014, the Company completed a private placement of 2,010,000 shares at $0.10 per share for gross proceeds of $201,000. Share issuance costs with respect to the private placement included legal fees of $2,776 and regulatory expenses of $2,555.

On February 28, 2014, the Company completed a private placement with GRIT whereby it issued 12,000,000 common shares with a value of $0.11 per share, in exchange for 733,007 GRIT Shares at a price of GBP £1.00 per share. A finder's fee in the form of 960,000 common shares at a value of $0.11 per share was paid in connection with this share exchange. Other share issuance costs with respect to the private placement included legal fees and regulatory expenses of $8,557.

(d) Escrow Securities

As of April 30, 2014, the Company had nil (2013 – 334,934) common shares and nil (2013 – 39,000) stock options held in escrow.

(e) Stock Options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Stock options will be exercisable for a period of up to 10 years from the date of grant.

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option

may be exercised within a maximum period of twelve months after such death, subject to the expiry date of such option.

The status of the options outstanding is as follows:

	Options	Weighted Average Exercise Price
	#	$
Balance, April 30, 2012	2,261,000	0.313
Granted	1,085,000	0.150
Forfeited	(140,000)	0.380
Balance, April 30, 2013	3,206,000	0.255
Granted	1,150,000	0.150
Forfeited	(558,000)	0.268
Balance, April 30, 2014	3,798,000	0.221

The following table summarizes the options outstanding as at April 30, 2014:

Options	Exercise Price	Expiry Date	Vesting Provisions
#	$		#
311,000	0.135	February 18, 2015	Vested
360,000	0.125	April 7, 2015	Vested
150,000	0.250	February 9, 2017	Vested
250,000	0.150	October 5, 2017	Vested
675,000	0.150	October 30, 2017	Vested
850,000	0.150	May 30, 2018	Vested
200,000	0.150	October 31, 2018	Vested
124,000	0.220	September 23, 2020	Vested
208,000	0.500	May 13, 2021	Vested
670,000	0.430	July 11, 2021	Vested
3,798,000			

As at April 30, 2014, the weighted average remaining contractual life of the options is 4.38 years.

On May 30, 2013 and October 31, 2013 the Company granted respectively 950,000 and 200,000 fully vested options to directors, officers, employees and consultants exercisable at $0.15 per share for a period of five years. Accordingly during the year ended April 30, 2014, the Company recognized share-based payments of $105,658 (2013 – $157,356) for stock options granted and vested during the year, of which $nil (2013 – $21,321) was included under wages and contract labor in exploration and evaluation assets. The fair value of stock options granted during the year ended April 30, 2014 and 2013 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2014	2013
Risk-free interest rate	1.63%	1.63%
Expected dividends	$nil	$nil
Expected volatility	165.03%	182.30%
Expected life	5.00 years	4.92 years

The weighted average fair value of stock options granted during the year ended April 30, 2014 was $0.09 (2013 – $0.11) per option.

On June 4, 2014 the Company granted 2,050,000 fully vested options to directors, officers, employees and consultants exercisable at $0.15 per share for a period of five years. Effective June 30, 2014 the Company cancelled 603,000 options exercisable at prices varying from $0.125 to $0.50 per share with expiry dates from February 18, 2015 to July 11, 2021.

(f) Warrants

The status of the share purchase warrants outstanding is as follows:

	Warrants	Weighted Average Exercise Price
	#	$
Balance, April 30, 2012	3,760,352	0.956
Issued	16,267,143	0.200
Expired	(1,260,352)	1.360
Balance, April 30, 2013	18,767,143	0.273
Expired	(8,641,343)	0.360
Balance, April 30, 2014	10,125,800	0.200

The following table summarizes the share purchase warrants outstanding at April 30, 2014:

Number of Warrants	Exercise Price	Expiry Date
10,125,800	0.200	April 5, 2016

NOTE 13 – RELATED PARTY TRANSACTIONS

(a) Related Party Transactions

The Company incurred charges to directors and officers, former directors and officers, or to companies associated with these individuals during the years ended April 30, 2014 and 2013 as follows:

	2014	2013
	$	$
Accounting fees recorded in professional fees	106,424	29,618
Consulting and management fees	217,000	96,000
Finance costs	44,734	-
Legal fees and share issuance costs	102,018	63,594
Office, rent and administration [1]	-	65,950
	470,176	255,162

[1] Of these fees, $nil was allocated to the former CFO of the Company for the year ended April 30, 2014 (2013 – $15,000).

