Amended and Restated

Cadan Resources

# CADAN RESOURCES CORPORATION

**Consolidated Financial Statements**
**Years ended December 31, 2013 and 2012**
**(Expressed in Canadian Dollars)**

**Amended and Restated**

# INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF CADAN RESOURCES CORPORATION

We have audited the accompanying consolidated financial statements of Cadan Resources Corporation, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and January 1, 2012, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficiency) and cash flows for the years ended December 31, 2013 and 2012, 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, the consolidated financial statements present fairly, in all material respects, the financial position of Cadan Resources Corporation as at December 31, 2013 and 2012, and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012 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 matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

*Other Matter*

Without modifying our opinion, we draw attention to note 20 to the consolidated financial statements, which explains that the consolidated financial statements as at December 31, 2013 and 2012 and for the years then ended have been restated from those on which we originally reported on April 29, 2014. We therefore withdraw our previous report as originally filed.

Chartered Accountants

Vancouver, British Columbia
April 30, 2015

**Amended and Restated**

# CADAN RESOURCES CORPORATION
## Consolidated Balance Sheets
**As at December 31,**
**(Expressed in Canadian dollars)**

| | Notes | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | | $ 93,461 | $ 298,436 | $ 3,584,642 |
| Amounts and advances receivable | **6** | 45,581 | 1,157,789 | 120,231 |
| Prepaid expenses | | 267,468 | 221,462 | 307,686 |
| Investment in Mining Group Ltd. | **8** | 171,923 | 557,805 | - |
| | | 578,433 | 2,235,492 | 4,012,559 |
| **Exploration and evaluation assets** | **5** | 2,070,539 | 2,070,539 | 3,101,826 |
| **Investment in Agusan Metals Corporation** | **6 & 7** | - | 1,198,185 | - |
| **Loan to Agusan Metals Corporation** | **6 & 7** | 1,470,112 | 10,307,538 | - |
| **Property, plant and equipment** | **9** | 2,379,686 | 2,545,308 | 2,598,970 |
| | | $ 6,498,770 | $ 18,357,062 | $ 9,713,355 |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | **13** | $ 4,381,501 | $ 1,704,071 | $ 674,700 |
| Loans payable | | 313,594 | 276,437 | 1,044,190 |
| Convertible notes | **10 & 13** | 3,061,310 | 1,890,113 | 2,449,076 |
| Shareholder loan | | - | 300,000 | - |
| Credit Facility | **11 & 13** | 3,281,614 | - | - |
| | | 11,038,019 | 4,170,621 | 4,167,966 |
| **Retirement benefit obligation** | **15** | 198,761 | 208,212 | 279,219 |
| | | 11,236,780 | 4,378,833 | 4,447,185 |
| **Shareholders' equity (deficiency)** | | | | |
| **Share capital** | **12** | 56,696,847 | 55,286,616 | 50,278,839 |
| **Reserves** | | 3,894,981 | 2,604,135 | 4,553,870 |
| **Deficit** | | (39,501,677) | (21,688,245) | (32,651,474) |
| **Equity attributable to owners of the company** | | 21,090,151 | 36,202,506 | 22,181,235 |
| **Non-controlling interest** | | (25,828,161) | (22,224,277) | (16,915,065) |
| | | (4,738,010) | 13,978,229 | 5,266,170 |
| | | $ 6,498,770 | $ 18,357,062 | $ 9,713,355 |

Approved on behalf of the Board:

*"Ryan Sander"*
……………………………………………………….
Ryan Sander, Director

*"Peter Main"*
……………………………………………………….
Peter Main, Director

See notes to consolidated financial statements

**Amended and Restated**

# CADAN RESOURCES CORPORATION

**Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**
**Years ended December 31,**
**(Expressed in Canadian dollars)**

| | Notes | Years ended December 31 2013 | 2012 |
|---|---|---|---|
| **Expenses** | | | |
| Consulting fees | | $ 1,479,134 | $ 1,666,092 |
| Exploration and evaluation expenses | **5(f)** | 6,144,147 | 8,803,217 |
| Legal and professional | | 328,732 | 374,983 |
| Travel and accommodation | | 80,878 | 81,415 |
| Office and miscellaneous | | 95,245 | 198,299 |
| Regulatory and shareholder costs | | 63,410 | 52,489 |
| Rent | | 86,150 | 119,535 |
| Bank charges and interest | | 1,685,794 | 359,929 |
| Reorganization costs | | - | 49,557 |
| Loss on settlement of arbitration | | - | 321,988 |
| Share based payments | **12(b)** | - | 624,672 |
| **Loss before other items** | | (9,963,490) | (12,652,176) |
| **Other items** | | | |
| Gain on sale of subsidiary | **6** | - | 15,497,144 |
| Change in fair value of contingent consideration | | (189,580) | 1,033,580 |
| Share of loss in equity accounted investment | | (1,579,636) | (33,175) |
| Unrealized gain (loss) on derivative | | (141,143) | 120,139 |
| Foreign exchange loss | | (173,687) | (170,186) |
| Impairment of Agusan loan | | (8,455,975) | - |
| Impairment of investment in Mining Group Ltd. | | (2,024,435) | - |
| Loss on early retirement of convertible notes | **10(e)** | (372,242) | - |
| Interest income | | - | 7,299 |
| **Net Income (Loss)** | | (22,900,188) | 3,802,625 |
| **Other Comprehensive loss** | | | |
| Recycle loss on shares held for sale | **6** | 1,463,196 | - |
| Unrealized loss on shares held for resale | **6** | - | (1,463,196) |
| **Comprehensive Income (Loss)** | | $ (21,436,992) | $ 2,339,429 |
| **Comprehensive Income (Loss) attributed to:** | | | |
| Owners of the Company | | $ (17,833,108) | $ 7,771,205 |
| Non-Controlling Interest | | (3,603,884) | (5,431,776) |
| | | $ (21,436,992) | $ 2,339,429 |
| **Net Income (Loss) Per Share – basic** | | $ (1.549) | $ 0.352 |
| **Net Income (Loss) Per Share – diluted** | | $ (1.549) | $ 0.023 |
| **Weighted Average Number of Common Shares Outstanding** | | 14,779,529 | 10,817,241 |

See notes to consolidated financial statements

**Amended and Restated**

# CADAN RESOURCES CORPORATION

## Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
## (Expressed in Canadian dollars)

| | Notes | Number of shares issued | Share capital | Share-based payments reserve | Revaluation reserve | Deficit | Equity attributable to owners of the Company | Non-Controlling Interest | Shareholders' Equity (Deficiency) |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2011** | | 9,796,189 | $ 50,278,839 | $ 4,553,870 | $ - | $ (32,651,474) | $ 22,181,235 | $(16,915,065) | $ 5,266,170 |
| Share-based payments | | - | - | 624,672 | - | - | 624,672 | - | 624,672 |
| Unrealized loss on shares held for resale | | - | - | - | (1,463,196) | - | (1,463,196) | - | (1,463,196) |
| Net assets disposed of in Agusan Metals Corporation | | - | - | - | - | (122,424) | (122,424) | - | (122,424) |
| Reduction of non-controlling interest on sale of subsidiary | | - | - | - | - | - | - | 122,564 | 122,564 |
| Discount on convertible debt | | - | - | 357,688 | - | - | 357,688 | - | 357,688 |
| Common shares issued to settle dispute | **12(b)** | 250,000 | 220,000 | - | - | - | 220,000 | - | 220,000 |
| Common shares issued for cash ($0.15 per share) | **12(b)** | 4,172,509 | 4,624,927 | 382,353 | - | - | 5,007,280 | - | 5,007,280 |
| Common shares issued for mineral property | **12(b)** | 15,625 | 13,750 | - | - | - | 13,750 | - | 13,750 |
| Common shares issued for cash ($0.20 per share) | **12(b)** | 328,125 | 525,000 | - | - | - | 525,000 | - | 525,000 |
| Share issue costs | | - | (375,900) | - | - | - | (375,900) | - | (375,900) |
| Reclassification of the fair value of options and warrants upon expiry | | - | - | (1,851,252) | - | 1,851,252 | - | - | - |
| Net income (loss) for the year | | - | - | - | - | 9,234,401 | 9,234,401 | (5,431,776) | 3,802,625 |
| **Balance at December 31, 2012** | | 14,562,448 | $ 55,286,616 | $ 4,067,331 | $ (1,463,196) | $ (21,688,245) | $ 36,202,506 | $(22,224,277) | $ 13,978,229 |
| Share issue cost | | - | (50,089) | - | - | - | (50,089) | - | (50,089) |
| Discount attributed to the convertible note conversion features | | - | - | 1,460,884 | - | - | 1,460,884 | - | 1,460,884 |
| Reclassification of discount on convertible notes, refinanced | | - | - | (1,083,231) | - | 1,083,231 | - | - | - |
| Reclassification of prior year interest charged to Deferred Exploration | | - | - | - | - | (150,362) | (150,362) | - | (150,362) |
| Reclassification of the fair value of options and warrants on expiry | | - | - | (550,003) | - | 550,003 | - | - | - |
| Shares issued for debt | | 2,728,248 | 1,091,299 | - | - | - | 1,091,299 | - | 1,091,299 |
| Obligation to issue shares for debt | | 922,552 | 369,021 | - | - | - | 369,021 | - | 369,021 |
| Net income (loss) for the year | | - | - | - | 1,463,196 | (19,296,304) | (17,833,108) | (3,603,884) | (21,436,992) |
| **Balance at December 31, 2013** | | 18,213,248 | $ 56,696,847 | $ 3,894,981 | $ - | $ (39,501,677) | $ 21,090,151 | $(25,828,161) | $ (4,738,010) |

See notes to consolidated financial statements

Amended and Restated

# CADAN RESOURCES CORPORATION
## Consolidated Statements of Cash Flows
### Years ended December 31,
### (Expressed in Canadian dollars)

| | 2013 | 2012 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income (loss) for the year | $ (22,900,188) | $ 3,802,625 |
| Items not involving cash | | |
| Share-based payments | - | 624,672 |
| Amortization | 437,408 | 313,278 |
| Retirement benefit obligation | 9,451 | - |
| Change in fair value of contingent consideration | - | (1,033,580) |
| FV adjustment on derivative | 141,143 | (120,139) |
| (Gain) Loss on sale of subsidiary | 189,580 | (15,497,144) |
| Loss on settlement of arbitration | - | 220,000 |
| Share of loss in equity accounted investment | 1,579,636 | 33,175 |
| Unrealized gain on foreign exchange | (162,221) | (244,854) |
| Impairment of Agusan loan | 8,455,975 | - |
| Impairment of investment in Mining Group Ltd. | 2,024,435 | - |
| Loss on early retirement of convertible notes | 372,242 | - |
| Accretion interest on convertible debt | 1,579,747 | 90,725 |
| | (8,272,792) | (11,811,242) |
| Changes in non-cash working capital | | |
| Amounts and advances receivable | 584,708 | (3,978) |
| Prepaid expenses | (46,006) | 86,224 |
| Accounts payable and accrued liabilities | 2,072,953 | 1,305,808 |
| Loans payable | 37,157 | - |
| Due to related parties | - | 300,000 |
| **Cash used in operating activities** | (5,623,980) | (10,123,188) |
| **Cash flows from investing activities** | | |
| Proceeds on sale of Agusan Metals Corporation | 527,500 | 2,106,410 |
| Purchase of investment in Mining Group Ltd. | - | (126,024) |
| Purchase of property, plant and equipment | (271,786) | (199,784) |
| **Cash provided by investing activities** | 255,714 | 1,780,602 |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of common shares | - | 5,333,974 |
| Proceeds from credit facility | 3,152,680 | - |
| Proceeds from issuance of convertible notes | 2,060,700 | 2,400,000 |
| Repayment of convertible notes | - | (2,500,000) |
| Share issuance costs paid | (50,089) | (177,594) |
| **Cash provided by financing activities** | 5,163,291 | 5,056,380 |
| **Inflow (Outflow) of Cash** | (204,975) | (3,286,206) |
| **Cash and Cash Equivalents, Beginning of Year** | 298,436 | 3,584,642 |
| **Cash and Cash Equivalents, End of Year** | $ 93,461 | $ 298,436 |

