Blue Sky Uranium Corp.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2013 and 2012

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Blue Sky Uranium Corp.

We have audited the accompanying consolidated financial statements of Blue Sky Uranium Corp., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended December 31, 2013 and December 31, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 auditor's 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 Blue Sky Uranium Corp. as at December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 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 a material uncertainty that may cast significant doubt about Blue Sky Uranium Corp.'s ability to continue as a going concern.

"D&H Group LLP"

Vancouver, B.C.
April 2, 2014

Chartered Accountants

D+H Group LLP Chartered Accountants
10th Floor, 1333 West Broadway
Vancouver, British Columbia
Canada V6H 4C1
Telephone: 604 731 5881
Facsimile: 604 731 9923
Email: info@dhgroup.ca
www.DHgroup.ca
A B.C. Limited Liability Partnership of Corporations

Blue Sky Uranium Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	December 31, 2013 $	December 31, 2012 $
ASSETS			
Non-current assets			
Equipment	5	6,618	19,854
Mineral property interests	6	2,766,618	2,734,655
Total non-current assets		2,773,236	2,754,509
Current assets			
Prepaid expenses		87,951	80,816
Amounts receivable		5,461	40,382
Exploration advances	7	-	36,174
Short-term investments	3	-	650,000
Cash		426,810	161,236
Total current assets		520,222	968,608
Total Assets		3,293,458	3,723,117
EQUITY			
Share capital	8	18,927,627	18,784,971
Reserves	8	3,909,863	3,851,039
Accumulated deficit		(20,144,188)	(19,027,505)
Total Equity		2,693,302	3,608,505
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		485,028	114,612
Exploration liabilities	7	115,128	-
Total Liabilities		600,156	114,612
COMMITMENT (Note 13)			
Total Equity and Liabilities		3,293,458	3,723,117

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

EVENTS AFTER THE REPORTING PERIOD (Note 16)

These consolidated financial statements are authorized for issue by the Board of Directors on **April 2, 2014**. They are signed on the Company's behalf by:

"Sean Hurd" , Director

"Ron McMillan" , Director

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

Blue Sky Uranium Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		Year ended December 31,	
		2013	2012
	Note	$	$
Expenses			
Accounting and audit		41,024	25,844
Depreciation		13,236	10,832
Corporate development and investor relations		99,670	127,256
Exploration	6	1,947,863	1,041,974
Exploration and other costs recovery	7	(1,848,698)	(1,036,174)
Foreign exchange loss		30,746	539
Management fees	9	190,200	242,100
Office and sundry	9	116,323	107,478
Professional and consulting fees	9	226,437	264,902
Rent, parking and storage	9	64,054	80,692
Salaries and employee benefits		190,412	113,850
Share-based compensation		-	111,982
Transfer agent and regulatory fees		16,440	25,288
Travel and accommodation		31,203	59,748
Loss from operating activities		1,118,910	1,176,311
Gain on sale of mineral property interests	6e	-	(95,298)
Interest income		(2,227)	(4,165)
Write-off of mineral property interests	6	-	174,327
Loss and comprehensive loss for the year		1,116,683	1,251,175
Basic and diluted loss per common share	11	($0.05)	($0.08)

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

Blue Sky Uranium Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Note	Year ended December 31, 2013 $	2012 $
Cash flows used in operating activities			
Loss for the year		(1,116,683)	(1,251,175)
Depreciation		13,236	10,832
Gain on sale of mineral property interests	6e	-	(95,298)
Share-based compensation		-	111,982
Write-off of mineral property interests	6	-	174,327
		(1,103,447)	(1,049,332)
Change in deposit		-	60,000
Change in non-cash working capital items:			
(Increase) decrease in amounts receivable		34,921	24,281
(Increase) decrease in prepaid expenses		(7,135)	(52,892)
Increase (decrease) in accounts payable and accrued liabilities		370,416	(241,485)
Increase (decrease) in exploration advances		151,302	(36,174)
Net cash used in operating activities		(553,943)	(1,295,602)
Cash flows used in investing activities			
Purchase of short term investments		-	(1,000,000)
Redemption of short term investments		650,000	350,000
Proceeds upon disposition of mineral properties	6e	-	100,000
Mineral property interests acquisitions		(31,963)	(46,361)
Property and equipment acquisitions		-	(5,576)
Cash and short term investments acquired upon acquisition of Windstorm Resources Inc. less transaction costs paid		-	1,356,764
Net cash used in investing activities		618,037	754,827
Cash flows from financing activities			
Issuance of common shares and warrants		209,000	670,000
Share issue costs		(7,520)	(20,400)
Net cash from financing activities		201,480	649,600
Net increase (decrease) in cash		265,574	108,825
Cash at beginning of year		161,236	52,411
Cash at end of year		426,810	161,236

SUPPLEMENTARY CASH FLOW INFORMATION (Note 14)

