Cadan Resources

CADAN RESOURCES CORPORATION

Condensed Consolidated Interim Financial Statements
Three month periods ended June 30, 2014 and 2013
(Expressed in Canadian Dollars)

Unaudited - Prepared by Management

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CADAN RESOURCES CORPORATION
Condensed Consolidated Interim Financial Statements

June 30, 2014

(Unaudited – See "Notice to Reader" below)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the condensed consolidated interim financial statements for the period ended June 30, 2014.

NOTICE TO READER OF THE FINANCIAL STATEMENTS

The condensed consolidated interim financial statements of Cadan Resources Corporation (the "Company"), comprised of the condensed consolidated interim balance sheets as at June 30, 2014, and December 31, 2013, and the condensed consolidated interim statements of comprehensive income (loss), cash flows and changes in equity for the six months ended June 30, 2014, and 2013, are the responsibility of the Company's management. These condensed consolidated interim financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Smythe Ratcliffe Chartered Accountants.

The condensed consolidated interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards.

"Peter Main"	*"Derick Sinclair"*
…………………………	…………………………
Peter Main, Chief Executive Officer	Derick Sinclair, Chief Financial Officer
August 27, 2014	August 27, 2014

CADAN RESOURCES CORPORATION

Condensed Consolidated Interim Balance Sheets
Unaudited
(Expressed in Canadian dollars)

	Notes	June 30, 2014	December 31, 2013
Assets			
Current			
Cash and cash equivalents		$ 113,937	$ 93,461
Amounts and advances receivable		12,600	45,581
Prepaid expenses		517,239	267,468
Investment in Metallum Metals Inc.	**7 & 17**	30,349	171,923
		674,125	578,433
Exploration and evaluation assets	**4**	36,037,339	34,170,137
Investment in and Loan to Agusan Metals Corporation	**5 & 6**	1,470,112	1,470,112
Property, plant and equipment	**8**	2,121,588	2,379,686
		$ 40,303,164	$ 38,598,368
Liabilities			
Current			
Accounts payable and accrued liabilities		$ 5,736,696	$ 4,381,501
Loans payable		316,245	313,594
Convertible notes	**9 & 12**	3,715,839	2,317,246
Due to related parties	**10 & 12**	4,652,249	3,281,614
		14,421,029	10,293,955
Retirement benefit obligation	**14**	202,678	198,761
		14,623,707	10,492,716
Shareholders' equity			
Share capital	**11**	56,896,847	56,696,847
Reserves		(3,811,436)	(3,811,436)
Deficit		(27,257,847)	(24,424,329)
Equity attributable to owners of the company		25,827,564	28,461,082
Non-controlling interest		(148,107)	(355,430)
		25,679,457	28,105,652
		$ 40,303,164	$ 38,598,368

Approved on behalf of the Board:

"Peter Main" ………………………………………………………
Peter Main, Director

"Stephen Woods" ………………………………………………………
Stephen Woods, Director

See notes to condensed consolidated interim financial statements

CADAN RESOURCES CORPORATION
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
Unaudited
(Expressed in Canadian dollars)

	Notes		Three months ended June 30 2014	Three months ended June 30 2013		Six months ended June 30 2014	Six months ended June 30 2013
Expenses							
Consulting fees		$	195,815	468,565	$	462,024	830,116
Legal and professional			72,359	96,399		74,999	178,351
Travel and accommodation			10,626	16,535		14,444	80,878
Office and miscellaneous			8,677	(2,551)		16,595	61,022
Regulatory and shareholder costs			13,763	7,799		35,990	44,116
Rent			5,526	28,143		11,645	61,100
Bank charges and interest			443,285	1,437,253		2,024,880	2,726,560
Loss before other items			(750,051)	(2,052,143)		(2,640,577)	(3,982,143)
Other items							
Change in fair value of contingent consideration			-	-		-	(189,580)
Share of loss in equity accounted investment			-	-		-	(78,901)
Unrealized Gain/(loss) on derivative			-	43		-	(129,598)
Foreign exchange loss			186,565	147,427		(47,529)	(140,518)
Net Income (Loss) before taxes			(563,486)	(1,904,673)		(2,688,106)	(4,520,740)
Deferred tax expense			-	-		-	(217,658)
Net Income (Loss)			(563,486)	(1,904,673)		(2,688,106)	(4,738,398)
Other Comprehensive loss							
Unrealized loss on shares held for resale	**7**		61,911	(179,402)		61,911	(642,952)
Comprehensive Income (Loss)		$	(501,575)	(2,084,075)	$	(2,626,195)	(5,381,350)
Comprehensive Income (Loss) attributed to:							
Owners of the Company		$	(512,619)	(2,350,199)	$	(2,833,518)	(5,323,277)
Non-Controlling Interest			11,044	266,124		207,323	(58,073)
		$	(501,575)	(2,084,075)	$	(2,626,195)	(5,381,350)
Gain/(Loss) Per Share – basic		$	(0.004)	(0.050)	$	(0.018)	(0.050)
Gain/(Loss) Per Share – diluted		$	n/a	(0.050)	$	n/a	(0.050)
Weighted Average Number of Common Shares Outstanding			148,623,111	116,499,584		148,623,111	116,499,584