See notes to consolidated financial statements

## 1. GOING CONCERN AND NATURE OF OPERATIONS

Cadan Resources Corporation (the "Company" or "Cadan") was incorporated on November, 14, 1977 and continued under the laws of British Columbia on August 28, 2007. The Company is an exploration stage company, and its principal business activity is natural resource exploration, focusing on resources located in the Philippines. The head office, principal and registered address and records office of the Company is Suite 600 – 666 Burrard Street, Vancouver, British Columbia, V6C 3P6.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not give effect to any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The following adverse conditions cast significant doubt on the Company's ability to continue as a going concern. For the year ended December 31, 2013, the Company had a net loss of $22,900,188 (2012 - net income $3,802,625). At December 31, 2013, the Company had an accumulated deficit of $39,501,677 (December 31, 2012 - $21,688,245; January 1, 2012 - $32,651,474). The Company has not yet demonstrated an ability to produce a sustained source of revenue to satisfy its requirements to conduct its planned exploration, progress the development of the T'Boli mine and processing plant, meet repayment obligations on its debts and meet its administrative overhead and maintain its resource interests. The Company has relied principally upon the issuance of securities and debt to finance operations. The Company's ability to continue as a going concern is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

Mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The recoverability of the Company's investment in, and expenditures on, exploration and evaluation assets is dependent on several factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of resource interests.

On November 28, 2014, the Company announced that the TSX Venture Exchange approved a share consolidation of the outstanding shares on the basis of eight (8) pre-consolidation common shares for one (1) post-consolidation common share (the "Consolidation") (note 19). The Consolidation was effective at the open of the market on Monday December 1, 2014. As a result of the Consolidation, Cadan's issued and outstanding 158,490,484 common shares were reduced to 19,811,311 common shares. The Company has retroactively amended the share and per share amounts contained in these consolidated amended and restated financial statements, to reflect the effects of the Consolidation.

## 2. BASIS OF PRESENTATION

(a) Statement of Compliance

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

## 2. BASIS OF PRESENTATION (Continued)

(b) Approval of the consolidated financial statements

The amended and restated consolidated financial statements of the Company for the year ended December 31, 2013, were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 30, 2015.

(c) New accounting pronouncements and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") have issued a number of new and revised standards and interpretations, which are not yet effective for the relevant reporting periods.

The Company has not early-adopted these standards, amendments and interpretations. The Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company. The new accounting standards and interpretations that will be adopted in future years are as follows:

**IFRS 9 *Financial Instruments* (2014)**

This is a finalized version of **IFRS 9,** which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of **IFRS 9** introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under **IAS 39**; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**. The 2014 version of **IFRS 9** introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from **IAS 39**.

Applicable to annual periods beginning on or after January 1, 2018.

**2. BASIS OF PRESENTATION** (Continued)

(c) New accounting pronouncements and interpretations not yet adopted (Continued)

***Accounting for Acquisitions of Interests in Joint Operations*** **(Amendments to IFRS 11)**

Amends IFRS 11 *Joint Arrangements* to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations*) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRS for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted.

Applicable to annual periods beginning on or after July 1, 2016.

***Clarification of Acceptable Methods of Depreciation and Amortization*** **(Amendments to IAS 16 and IAS 38)**

Amends IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Applicable to annual periods beginning on or after July 1, 2016.

**2. BASIS OF PRESENTATION** (Continued)

(c) New accounting pronouncements and interpretations not yet adopted (Continued)

**IFRIC 21 *Levies***

Provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognized progressively if the obligating event occurs over a period of time
- If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

Applies to annual periods beginning on or after January 1, 2014.

***Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32)**

Amends IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of “currently has a legally enforceable right of set-off”
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Applicable to annual periods beginning on or after January 1, 2014.

***Equity Method in Separate Financial Statements* (Amendments to IAS 27)**

Amends IAS 27 *Separate Financial Statements* to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Applicable to annual periods beginning on or after July 1, 2016.

**2. BASIS OF PRESENTATION** (Continued)

(c) New accounting pronouncements and interpretations not yet adopted (Continued)

***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)**

Amends IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 *Business Combinations*)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

Applicable to annual periods beginning on or after July 1, 2016.

***Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)***

Amends IAS 36 *Impairment of Assets* to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Applicable to annual periods beginning on or after January 1, 2014.

***Annual Improvements 2010-2012 Cycle***

Makes amendments to the following standards:

- **IFRS 2** — Amends the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”
- **IFRS 3** — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- **IFRS 8** — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- **IFRS 13** — Clarify that issuing **IFRS 13** and amending **IFRS 9** and **IAS 39** did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)

**2. BASIS OF PRESENTATION** (Continued)

(c) New accounting pronouncements and interpretations not yet adopted (Continued)

***Annual Improvements 2010-2012 Cycle*** (Continued)

- **IAS 16** and **IAS 38** — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- **IAS 24** — Clarify how payments to entities providing management services are to be disclosed

Applicable to annual periods beginning on or after July 1, 2014.

***Annual Improvements 2011-2013 Cycle***

Makes amendments to the following standards:

- **IFRS 1** — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only)
- **IFRS 3** — Clarify that **IFRS 3** excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- **IFRS 13** — Clarify the scope of the portfolio exception in paragraph 52
- **IAS 40** — Clarifying the interrelationship of **IFRS 3** and **IAS 40** when classifying property as investment property or owner-occupied property

Applicable to annual periods beginning on or after July 1, 2014.

***Annual Improvements 2012-2014 Cycle***

Makes amendments to the following standards:

- **IFRS 5** — Adds specific guidance in **IFRS 5** for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
- **IFRS 7** — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- **IAS 9** — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- **IAS 34** — Clarify the meaning of “elsewhere in the interim report” and require a cross-reference

Applicable to annual periods beginning on or after January 1, 2016.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company (the ultimate parent company), its wholly-owned subsidiaries, Exploradora La Esperanza S.A. (a Colombian company); Sabena Limited and its subsidiaries (Australian companies); Tribal Holdings Inc., Batoto Holdings Inc., and Philco Holdings Inc. (Canadian companies), and Tribal Processing Corporation ("Tribal Processing") (Philippine company); and the accounts of its partially-owned (40%) Philippine affiliates, Batoto Resources Corporation ("Batoto") and TMC Tribal Mining Corporation ("TMC"), referred to throughout the consolidated financial statements as the “Philippine companies”. The Company owns 40% of each of the Philippine companies, which have been consolidated as they meet the criteria under IFRS 10 *Consolidated Financial Statements*. The Company’s ownership percentage in the Philippine companies is a result of Philippine laws restricting foreign ownership, but the Company is acting as operator of the Philippine companies. The remaining 60% ownership of each of the Philippine companies is owned by the two respective presidents of those companies. Each president has signed an option agreement allowing the Company to acquire control in certain circumstances. All significant intercompany balances and transactions have been eliminated on consolidation.

The Company sold 80% of Agusan Metals Corporation (formerly Philco Mining Corporation) ("Agusan") during the year ended December 31, 2012 (note 6). As the Company has retained a 20% interest and is able to exert significant influence, Philco is considered to be an associate as at December 31, 2013 and 2012 and for the years then ended.

Non-controlling interest in the net assets of consolidated partially-owned Philippine companies are identified separately from the Company’s equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest’s share of changes in equity since the date of acquisition.

(b) Use of judgments and estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. In particular, significant judgments made by management in the application of IFRS during the preparation of the consolidated financial statements and estimates with a risk of material adjustment are:

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(b) Use of judgments and estimates (Continued)

(i) Realization of assets

The investments in Agusan (note 6), Mining Group Ltd. ("Mining Group") (note 8), exploration and evaluation assets, and the loan to Agusan comprise a significant portion of the Company's assets. Realization of the Company's investments and loan receivable are dependent upon the Company or Mining Group obtaining permits for exploration or development of resource claims, the satisfaction of governmental requirements, satisfaction of possible aboriginal claims, the attainment of successful production from the properties, or from the proceeds upon disposal of the Company's interests therein. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

(ii) Environmental

Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development of mineral resource properties, the potential for production on the properties may be diminished or negated.

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations, are initially recognized and recorded as a liability based on estimated future cash flows discounted at a credit-adjusted risk-free rate.

The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Use of judgments and estimates (Continued)

(iii) Valuation of receivables

The loan to Agusan has no stated terms of repayment or interest rate attached to it. Management must make judgments about the valuation and recoverability of this receivable. The loan to Agusan has been presented at net present value using a discount rate of 25%, and assuming that repayment will occur over a three year period beginning in the fiscal year ended December 31, 2020. Events and circumstances arising during the year, or that are foreseeable at year-end, are reflected in the valuation of this receivable in the consolidated balance sheets and reflect management's best estimate of the fair value of this financial instrument. However, this receivable is tied to resource exploration and development, which is highly speculative and involves inherent risks.

(iv) Impairment assessment

Annually, the Company assesses whether indicators of impairment exist. If indicators of impairment are identified, then the Company assesses whether its assets carrying values are greater than their recoverable values. The recoverable value is the higher of an asset's fair value, less costs to sell, and its value in use. The Company has reviewed its most recent economic models and forecasts in assessing whether the property, plant and equipment and exploration and evaluation costs incurred, which were capitalized, have future economic benefits and are economically recoverable. Management uses several criteria in its assessment including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

(v) Convertible notes

Management must make judgments about the valuation of convertible notes, principally through the determination of an appropriate discount rate for similar debt without conversion features or attached warrants. The Company reviewed discount rates in use by companies of similar sizes and in the same industry and life cycle stage to determine an appropriate discount rate. Management also considered the Company's history of borrowings, the general economic outlook for junior exploration entities, and their overall access to credit facilities.