Accounting fees are paid to a company which is owned by a director and in which the CFO is an associate. Consulting and management fees are paid to companies controlled by the President and/or Chief Operating Officer. Finance costs on interest bearing debt instruments were paid or accrued to companies which are owned by either the President or Chief Operating Officer or to a company owned by a director in which the CFO is an associate. Legal fees and share issuance costs are paid to a legal firm with which the Corporate Secretary is associated.

(b) Compensation of Key Management Personnel

The Company's key management personnel has authority and responsibility for planning, directing and controlling the activities of the Company and includes the Directors, President, Chief Financial Officer, and Chief Operating Officer. Compensation in respect of services provided by key management consists of consulting and management fees paid to the President and the COO, accounting and administration fees paid to companies in which the CFO is, or former CFO was, an associate and by the issue of options.

	2014	2013
	$	$
Management, accounting and CFO administration fees included in Note 13(a) above	298,424	140,618
Share-based payments	55,487	117,805
	353,911	258,423

There was no other compensation paid or payable to key management for employee services.

(c) Related Party Balances

All related party balances payable as at April 30, 2014 are non-interest bearing and payable on demand and are comprised of $48,856 (2013 – $10,080) payable to the President, $52,670 (2013 – $8,836) payable to a company controlled by the President, $21,661 (2013 – $nil) payable to the Chief Operating Officer, $48,450 (2013 – $nil) payable to a company controlled by the Chief Operating Officer, $57,739 (2013 – $7,371) payable to a company controlled by a director and in which the CFO is an associate, and $66,551 (2013 – $15,689) payable to a legal firm with which the Corporate Secretary is associated.

NOTE 14 – COMMITMENTS

The Company has a consulting agreement with a company controlled by the President of the Company whereby it has committed to pay fixed monthly management fees of $8,000. Additional fees may be payable if certain conditions exist upon eventual termination of the contract.

During the year ended April 30, 2014, the Company committed to pay $10,000 per month to a company controlled by the Chief Operating Officer for both his services and those of the VP Operations and New Developments.

NOTE 15 – SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and evaluation of mineral properties for development. Segmented information is provided on the basis of geographic segments consistent with its operations as follows:

April 30, 2014	Canada	Peru	Total
	$	$	$
Property, plant and equipment	2,851	1,090,605	1,093,456
Other assets	23,421	-	23,421
Exploration and evaluation assets	-	20,000	20,000
Total assets	26,272	1,110,605	1,136,877

April 30, 2013	Canada	Peru	Total
	$	$	$
Property, plant and equipment	3,981	27,678	31,659
Exploration and evaluation assets	-	2,588,368	2,588,368
Total assets	3,981	2,616,046	2,620,027

NOTE 16 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair Value of Financial Instruments

As at April 30, 2014, the Company's financial instruments consist of cash and cash equivalents, other receivables, marketable securities, accounts payable and accrued liabilities, due to related parties, and promissory notes payable. Cash and cash equivalents and other receivables are designated as loans and receivables, which are measured at amortized cost. Marketable securities are designated as available-for-sale, which are measured at fair value through other comprehensive income or loss. Accounts payable and accrued liabilities, due to related parties, and promissory notes payable are designated as other financial liabilities, which are measured at amortized cost.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

As at April 30, 2014, the Company believes that the carrying values of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, due to related parties, and promissory notes payable approximate their fair values because of their nature and relatively short maturity dates or durations. The value of marketable securities has been assessed based on the fair value hierarchy described above and are classified as Level 1.

(b) Financial Instruments Risk

The Company's financial instruments are exposed in varying degrees to a variety of financial risks. The Board approves and monitors the risk management processes:

(i) Credit risk

Credit risk exposure primarily arises with respect to the Company's cash and cash equivalents and other receivables. The risk exposure is limited because the Company places its instruments in banks of high credit worthiness within Canada and continuously monitors the collection of other receivables.