See notes to condensed consolidated interim financial statements

CADAN RESOURCES CORPORATION
Condensed Consolidated Interim Statements of Changes in Equity
Unaudited
(Expressed in Canadian dollars)

	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
Balance at Dec 31, 2012	116,499,584	55,286,616	5,303,680	(1,463,196)	(17,585,281)	41,541,819	(438,034)	41,103,785
Share issue cost	-	1,911	-	-	-	1,911	-	1,911
Unrealized gain on shares and options held for resale	-	-	-	(642,952)	642,952	-	-	-
Discount attributed to the convertible note conversion features	-	-	2,503,424	-	-	2,503,424	-	2,503,424
Reclassification of prior year interest charged to Deferred Exploration	-	-	-	-	(150,361)	(150,361)	-	(150,361)
Net comprehensive loss for period	-	-	-	-	(5,323,277)	(5,323,277)	(58,073)	(5,381,350)
Balance at June 30, 2013	116,499,584	55,288,527	7,807,104	(2,106,148)	(22,415,967)	38,573,516	(496,107)	38,077,409

	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
Balance at Dec 31, 2013	145,705,984	56,696,847	6,668,974	(10,480,410)	(24,424,329)	28,461,082	(355,430)	28,105,652
Shares issued for cash	4,000,000	200,000	-	-	-	200,000	-	200,000
Net comprehensive loss for period	-	-	-	-	(2,833,518)	(2,833,518)	207,323	(2,626,195)
Balance at June 30, 2014	149,705,984	56,896,847	6,668,974	(10,480,410)	(27,257,847)	25,827,564	(148,107)	25,679,457

See notes to condensed consolidated interim financial statements

CADAN RESOURCES CORPORATION
Condensed Consolidated Interim Statements of Cash Flows
Unaudited
(Expressed in Canadian dollars)

	Six months ended June 30 2014	Six months ended June 30 2013
Cash flows from operating activities		
Net income (loss) for the year	$ (2,626,195)	$ (4,738,398)
Items not involving cash		-
Deferred tax expense	-	217,658
Amortization	2,712	2,712
Change in fair value of contingent consideration	-	2,585,122
Unrealized gain on derivative	(61,911)	129,598
Unrealized (gain) loss on foreign exchange	207,402	189,580
Accrued Termination penalty	495,000	78,901
Accrued interest- credit facility, convertible debt and loans	1,543,567	33,589
	(439,425)	(1,501,238)
Changes in non-cash working capital		
Amounts and advances receivable	32,981	83,637
Prepaid expenses	(249,771)	(106,688)
Accounts payable and accrued liabilities	860,195	179,682
Loans payable	-	-
Convertible notes	-	-
Due to related parties	1,228,312	4,383,151
Cash Used in Operating Activities	1,432,292	3,038,544
Investing Activities		
Investment in exploration and evaluation assets	(1,611,087)	(3,275,005)
Purchase of property, plant and equipment	(729)	(278,378)
Cash Used in Investing Activities	(1,611,816)	(3,553,383)
Cash flows from financing activities		
Proceeds from issuance of common shares	200,000	-
Accrued interest on convertible notes	-	167,345
Finder’s fees	-	-
Share issuance costs	-	(1,911)
Proceeds from issuance of convertible notes	-	90,000
Cash Provided by Financing Activities	200,000	255,434
Inflow (Outflow) of Cash	20,476	(259,405)
Cash and Cash Equivalents, Beginning of Period	93,461	298,436
Cash and Cash Equivalents, End of Period	$ 113,937	$ 39,031

See notes to condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 six months ended June 30, 2014, the Company had a comprehensive loss of $2,626,195 (2013 - $ 5,381,350). At June 30, 2014, the Company had an accumulated deficit of $27,257,847 (December 31, 2013 - $24,424,329). 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.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013, which were prepared in accordance with IFRS in effect at that date, as issued by the IASB.