(vi) Contingencies

By their nature, contingencies, including the retirement benefit obligation, will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events, including the use of actuarial assumptions.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Use of judgments and estimates (Continued)

(vii) Fair value hierarchy

Where the fair value of financial assets and financial liabilities recorded in the balance sheets cannot be derived from active markets, their fair value is determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but, where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of management judgments and estimates include: fair value of financial instruments; recoverability of investment in and expenditures on exploration and evaluation assets, and property, plant and equipment; rates of amortization; balances of accrued liabilities; determination of provision for reclamation liability; the determination of the variables used in the calculation of share-based payments and the value of derivative investments; the determination of the variables used in the calculation of the net present value of the loan to Agusan; and actuarial assumptions for retirement benefit obligations. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated amortization and accumulated impairment losses. Amortization is recorded using the straight-line method at the following annual rates:

| | |
|---|---|
| Buildings | - 4% |
| Vehicles and exploration equipment | - 20 to 50% |
| Office furniture and equipment | - 10 to 33% |
| Leasehold improvements | - 20% |

(i) Subsequent costs

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

(ii) Impairment

The Company's tangible assets are reviewed for indications of impairment at each balance sheet date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the year.

The recoverable amount is the greater of the asset's fair value less costs 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 current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(iii) Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(d) Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(e) Investments in associates

Investments in which the Company exerts significant influence are accounted for using the equity method whereby the original cost of the investment is adjusted for the Company's share of earnings, losses and dividends during the current period. The Company's share of earnings and losses of such investments are included in the consolidated statements of income (loss) and comprehensive income (loss).

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Convertible notes

When the Company issues convertible debt with or without additional warrants attached, the proceeds are allocated first to the debt component, based on its discounted cash flows using a discount rate appropriate for similar debts without conversion features or attached warrants. The residual value is allocated to all equity components, and is included in share-based payments reserve. The debt component is accreted over its contractual life using the effective interest method, which includes other costs, such as finders' fees. The accretion expense is included in profit or loss as interest expense. On settlement of the debt, the equity components are transferred to deficit.

(g) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Non-vesting conditions are considered in making the assumption about the number of awards that are expected to vest. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the recorded value in share-based payments reserve is transferred to share capital. Upon expiry, forfeiture or cancellation, the recorded value is transferred to deficit.

(h) Equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(i) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on per share amounts is calculated presuming the exercise or conversion of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise or conversion would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(j) Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method of tax allocation, deferred tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values and their respective income tax basis (temporary differences). Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is included in profit or loss in the period in which the change is enacted or substantively enacted. Deferred tax assets are recognized to the extent that it is probable that the benefits associated with them will be recognized in the future.

(k) Financial instruments

(i) Financial assets

Financial assets are classified into one of four categories: Fair value through profit or loss ("FVTPL"), held-to-maturity (“HTM”), available-for-sale (“AFS”), and loans and receivables. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

*FVTPL financial assets*

Financial assets classified as FVTPL are stated at fair value with any resultant change in fair value recognized in profit or loss. The net income or loss recognized incorporates any dividend or interest earned on the financial asset.

*HTM financial assets*

HTM financial assets are initially measured on a trade-date basis at fair value, including transaction costs, and are subsequently adjusted using the effective interest rate method.

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

*AFS financial assets*

Short-term investments and other assets not otherwise designated are classified as AFS and stated at fair value on the date of acquisition and each subsequent balance sheet date. Any change in fair value is recognized as other comprehensive income (loss).

*Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period-end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate method.

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(ii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

*Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(k) Financial instruments (Continued)

(ii) Financial liabilities and equity (Continued)

*Derecognition of financial liabilities*

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expire.

(l) Exploration and evaluation assets

Once a permit or license to explore an area has been secured, acquisition costs are capitalized on a property-by-property basis. Exploration expenditures related to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential are expensed as incurred. Any incidental pre-production revenue is net against exploration and evaluation expenditures until the property is in commercial production.

Management reviews the carrying value of capitalized costs at least annually. In the case of undeveloped projects, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mine development assets, which is a component of property, plant and equipment.

The Company considers a project to be in commercial production following a reasonable period of testing of the production processes, and when the mine and processing plant are in the location and condition necessary to operate at their anticipated full capacity.

Subsequent recovery of the carrying value of exploration and evaluation assets depends on successful development or sale of the undeveloped project. If a project does not prove viable, all capitalized costs associated with the project, net of any impairment provisions, are written off.

(m) Provision for reclamation liability

The Company records a liability based on the best estimate of costs for site reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for reclamation liabilities is estimated using expected cash flows, discounted at a pre-tax rate specific to the liability.

The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future reclamation cash flows.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Provision for reclamation liability (Continued)

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

## 4. FINANCIAL INSTRUMENTS

The Company has classified its cash and derivative investment in Mining Group as FVTPL; investment in Mining Group and loan to Agusan, as AFS; amounts and advances receivable (excluding GST receivable), as loans and receivables; and accounts payable and accrued liabilities, loans payable, convertible notes and due to related parties, as other financial liabilities.

The carrying values of cash, amounts and advances receivable (excluding GST receivable), accounts payable and accrued liabilities, and secured loans approximate their fair values due to the short terms to maturity of these financial instruments. The carrying values of amounts due to related parties, excluding convertible notes due to related parties described below, approximate their fair value, as they are non-interest-bearing and due on demand.

The fair value of the investment in Mining Group was determined, in accordance with Level 1 of the fair value hierarchy, using the market price per share of Mining Group at the year-end date.

The carrying values of convertible notes were determined, in accordance with Level 2 of the fair value hierarchy, by discounting the face value of the notes over the six month to two year terms of the notes by a discount rate of 60%, and accreting the discount over the respective term to the anticipated conversion date of the notes.

The carrying value of the loan to Agusan was determined, in accordance with Level 3 of the fair value hierarchy, by discounting the expected repayments of the loan from their completion in the year ending December 31, 2022, at a discount rate of 25%. These notes were reclassified from the loans and receivables financial asset classification to AFS during the year.

(a) Credit risk

The Company is exposed to credit risk with respect to its cash. Cash and cash equivalents have been placed on deposit with major Canadian, Philippine and Australian financial institutions. The risk arises from the non-performance of counterparties of contractual financial obligations.

The Company manages credit risk, in respect of cash and cash equivalents, by maintaining deposits and guaranteed investment certificates at major financial institutions with strong investment-grade ratings.

**(Expressed in Canadian dollars, unless otherwise stated)**

**4. FINANCIAL INSTRUMENTS** (Continued)

(a) Credit risk (Continued)

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as the majority of the amounts are held with only a few Canadian and Philippine financial institutions. The Company's concentration of credit risk and maximum exposure thereto, is as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| **Canadian dollar equivalent** | | |
| Canadian dollar | $ 9,263 | $ 200,379 |
| Philippine peso | 84,198 | 98,057 |
| Total cash and cash equivalents | $ 93,461 | $ 298,436 |

The Company is also exposed to credit risk with respect to its amounts and advances receivable and loan to Agusan (notes 6 and 7). The Company maintains an equity investment in Agusan and receives periodic financial information from Mining Group and Agusan with respect to that investment. The Company actively monitors the financial status of Agusan and Mining Group to minimize the credit risk related to this loan. Other amounts receivable relate to input tax credits.

(b) Market risk

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

(i) Interest rate risk

Interest rate risk consists of two components:

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

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The loan to Agusan is carried at net present value using a discount rate that is impacted by the market rate of interest. A change in the market rate of interest could have a material impact on the carrying value of the loan to Agusan, but as at December 31, 2013, it is unclear what the quantum of that impact would be. The Company's cash and cash equivalents consist of cash held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on their estimated fair values as of December 31, 2013 and 2012. Future cash flows from interest income on cash will not be material. The Company manages interest rate risk by investing in highly liquid investments with maturities of one year or less.

The Company's convertible notes and credit facility are at fixed rates of interest.

**4. FINANCIAL INSTRUMENTS** (Continued)

(b) Market risk (Continued)

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

The Company is exposed to foreign currency risk with respect to cash and cash equivalents, accounts payable and accrued liabilities, and amounts due to related parties, as a portion of these amounts are denominated in Philippine pesos, Australian dollars and US dollars as follows:

| | | December 31, 2013 | | December 31, 2012 |
|---|---|---|---|---|
| **Canadian dollar equivalent** | | | | |
| **Philippine Pesos** | | | | |
| Cash and cash equivalents | $ | 84,198 | $ | 97,027 |
| Accounts payable and accrued liabilities | | (1,990,539) | | (1,165,273) |
| **AUD$** | | | | |
| Amounts and advances recievable | | - | | 1,033,580 |
| Accounts payable and accrued liabilities | | (1,028,457) | | - |
| **US$** | | | | |
| Accounts payable and accrued liabilities | | (128,084) | | |
| Loans payable | | (3,595,208) | | - |
| **Net exposure** | | | | |
| **Canadian dollar equivalent** | $ | (6,658,090) | $ | (34,666) |

The Company manages foreign currency risk by only holding funds in foreign currencies for short-term requirements. The Company has not entered into any foreign currency contracts and does not utilize derivatives to mitigate this risk.

A 1% fluctuation in the value of the Philippine peso, Australian dollar and US dollar at December 31, 2013, would result in a change to net income (loss) and comprehensive income (loss) by approximately $67,000 (2012 - $300).

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk through its investment in marketable securities of Mining Group, which are valued at each reporting date at their market price (note 8). During the year ended December 31, 2013, the Company recognized an impairment charge of $2,024,435 (2012 - $nil) in respect of its investment in Mining Group due to a significant and sustained decline in their traded market value.

## 4. FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Accounts payable are all due within thirty days and amounts due to related parties, excluding convertible notes (notes 10 and 13) due to related parties and excluding amounts due under the credit facility (notes 11 and 13), are without specific terms of repayment; however, they are expected to be repaid within one year. The Company's convertible notes are due June 1, 2014 (note 10). On October 1, 2013, the notes that had matured were renewed, as described in note 10. At December 31, 2013, the Company's obligation under the convertible notes of principal and accrued interest is $3,509,629 (2012 - $2,407,890).

The Company will require significant cash funding to conduct its exploration programs, meet its administrative overhead costs, meet its repayment obligations on the convertible notes, maintain its resource interests and bring its T'Boli gold processing plant to full production capacity. This will require the Company to obtain additional financing.

## 5. EXPLORATION AND EVALUATION ASSETS

(a) Permits and licenses

Through its subsidiaries and the Philippine companies, the Company has interests in certain permits and licenses to explore and develop exploration and evaluation assets located in the Philippines, as described below. At December 31, 2013, capitalized acquisition costs totaled $2,070,539, split between Batoto ($1,029,478) and T'Boli ($1,041,061) (December 31, 2012 - $2,070,539; January 1, 2012 - $3,101,826).

(i) Panag, Suriganon, Tagpura and Camanlangan are located in the municipalities of New Bataan and Nabunturan, Compostela Valley Province, Philippines

The Company completed the sale of 80% of the Company's interests in Agusan (notes 6 and 7) January 17, 2012, and has retained a free-carried interest of 20% in Agusan (notes 6 and 7).

(ii) Batoto, Barangay Camanlangan, Municipality of New Bataan, Compostela Valley Province, Philippines

There are no royalties payable to the government of the Philippines because the properties are located in an indigenous area. The indigenous peoples will, upon commercial production, be given a royalty equivalent to 1% of the operating cost of any operation. There are no annual work commitments.