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

Blue Sky Uranium Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital		Reserves				
	Number of Shares[1]	Amount $	Contributed Surplus $	Equity Settled Share-based Payments $	Warrants $	Accumulated Deficit $	Total $
Balance at December 31, 2011	8,701,989	17,016,485	1,355,629	1,268,438	843,478	(17,776,330)	2,707,700
Private placement	6,700,000	443,594	-	-	226,406	-	670,000
Share issue costs	-	(35,112)	-	-	-	-	(35,112)
Agent's warrants granted	-	-	-	-	14,712	-	14,712
Acquisition of Windstorm Resources Inc.	8,000,021	1,360,004	-	29,876	519	-	1,390,399
Share-based compensation	-	-	-	111,981	-	-	111,981
Stock options expired	-	-	423,042	(423,042)	-	-	-
Warrants expired	-	-	802,890	-	(802,890)	-	-
Agent's warrants expired	-	-	17,865	-	(17,865)	-	-
Total comprehensive loss for the year	-	-	-	-	-	(1,251,175)	(1,251,175)
Balance at December 31, 2012	23,402,010	18,784,971	2,599,426	987,253	264,360	(19,027,505)	3,608,505
Private placements	3,475,000	153,138	-	-	55,862	-	209,000
Share issue costs	-	(10,482)	-	-	-	-	(10,482)
Agent's warrants granted	-	-	-	-	2,962		2,962
Stock options expired	-	-	564,739	(564,739)	-	-	-
Warrants expired	-	-	23,179	-	(23,179)	-	-
Agent's warrants expired	-	-	64	-	(64)	-	-
Total comprehensive loss for the year	-	-	-	-	-	(1,116,683)	(1,116,683)
Balance at December 31, 2013	26,877,010	18,927,627	3,187,408	422,514	299,941	(20,144,188)	2,693,302

[1] On April 2, 2012, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of ten (10) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively adjusted.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the Business Corporation Act of British Columbia on November 30, 2005 as Mulligan Capital Corp. On May 18, 2006, the Company received final receipts for a prospectus and became a reporting issuer in British Columbia and Alberta. On June 27, 2006 the Company completed its initial public offering (the "Offering") and on June 28, 2006 the Company listed its common shares on the TSX Venture Exchange (the "TSX-V") as a capital pool company. On February 7, 2007, the Company completed its qualifying transaction (the "QT") and was upgraded to Tier II status on the TSX-V. The Company also changed its name to Blue Sky Uranium Corp. to reflect its business as a junior uranium exploration company.

On July 5, 2012, the Company acquired 100% of the outstanding common shares of Windstorm Resources Inc. ("Windstorm"), a Canadian junior mining and exploration company, which became a wholly-owned subsidiary of the Company. The Company issued to each shareholder of Windstorm 0.38868 (the "Share Exchange Ratio") of a common share in the capital of the Company in exchange for each Windstorm common share held by such shareholder. No fractional shares of the Company were issued, and fractions were rounded down to the nearest lower whole share. The holders of outstanding stock options and warrants of Windstorm received equivalent stock options and warrants of the Company as adjusted by the Share Exchange Ratio. As a result of the acquisition, the Company issued 8,000,021 common shares to Windstorm shareholders. The results of Windstorm, which include its wholly-owned subsidiary Viento de Oro S.A. de C.V., have been consolidated with the results of the Company commencing on July 5, 2012.

The address of the Company's registered office is Suite 709 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6.

The amounts shown as mineral property interests represent acquisition costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral property interests is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to advance the properties beyond the exploration stage, and future profitability of the properties.

The Company has experienced recurring operating losses and has an accumulated deficit of $20,144,188 at December 31, 2013 (December 31, 2012 - $19,027,505) and equity of $2,693,302 at December 31, 2013 (December 31, 2012 – $3,608,505). In addition, the Company had a working capital deficiency of $79,934 at December 31, 2013 (December 31, 2012 – working capital of $853,996). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and to attain profitable operations. Management's plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Company's consolidated financial statements, including comparatives, have been prepared in accordance

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2013.

Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

	Place of Incorporation	Principal Activity
Blue Sky BVI Uranium Corp.	British Virgin Islands	Holding company
Minera Cielo Azul S.A. (Argentina)	Argentina	Exploration company
Desarrollo de Inversiones S.A. (Argentina)	Argentina	Exploration company
Viento de Oro S.A. de C.V. (Mexico)	Mexico	Exploration company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Foreign currencies

The presentation and functional currency of the Company is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Non-derivative financial assets

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

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

Financial assets are classified at fair value through profit or loss if they are classified as held for trading or are designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Short-term investments are FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash, amounts receivable and exploration advances.

(iii) Other financial liabilities

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities and exploration liabilities. Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Equipment

Equipment is recorded at cost less accumulated depreciation calculated using the straight-line method over its estimated useful lives of two years for geological equipment and computer software. Depreciation of an asset begins once it is available for use.