(b) Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements of the Company for the six months ended June 30, 2014, were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 27 2014.

(c) Use of judgments and estimates

The preparation of the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements and estimates with a risk of material adjustment are:

(i) Realization of assets

The investments in Agusan (note 5), Metallum Limited formerly Mining Group Ltd. ("Metallum Limited") (note 7) and 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 Metallum Limited 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.

(i) 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. 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 these financial instruments. However, these receivables are tied to resource exploration and development, which is highly speculative and involves inherent risks.

(iv) Impairment assessment

Annually, the Company assesses whether its assets' carrying values are greater than their recoverable values. The recoverable value is the higher of an assets' fair value, less costs to sell, and its value in use. Given the nature of the Company's assets, generally their recoverable values are their value in use. The Company generally estimates value in use using a discounted cash flow model. Management has assessed its cash generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets. The Company has reviewed its most recent economic models and forecasts in assessing whether a potential impairment has occurred. The assumptions that the calculation of value in use is most sensitive to are production volume, metal prices, discount rates, operating costs, and development and construction costs.

(v) 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.

(vi) 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 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.

(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 comprehensive income (loss).

3. FINANCIAL INSTRUMENTS

The Company has classified its cash and derivative investment in Agusan as FVTPL; investment in Metallum Limited 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 Metallum Limited was determined, in accordance with Level 1 of the fair value hierarchy, using the market price per share of Metallum Limited 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 eight month terms of the notes by a discount rate of 192%, 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 and cash equivalents. 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 is not exposed to significant credit risk on amounts and advances receivable (excluding GST receivable).

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.

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:

		June 30, 2014		December 31, 2013
Canadian dollar equivalent				
Canadian dollar	$	28,869	$	9,263
Philippine peso		85,068		84,198
Total cash and cash equivalents	$	113,937	$	93,461

The Company is also exposed to credit risk with respect to its amounts and advances receivable and loan to Agusan (notes 5 & 6). The Company maintains an equity investment in Agusan and receives periodic financial information from Metallum Limited and Agusan with respect to that investment. The Company monitors the status of Agusan and Metallum Limited 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 Company's cash and cash equivalents consist of cash held in bank accounts and funds held in trust. 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 June 30, 2014, and 2013. 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.

(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 and US$ as follows:

		June 30, 2014		December 31, 2013
Canadian dollar equivalent				
Philippine Pesos				
Cash and cash equivalents	$	85,068	$	84,198
Accounts payable and accrued liabilities		2,414,679		1,990,539
AUD$				
Accounts payable and accrued liabilities		1,312,801		1,028,457
US$				
Accounts payable and accrued liabilities		158,072		128,084
Loans payable		4,968,494		3,595,208
Net exposure				
Canadian dollar equivalent	$	8,939,114	$	6,826,486

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 and US dollar at June 30, 2014, would result in a change to net income (loss) and comprehensive income (loss) by approximately $89,391 (December 31, 2013 - $68,265).

(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 Metallum Limited, which are valued at each reporting date at their market price. The Company has sold all the marketable securities of Metallum Limited ((note 7and 17).

(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 9 & 12) due to related parties and excluding amounts due under the Credit Facility (notes 10 & 12), are without specific terms of repayment; however, they are expected to be repaid within one year. The Company's convertible notes matured on June 1, 2014 (note 9) and the Company is in negotiations with the note holders to issue new convertible notes for the principle and interest owing.

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 and 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.

4. EXPLORATION AND EVALUATION ASSETS

(a) Permits and licences

Through its subsidiaries and the Philippine companies, the Company has interests in certain permits and licences to explore and develop exploration and evaluation assets located in the Philippines, as described below:

(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 5 and 6) January 17, 2012, and has retained a free-carried interest of 20% in Agusan (notes 5 and 6).

(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.