## 5. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) Permits and licenses (Continued)

(iii) T'Boli, Barangay Kematu, Municipality of T'Boli, South Cotabato Province, Philippines

The Company has received the Mines and Geosciences Bureau's ("MGB") Declaration of Mining Project Feasibility enabling the Company to commence commercial mining production at the T'Boli gold-silver mine within the Mineral Processing and Sharing Agreement.

There is a 2% mineral royalty payable to the government of the Philippines in respect of any future mineral production.

On May 2, 2013, the Company entered into an agreement with Mighty River International Ltd. ("Mighty River") of Singapore, whereby Mighty River is providing the Company with a US $5 million loan facility. In connection with the loan agreement, Cadan, Mighty River and Cadan's Philippine affiliate, TMC, entered into royalty agreements pursuant to which Mighty River is entitled to receive a 1% production royalty on the T'Boli mine located in the Philippines for each US $1 million advanced to the Company. As of December 31, 2013, the Company had drawn US $2,948,000 against the facility (notes 11 and 19).

(c) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its resource exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in a material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

**(Expressed in Canadian dollars, unless otherwise stated)**

## 5. EXPLORATION AND EVALUATION ASSETS (Continued)

(d) Realization of assets

The investment in and expenditures on exploration and evaluation assets comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the underlying properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

(e) Title to exploration and evaluation asset interests

Although the Company has taken steps to verify the title to exploration and evaluation asset interests for which it has a permit and/or licence, 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 or transfers and title may be affected by undetected defects.

(f) A summary of the exploration costs incurred during the year are as follows:

| | Batoto | T'Boli | 2013 Total | 2012 Total |
|---|---|---|---|---|
| Assaying | $ 1,390 | $ - | $ 1,390 | $ 98,522 |
| Community development | 14,826 | 609,503 | 624,329 | 655,174 |
| Consultants | 30,753 | 1,536,215 | 1,566,968 | 1,345,980 |
| Depreciation and amortization | - | 431,984 | 431,984 | 308,707 |
| Drilling costs | 4,325 | - | 4,325 | 661,212 |
| Exploration and mineral processing | - | 1,856,997 | 1,856,997 | 1,930,369 |
| Field supplies, admin expenses | 57,509 | 2,592,886 | 2,650,395 | 3,414,789 |
| Taxes, licenses and fees | 34,934 | 519,111 | 554,045 | 91,863 |
| Geological | 13,258 | - | 13,258 | 12,682 |
| Mill Site | 3,221 | 1,437,101 | 1,440,322 | 232,867 |
| Transportation & Travel | 7,132 | - | 7,132 | 485,254 |
| **Total expenditures before recovery from metal sales** | **167,348** | **8,983,797** | **9,151,145** | **9,237,419** |
| Recovery on metal sales | - | (3,006,998) | (3,006,998) | (434,202) |
| **Total for year** | **$ 167,348** | **$ 5,976,799** | **$ 6,144,147** | **$ 8,803,217** |

## 6. SALE OF AGUSAN METALS CORPORATION

On January 17, 2012, the Company completed the sale of 80% of the Company's interest in Agusan and granted Mining Group (the purchaser) an option to acquire an 80% interest in Batoto. On October 17, 2012, the option to acquire 80% of its interests in Batoto by Mining Group expired unexercised.

The Company received $3,150,600 (cash of $2,106,410 and forgiveness of $1,044,190 (AU $1,000,000) loan payable) (AU $3,000,000), and 2,600,000 Mining Group common shares (note 8) with a fair value, on January 17, 2012, of $1,774,838 (AU $1,690,000), for total consideration of $4,925,438. The Company has the right to receive an additional 2,600,000 Mining Group common shares if the trading price of Mining Group common shares is above AU $1 for 30 consecutive days, expiring January 17, 2014. No value has been ascribed to the additional 2,600,000 Mining Group common shares due to their contingent nature; subsequent to year-end, the right to acquire these shares expired unexercised.

The Company retains a 20% investment in Agusan (note 7). On the sale, the retained investment was revalued to its fair value of $1,231,360 (note 7), resulting in a revaluation gain of $1,106,360, included in the gain on sale of Agusan for the year ended December 31, 2012.

The Company recorded a total gain of $15,497,144 arising from the sale and revaluation of its remaining investment in Agusan, for the year ended December 31, 2012. Agusan had net liabilities on sale of $9,421,719.

The Company also had the right to contingent consideration of $1,033,580 (AU $1,000,000) if the Company settled a dispute of $722,073 (AU $714,924) against the Company and Agusan. The Company settled the dispute for $321,988, thereby fulfilling the requirements under the agreement to receive the contingent consideration of $1,033,580 (AU $1,000,000), which was recorded in amounts and advances receivable as at December 31, 2012. The contingent consideration of $1,033,580 (AU $1,000,000) was recorded at inception for $nil, which represented management's best estimate of its fair value. Upon settlement during the year ended December 31, 2012, a fair value gain was recognized of $1,033,580 (AU $1,000,000). On March 14, 2013, the Company settled the AU $1,000,000 debt for AU $500,000 in cash and 5,592,381 Mining Group common shares valued at $316,500 on the date of settlement, and reported a loss on settlement in profit and loss of $189,580 for the year ended December 31, 2013.

During the year ended December 31, 2012 (note 8), under the terms of the agreement, the Company exercised an option to purchase (i) 500,000 Mining Group common shares at $0.20 per share for $105,020 (AU $100,000), and (ii) 2,000,000 options for $0.01 per option for $21,004 (AU $ 20,000), each such option to purchase a Mining Group share for AU $0.20 until January 17, 2014 (note 12 (b)).

**(Expressed in Canadian dollars, unless otherwise stated)**

## 6. SALE OF AGUSAN METALS CORPORATION (Continued)

Pursuant to a shareholders' agreement, Mining Group has an obligation to fund AU $48,000,000 in exploration activity in Agusan as follows:

| Exploration Expenditures | Annual amount (AU $) | Cumulative amount (AU $) |
|---|---|---|
| Year 1 | 5,000,000 | Nil |
| Year 2 | 5,000,000 | Nil |
| Year 3 | 5,000,000 | 15,000,000 |
| Year 4 | 15,000,000 | 30,000,000 |
| Year 5 | 18,000,000 | 48,000,000 |

The annual amounts in the table above are the expected schedule of expenditures; the cumulative amount is the funding requirement schedule. Should Mining Group not meet the funding requirements, the agreement contains dilution provisions. Upon Mining Group funding the project to AU $48,000,000, both the Company and Mining Group will fund further development pro rata based on their ownership interests. Mining Group reported AU$4.8 million in exploration expenditures to June 30, 2013, which contributes to the minimum exploration amount of AU$15 million required by the end of the third year (January 17, 2015).

## 7. INVESTMENT IN AND LOAN TO AGUSAN METALS CORPORATION

Pursuant to the January 17, 2012 sale of an 80% interest in Agusan (notes 6 and 13); the Company retained a 20% investment in Agusan. The investment is accounted for as an investment in an associate using the equity method. The 20% retained investment was revalued on the date of sale at $1,231,360. The carrying amounts for the years ended December 31, 2013 and 2012 are as follows:

| | 2013 | 2012 |
|---|---|---|
| Investment amount | $ 1,231,360 | $ 1,231,360 |
| Pro rata share of increase in Agusan paid up capital | 112,635 | - |
| Share of net loss | (1,343,995) | (33,175) |
| Carrying amount | $ - | $ 1,198,185 |
| | | |
| Loan to Agusan | $ 1,470,112 | $ 10,307,538 |

The Company's share of net loss of Agusan was greater than the Company's remaining investment in Agusan, as such the share of net loss was allocated as follows:

| | 2013 | 2012 |
|---|---|---|
| Investment in Agusan Metals Corporation | $ 1,310,820 | $ 33,175 |
| Loan to Agusan | 268,816 | - |
| | $ 1,579,636 | $ 33,175 |

The Company's loan to Agusan is unsecured, non-interest-bearing and has no specified terms of repayment. Pursuant to a shareholders' agreement, the Company's loan to Agusan will rank equally with amounts advanced by Mining Group for exploration expenditures on the Agusan copper-gold project. The advances will be repaid first from distribution of profits on a proportional basis until each advance is repaid.

**(Expressed in Canadian dollars, unless otherwise stated)**

## 7. INVESTMENT IN AND LOAN TO AGUSAN METALS CORPORATION (Continued)

The recoverable value of the loan to Agusan was determined by discounting the scheduled repayments of the loan from their completion in the year ending December 31, 2022 at a discount rate of 25%. The carrying value of the loan to Agusan had the following changes in the years ended December 31, 2013 and 2012:

| | 2013 | 2012 |
|---|---|---|
| Opening balance of loan to Agusan Metals Corporation | $ 10,307,538 | $ 10,448,195 |
| Advances | - | 1,541,971 |
| Repayments | - | (1,682,628) |
| Capital contributions | (112,635) | - |
| Impairment | (8,455,975) | - |
| Share of net loss | (268,816) | - |
| | $ 1,470,112 | $ 10,307,538 |

## 8. INVESTMENT IN MINING GROUP LTD.

Pursuant to the January 17, 2012 sale of an interest in Agusan (note 6), the Company acquired 3,100,000 common shares of Mining Group and 2,000,000 share purchase options. Each option is exercisable to acquire one Mining Group common share for AU $0.20 until January 17, 2014. On March 14, 2013, the Company accepted 5,952,381 common shares of Mining Group valued at $316,500 as partial settlement of a debt (note 6).

At December 31, 2013, the fair value of the Company's investment in Mining Group was $171,923 (2012 - $557,805) consisting of the 9,052,381 (2012 - 3,100,000) common shares with a fair value of $171,923 (2012 - $416,662) and the 2,000,000 options to purchase Mining Group shares at $0.20 per share (derivative financial instruments) valued at $Nil (2012 - $141,143).

During the year ended December 31, 2013, the Company recognized an other-than-temporary impairment charge of $2,024,435 (2012 - $nil) in respect of its investment in Mining Group due to a significant and sustained decline in their traded market value.

Subsequent to year end, the Company liquidated its investment in Mining Group. The options expired unexercised on January 17, 2014.