Exploration, Evaluation and Development Expenditures

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.
Proceeds received for farm-out arrangements or recoveries of costs are credited against the cost of the related claims. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Mineral property acquisition costs include cash costs and the fair market value of common shares issued, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments related to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment. Mineral property interests are classified as intangible assets.

Cash and Cash Equivalents

Cash and cash equivalents are classified as loans and receivables and include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places its deposits with financial institutions with high credit ratings.

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the period. 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.

Valuation of equity units issued in private placements

The Company follows a pro rata allocation method with respect to the measurement of shares and warrants issued as private placement units. This values each component at fair value and allocates total proceeds received between shares and warrants based on the pro rata relative values of the components. The fair value of the common shares is based on the closing price on the issue date and the fair value of the common share purchase warrants is determined at the issue date using the Black-Scholes pricing model. The fair value attributed to the warrants is recorded in warrant equity.

Share-based Payment Transactions

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. 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. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss. The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income Taxes

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

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

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

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

Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates

i. the valuation of consideration paid for the acquisition of Windstorm Resources Inc. and fair value of assets and liabilities acquired.

Critical accounting judgments

i. the determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

ii. the analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

iii. Management is required to assess impairment in respect to the Company's intangible mineral property interests. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves.

 At December 31, 2013 management has determined there were no impairment indicators present with respect to the Company's mineral property interests. During the year ended December 31, 2012, $102,483 was incurred in mineral property write-offs (Note 6e).

Adoption of accounting standards and interpretations

The Company has adopted the following new accounting standards and interpretations effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions and had no impact on the consolidated financial statements.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under previous IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

New Accounting Standards and Interpretations not yet adopted

The International Accounting Standards Board issued new and amended standards and interpretations which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new and amended standards and interpretations will have on its financial statements or whether to early adopt any of the new requirements. The following is a brief summary of the new and amended standards and interpretations:

IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015.

(Expressed in Canadian Dollars)

3. SHORT-TERM INVESTMENTS

The Company did not hold any short-term investments as at December 31, 2013.

As at December 31, 2012 the Company held the following:

	December 31, 2012	
	Maturity	Amount
Guaranteed Investment Certificate		
- Prime minus 1.95% annual interest rate	July 12, 2013	$400,000
- Prime minus 1.95% annual interest rate	September 12, 2013	$250,000
		$650,000

4. ACQUISITION

Windstorm Resources Inc.

On July 5, 2012, the Company acquired 100% of the outstanding common shares of Windstorm Resources Inc. (“Windstorm”), a Canadian junior mining and exploration company, which became a wholly-owned subsidiary of the Company.

The Company issued to each shareholder of Windstorm 0.38868 (the “Share Exchange Ratio”) of a common share in the capital of the Company in exchange for each Windstorm common share held by such shareholder. No fractional shares of the Company were issued, and fractions were rounded down to the nearest lower whole share. The holders of outstanding stock options and warrants of Windstorm received equivalent stock options and warrants of the Company as adjusted by the Share Exchange Ratio.

As a result of the acquisition, the Company issued 8,000,021 common shares to Windstorm shareholders. The results of Windstorm, which include its wholly-owned subsidiary Viento de Oro S.A. de C.V., have been consolidated with the results of the Company commencing on July 5, 2012.

In accordance with IFRS 3, Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination as the transaction resulted in the acquisition of Windstorm’s financial assets and additional Board member expertise. Consequently, the transaction has been recorded as an acquisition of an asset.

Total consideration paid of $1,426,886, including 573,300 replacement stock options and 1,223,384 replacement warrants, was calculated as follows:

(Expressed in Canadian Dollars)

4. ACQUISITION (continued)

	Amount ($)
Common shares issued	1,360,004
Fair value of replacement warrants issued	519
Fair value of replacement stock options issued	29,876
Transaction costs paid	36,487
	1,426,886

The total purchase price was allocated to the assets acquired and the liabilities assumed based on the fair value of the total consideration at the closing date of acquisition. All financial assets acquired and financial liabilities assumed were recorded at fair value.

	Amount ($)
Assets acquired and liabilities assumed	
Cash	193,251
Short-term investments	1,200,000
Amounts receivable	40,764
Mineral property interests	64,168
Prepaid expenses	8,030
Accounts payable and accrued liabilities	(79,327)
	1,426,886

5. EQUIPMENT

	Computer Software $	Geological Equipment $	Total $
Cost			
Balance at December 31, 2012	26,469	10,120	36,589
Additions	-	-	-
Balance at December 31, 2013	26,469	10,120	36,589
Accumulated Depreciation			
Balance at December 31, 2012	6,615	10,120	16,735
Depreciation	13,236	-	13,236
Balance at December 31, 2013	19,851	10,120	29,971
Carrying Amount			
At December 31, 2012	19,854	-	19,854
At December 31, 2013	6,618	-	6,618

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY INTERESTS

The schedule below summarizes the carrying costs of acquisition costs to date for each mineral property interest that the Company is continuing to explore as at December 31, 2013 and December 31, 2012:

Acquisition Costs

	Argentina						Mexico	
	Santa Barbara $	**Anit** $	**Ivana** $	**Sierra Colonia** $	**Tierras Coloradas** $	**Other** (Note 6e) $	**General** (Note 6f) $	**Total** $
Balance – December 31, 2011	814,430	956,440	16,530	21,723	33,720	960,312	-	2,803,155
Additions								
Acquisition of Windstorm Resources Inc. (Note 4)	-	-	-	-	-	-	64,168	64,168
Land payments and staking fees	-	3,964	1,322	5,301	891	27,207	7,676	46,361
Disposals	-	-	-	-	-	(4,702)	-	(4,702)
Properties no longer being explored	-	-	-	-	-	(102,483)	(71,844)	(174,327)
Balance – December 31, 2012	814,430	960,404	17,852	27,024	34,611	880,334	-	2,734,655
Additions								
Land payments and staking fees	-	-	-	5,678	8,124	18,161	-	31,963
Balance – December 31, 2013	814,430	960,404	17,852	32,702	42,735	898,495	-	2,766,618

The schedules below summarizes the carrying costs of all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at December 31, 2013 and December 31, 2012:

	Argentina					
	Santa Barbara $	**Anit** $	**Ivana** $	**Sierra Colonia** $	**Other** (Note 6e) $	**Total** $
Cumulative exploration costs – December 31, 2012	956,294	3,643,594	1,733,407	456,956	478,918	7,269,169
Expenditures during the period:						
Assays	-	-	277	576	-	853
Community relations	-	-	23,485	7,565	3,152	34,202
Drilling	-	-	535,203	-	-	535,203
Geophysics	-	-	128,517	13,409	5,744	147,670
Office	2,688	439	100,392	74,398	12,533	190,450
Salaries and contractors	-	-	290,062	137,559	86,526	514,147
Supplies and equipment	-	-	126,152	66,244	13,904	206,300
Transportation	-	-	50,632	34,159	9,071	93,862
Statutory taxes	351	58	164,007	43,646	17,114	225,176
	3,039	497	1,418,727	377,556	148,044	1,947,863
Cumulative exploration costs – December 31, 2013	959,333	3,644,091	3,152,134	834,512	626,962	9,217,032

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY INTERESTS (continued)

	Argentina					Mexico	
	Santa Barbara $	**Anit** $	**Ivana** $	**Sierra Colonia** $	**Other** (Note 6e) $	**General** $	**Total** $
Cumulative exploration costs – December 31, 2011	894,994	3,640,863	1,078,753	193,995	451,473	-	6,260,078
Expenditures during the period:							
Assays	-	-	8,520	2,073	462	-	11,055
Community relations	1,258	-	15,329	6,307	2,421	-	25,315
Drilling	-	-	-	-	7,329	-	7,329
Geophysics	2,186	-	26,134	11,051	4,108	-	43,479
Office	13,943	1,255	100,872	38,528	18,774	-	173,372
Salaries and contractors	28,280	1,255	285,177	120,047	23,978	1,787	460,524
Supplies and equipment	5,772	-	96,979	40,092	2,941	-	145,784
Transportation	4,911	-	68,779	23,629	4,097	-	101,416
Statutory taxes	4,950	221	52,864	21,234	5,632	(11,201)	73,700
	61,300	2,731	654,654	262,961	69,742	(9,414)	1,041,974
Properties no longer being explored	-	-	-	-	(42,297)	9,414	(32,883)
Cumulative exploration costs – December 31, 2012	956,294	3,643,594	1,733,407	456,956	478,918	-	7,269,169

a) *Santa Barbara Property*
The Company owns a 100% interest in the 476 km^2 Santa Barbara uranium property in the Province of Rio Negro, located in the northern Patagonia region of Argentina.

b) *Anit Property*
The Company owns a 100% interest in the 260 km^2 Anit uranium property, which lies to the south of, and is contiguous with, the Santa Barbara Property in the Province of Rio Negro, Argentina.

c) *Ivana Property*
The Company owns a 100% interest in the 713 km^2 Ivana uranium property in the San Jorge Basin, Province of Rio Negro, located in the northern Patagonia region of Argentina.

d) *Sierra Colonia Property*
The Company owns a 100% interest in the 399 km^2 Sierra Colonia property in the central part of the province of Chubut, Argentina.

e) *Other –Rio Negro and Chubut*
The Company owns 100% interests in the 550 km^2 Nicky property and 340 km^2 Cabeza de Potro property in the Province of Rio Negro, Argentina. The Company owns a 100% interest in the 864 km^2 Cerro Parva property in the Province of Chubut, Argentina. The Company owns a 100% interest in the 1,355 km^2 Tierras Coloradas property east of the Sierra Colonia property in the province of Chubut, Argentina. These are early stage exploration projects and management continues to evaluate results obtained to date for further exploration potential.