(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 June 30, 2014, the Company had drawn US $4,652,249 against the facility (notes 10 & 17).

(Expressed in Canadian dollars, unless otherwise stated)

(b) Expenditures on exploration and evaluation assets

	Six months ended June 30, 2014 Batoto	Six months ended June 30, 2014 T'Boli	Six months ended June 30, 2014 Total	Twelve months ended December 31, 2013 Total
Opeing balance acquition costs	$ 1,029,478	$ 1,041,061	$ 2,070,539	$ 2,079,162
				(8,623)
Acquisition costs	**1,029,478**	**1,041,061**	**2,070,539**	**2,070,539**
Deferred exploration costs				
Balance, beginning of year	6,276,155	25,823,443	32,099,598	25,955,451
Incurred during year				
Assaying	-	-	-	1,390
Community development	16,082	66,408	82,490	624,329
Consultants	27,013	305,471	332,484	1,566,968
Depreciation and amortization	6,312	-	6,312	431,984
Drilling costs	-	-	-	4,325
Exploration and mineral processing	2,135	152,819	154,954	1,856,997
Field supplies, admin expenses	59,436	958,232	1,017,668	2,650,395
Taxes, licenses and fees	2,601	10,729	13,330	554,045
Geological	-	-	-	13,258
Mill Site	-	304,844	304,844	1,440,322
Transportation & Travel	1,005	-	1,005	7,132
Total expenditures before recovery from metal sales	**114,584**	**1,798,503**	**1,913,087**	**9,151,145**
Recovery on metal sales	-	(45,885)	(45,885)	(3,006,998)
Total for year	**$ 114,584**	**$ 1,752,618**	**$ 1,867,202**	**$ 6,144,147**
Balance, end of year	**$ 6,390,739**	**$ 27,576,061**	**$ 33,966,800**	**$ 32,099,598**
Total Acquisition and Deferred costs	**$ 7,420,217**	**$ 28,617,122**	**$ 36,037,339**	**$ 34,170,137**

(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.

(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.

5. SALE OF AGUSAN METALS CORPORATION

On January 17, 2012, the Company completed the sale of 80% of the Company's interests in Agusan and granted Metallum Limited (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 Metallum Limited expired unexercised.

The Company received cash consideration of $3,150,600 (AU $3,000,000) and 2,600,000 Metallum Limited common shares with a fair value, on January 17, 2012, of $1,774,838 (AU $1,690,000). The Company has the right to receive an additional 2,600,000 Metallum Limited common shares if the trading price of Metallum Limited common shares is above AU $1 for 30 consecutive days, expiring January 17, 2014. No value was ascribed to the additional 2,600,000 Metallum Limited common shares due to their contingent nature. The right to acquire these shares expired.

The Company retains a 20% investment in Agusan (note 6). On the sale, the retained investment was revalued to its fair value of $1,231,360 (note 6), 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 $5,142,189 arising from the sale and revaluation of its remaining investment in Philco, for the year ended December 31, 2012.

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 $1,033,850 (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 December 31, 2013, the Company settled the AU $1,000,000 debt for AU $500,000 in cash and 5,592,381 Metallum Limited common shares valued at $316,500 on the date of settlement. The Company has sold all the Metallum Limited common shares (note 7 and 17).

(Expressed in Canadian dollars, unless otherwise stated)

During the year ended December 31, 2012, under the terms of the agreement, the Company exercised an option to purchase (i) 500,000 Metallum Limited 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 Metallum Limited share for AU $0.20 until January 17, 2014. The options expired unexercised.

During the year ended December 31, 2012, the Company repaid the secured loan of $1,044,190 (AU $1,000,000) received in the year ended December 31, 2011, from the proceeds on sale.

Pursuant to a shareholders' agreement, Metallum Limited 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 Metallum Limited not meet the funding requirements, the agreement contains dilution provisions. Upon Metallum Limited funding the project to AU $48,000,000, both the Company and Metallum Limited will fund further development pro rata based on their ownership interests. Metallum Limited reported AU$5.8 million in exploration expenditures to December 31, 2013, which contributes to the minimum exploration amount of AU$15 million required by the end of the third year (January 17, 2015).