**(Expressed in Canadian dollars, unless otherwise stated)**

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Vehicles and exploration equipment | Construction in progress | Office furniture and equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **Balance, December 31, 2011** | $ 181,645 | $ 409,718 | $ 1,224,176 | $ 1,482,660 | $ 68,095 | $ 12,735 | $ 3,379,029 |
| **Disposition of Philco Mining** | 903 | (1,382) | (616,577) | (1,482,660) | (47,396) | (12,735) | (2,159,847) |
| Additions | - | - | 1,824,319 | 17,403 | 40,690 | - | 1,882,412 |
| **Balance, December 31, 2012** | 182,548 | 408,336 | 2,431,918 | 17,403 | 61,389 | - | 3,101,594 |
| Additions | - | - | 264,746 | - | 7,040 | - | 271,786 |
| **Balance, December 31, 2013** | $ 182,548 | $ 408,336 | $ 2,696,664 | $ 17,403 | $ 68,429 | $ - | $ 3,373,380 |
| | | | | | | | |
| **Accumulated amortization and impairment losses** | | | | | | | |
| **Balance, December 31, 2011** | $ - | $ 51,022 | $ 674,136 | $ - | $ 54,788 | $ 113 | $ 780,059 |
| Disposition of Philco Mining | - | 242 | (480,777) | - | (46,668) | (113) | (527,316) |
| Amortization | - | 16,276 | 271,249 | - | 16,018 | - | 303,543 |
| **Balance, December 31, 2012** | - | 67,540 | 464,608 | - | 24,138 | - | 556,286 |
| Amortization | - | 16,783 | 399,585 | - | 21,040 | - | 437,408 |
| **Balance, December 31, 2013** | $ - | $ 84,323 | $ 864,193 | $ - | $ 45,178 | $ - | $ 993,694 |
| | | | | | | | |
| **Net book value** | | | | | | | |
| Balance, December 31, 2011 | $ 181,645 | $ 358,696 | $ 550,040 | $ 1,482,660 | $ 13,307 | $ 12,622 | $ 2,598,970 |
| Balance, December 31, 2012 | $ 182,548 | $ 340,796 | $ 1,967,310 | $ 17,403 | $ 37,251 | $ - | $ 2,545,308 |
| **Balance, December 31, 2013** | **$ 182,548** | **$ 324,013** | **$ 1,832,471** | **$ 17,403** | **$ 23,251** | **$ -** | **$ 2,379,686** |

## 10. CONVERTIBLE NOTES

(a) On December 23, 2011, the Company issued 2,500,000 convertible notes that matured December 23, 2012, with a face value of $1 per note (the "Convertible Notes") for a total of $2.5 million. Each of the Convertible Notes was convertible to 0.625 common shares of the Company and an option to purchase an additional 1/8 of a common share for $1.60 for a period of 21 months, or, on the maturity date, if the Company had not obtained a listing on the Australian Securities Exchange (“ASX”).

The Convertible Notes bore interest at 10% per annum, and were convertible on issue of a prospectus for the listing of the Company’s securities on the ASX with the Australian Securities and Investments Commission (“ASIC”), or, at the election of the Company, at any time before repayment. The Convertible Notes were repaid in full at maturity.

(b) On December 21, 2012, the Company issued a total of 2,400,000 convertible notes (the “2012 Convertible Notes”) to two investors, and matured on June 21, 2013. Each 2012 Convertible Note was convertible to 5/8 of a common share of the Company. Effective October 1, 2013, the Company successfully negotiated the refinancing of the 2012 Convertible Notes.

The 2012 Convertible Notes bear interest at 12% per annum. As well, 1.5 million common share purchase warrants to acquire one common share at $1.60 until June 21, 2014 were issued to the lenders. If not converted, the note holders can demand payment on the maturity date, on change of control of the Company or in the event of default by the Company.

(Expressed in Canadian dollars, unless otherwise stated)

**10. CONVERTIBLE NOTES** (Continued)

(b) (Continued)

The Company allocated $357,688 to the conversion feature for the 2012 Convertible Notes using the residual value method. At December 31, 2013, a total of $549,688 (2012 - $21,362) of the debt discount and costs had been amortized to interest expense.

The carrying values at December 31, 2013 and 2012, for these Convertible notes were determined as follows:

| | 2013 | 2012 |
|---|---|---|
| Face value on issue | $ - | $ 2,400,000 |
| Accrued interest | - | 7,912 |
| Unamortized discount | - | (367,429) |
| Unamortized finder's fees | - | (150,370) |
| | **$ -** | **$ 1,890,113** |

(c) On January 16, 2013, the Company issued $2,060,700 of convertible debentures. Of the debentures, $927,500 were due on July 14, 2013 and had a coupon interest rate of 12%. The remaining $1,133,200 were issued to related parties (note 14) who are an officer, a director, a company controlled by a director, or immediate family of a director, they matured on January 17, 2015 and had a coupon interest rate of 12%. When combined with the previous closing (note 10 (b)), the Company accepted $4,460,700 in gross proceeds for the convertible notes. The convertible debentures are convertible into 1/8 of a common share of the Company at a price of $1.60 per share. Purchasers of the convertible debenture also received one detached warrant for each common share underlying the convertible debenture. Each warrant is exercisable into 1/8 of a common share of the Company until July 14, 2014, at a price of $1.60. The convertible debentures and warrants above are subject to a four-month hold period expiring May 15, 2013. Insiders that participated in the offering are subject to a 24-month conversion period, and received a 24-month detached warrant. Effective October 1, 2013, the Company successfully negotiated the refinancing of the 2012 Convertible Notes.

The carrying values of the convertible notes at their issue date, January 17, 2013, and at December 31, 2013 were:

| | December 31, 2013 | January 17, 2013 |
|---|---|---|
| Face value on issue | $ - | $ 2,060,700 |
| Unamortized discount | - | (734,558) |
| Unamortized finder's fees | - | (55,650) |
| | **$ -** | **$ 1,270,492** |

**(Expressed in Canadian dollars, unless otherwise stated)**

## 10. CONVERTIBLE NOTES (Continued)

(d) On November 12, 2013, the Company announced that it has successfully negotiated the refinancing of a total of $3,637,661 in principal and interest payable on maturity of convertible debentures that became due June 21, 2013 and July 14, 2013. Pursuant to the refinancing, which was effective October 1, 2013, the Company issued a total of 2,728,248 common shares and $2,546,362 of new convertible debentures. The new convertible debentures are convertible into common shares of the Company at a price of $0.64 per share until June 1, 2014 and have a coupon rate of interest of 12%. In connection with the refinancing, the Company also issued a total of 4,913,539 common share purchase warrants of the Company, each warrant exercisable into a common share of the Company at a price of $0.64 until June 1, 2015.

(e) Effective October 1, 2013, announced on February 21, 2014, the Company successfully negotiated the refinancing of a total of $1,230,066 in principal and interest payable on outstanding convertible debentures. Pursuant to the refinancing, the Company issued a total of 922,553 common shares and $861,045 of new convertible debentures. The new convertible debentures are convertible into common shares of the Company at a price of $0.64 per share until June 1, 2014 and have a coupon rate of interest of 12%. In connection with the refinancing, the Company also issued a total of 1,364,516 common share purchase warrants of the Company, each warrant exercisable into a common share of the Company at a price of $0.64 per share until June 1, 2015. A loss on early retirement of debt was recognized in the amount of $372,242.

The carrying values of the convertible notes issued in (d) and (e) above at their issue date October 1, 2013, and December 31, 2013, respectively, were:

| | December 31, 2013 | October 1, 2013 |
|---|---|---|
| Face value on issue | $ 3,407,407 | $ 3,407,407 |
| Unamortized discount | (346,097) | (717,311) |
| | **$ 3,061,310** | **$ 2,690,096** |

## 11. CREDIT FACILITY

On May 2, 2013, the Company entered into an agreement with Mighty River International Ltd. of Singapore, a related party (note 13), being a company with a director in common with Cadan, whereby Mighty River is providing the Company with a US $5 million loan facility. The facility may be drawn down in increments of US $1 million, with an initial draw of US $1 million having been made at the time of signing. Amounts drawn bear interest at a rate of 8% per annum and are repayable in 12 months from the draw date. The Company has six months to make further draws on the loan facility, with the availability of each future draw being subject to certain conditions being met.

Cadan provided the lender with security over all its assets. In connection with the loan agreement, Cadan, Mighty River and Cadan's Philippine affiliate, TMC, entered into royalty agreements pursuant to which Mighty River is entitled to receive a 1% production royalty on the T'Boli mine located in the Philippines for each US $1 million advanced to Cadan.

At December 31, 2013, the Company had total principal, interest and royalties owing to Mighty River of $3,281,614, on principal of $3,152,680 (US $2,948,000).

## 12. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(b) Issued

At December 31, 2013, 18,213,248 (2012 - 14,562,448) common shares were issued and outstanding.

On August 17, 2012, the Company completed the first tranche of a non-brokered private placement consisting of 1,194,854 units priced at $1.20 per unit, for gross proceeds of $1,433,825. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire an additional common share for a period of two years from the closing date at a price of $1.60 for the first year and $2.00 for the second year. The Company allocated $1,051,471 to share capital and $382,353 to warrant reserve to reflect the values assigned to shares and warrants within the unit issuance. The Company paid finders' fees in connection with the financing of $84,300 in cash. Other cash share issuance costs in the amount of $26,294 were incurred by the Company related to this placement.

On August 17, 2012, the Company issued 15,625 common shares to G. Lluch valued at $13,750. The shares were issued in connection with the supplementary mineral property and royalty agreement with G. Lluch & Sons Inc. and Agusan. The supplementary agreement amends and updates various property access, exploration and mining rights, and royalty agreements.

On September 7, 2012, the Company, pursuant to the deed of settlement, issued 250,000 common shares valued at $220,000 and paid $101,988 (AU $100,000) to settle a dispute against the Company and Agusan (note 6).

On September 14, 2012, the Company completed the second tranche of a non-brokered private placement consisting of 491,250 units priced at $1.20 per unit, for gross proceeds of $589,500. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire an additional common share for a period of two years from the closing date at a price of $1.60 for the first year and $2.00 for the second year. The Company allocated $589,500 to share capital and $nil to warrant reserve, as the unit issuance price was higher than the closing price of the Company's common shares on the date the private placement was announced. The Company paid finders' fees in connection with the financing of $40,425 in cash.

**12. SHARE CAPITAL** (Continued)

(b) Issued (continued)

On November 7, 2012, the Company completed the third tranche of a non-brokered private placement consisting of 2,321,374 units priced at $1.20 per unit, for gross proceeds of $2,785,649. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire an additional common share for a period of two years from the closing date at a price of $1.60 for the first year and $2.00 for the second year; 770,167 of the units were not issued until December 6, while the documentation, required to be filed by investors holding over 5% of the issued and outstanding shares, was under review. The Company allocated $2,785,649 to share capital and $nil to warrant reserve, as the unit issuance price was lower than the closing price of the Company's common shares on the date the private placement was announced. The Company issued 165,030 common shares as finder's fees to a single finder.
On December 14, 2012, the Company completed a non-brokered private placement consisting of 328,125 units priced at $1.60 per unit, for gross proceeds of $525,000. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire an additional common share for a period of two years from the closing date at a price of $2.16. The Company allocated $525,000 to share capital and $nil to warrant reserve, as the unit issuance price was lower than the closing price of the Company's common shares on the date the private placement was announced.

On December 3, 2013, the Company issued 2,728,248 common shares (note 10 (d)) to settle a debt of $1,091,299.

On December 31, 2013, the Company had an obligation to issue 922,553 common shares (note 10 (e)).