(ii)Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure as far as possible that it will have sufficient liquidity to settle obligations and liabilities when they become due. As at April 30, 2014, the Company had cash and cash equivalents of $78,710 and current working capital of $170,974 with total liabilities of $1,864,560. Subsequent to the year ended April 30, 2014, the Company received gross proceeds of $2,700,000 from a bond financing (Note 20).

(iii) Market risk

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company invests cash in guaranteed investment certificates at fixed or floating interest rates in order to maintain liquidity while achieving a satisfactory return for shareholders. A change of 100 basis points in the interest rates would not be material to the financial statements.

b. Foreign currency risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates associated with the fluctuations in its US dollar and the Peruvian New Sol ("Sol") bank accounts as well as the translation of foreign held assets and liabilities at current exchange rates.

The Company's net exposure to the US dollar and Sol on financial instruments is as follows:

	April 30, 2014	April 30, 2013
	$	$
US dollar:		
Cash and cash equivalents	22,792	7,747
Accounts payable and accrued liabilities	(16,116)	-
Net assets	6,676	7,747
Sol:		
Cash and cash equivalents	9,704	8,129
Receivables	-	7,461
Accounts payable and accrued liabilities	(167,734)	(65,355)
Net liabilities	(158,030)	(49,765)

The Company has determined that an effect of a 10% increase or decrease in the US dollar and Sol against the Canadian dollar on its financial instruments as at April 30, 2014, would not result in a significant change to the net loss and comprehensive loss for the year ended April 30, 2014. At April 30, 2014, the Company had no hedging agreements in place with respect to foreign exchange rates.

c. Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's price risk relates primarily to future gold price expectations and the share trading price of its GRIT shares. The Company continuously monitors precious metal and GRIT share trading prices as they are included in projections prepared to determine its future strategy.

NOTE 17 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, issue debt instruments or return capital to its shareholders.

The Company considers its current capital structure to consist of promissory notes payable, convertible debentures and the items included in shareholders' equity. The Company's projected future revenues from toll-milling operations are intended to generate sufficient funds to repay its promissory notes and convertible debentures and to provide funding for future operations. Notwithstanding these proceeds the Company expects to continue to be dependent on its capital resources which are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to these markets and by its ability to compete for investor support of its projects. The Company is not subject to externally imposed capital requirements except for the right of first refusal for future debt and equity financings provided to bond and debenture holders per financings entered into subsequent to April 30, 2014 (Note 20).

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the further development of its Peruvian toll-milling operations and exploration the Company prepares expenditure budgets which are updated as necessary, and are reviewed and approved by the Company's Board of Directors.

NOTE 18 – INCOME TAXES

The recovery of income taxes differs from the theoretical amounts which would be computed by applying local tax rates to the loss before tax as follows:

	2014	2013
	$	$
Net loss for the year	(4,269,643)	(882,987)
Average statutory rate	26%	25%
Income tax recovery at applicable rate	(1, 110,000)	(221,000)
Impact of different foreign statutory tax rates	(66,000)	(2,000)
Non-deductible amounts	463,000	37,000
Unrealized loss on marketable securities	(61,000)	-
Issuance of convertible debentures	20,000	-
Share issuance costs	(34,000)	(39,000)
Effect of change in tax rate	-	(6,000)
Change in non-recognized deferred tax assets and other	788,000	231,000
Income tax provision	-	-

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The income tax benefit of the following deductible temporary differences has not been recorded in these financial statements because of the uncertainly of their recovery:

	2014	2013
	$	$
Non-capital losses carried forward	7,695,000	5,425,000
Share issuance costs	275,000	255,000
Mineral properties	47,000	47,000
Convertible debentures	(78,000)	-
Other	1,035,000	46,000

The Company has non-capital losses available to reduce taxes in future years of approximately $7,695,000 in Canada (2013 – $5,397,000). In addition, the Company has tax losses for Peruvian purposes of $350,000 (2013 – $28,000) potentially available to offset against future years' taxable income in Peru. The remaining deductible temporary differences carry forward indefinitely.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

NOTE 19 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest and income taxes paid in cash during the year ended April 30, 2014 were $ 67,179 and $nil (2013 – $nil and $nil).