6. INVESTMENT IN AND LOAN TO AGUSAN METALS CORPORATION

Pursuant to the January 17, 2012, sale of an 80% interest in Agusan (notes 5 and 12), 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 year ended June 30, 2014, and year ended December 31, 2013, are as follows:

	June 30, 2014	December 31, 2013
Investment amount	$ 1,231,360	$ 1,231,360
Pro rate share of increase in Agusan paid up capital	112,635	112,635
Share of net loss	(1,343,995)	(1,343,995)
Carrying amount	-	-
Loan to Agusan	$ 1,470,112	$ 1,470,112

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 Metallum Limited 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)

The carrying 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 six months ended June 30, 2014, and the year ended December 31, 2013:

	June 30, 2014	December 31, 2013
Opening balance of loan to Agusan Metals Corporation	$ 1,470,112	$ 10,307,538
Advances	-	-
Repayments	-	(112,635)
Fair value adjustment	-	(8,455,975)
Share of net loss	-	(268,816)
	$ 1,470,112	**$ 1,470,112**

7. INVESTMENT IN METALLUM LIMITED FORMERLY 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 Metallum Limited and 2,000,000 share purchase options. Each option is exercisable to acquire one Metallum Limited common share for AU $0.20 until January 17, 2014. On March 14, 2013, the Company accepted 5,952,381 common shares of Metallum Limited valued at $316,500 as partial settlement of a debt (note 6).

At June 30, 2014, the fair value of the Company's investment in Metallum Limited was $30,150 (June 30, 2013 - $101,755 and December 31, 2013 - $171,923) consisting of the 1,675,000 common shares with a fair value of $30,150 (June 30, 2013, consisting of 9,052,381 common shares with a fair value of $90,210 and December 31, 2013, consisting of 9,052,381 common shares with a fair value of $171,923) and the Nil options to purchase Metallum Limited shares at $0.20 per share (derivative financial instruments) valued at $Nil (June 30, 2013 - $11,546 and December 31, 2013 - $Nil).

During the six months ended June 30, 2014, the Company began liquidating their investment in the common shares of Metallum Limited and sold 7,377,381 common shares for $203,484 and realized a gain on investment of $63,373. The remaining 1,675,000 shares were sold on August 22, 2014 (note 17).

During the six months ended June 30, 2014, the Company recorded an unrealized loss of $NIL (June 30, 2013 - $129,598 and December 31, 2013 - $141,143) on the options in net income (loss) and an unrealized gain of $61,911 (June 30, 2013 - $642,952 and December 31, 2013 - $561,239) on the shares in other comprehensive income (loss).

(Expressed in Canadian dollars, unless otherwise stated)

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vehicles and exploration equipment	Construction in progress	Office furniture and equipment	Total
Cost						
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
Additions	-	-	-	-	729	729
Balance, June 30, 2014	182,548	408,336	2,696,664	17,403	69,158	3,374,109
Accumulated amortization and impairment losses						
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
Amortization	-	8,538	239,046	-	11,243	258,827
Balance, June 30, 2014	-	92,861	1,103,239	-	56,421	1,252,521
Net book value						
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
Balance, June 30, 2014	**182,548**	**315,475**	**1,593,425**	**17,403**	**12,737**	**2,121,588**

9. CONVERTIBLE NOTES

(a) On December 21, 2012, the Company issued a total of 2,400,000 convertible notes (the “2012 Convertible Notes”) to two investors Each 2012 Convertible Note was convertible to five common shares of the Company. Effective October 1, 2013, the Company successfully negotiated the refinancing of the 2012 Convertible Notes.

The 2012 Convertible Notes bore interest at 12% per annum. As well, 12 million common share purchase warrants to acquire one common share at $0.20 until June 21, 2014, were issued to the lenders. If not converted, the note holders could have demanded payment on the maturity date, on change of control of the Company or in the event of default by the Company.

(c) On January 16, 2013, the Company issued an additional $2,060,700 of convertible debentures of which $1,108,200 were issued to related parties who are an officer, a director, a company controlled by a director, or immediate family of a director. When combined with the previous closing, the Company accepted $4,460,700 in gross proceeds for the convertible notes. The convertible debentures are convertible into common shares of the Company at a price of $0.20 per share until July 14, 2014. Purchasers of the convertible debenture also received one detached warrant for each common share underlying the convertible debenture. Each warrant is exercisable into a common share of the Company until July 14, 2014, at a price of $0.20. 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.