(c) Stock options

The Company has a stock option plan whereby the Board of Directors is authorized to grant options to a rolling ceiling of 10% of the issued and outstanding common shares of the Company.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. The terms of the option and the option price are fixed by the directors at the time of grant subject to restrictions imposed by the TSX Venture Exchange. Stock options awarded have a maximum term of ten years. The vesting terms of the options are determined by the directors; however, options granted to investor relations consultants are subject to a minimum twelve-month vesting schedule whereby no more than 25% vest in any three-month period. Stock options held by officers, directors and employees of the Company expire one year following their departure from the Company.

**(Expressed in Canadian dollars, unless otherwise stated)**

**12. SHARE CAPITAL** (continued)

(c) Stock options (continued)

As at December 31, 2013 and 2012, the following incentive stock options were outstanding and exercisable:

| Expiry Date | Exercise Price | **December 31, 2013** | **December 31, 2012** |
|---|---|---|---|
| 15-Apr-14 | $5.04 | 56,250 | 56,250 |
| 20-Jul-14 | $4.00 | 98,750 | 98,750 |
| 30-Sep-14 | $4.00 | 16,875 | 16,875 |
| 01-Mar-15 | $7.60 | 18,750 | 18,750 |
| 17-Aug-15 | $4.00 | 6,250 | 6,250 |
| 12-Jul-16 | $4.00 | 3,500 | 3,500 |
| 21-Sep-16 | $3.60 | 93,750 | 93,750 |
| 06-Dec-16 | $1.60 | 273,750 | 273,750 |
| 24-Jul-17 | $4.00 | 23,738 | 23,738 |
| 06-Nov-17 | $4.00 | 133,000 | 133,000 |
| 25-Oct-17 | $1.20 | 562,500 | 562,500 |
| | | 1,287,113 | 1,287,113 |

The options outstanding and exercisable at December 31, 2013 and 2012 have a weighted average remaining contractual life of 3.05 years and 4.05 years, respectively.

*Expired unexercised subsequent to December 31, 2013

Stock option activity is as follows:

| | **December 31, 2013** | | **December 31, 2012** | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding and exercisable, beginning of year | 1,287,113 | $2.32 | 774,613 | $3.92 |
| Granted | - | - | 562,500 | $1.20 |
| Expired | - | - | (50,000) | $4.00 |
| Exercised | - | - | - | - |
| Outstanding and exercisable, end of year | 1,287,113 | $2.32 | 1,287,113 | $2.32 |

(Expressed in Canadian dollars, unless otherwise stated)

## 12. SHARE CAPITAL (continued)

(c) Stock options (continued)

On October 16, 2012, the Company granted 562,500 fully vested incentive stock options. The exercise price of the options is $1.20 each, exercisable until October 16, 2017. The fair value of the stock options granted was $624,672 ($1.20 each), as estimated at the date of the grant using the Black-Scholes option pricing model.

The Company did not grant any incentive stock options during the year ended December 31, 2013.

*Share-based payments*

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

| | **2013** | **2012** |
|---|---|---|
| Risk-free rate | N/A | 1.63% |
| Expected life | N/A | 5 years |
| Expected volatility | N/A | 158% |
| Expected dividend yield | N/A | Nil |

Total share-base payments recognized during the year ended December 31, 2013 was $Nil (2012 - $624,672). The options were granted to consultants.

**(Expressed in Canadian dollars, unless otherwise stated)**

## 12. SHARE CAPITAL (continued)

(d) Warrants

As at December 31, 2013 and 2012, the following share purchase warrants were outstanding:

| Expiry Date | | Exercise Price | | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|---|
| August 14, 2013 | $ | 12.00 | | - | 250,000 |
| September 2, 2013 | $ | 2.40 | (2) | - | 570,083 |
| September 2, 2013 | $ | 3.60 | | - | 32,392 |
| June 21, 2014 | $ | 1.60 | | - | 1,194,854 |
| July 16, 2014 | $ | 2.00 | (3) | 1,194,854 | - |
| September 14, 2014 | $ | 1.60 | (3) | 491,250 | 491,250 |
| October 31, 2014 | $ | 1.60 | (3) | 263,708 | 263,708 |
| November 7, 2014 | $ | 1.60 | (3) | 1,287,500 | 1,287,500 |
| December 7, 2014 | $ | 1.60 | (3) | 770,167 | 770,167 |
| December 14, 2014 | $ | 2.16 | | 328,125 | 328,125 |
| January 14, 2015 | $ | 1.60 | | - | 1,500,000 |
| September 15, 2015 | $ | 10.00 | (4) | 259,981 | 259,981 |
| October 18, 2015 | $ | 10.00 | (4) | 372,524 | 372,524 |
| December 8, 2015 | $ | 8.80 | (1) | 1,375,000 | 1,375,000 |
| June 1, 2015 | $ | 0.64 | | 6,278,054 | - |
| | | | | 12,621,163 | 8,695,584 |

(1) On April 10, 2012, the Company extended the expiry date of 1,375,000 warrants from December 8, 2012, to December 8, 2015.

(2) On February 8, 2012, the Company reduced the exercise price from $3.60 to $2.40 per share on 570,083 warrants issued as part of the private placement on September 2, 2011.

(3) The warrants are exercisable at $1.60 for the first year and $2.00 for the second year.

(4) The warrants were exercisable at $8.00 for the first two years and $10.00 for the remaining three years.

(Expressed in Canadian dollars, unless otherwise stated)

**12. SHARE CAPITAL** (Continued)

(d) Warrants (continued)

Share purchase warrant transactions and the number of share purchase warrants outstanding are summarized as follows:

| | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Outstanding, beginning of year | 8,695,584 | $3.12 | 3,819,980 | $7.60 |
| Issued | 6,278,055 | $1.60 | 5,835,604 | $1.60 |
| Expired | (852,476) | $5.28 | (960,000) | $6.72 |
| Cancelled | (1,500,000) | $1.60 | - | - |
| Modified | - | - | (570,083) | $3.60 |
| Modified | - | - | 570,083 | $2.40 |
| Outstanding, end of year | 12,621,163 | $2.40 | 8,695,584 | $3.12 |

During the year ended December 31, 2012, 570,083 warrants with an expiry date of September 2, 2013 were modified to reduce the exercise price from $3.60 to $2.40.

(Expressed in Canadian dollars, unless otherwise stated)

## 13. RELATED PARTY TRANSACTIONS AND BALANCES

At December 31, 2013, the Company owed $5,394,797 (2012 - $300,000) to related parties as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Related parties for: | | |
| Consulting fees | $ 1,247,357 | $ - |
| Reimburse expenses | 2,240 | - |
| Termination fees | 90,000 | - |
| Convertible notes (note 10) | 773,587 | - |
| Demand loans | - | 300,000 |
| Advancd against credit facility (note 11) | 3,281,614 | - |
| | $ 5,394,798 | $ 300,000 |

During the years ended December 31, 2013 and 2012, the Company incurred key management compensation as follows:

| | 2013 | 2012 |
|---|---|---|
| Short-term benefits | $ 1,562,432 | $ 943,072 |
| Termination fees | 90,000 | - |
| | $ 1,652,432 | $ 943,072 |

Of this amount $1,040,210 (2012 - $450,000) was expensed to consulting fees, and $522,223 (2012 - $493,073) was expensed as exploration and evaluation expenses.

At December 31, 2013, the Company was committed to pay termination payments to six officers, directors, and employees in the event those individuals were terminated without cause. The payments ranged from four months to three years of annual salary per individual. Subsequent to the year end, the Company reached agreements with two of the six officers and directors and agreed to issue a total of 1,237,500 common shares valued at $495,000 to settle termination payment triggered by their termination of $960,000. If the termination payment was triggered for the remaining four officers the Company would be required to pay $642,000.

## 14. CONTINGENT LIABILITY

An officer and director of the Company agreed to resign in order for the Company to meet its obligations to reduce the number of directors of the Company under a credit facility agreement (note 11) with the Company. The Company agreed to pay him a one-time fee of $90,000 representing a six-month termination fee under his consulting contract, which will be paid in lieu of any termination payment obligations of the Company under his consulting contract. The termination fee will be paid upon the Company's Philippine affiliate reaching production of 8,000 ounces of gold, for a consecutive three-month period and/or sufficient funds being available to the Company.

(Expressed in Canadian dollars, unless otherwise stated)

## 15. RETIREMENT BENEFIT OBLIGATION

The Company has a legislated obligation to provide a retirement payment to employees in the Philippines equal to 22.5 days pay for every year of credited service at attainment of a retirement age of 60. The Company completes an actuarial valuation of the present value of the obligation annually. The last actuarial valuation of the present value of the obligation was carried out at February 4, 2013, as at December 31, 2012, and for the year then ended. The present value of the obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of the actuarial valuation were as follows:

| | **2013** | **2012** |
|---|---|---|
| Discount rate | 4.89% | 5.64% |
| Expected rate of salary increase | 5% | 5% |
| Normal retirement age | 60 | 60 |
| Projected retirement benefit | 22.5 days per year of service | 22.5 days per year of service |
| Actuarial cost method | Projected unit credit method | Projected unit credit method |
| Manner of benefit payment | Lump sum | Lump sum |

## 16. CAPITAL MANAGEMENT

In October 2012, the Company's Philippines affiliate, TMC, received the MGB's Declaration of Mining Project Feasibility enabling the Company to commence commercial mining production at the T'Boli gold-silver mine and the CIL plant. The Company has begun processing "incidental ore", which it stockpiled during exploration. Since receiving the MGB's approval and commencing production to December 31, 2013, the CIL plant has generated approximately $3.1 million from metal sales. The CIL processing plant and the mine will require additional capital expenditure to meet designed capacity.

The Company is continuing exploration of its properties (note 5), but is not generating sufficient cash flow from operations to cover its operating costs or fund exploration and continues to rely on debt and issuance of shares to generate capital. The Company considers capital to consist of shareholders' equity and convertible debt.

The Company's objectives of capital management are intended to safeguard its ability to meet normal operating requirements on an ongoing basis and continue the development and exploration of its resource properties. To effectively manage the Company's capital requirements, the Company has in place a planning process to determine the funds required to ensure appropriate liquidity to meet its operating and growth objectives. The Company monitors actual expenses on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company's policy for managing capital has not changed from prior years.

(Expressed in Canadian dollars, unless otherwise stated)

## 17. INCOME TAX

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 25.75% (2012 - 25.00%) to loss before taxes. The reasons for the differences are as follows:

| | 2013 | 2012 |
|---|---|---|
| Income (loss) for the year before tax | $(22,900,188) | $ 3,802,625 |
| Statutory income tax rate | 25.75% | 25.00% |
| Income tax recovery computed at statutory rates | (5,896,799) | 950,656 |
| Tax effect of expenses that are not deductible (taxable) for income tax purposes | 12,973 | 151,548 |
| Change in timing differences | 2,862,889 | (2,100,451) |
| Increase in future income taxes resulting from enacted tax rates | 489,127 | - |
| Under (over) provided in prior years | - | (223,973) |
| Change in benefit of tax losses not recognized | 2,531,810 | 1,222,220 |
| Income tax expense | $ - | $ - |

Effective April 1, 2013, the British Columbia corporate tax rate increased from 10.00% to 11.00% while the federal rate remained unchanged at 15.00%. The overall increase in tax rates has resulted in an increase in the Company's statutory tax rate from 25.00% to 25.75%. Income tax rates in the Philippines remained at 30.0% (2012 - 30.0%).