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY INTERESTS (continued)

On February 29, 2012, the Company sold its 100% interest in the 198 km^2 Darmar property in the Province of Rio Negro to an arm's length party for proceeds of $100,000. The sale resulted in a gain of $95,298 in the Consolidated Statements of Loss and Comprehensive Loss.

During the year ended December 31, 2012, $102,483 was incurred in mineral property write-offs as a result of the Company dropping its mineral property interest in the Santa Cruz Province of Argentina.

f) Mexico Property

During the year ended December 31, 2012, $71,844 was incurred in mineral property write-offs as a result of the Company forfeiting its Mexican mineral property interests.

7. EXPLORATION ADVANCES & COSTS RECOVERY

On December 20, 2011, the Company entered into a Memorandum of Understanding ("MOU") with AREVA Mines ("AREVA") to jointly explore for uranium deposits in Argentina. Under the terms of the MOU, as amended on November 12, 2013, the following commitments have been made (amounts in CAD):

(i) AREVA can select one or two projects and earn a 51% interest by:
   i. Funding $1 million in exploration by December 31, 2012 (received).
   ii. Funding $2 million in exploration by December 31, 2013 (received).
   iii. Upon the completion of phase 2 if AREVA:
      a) Elects to proceed with two projects it must incur a minimum of $4 million in phase 3; or
      b) Elects to proceed with one project it must incur a minimum of $3 million in phase 3.

   Phase 3 work must be completed no later than December 31, 2017.

(ii) Upon the completion of the phase 3 program, the Company will retain a 100% interest in all projects except the one (or two) project(s) AREVA selects to earn a 51% interest.

(iii) On newly acquired uranium targets in Argentina that are not listed in this MOU, AREVA can elect to earn a 51% interest by funding $1 million in exploration on each new target.

(iv) For any non-uranium discoveries made the Company will retain a 100% interest.

The schedule below summarizes the exploration and other costs recovery at each mineral property interest for the years ended December 31, 2013 and December 31, 2012:

Exploration expenses incurred	December 31, 2013	December 31, 2012
Santa Barbara	3,039	61,300
Anit	497	2,731
Ivana	1,418,727	654,654
Sierra Colonia	377,556	262,961
Other	148,044	69,742
Legal fees	57,734	29,972
Foreign exchange translation of Argentinean pesos, US and Canadian dollars	(156,899)	(45,186)
Exploration and other costs recovery	1,848,698	1,036,174

(Expressed in Canadian Dollars)

7. EXPLORATION ADVANCES & COSTS RECOVERY (continued)

At December 31, 2013, the Company has received the following in funding from AREVA:

	Amount ($)
Exploration and other costs recovery	1,848,698
Plus: advances receivable in the previous year	36,174
Less: Year two exploration funding (i) ii	(2,000,000)
Exploration advances liability	(115,128)

At December 31, 2012, the Company has received the following in funding from AREVA:

	Amount ($)
Exploration and other costs recovery	1,036,174
Less: Year one exploration funding (i) i	(1,000,000)
Exploration advances receivable for expenses incurred	36,174

8. SHARE CAPITAL AND RESERVES

Authorized Share Capital

At December 31, 2013, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Capital Restructuring

On April 2, 2012, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of ten (10) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively adjusted.

Issued Share Capital

At December 31, 2013, the issued share capital comprised 26,877,010 common shares (December 31, 2012 – 23,402,010).

Details of Private Placement Issues of Common Shares in 2013 and 2012

In December 2013, the Company completed a non-brokered private placement consisting of 2,300,000 units at a price of $0.05 per unit for gross proceeds of $115,000. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of $0.10 per share for 2 years from the date of issue of the warrant. All securities issued in the private placement are subject to a four month hold period expiring April 21, 2014.

8. SHARE CAPITAL AND RESERVES (continued)

In March 2013, the Company completed a non-brokered private placement consisting of 1,175,000 units at a price of $0.08 per unit for gross proceeds of $94,000. Each unit consisted of one common share and one-half of one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of $0.15 per share for one year from the date of issue of the warrant. Finders' fees were $7,520 of cash and 94,000 non-transferable warrants exercisable into common shares at $0.15 per share for one year having a fair value of $2,962. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 1.00%; expected stock price volatility – 133.36%; dividend yield of 0%; and expected warrant life of 1.40 years.

In September 2012, the Company completed a non-brokered private placement consisting of 6,700,000 units at a price of $0.10 per unit for gross proceeds of $670,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of $0.15 per share for 2 years from the date of issue of the warrant. Finders' fees were $20,400 of cash and 204,000 warrants exercisable into common shares at $0.15 per share for 2 years having a fair value of $14,712. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 1.20%; expected stock price volatility – 135.46%; dividend yield of 0%; and expected warrant life of 1.35 years.

Share Purchase Option Compensation Plan

The Company has a share purchase option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The Plan is based on the maximum number of eligible shares equaling a rolling percentage of 10% of the Company's outstanding common shares, calculated from time to time. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately.