(Expressed in Canadian dollars, unless otherwise stated)

(d) Effective October 1, 2013, 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, the Company issued a total of 21,825,980 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 $0.08 per share until June 1, 2014. In connection with the refinancing, the Company also issued a total of 39,308,315 common share purchase warrants of the Company, each warrant exercisable into a common share of the Company at a price of $0.08 until June 1, 2015. The Company is negotiating with the convertible note holders to issue new convertible notes for the principle and interest owing.

(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 7,380,420 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 $0.08 per share until June 1, 2014. The notes matured on June 1, 2014, and the Company is in negotiations with the note holders to roll over the principle and interest now payable into new convertible notes (note 17). In connection with the refinancing, the Company also issued a total of 10,916,128 common share purchase warrants of the Company, each warrant exercisable into a common share of the Company at a price of $0.08 per share until June 1, 2015. The Company is negotiating with the convertible note holders to issue new convertible notes for the principle and interest owing.

The net present values of the convertible notes issued in (d) and (e) above at their issue date December 31, 2013, and June 30, 2014, respectively, were:

	June 30, 2014	December 31, 2013
Face value on issue	3,407,407	3,407,407
Accrued interest	308,432	102,978
Unamortized discount conversion	-	(768,155)
Unamortized discounts options	-	(424,984)
	3,715,839	2,317,246

10. CREDIT FACILITY

On May 2, 2013, the Company entered into an agreement with Mighty River International Ltd. of Singapore, a related party (note 12), 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 had six months to make further draws on the loan facility, with the availability of each future draw being subject to certain conditions being met.

The Company renegotiated an extension to the Credit Facility such that The Company had an additional three months to make further draws on the loan facility, with the availability of each future draw being subject to certain conditions being met.

On October 11, 2013, the Company renegotiated an extension to the Credit Facility such that the Maturity date extended to January 27, 2014 with the availability of each future draw being subject to certain conditions being met.

On May 27, 2014, the Company renegotiated an extension to the Credit Facility such that the Maturity date extended to December 31, 2015 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 June 30, 2014, the Company had total principal, interest and royalties owing to Mighty River of Cdn$4,652,248 consisting of principal of US $4,077,963, interest US $248,370, royalties US $31,337, Foreign exchange adjustment $294,579 (December 31, 2013 $3,281,614 consisting of principal of US $2,948,000, interest US $106,047, royalties US $31,337, Foreign exchange adjustment $196,230).

11. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(b) Issued

At June 30, 2014, 149,705,984 (December 31, 2013 – 145,705,984 common shares were issued and outstanding, which included an obligation to issue 7,380,420 common shares (note 9 (e)).

On August 17, 2012, the Company completed the first tranche of a non-brokered private placement consisting of 9,558,834 units priced at $0.15 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 $0.20 for the first year and $0.25 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 125,000 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 2,000,000 common shares valued at $220,000 and paid $101,988 (AU $100,000) to settle a dispute against the Company and Agusan (note 5).

On September 14, 2012, the Company completed the second tranche of a non-brokered private placement consisting of 3,930,000 units priced at $0.15 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 $0.20 for the first year and $0.25 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.

On November 7, 2012, the Company completed the third tranche of a non-brokered private placement consisting of 18,570,995 units priced at $0.15 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 $0.20 for the first year and $0.25 for the second year; 6,161,334 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 1,320,240 common shares as finder's fees to a single finder.

On December 14, 2012, the Company completed a non-brokered private placement consisting of 2,625,000 units priced at $0.20 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 $0.27. 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 21,825,980 common shares (note 9 (d)) to settle a debt of $1,091,299.

On February 11, 2014, the Company issued 4,000,000 shares for total proceeds of $200,000 pursuant to a private placement of shares offered at $0.05 per share. The securities issued are subject to a four month hold period from the date of closing.

On March 7, 2014, the Company issued 7,380,420 common shares. Effective October 1, 2013, announced on February 21, 2014, and issued on March 7, 2014 the Company refinanced 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 7,380,420 common shares (note 9 (e).

(c) Stock options

The Company had 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. At the Annual Shareholders Meeting held on April 11, 2014, the 10% option was not approved and as a result the Company now has a fixed plan of 14,222,068 options available for issuance. All other terms of the option plan remain the same (note 17).

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.