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2013 and 2012 are presented below:

| | 2013 | 2012 |
|---|---|---|
| Deferred income tax assets | | |
| Non-capital losses carried forward | $ 158,784 | $ 218,091 |
| Deferred income tax liabilities | | |
| Held-for-trading securities | - | (15,017) |
| Foreign exchange on property, plant and equipment | (158,784) | (203,074) |
| Total | $ - | $ - |

(Expressed in Canadian dollars, unless otherwise stated)

**17. INCOME TAX** (Continued)

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets have been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

| | **2013** | **2012** |
|---|---|---|
| Deferred income tax assets: | | |
| Non-capital losses carried forward | $23,228,544 | $12,250,623 |
| Share issue costs | 429,073 | 724,346 |
| Available for sale securities | 1,012,219 | 731,598 |
| Long-term investments | 671,996 | 16,588 |
| Provisions and other | 46,339 | 30,412 |
| Total | $ 25,388,171 | $13,753,567 |

The Company has accumulated non-capital losses for tax purposes of $23,979,742 that expire in various years as follows:

| | Philippines | Canada | Total |
|---|---|---|---|
| 2014 | $ 84,912 | $ - | $ 84,912 |
| 2015 | 18,601 | - | 18,601 |
| 2016 | 1,544,350 | - | 1,544,350 |
| 2017 | 1,958 | - | 1,958 |
| 2018 | 16,090 | - | 16,090 |
| 2027 | - | 545,447 | 545,447 |
| 2028 | - | 628,784 | 628,784 |
| 2029 | - | 820,431 | 820,431 |
| 2030 | - | 2,008,087 | 2,008,087 |
| 2031 | - | 2,666,965 | 2,666,965 |
| 2032 | - | 5,459,912 | 5,459,912 |
| 2033 | - | 10,184,205 | 10,184,205 |
| | $ 1,665,911 | $ 22,313,831 | $ 23,979,742 |

**(Expressed in Canadian dollars, unless otherwise stated)**

### 18. SEGMENTED INFORMATION

The Company has one operating segment: resource property exploration. The Company's corporate assets are located in Canada. The Company has investments in corporations located in the Philippines and Australia, and natural resource exploration activities have occurred in Colombia in past years.

| December 31, 2013 | | Canada | | Philippines | | Consolidated |
|---|---|---|---|---|---|---|
| Current assets | $ | 80,487 | $ | 326,023 | $ | 406,510 |
| Exploration and evaluation assets | | - | | 2,070,539 | | 2,070,539 |
| Loan to Agusan | | 1,470,112 | | - | | 1,470,112 |
| Investments held for resale | | 171,923 | | - | | 171,923 |
| Property, plant and equipment | | 6,336 | | 2,373,350 | | 2,379,686 |
| Total Assets | $ | 1,728,858 | $ | 4,769,912 | $ | 6,498,770 |
| Total Liabilities | $ | 8,733,882 | $ | 2,502,898 | $ | 11,236,780 |

| December 31, 2012 | | Canada | | Philippines | | Consolidated |
|---|---|---|---|---|---|---|
| Current assets | $ | 1,436,948 | $ | 240,739 | $ | 1,677,687 |
| Exploration and evaluation assets | | - | | 2,070,539 | | 2,070,539 |
| Loan to Agusan | | 10,307,538 | | - | | 10,307,538 |
| Investments held for resale | | 557,805 | | - | | 557,805 |
| Investment in Agusan | | 1,198,185 | | - | | 1,198,185 |
| Property, plant and equipment | | 11,760 | | 2,533,548 | | 2,545,308 |
| Total Assets | $ | 13,512,236 | $ | 4,844,826 | $ | 18,357,062 |
| Total Liabilities | $ | 2,952,159 | $ | 1,426,674 | $ | 4,378,833 |

### 19. EVENTS AFTER THE REPORTING DATE

On February 11, 2014, the Company announced that it completed the first tranche of a private placement financing of up to 3,750,000 shares at a price of $0.40 per share for gross proceeds of $1,500,000. The Company has issued 500,000 shares for total proceeds of $200,000 pursuant to the first tranche.

On April 11, 2014, the Company reached an agreement with Mr. Butchart, former CEO and director of the Company, whereby Mr. Butchart resigned as a director of the Company and settled amount owing under the terms of his consulting contract. Subject to TSX approval Mr. Butchart will be issued 937,500 shares of Cadan valued at $375,000. In addition, Mr. Butchart will be paid all due and outstanding fees and expenses as soon as sufficient funds are available to Cadan, but not later than the month following the Company's Philippine affiliate TMC reaching production of 1,500 ounces of gold within any consecutive three-month period.

## 19. EVENTS AFTER THE REPORTING DATE (Continued)

On April 12, 2014, the Company reached an agreement with Mr. Goode, former Director, Geology and a director of the Company, whereby Mr. Goode resigned as a director of the Company and settled amounts owing under the terms of his consulting contract. Subject to TSX approval Mr. Goode will be issued 300,000 shares of Cadan valued at $120,000. In addition, Mr. Goode will be paid all due and outstanding fees and expenses as soon as sufficient funds are available to Cadan, but not later than the month following the Company's Philippine affiliate TMC reaching production of 1,500 ounces of gold within any consecutive three-month period.

Subsequent to year end, the Company was liquidating their common shares of Mining Group and had sold 7,377,381 common shares for approximately $203,000 as at April 29, 2014.

On June 1, 2014 the Convertible notes (note 10) matured. The Company has reached agreement with note holders to convert a portion of the principle and Interest owing and to issue new notes for the remainder of the principal and interest owing, subject to TSX approval. At March 31, 2015, the Company had total principal and interest owing to Convertible note holders of $4,104,375. TSX approval has not been received as of the approval date of these amended and restated consolidated financial statements; as such, the Company continues to accrue interest on the overdue convertible notes, but to date no conversion or refinancing has been completed.

On August 20, 2014 the Company issued 1,098,063 shares for debt at a deemed value of $0.40.

On December 1, 2014 the Company completed a share consolidation of the outstanding share capital of Cadan on the basis of eight (8) pre-consolidation common shares for one (1) post-consolidation common share. All references to shares, options and warrants in the amended and restated consolidated financial statements have been retroactively adjusted. An adjustment of 129 shares, as a result of rounding on the share consolidation, was made subsequent to year-end.

Between January 1, 2014 and April 15, 2015, the Company has drawn down an additional US$1,114,706 on the Mighty River credit facility (note 11), bringing the principal balance outstanding on that facility to US$4,062,706. Total indebtedness to Mighty River, translated to Canadian dollars as at April 15, 2015, consisting of principal, interest and royalties was $5,913,378, (US$4,668,702).

## 20. RESTATEMENT

Subsequent to the filing of the Company's audited consolidated financial statements for the year ended December 31, 2013, the Company became aware of certain errors within the consolidated financial statements, which have been amended and restated herein. The following information and tables set out the line item adjustments made to the consolidated financial statements.

(a) The Company previously valued convertible notes by determining the fair value of the debt and allocating the residual to the conversion feature in accordance with IAS 32, *Financial instruments: Presentation*. The Company then separately determined the fair value of the warrants issued with the convertible notes using the Black-Scholes option pricing model in accordance with IFRS 2, *Share-based payment*, and further reduced the debt amount by the fair value of the warrants. However, the Company has subsequently determined that the correct application is to fair value the debt component and apply the residual to equity, the equity portion representing both the conversion feature and the fair value of the warrants issued. In both cases, the debt is then accounted for using the effective interest method.

The change has resulted in the debt component of the convertible notes being increased as at December 31, 2013 by $744,064 (December 31, 2012 - $1,170,105; and January 1, 2012 - $nil), which has resulted in a reduction to interest expense and a corresponding reduction to deficit for the year ended December 31, 2013 of $1,937,510 (December 31, 2012 - $66,244). This restatement affects the December 31, 2013 and 2012 years. However, it did not have an impact on the convertible notes on the Company's opening balance sheet at January 1, 2012.

In addition, the Company has reclassified a loss on early retirement of debt of $372,242, which was previously included within accretion interest expense for the year ended December 31, 2013, to its own line item within the consolidated statement of net loss and comprehensive loss.

(b) The Company's previously filed consolidated financial statements reflected a policy of capitalizing exploration and evaluation expenditures on the balance sheets, in accordance with the guidance set out in IFRS 6, *Exploration for and evaluation of mineral resources*. IFRS 6 allows companies the choice of capitalizing such costs or expensing them as incurred. The Company has undergone some management changes in the past year and current management believe that expensing the exploration and evaluation expenditures, with the exception of acquisition costs, more accurately reflects the state of their business. Therefore, the Company has voluntarily elected to make this accounting policy change.

The accounting policy change has resulted in a decrease to exploration and evaluation assets as at December 31, 2013 of $32,099,598 (December 31, 2012 - $25,955,451; and January 1, 2012 - $27,507,189) and an increase in net loss for the year ended December 31, 2013 of $6,144,147 (December 31, 2012 - $8,803,217). In addition, for the year-ended December 31, 2012, the Company's gain on sale of subsidiary has increased by $10,354,955, as a result of this accounting policy change, which resulted in net assets of Agusan on sale being reduced from $933,236 to restated net liabilities of $9,421,719. Further, as the non-controlling interest is at the subsidiary level, exploration expenditures in the subsidiaries which are now impacting net loss, must be allocated 60% to the non-controlling interest, which has further reduced the value of the non-controlling interest for the year ended December 31, 2013 by $3,686,488 (December 31, 2012 - $5,581,622).

**20. RESTATEMENT** (Continued)

(b) (Continued)

In the consolidated statement of cash flows, amortization previously included in exploration and evaluation assets has been added back to profit or loss as a non-cash item as exploration and evaluation expenditures are expensed. These amounts were $431,984 for the year ended December 31, 2013 (2012 - $308,707).

(c) The Company has reassessed the fair value changes for their Loan to Agusan Metals Corporation and Investment in Mining Group Ltd. and determined that the declines in value at December 31, 2013 were other-than-temporary. Therefore, the Company has restated the consolidated financial statements to recycle the unrealized losses related to those financial instruments through profit or loss, and not other comprehensive income as originally presented.

This restatement has resulted in a decrease in other comprehensive loss, and an increase in net loss and deficit. The specific changes are as follows:

i. Fair value adjustments on the Agusan loan of $8,455,975 were recycled to profit or loss as an impairment charge for the year ended December 31, 2013. This adjustment had a corresponding increase in deficit and decrease in reserves;
ii. Unrealized losses on shares held for resale of $561,239 for the year ended December 31, 2013 were recycled to profit or loss as an impairment charge. This adjustment had a corresponding increase in deficit and decrease in reserves; and
iii. Cumulative unrealized losses on shares held for sale as of December 31, 2012 of $1,463,196 were recycled to profit or loss as an impairment charge in the year ended December 31, 2013. This adjustment had a corresponding increase in deficit and decrease in reserves

(d) The changes as a result of the restatements and accounting policy change have resulted in changes to profit or loss for the years ended December 31, 2013 and 2012. As such, the Company has restated their basic and diluted gain (loss) per share.