The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price less allowable discounts in accordance with the policies of the TSX Venture Exchange. Share purchase options granted vest immediately, are subject to a four-month hold period and are exercisable for a period of five years.

The continuity of share purchase options for the year ended December 31, 2013 and December 31, 2012 are as follows:

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Expiry date	Exercise Price	December 31, 2012	Granted	Exercised	Expired/ Forfeited	December 31, 2013	Options Exercisable
January 25, 2013	$4.00	1,500	-	-	(1,500)	-	-
May 6, 2014	$1.50	125,500	-	-	(93,000)	32,500	32,500
July 6, 2014	$1.50	30,000	-	-	(30,000)	-	-
July 22, 2014	$1.80	7,500	-	-	(7,500)	-	-
December 9, 2014	$6.50	35,000	-	-	(29,150)	5,850	5,850
March 4, 2015	$0.51	116,604	-	-	(77,736)	38,868	38,868
March 15, 2015	$7.30	10,000	-	-	-	10,000	10,000
September 28, 2015	$0.64	97,170	-	-	(97,170)	-	-
October 5, 2015	$2.60	244,000	-	-	(171,500)	72,500	72,500
October 29, 2015	$2.50	7,500	-	-	(7,500)	-	-
December 10, 2015	$1.16	233,207	-	-	(207,943)	25,264	25,264
March 2, 2016	$1.08	64,132	-	-	-	64,132	64,132
May 31, 2016	$2.20	60,000	-	-	-	60,000	60,000
July 28, 2016	$0.41	38,868	-	-	(38,868)	-	-
September 25, 2016	$1.00	20,000	-	-	-	20,000	20,000
September 24, 2017	$0.12	972,500	-	-	(37,500)	935,000	935,000
		2,063,481	-	-	(799,367)	1,264,114	1,264,114
Weighted average exercise price		$0.95	-	-	$1.53	$0.58	$0.58
Weighted average contractual remaining life (years)		3.6	-	-	-	3.2	3.2

Expiry date	Exercise Price	December 31, 2011[1]	Granted	Exercised	Expired/ Forfeited	December 31, 2012	Options Exercisable
February 10, 2012	$6.60	7,500	-	-	(7,500)	-	-
June 1, 2012	$10.00	21,500	-	-	(21,500)	-	-
December 17, 2012	$1.18	-	23,319	-	(23,319)	-	-
January 25, 2013	$4.00	1,500	-	-	-	1,500	1,500
May 6, 2014	$1.50	146,500	-	-	(21,000)	125,500	125,500
July 6, 2014	$1.50	30,000	-	-	-	30,000	30,000
July 22, 2014	$1.80	7,500	-	-	-	7,500	7,500
December 9, 2014	$6.50	71,500	-	-	(36,500)	35,000	35,000
March 4, 2015	$0.51	-	116,604	-	-	116,604	116,604
March 15, 2015	$7.30	10,000	-	-	-	10,000	10,000
September 28, 2015	$0.64	-	97,170	-	-	97,170	97,170
October 5, 2015	$2.60	322,000	-	-	(78,000)	244,000	244,000
October 29, 2015	$2.50	7,500	-	-	-	7,500	7,500
December 10, 2015	$1.16	-	233,207	-	-	233,207	233,207
March 2, 2016	$1.08	-	64,132	-	-	64,132	64,132
May 31, 2016	$2.20	60,000	-	-	-	60,000	60,000
July 28, 2016	$0.41	-	38,868	-	-	38,868	38,868
September 25, 2016	$1.00	20,000	-	-	-	20,000	20,000
September 24, 2017	$0.12	-	972,500	-	-	972,500	972,500
		705,500	1,545,800	-	(187,819)	2,063,481	2,063,481
Weighted average exercise price		$2.97	$0.40	-	$4.07	$0.95	$0.95
Weighted average contractual remaining life (years)		3.3	4.0	-	-	3.6	3.6

[1] On April 2, 2012, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of ten (10) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively adjusted.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Warrants

The continuity of warrants for the year ended December 31, 2013 is as follows:

Expiry date	Exercise Price	December 31, 2012	Granted	Exercised	Expired	December 31, 2013
February 15, 2013	$1.41	1,121,571	-	-	(1,121,571)	-
June 5, 2013	$1.50	69,600	-	-	(69,600)	-
June 15, 2013	$1.50	10,000	-	-	(10,000)	-
March 4, 2014	$0.15	-	681,500	-	-	681,500
August 16, 2014	$0.15	3,130,000	-	-	-	3,130,000
August 28, 2014	$0.15	1,428,000	-	-	-	1,428,000
September 12, 2014	$0.15	2,346,000	-	-	-	2,346,000
December 19, 2015	$0.10	-	2,300,000	-	-	2,300,000
		8,105,171	2,981,500	-	(1,201,171)	9,885,500
Weighted average exercise price		$0.31	$0.11	-	$1.42	$0.15

The continuity of warrants for the year ended December 31, 2012 is as follows:

Expiry date	Exercise Price	December 31, 2011[(1)]	Granted	Exercised	Expired	December 31, 2012
July 21, 2012	$0.51	-	101,813	-	(101,813)	-
August 27, 2012	$3.50	569,881	-	-	(569,881)	-
November 8, 2012	$2.50	599,846	-	-	(599,846)	-
February 15, 2013	$1.41	-	1,121,571	-	-	1,121,571
June 5, 2013	$1.50	69,600	-	-	-	69,600
June 15, 2013	$1.50	10,000	-	-	-	10,000
August 16, 2014	$0.15	-	3,130,000	-	-	3,130,000
August 28, 2014	$0.15	-	1,428,000	-	-	1,428,000
September 12, 2014	$0.15	-	2,346,000	-	-	2,346,000
		1,249,327	8,127,384	-	(1,271,540)	8,105,171
Weighted average exercise price		$2.89	$0.33	-	$2.79	$0.31

[(1)] On April 2, 2012, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of ten (10) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively adjusted.

(Expressed in Canadian Dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of the entities outlined below.

The following entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows:

On April 1, 2010, the Company entered into a Management Services Agreement ("Agreement") with Grosso Group Management Ltd. (Grosso Group) to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The fee is reviewed and adjusted quarterly based on the level of services required. The Agreement expired on December 31, 2012 and was automatically renewed for a period of two years pursuant to the terms of the Agreement. The Agreement contains termination and early termination fees in the event the services are terminated by the Company. The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of $750,000. The early termination fees are the aggregate of the termination fee in addition to the lesser of the monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of $1,000,000.

	Year ended December 31,	
	2013	2012
Transactions	$	$
Services rendered:		
Grosso Group Management Ltd.		
Management fees[1]	190,200	242,100
Rent, parking and storage[1]	63,900	78,000
Office & sundry[1]	60,900	69,450
Total for services rendered	315,000	389,550

(1) Included in the Consolidated Statements of Loss and Comprehensive Loss for the years ended December 31, 2013 and 2012.

At December 31, 2013, the Company had $Nil (December 31, 2012 - $489) included in accounts payable and accrued liabilities to Grosso Group Management Ltd.

R.H. McMillan Ltd. ("R.H. McMillan") is a private company controlled by Ron McMillan, a director of the Company. For the year ended December 31, 2013, R.H. McMillan was paid $35,000 (year ended December 31, 2012 - $32,000) for geological services. Amounts paid to R.H. McMillan are classified as professional and consulting fees in the consolidated statements of loss and comprehensive loss. For the year ended December 31, 2013, R.H. McMillan received share-based benefits of $Nil (year ended December 31, 2012 - $11,198).

At December 31, 2013, the Company had $7,676 (December 31, 2012 - $Nil) included in accounts payable and accrued liabilities to R.H. McMillan.

(Expressed in Canadian Dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Key management personnel compensation

Compensation	Salaries $	Year ended December 31, 2013 $	Salaries $	Share-based benefits $	Year ended December 31, 2012 $
Chief Executive Officer	124,550	124,550	90,000	18,046	108,046
President	-	-	19,787	17,286	37,073
Chief Financial Officer	52,221	52,221	40,980	12,172	53,152
Total	176,771	176,771	150,767	47,504	198,271

10. INCOME TAXES

The recovery of income taxes shown in the consolidated statements of loss and comprehensive loss differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2013	2012
Statutory tax rate	26.50%	25.00%
	$	$
Loss before income taxes	(1,116,683)	(1,251,175)
Income tax recovery at statutory rate	(295,921)	(312,794)
Non-deductible differences	801	28,942
Income tax rate change and differential between Canadian rate and rates applicable to entities in other countries	(132,013)	(80,248)
Amounts transferred on acquisition of Windstorm Resources Inc.	(939,509)	(911,503)
Unrecognized amounts	1,366,642	1,275,603
Income tax recovery	-	-

Deferred income taxes reflect the net tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company’s deferred tax assets and liabilities are as follows:

	2013 $	2012 $
Deferred income tax assets		
Resource deductions	685,019	536,515
Financing costs	53,983	101,467
Operating loss carryforwards	5,582,847	4,494,094
Property and equipment	7,942	4,184
	6,329,791	5,136,260
Net deferred income tax assets	6,329,791	5,136,260
Unrecognized deferred tax assets	(6,329,791)	(5,136,260)
Deferred income tax assets	-	-

(Expressed in Canadian Dollars)

10. INCOME TAXES (continued)

As at December 31, 2013, the Company has Canadian non-capital loss carry forwards of $11,430,514 that may be available for tax purposes. The Company's non-capital losses expire as follows:

Expiry Date	$
2015	6,293
2026	131,664
2027	1,755,704
2028	1,960,034
2029	1,092,852
2030	2,138,810
2031	3,061,431
2032	888,316
2033	395,410
	11,430,514

At December 31, 2013, the Company had net operating loss carry forwards for Argentinean income tax purposes of approximately $1,387,518 (2012 – $1,387,518) which, if not utilized to reduce Argentinean taxable income in future periods, expire through the year 2017. These available tax losses may only be applied to offset future taxable income from the Company's current Argentinean subsidiary.