(Expressed in Canadian dollars, unless otherwise stated)

As at June 30, 2014, and December 31, 2013, the following incentive stock options were outstanding and exercisable:

Expiry Date	Exercise Price	**June 30, 2014**	**December 31, 2013**
15-Apr-14	$0.63	-	450,000
20-Jul-14	$0.50	790,000	790,000
30-Sep-14	$0.50	135,000	135,000
01-Mar-15	$0.95	150,000	150,000
17-Aug-15	$0.50	50,000	50,000
12-Jul-16	$0.50	28,000	28,000
21-Sep-16	$0.45	750,000	750,000
06-Dec-16	$0.20	2,190,000	2,190,000
24-Jul-17	$0.50	189,900	189,900
06-Nov-17	$0.50	1,064,000	1,064,000
25-Oct-17	$0.15	4,500,000	4,500,000
		9,846,900	10,296,900

The options outstanding and exercisable at June 30, 2014 and 2013, have a weighted average remaining contractual life of 2.68 years and 3.05 years, respectively.

Stock option transactions and the number of options outstanding for the six months ending June 30, 2014, and year ended December 31, 2013, are summarized as follows:

	June 30, 2014		**December 31, 2013**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	10,296,900	$0.29	10,296,900	$0.49
Granted	-	-	-	-
Expired	(450,000)	0.63	-	-
Outstanding and exercisable, end of year	9,846,900	$0.28	10,296,900	$0.29

The Company did not grant any incentive stock options during the nine month period ended June 30, 2014, or the year ended December 31, 2013.

(Expressed in Canadian dollars, unless otherwise stated)

Share-based payments

The fair value of stock options granted are estimated using the Black-Scholes option pricing model. No options were granted and no share-base payments recognized during the six months ended June 30, 2014, and year ended December 31, 2013.

(d) Warrants

As at June 30, 2014, and December 31, 2013, the following share purchase warrants were outstanding:

Expiry Date		Exercise Price		June 30, 2014	December 31, 2013
July 16, 2014	$	0.25	(3)	9,558,834	9,558,834
September 14, 2014	$	0.20	(3)	3,930,000	3,930,000
October 31, 2014	$	0.20	(3)	2,109,661	2,109,661
November 7, 2014	$	0.20	(3)	10,300,000	10,300,000
December 7, 2014	$	0.20	(3)	6,161,334	6,161,334
December 14, 2014	$	0.27		2,625,000	2,625,000
September 15, 2015	$	1.25	(2)	2,079,846	2,079,846
October 18, 2015	$	1.25	(2)	2,980,188	2,980,188
December 8, 2015	$	1.10	(1)	11,000,000	11,000,000
June 1, 2015	$	0.08		50,224,442	50,224,442
				100,969,305	100,969,305

(1) On April 10, 2012, the Company extended the expiry date of 11,000,000 warrants from December 8, 2012, to December 8, 2015.

(2) The warrants were exercisable at $1.00 for the first two years and $1.25 for the remaining three years.

(3) The warrants are exercisable at $0.20 for the first year and $0.25 for the second year.

Share purchase warrant transactions and the number of share purchase warrants outstanding for the six months ending June 30, 2014, and year ended December 31, 2013, are summarized as follows:

	June 30, 2014		December 31, 2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	100,969,305	$0.30	69,564,670	$0.39
Issued	-	-	60,527,942	$0.10
Expired	-	-	(6,819,807)	$0.76
Cancelled	-	-	(22,303,500)	$0.20
Outstanding, end of year	100,969,305	$0.30	100,969,305	$0.30

(Expressed in Canadian dollars, unless otherwise stated)

12. RELATED PARTY TRANSACTIONS AND BALANCES

At June 30, 2014, the Company owed $7,152,789 (December 31, 2013 - $5,570,961) to related parties as follows:

		June 30, 2014		December 31, 2013
Related parties for:				
Consulting and directors fees	$	1,096,555	$	1,247,357
Reimburse expenses		-		2,240
Termination fees		465,000		90,000
Convertible notes (note 9)		938,985		949,751
Advance against credit facility (note 10)		4,652,249		3,281,614
	$	7,152,789	$	5,570,962

During the period ended June 30, 2014, and the year ended December 31, 2013, the Company incurred key management compensation as follows:

		June 30, 2014		December 31, 2013
Short-term benefits	$	384,898	$	1,562,432
Termination fees		495,000		90,000
	$	879,898	$	1,652,432

Of this amount $839,898 (2013 - $1,522,432) was expensed and $40,000 (2013 - $120,000) was capitalized to investment in and expenditures on exploration and evaluation assets.