In addition, the Company has revised all per share amounts, including those displayed as "as filed", in the restatement tables to present the impact of the December 1, 2014 8 for 1 share consolidation (notes 1 and 19), whose effects have been displayed throughout these amended and restated consolidated financial statements.

(e) The changes as a result of the restatements on the consolidated statement of cash flows for the years ended December 31, 2013 and 2012 are discussed above with respect to the changes in the convertible notes and expensing of exploration and evaluation expenditures. However, some items are the result of specific reclassifications and are discussed below.

For the year ended December 31, 2013, the credit facility increased by $204,680 as the credit facility had not been adjusted for foreign exchange as originally filed.

For the year ended December 31, 2013, the convertible notes increased by $358,630, as the cash received for that year was understated as originally filed.

**20. RESTATEMENT** (Continued)

(e) (Continued)

For the year ended December 31, 2013, the Company reclassified $527,500 from operating activities for amounts and advances receivable, to investing activities to properly reflect the receipt of contingent consideration on the sale of its interest in Agusan.

Foreign exchange was adjusted for both the year ended December 31, 2013 as a result of the changes in the credit facility, accounts payable and retirement benefit obligation, and for the year ended December 31, 2012 due to the gain on sale of subsidiary.

For the year ended December 31, 2013, a cash payment of $90,000 for termination payment was incorrectly added back to net loss for the year in operating activities. This has been adjusted in the restated consolidated statement of cash flows.

**(Expressed in Canadian dollars, unless otherwise stated)**

## 20. RESTATEMENT (Continued)

**Impact on the consolidated financial statements as at and for the year ended December 31, 2013:**

| Balance sheet | As filed | Adjustments | Restated | |
|---|---|---|---|---|
| Exploration and evaluation assets | 34,170,137 | (32,099,598) | 2,070,539 | (b) |
| **Total assets** | 38,598,368 | (32,099,598) | 6,498,770 | |
| Convertible notes | 2,317,246 | 744,064 | 3,061,310 | (a) |
| **Total current liabilities** | 10,293,955 | 744,064 | 11,038,019 | |
| **Total liabilities** | 10,492,716 | 744,064 | 11,236,780 | |
| Reserves | (3,811,436) | 7,706,417 | 3,894,981 | (a), (c) |
| Deficit | (24,424,329) | (15,077,348) | (39,501,677) | (a), (b), (c) |
| **Equity attributable to owners of the Company** | 28,461,082 | (7,370,931) | 21,090,151 | |
| **Non-controlling interest** | (355,430) | (25,472,731) | (25,828,161) | (b) |
| **Total equity** | 28,105,652 | (32,843,662) | (4,738,010) | |
| **Total equity and liabilities** | 38,598,368 | (32,099,598) | 6,498,770 | |

| Statement of income (loss) and comprehensive income (loss) | As filed | Adjustments | Restated | |
|---|---|---|---|---|
| Exploration and evaluation expenses | - | 6,144,147 | 6,144,147 | (b) |
| Bank charges and interest | 3,995,546 | (2,309,752) | 1,685,794 | (a) |
| **Loss before other items** | (6,129,095) | (3,834,395) | (9,963,490) | |
| Impairment of Agusan loan | - | (8,455,975) | (8,455,975) | (c) |
| Impairment of investment in MGL | - | (2,024,435) | (2,024,435) | (c) |
| Loss on early retirement of convertible notes | - | (372,242) | (372,242) | (a) |
| **Net income (loss)** | (8,213,141) | (14,687,047) | (22,900,188) | |
| Fair value adjustment on Agusan loan | (8,455,975) | 8,455,975 | - | (c) |
| Recycle loss on shares held for sale to current income | - | 1,463,196 | 1,463,196 | (c) |
| Unrealized loss on shares held for sale | (561,239) | 561,239 | - | (c) |
| **Comprehensive income (loss)** | (17,230,355) | (4,206,637) | (21,436,992) | |
| Comprehensive income (loss) attributed to: | | | | |
| Owners of the Company | (17,312,959) | (520,149) | (17,833,108) | |
| Non-controlling interest | 82,604 | (3,686,488) | (3,603,884) | (b) |
| | (17,230,355) | (4,206,637) | (21,436,992) | |
| Gain/(loss) per share - basic | (0.555) | (0.994) | (1.549) | (d) |
| Gain/(loss) per share - diluted | (0.555) | (0.994) | (1.549) | (d) |

**(Expressed in Canadian dollars, unless otherwise stated)**

## 20. RESTATEMENT (Continued)

| Statement of Cash Flows | As filed | Adjustments | Restated | |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net income (loss) for the year | (8,213,141) | (14,687,047) | (22,900,188) | (a), (b), (c) |
| Items not involving cash | | | | |
| Amortization | 5,424 | 431,984 | 437,408 | (b) |
| Termination Payment | 90,000 | (90,000) | - | (e) |
| Retirement benefit obligation | - | 9,451 | 9,451 | (e) |
| Unrealized gain on foreign exchange | 89,008 | (251,229) | (162,221) | (e) |
| Impairment of Agusan loan | - | 8,455,975 | 8,455,975 | (c) |
| Impairment of investment in Mining Group Ltd. | - | 2,024,435 | 2,024,435 | (c) |
| Loss on early retirement of convertible notes | - | 372,242 | 372,242 | (a) |
| Accretion interest on convertible debt | 3,994,198 | (2,414,451) | 1,579,747 | (a) |
| | (2,124,152) | (6,148,640) | (8,272,792) | |
| Changes in non-cash working capital | | | | |
| Amounts and advances receivable | 1,112,208 | (527,500) | 584,708 | (e) |
| Accounts payable and accrued liabilities | 2,587,430 | (514,477) | 2,072,953 | (e) |
| **Cash provided by (used in) operating activities** | 1,566,637 | (7,190,617) | (5,623,980) | |
| **Cash flows from investing activities** | | | | |
| Investment in exploration and evaluation assets | (6,099,807) | 6,099,807 | - | (b) |
| Proceeds on sale of Agusan Metals Corporation | - | 527,500 | 527,500 | (e) |
| **Cash used in (provided by) investing activities** | (6,371,593) | 6,627,307 | 255,714 | |
| **Cash flows from financing activities** | | | | |
| Proceeds from credit facility | 2,948,000 | 204,680 | 3,152,680 | (e) |
| Proceeds from issuance of convertible notes | 1,702,070 | 358,630 | 2,060,700 | (e) |
| **Cash provided by financing activities** | 4,599,981 | 563,310 | 5,163,291 | |

**(Expressed in Canadian dollars, unless otherwise stated)**

## 20. RESTATEMENT (Continued)

**Impact on the consolidated financial Statements as at and for the year ended December 31, 2012:**

| **Balance sheet** | **As filed** | **Adjustments** | **Restated** | |
|---|---|---|---|---|
| Exploration and evaluation assets | 28,025,990 | (25,955,451) | 2,070,539 | (b) |
| **Total assets** | 44,312,513 | (25,955,451) | 18,357,062 | |
| Convertible notes | 720,008 | 1,170,105 | 1,890,113 | (a) |
| **Total current liabilities** | 3,000,516 | 1,170,105 | 4,170,621 | |
| **Total liabilities** | 3,208,728 | 1,170,105 | 4,378,833 | |
| Reserves | 3,840,484 | (1,236,349) | 2,604,135 | (a) |
| Deficit | (17,585,281) | (4,102,964) | (21,688,245) | (a), (b) |
| **Equity attributable to owners of the Company** | 41,541,819 | (5,339,313) | 36,202,506 | |
| **Non-controlling interest** | (438,034) | (21,786,243) | (22,224,277) | (b) |
| **Total equity** | 41,103,785 | (27,125,556) | 13,978,229 | |
| **Total equity and liabilities** | 44,312,513 | (25,955,451) | 18,357,062 | |

| **Statement of income (loss) and comprehensive income (loss)** | **As filed** | **Adjustments** | **Restated** | |
|---|---|---|---|---|
| Exploration and evaluation expenses | - | 8,803,217 | 8,803,217 | (b) |
| Bank charges and interest | 426,173 | (66,244) | 359,929 | (a) |
| **Loss before other items** | (3,915,203) | (8,736,973) | (12,652,176) | |
| Gain on sale of subsidiary | 5,142,189 | 10,354,955 | 15,497,144 | (b) |
| **Net income (loss)** | 2,184,643 | 1,617,982 | 3,802,625 | |
| **Comprehensive income (loss)** | 721,447 | 1,617,982 | 2,339,429 | |
| Comprehensive income (loss) attributed to: | | | | |
| Owners of the Company | 871,293 | 6,899,912 | 7,771,205 | (b) |
| Non-controlling interest | 149,846 | (5,581,622) | (5,431,776) | (b) |
| | 1,021,139 | 1,318,290 | 2,339,429 | |
| Gain/(loss) per share - basic | 0.200 | 0.152 | 0.352 | (d) |
| Gain/(loss) per share - diluted | 0.104 | 0.080 | 0.184 | (d) |

**(Expressed in Canadian dollars, unless otherwise stated)**

## 20. RESTATEMENT (Continued)

| Statement of Cash Flows | As filed | Adjustments | Restated | |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net income (loss) for the year | 2,184,643 | 1,617,982 | 3,802,625 | (a), (b), (c) |
| Items not involving cash | | | | |
| Amortization | 4,571 | 308,707 | 313,278 | (b) |
| (Gain) Loss on sale of subsidiary | (5,142,189) | (10,354,955) | (15,497,144) | (b) |
| Unrealized gain on foreign exchange | (182,636) | (62,218) | (244,854) | (e) |
| Accretion interest on convertible debt | 156,969 | (66,244) | 90,725 | (a) |
| | (3,254,514) | (8,556,728) | (11,811,242) | |
| **Cash used in operating activities** | (1,566,460) | (8,556,728) | (10,123,188) | |
| **Cash flows from investing activities** | | | | |
| Investment in exploration and evaluation assets | (8,556,728) | 8,556,728 | - | (b) |
| **Cash used in investing activities** | (6,776,126) | 8,556,728 | 1,780,602 | |

### Impact on the consolidated balance sheet as at January 1, 2012:

| Balance Sheet | As filed | Adjustments | Restated | |
|---|---|---|---|---|
| Exploration and evaluation assets | 30,609,015 | (27,507,189) | 3,101,826 | (b) |
| **Total assets** | 37,220,544 | (27,507,189) | 9,713,355 | |
| Deficit | (21,648,598) | (11,002,876) | (32,651,474) | (b) |
| **Equity attributable to owners of the Company** | 33,184,111 | (11,002,876) | 22,181,235 | |
| **Non-controlling interest** | (410,752) | (16,504,313) | (16,915,065) | (b) |
| **Total equity** | 32,773,359 | (27,507,189) | 5,266,170 | |
| **Total equity and liabilities** | 37,220,544 | (27,507,189) | 9,713,355 | |