At December 31, 2013, the Company had net operating loss carry forwards for Mexican income tax purposes of approximately $139,025 (2012 – $139,025) which, if not utilized to reduce Mexican taxable income in future periods, expire through the year 2021. These available tax losses may only be applied to offset future taxable income from the Company's current Mexican subsidiary.

11. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the years ended December 31, 2013 and 2012 was based on the following:

	Year ended December 31, 2013	2012
Loss attributable to common shareholders ($)	(1,116,683)	(1,251,175)
Weighted average number of common shares outstanding	24,446,599	14,943,529

Diluted loss per share did not include the effect of 1,264,114 (December 31, 2012 – 2,063,481) share purchase options and 9,885,500 (December 31, 2012 – 8,105,171) common share purchase warrants as they are anti-dilutive.

12. OPERATING SEGMENTS

The Company is primarily involved in mineral exploration activities in Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the year ended December 31, 2013.

(Expressed in Canadian Dollars)

12. OPERATING SEGMENTS (continued)

The Company's total non-current assets are segmented geographically as follows:

December 31, 2013		
	Argentina $	Total $
Property and equipment	6,618	6,618
Mineral property interests	2,766,618	2,766,618
	2,773,236	2,773,236

December 31,2012		
	Argentina $	Total $
Property and equipment	19,854	19,854
Mineral property interests	2,734,655	2,734,655
	2,754,509	2,754,509

13. COMMITMENT

	1 Year $	2 Years $	3 Years $	4-5 Years $	More than 5 Years $
Management Services Agreement	243,600	-	-	-	-

On April 1, 2010, the Company entered into an Agreement with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The current monthly fee is $20,300 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The fee for 2013 is consistent with the amount charged for the year ended December 31, 2012.

14. SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31,	
	2013 $	2012 $
Non-cash investing and financing activities		
Issuance of shares relating to acquisition of Windstorm	-	1,360,004
Issuance of options relating to acquisition of Windstorm	-	29,876
Issuance of warrants relating to acquisition of Windstorm	-	519
Share issue costs – issuance of warrants to agents	2,962	14,712

15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Fair Values

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments consist of cash, short-term investments, amounts receivable, exploration advances/liabilities and accounts payable and accrued liabilities. The recorded amounts for cash, amounts receivable, exploration advances/liabilities and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's short-term investments under the fair value hierarchy are measured using Level 2 inputs.

(b) Financial Instrument Risk Exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, short-term investments and amounts receivable. The Company has reduced its credit risk by depositing its cash and short-term investments with financial institutions that operate globally. The majority of the Company's receivables are with the government of Canada in the form of sales tax, the credit risk is minimal. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due (Note 1). The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future.

15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

Currency risk

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: US dollars and Argentinean pesos, all denominated in cash, amounts receivable and accounts payable. The sensitivity of the Company's net earnings and other comprehensive income to changes in the exchange rate between the Canadian dollar and the United States dollar, and between the Canadian dollar and the Argentinean peso is summarized as follows:

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by $293.

- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by $46,449.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears no interest and short-term investments are redeemable at any time without penalty. The fair value of cash and short-term investments approximate their carrying values due to the immediate or short-term maturity of these financial instruments. Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing.

(c) Capital Management

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, reserves and deficit. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to develop its mineral projects and may require doing so again in the future. The Company is monitoring market conditions to secure funding at the lowest cost of capital. The Company is exposed to various funding and market risks which could curtail its access to funds.

16. EVENTS AFTER THE REPORTING PERIOD

i. On January 31, 2014, the Company closed the first tranche of its non-brokered private placement for aggregate gross proceeds of $98,050. The Company issued 1,961,000 units at a price of $0.05 per unit in the first tranche. Finder's fees of $7,844 in cash and 156,880 non-transferrable finder's warrants were issued, with each finder's warrant entitling a finder to purchase one common share at a price of $0.10 per share expiring January 28, 2016.

ii. On January 24, 2014, 300,000 stock options were granted at an exercise price of $0.10 expiring on January 23, 2016. The options vest on a quarterly basis until fully vested on October 24, 2014.

16. EVENTS AFTER THE REPORTING PERIOD (continued)

iii. On March 4, 2014, 681,500 warrants expired with an exercise price of $0.15.

iv. On March 5, 2014, the Company closed the second tranche of its non-brokered private placement for aggregate gross proceeds of $172,500. The Company issued 3,450,000 units at a price of $0.05 per unit in the second tranche. Finder's fees of $4,240 in cash and 84,800 non-transferrable finder's warrants were issued, with each finder's warrant entitling a finder to purchase one common share at a price of $0.10 per share expiring March 3, 2016.