At June 30, 2014, the Company was committed to pay termination payments in addition to the $495,000 identified above of 540,000 to an officers and consultant (December 31, 2013 - $1,602,114 to six officers, directors, and consultants) in the event those individuals were terminated without cause. The payments ranged from two years to three years of annual salary per individual.

During the year, the Company terminated Mr. Butchart, an officer and director, and triggered a termination payment of $720,000. On April 11, 2014, the Company reached agreement with Mr. Butchart, which was subject to TSX approval, to issue 7.5 million common shares to settle the termination payment (notes 13 and 17).

During the year, the Company terminated Mr. Goode, an officer and director, and triggered a termination payment of $240,000. On April 12, 2014, the Company reached agreement with Mr. Goode, which was subject to TSX approval, to issue 2.4 million common shares to settle the termination payment (notes 13 and 17).

If the termination payment was triggered for the remaining officer, the Company would be required to pay $540,000.

13. 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 10) with the Company. The Company agreed to pay him a one-time fee of $90,000 representing a 6 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 was to be paid upon the Company's Philippine affiliate reaching production of 8,000 ounces Au per consecutive three calendar month period and/or sufficient funds being available to the Company. During the six month period ended June 30, 2014, the Company reached agreement, subject to TSX approval, with him to issue a total of 1.8 million common shares to settle the termination payment. On August 1, 2014, the Company received TSX approval to settle $23,050 and issue 642,000 common shares of the Company and to seek disinterested shareholder approval to settle the remaining $66,950 by issuing 1,158,000 common shares of the Company (note 17).

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 the amount owing under the terms of his consulting contract. Subject to TSX approval, Mr. Butchart will be issued 7.5 million shares of Cadan. 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. On August 1, 2014, the Company received TSX approval to settle $95,950 and issue 1,497,000 common shares of the Company and to seek disinterested shareholder approval to settle the remaining $279,050 by issuing 6,003,000 common shares of the Company (note 17).

On April 12, 2014, the Company reached an agreement with Mr. Goode, former Geologist 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 2.4 million shares of Cadan. 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. On August 1, 2014, the Company received TSX approval to settle $30,700 and issue 855,000 common shares of the Company and to seek disinterested shareholder approval to settle the remaining $89,300 by issuing 1,545,000 common shares of the Company (note 17).

(Expressed in Canadian dollars, unless otherwise stated)

14. 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

15. 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 June 30, 2014, the CIL plant has generated approximately $3 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 4), 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)

16. 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.

June 30, 2014						
		Canada		Philippines		Consolidated
Current assets	$	67,933	$	606,192	$	674,125
Deferred exploration costs		1,596,438		34,440,901		36,037,339
Loan to Philco Mining		1,470,112		-		1,470,112
Property, plant and equipment		3,624		2,117,964		2,121,588
Total Assets	$	3,138,107	$	37,165,057	$	40,303,164
Total Liabilities	$	11,690,105	$	2,933,602	$	14,623,707

December 31, 2013						
		Canada		Philippines		Consolidated
Current assets	$	252,410	$	326,023	$	578,433
Deferred exploration costs		1,360,962		32,809,175		34,170,137
Loan to Philco Mining		1,470,112		-		1,470,112
Property, plant and equipment		6,336		2,373,350		2,379,686
Total Assets	$	3,089,825	$	35,508,543	$	38,598,368
Total Liabilities	$	7,989,822	$	2,502,894	$	10,492,716

17. SUBSEQUENT EVENTS

On July 11, 2014, the Company drew an additional US $18,477 against the Credit Facility (note 10).

On August 1, 2014, the Company received TSX approval to issue 8,784,500 common shares to settle $439,225 in outstanding debts and to seek disinterested shareholder approval to settle the remaining $435,300 by issuing 8,706,000 common shares of the Company (note 13).

On August 22, 2014, the Company sold its remaining 1,675,000 common shares of Metallum Limited for AUD$30,150 (note 7).

On August 26, 2014, the Company issued 8,784,500 common shares to settle $439,225 in outstanding debts.