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the year ended April 30, 2014, the following transactions were excluded from the statements of cash flows:

The Company issued 12,000,000 common shares at the fair value of $1,320,000, in exchange for 733,007 GRIT Shares. A finder's fee in the form of 960,000 common shares at the fair value of $105,600 was paid in connection with this share exchange.

The Company accrued $250,762 in property, plant and equipment expenditures through accounts payable and accrued liabilities.

The Company accrued $68,000 in exploration and evaluation asset expenditures through accounts payable and accrued liabilities.

During the year ended April 30, 2013, the following transactions were excluded from the statements of cash flows:

The Company issued 1,141,243 finder's warrants at the fair value of $44,508 pursuant to private placement financings.

The Company accrued $65,355 in exploration and evaluation asset expenditures through accounts payable and accrued liabilities.

The Company capitalized $21,321 of share-based payments to exploration and evaluation assets.

NOTE 20 – SUBSEQUENT EVENTS

(a) Convertible Debenture Financing

On May 23, 2014, the Company closed a debenture financing for gross proceeds of $325,000. As at April 30, 2014, in advance of the closing, the Company had received all of the proceeds and accordingly they are reflected as current liabilities on the Consolidated Statements of Financial Position. The debentures bear interest at a rate of 10% per annum, calculated and paid quarterly in arrears, 25% of which shall be convertible into shares during the first year of the debenture term. Also during the first year of the debenture term a maximum of 25% of the principal may, at the option of the holder, be converted into common shares of the Company at a price of $0.125 per common share. The debentures mature on May 23, 2019 and are redeemable by the Company at any time after May 23, 2017. They are secured by a security interest in all of the Company's present and after acquired property pursuant to a security agreement.

In connection with this debenture financing, a finder's fee of $13,000 and legal fees of $2,236 were paid, all of which have been recorded as deferred financing costs as at April 30, 2014.

(b) Bond Financing

On May 20, 2014, the Company announced a transferable bond financing for gross proceeds of $5,500,000. On June 3, 2014, the Company closed the first tranche of this financing after the gross proceeds of $2,700,000 were received.

The first tranche bond bears interest at 10% per annum, calculated and payable quarterly in arrears commencing no later than December 3, 2014. The bond principal of $2,700,000 is repayable in increments of $170,454 on each of June 3, September 3 and December 3, 2016 and March 3, 2017, with the remainder due June 3, 2017.

In connection with the financing the Company and the purchaser have entered into a financing fee agreement whereby the Company will pay a financing fee equal to 3.5% of the net revenues from the Chala plant as defined by the agreement. All or a portion of the financing fee can be repurchased by the Company on either December 31, 2024 or December 31, 2029 in exchange for the cash payment of US$1,500,000 or a corresponding pro-rata portion thereof and otherwise the fee will continue to be payable until December 31, 2034.

In addition a finder fee of $216,000 was paid in cash and 1,440,000 finder's warrants were issued in connection with the financing. The warrants are exercisable at $0.15 for 3 years. Legal fees of $8,185 paid in connection with the financing have been recorded as deferred financing costs as at April 30, 2014.

The bond is secured by a security interest in all of the Company's present and after acquired property pursuant to an underlying Security Agreement but ranks secondary to any prior ranking security held by holders of the promissory notes and debentures.

Pursuant to the terms of both the debenture and bond financing agreements the Company has granted the right of first refusal for future debt and equity financings subject to certain restrictions as outlined in those agreements.

(c) Promissory Notes

Subsequent to April 30, 2014, the Company repaid $120,000 of the current portion of the promissory notes payable.

(d) Share Issuances

Subsequent to April 30, 2014, 175,000 common shares were issued for proceeds of $35,000 on the exercise of 175,000 warrants at $0.20 per share.

Subsequent to April 30, 2014, 180,000 common shares were issued for proceeds of $23,100 on the exercise of 120,000 stock options at $0.125 per share and 60,000 stock options at $0.135 per share.