

NOTICE TO SHAREHOLDERS



(A Development Stage Enterprise)

Condensed Interim Financial Statements For the six months ended December 31, 2013

(Stated in Canadian Dollars)

Responsibility for Financial Statements

The accompanying financial statements for Benton Resources Inc. have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") consistently applied. Only changes in accounting policies have been disclosed in these unaudited condensed interim financial statements. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim financial statements for the period ended December 31, 2013.

BENTON RESOURCES INC.
(A Development Stage Enterprise)

December 31, 2013

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BENTON RESOURCES INC.
(A Development Stage Enterprise)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Prepared by Management - Unaudited)

As at	December 31, 2013 \$	June 30, 2013 \$
ASSETS		
Current		
Cash	108,674	44,740
Temporary investments (note 5)	7,045,704	8,648,220
Accounts and other receivables	75,122	58,292
Prepaid expenses	10,503	13,498
Refundable security deposits (note 14)	167,495	106,309
	7,407,498	8,871,059
Long-term investments (note 6)	783,080	1,108,313
Property and equipment, net (note 7)	119,651	79,801
Exploration and evaluation assets (note 8)	9,260,142	7,995,319
	17,570,371	18,054,492
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	63,287	81,294
Deferred income tax liability	-	293,456
	63,287	374,750
Shareholders' Equity		
Capital Stock (note 9)		
Share capital	27,485,786	27,451,536
Reserves	1,072,863	934,008
Deficit	(11,051,565)	(10,705,802)
	17,507,084	17,679,742
	17,570,371	18,054,492

See Nature of Operations and Going Concern – Note 1

These financial statements are authorized for issue by the Board of Directors on February 20, 2014. They are signed on the Corporation's behalf by:

“Stephen Stares” President, Chief Executive Officer and Director
“Clint Barr” Director

BENTON RESOURCES INC.
(A Development Stage Enterprise)

**CONDENSED INTERIM STATEMENTS OF INCOME AND
COMPREHENSIVE INCOME**

(Prepared by Management – Unaudited)

	Three Months Ended Dec. 31, 2013 \$	Three Months Ended Dec. 31, 2012 \$	Six Months Ended Dec. 31, 2013 \$	Six Months Ended Dec. 31, 2012 \$
EXPENSES				
Advertising and promotion	32,875	36,307	64,986	67,783
Share-based payments (note 12)	22,710	127,360	62,355	330,450
General and administrative	237,186	234,324	452,908	452,319
Professional fees	19,607	14,642	31,107	29,452
Stock exchange and filing fees	7,175	5,162	7,175	32,898
Depreciation expense	9,217	9,671	15,091	19,313
Write-down of exploration and evaluation assets	10,250	274,114	11,623	274,508
Pre-acquisition exploration and evaluation	1,200	9,733	12,786	28,159
Foreign currency translation adjustment	(13,000)	-	(3,442)	-
	(327,220)	(711,313)	(654,589)	(1,234,882)
Other income (expense):				
Interest income	4,306	23,509	64,461	50,190
Adjustment to fair value for fair value through profit and loss investments	(242,017)	592,145	(381,870)	2,950,230
Gain on sale of exploration and evaluation assets	-	-	510,686	-
Loss on sale of investments	(177,907)	(230,895)	(177,907)	(689,327)
	(415,618)	384,759	15,370	2,311,093
Income (loss) before income taxes	(742,838)	(326,554)	(639,219)	1,076,211
Deferred income tax recovery (expense)	293,456	153,874	293,456	(492,837)
Income (loss) and comprehensive income (loss) for the period	(449,382)	(172,680)	(345,763)	583,374
Income and comprehensive income per common share – basic and diluted	0.00	0.00	0.00	0.01
Weighted average shares outstanding – basic and diluted	75,928,811	76,298,531	75,395,444	76,286,710

See accompanying notes to the condensed interim financial statements

BENTON RESOURCES INC.
(A Development Stage Enterprise)

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Prepared by Management – Unaudited)
For the six months ended December 31, 2013 and 2012

	Share Capital		Reserves	Retained earnings (deficit)	Total shareholders' equity
	Number	Amount \$			
Balance at June 30, 2012	1	1	22,092,665	(8,597,995)	13,494,671
Funding by Benton Capital Corp.	-	-	362,730	-	362,730
Transfer of assets by Benton Capital Corp. pursuant to plan of Arrangement (note 2)	76,273,531	28,070,522	(22,455,395)	-	5,615,127
Cancellation of seed share	(1)	(1)	-	-	(1)
Income and comprehensive income for the period	-	-	-	583,374	583,374
Issued in connection with property option agreements	25,000	2,750	-	-	2,750
Shares purchased and held for cancellation under normal course issuer bid	-	(184,236)	125,731	-	(58,505)
Share-based payments	-	-	330,450	-	330,450
Balance at December 31, 2012	76,298,531	27,889,036	456,181	(8,014,621)	20,330,596
Balance at June 30, 2013	74,609,031	27,451,536	934,008	(10,705,802)	17,679,742
Loss and comprehensive loss for the period	-	-	-	(345,763)	(345,763)
Issued in connection with property purchase agreements	1,850,000	126,000	-	-	126,000
Shares purchased and cancelled under normal course issuer bid	(250,000)	(91,750)	76,500	-	(15,250)
Share-based payments	-	-	62,355	-	62,355
Balance at December 31, 2013	76,209,031	27,485,786	1,072,863	(11,051,565)	17,507,084

See accompanying notes to the condensed interim financial statements

BENTON RESOURCES INC.
(A Development Stage Enterprise)

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Prepared by Management – Unaudited)

	Six Months Ended December 31, 2013 \$	Six Months Ended December 31, 2012 \$
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Income (loss) and comprehensive income (loss) for the period	(345,763)	583,374
Deferred income tax expense (recovery)	(293,456)	492,837
Write-down of exploration and evaluation assets	11,623	274,508
Unrealized change in fair value for fair value through profit and loss investments	381,870	(2,950,230)
Gain on sale of exploration and evaluation assets	(510,686)	-
Depreciation expense	15,091	19,313
Share-based payments	62,355	330,450
Net change in non-cash working capital balances related to operating activities	(93,028)	21,807
Cash flows used in operating activities	(771,994)	(1,227,941)
FINANCING ACTIVITIES		
Funding by Benton Capital Corp.	-	278,793
Shares purchased and cancelled under normal course issuer bid	(15,250)	(58,505)
Cash and temporary investments transferred from Benton Capital Corp.	-	5,615,127
Redemption of seed capital	-	(1)
Cash flows provided (used in) by financing activities	(15,250)	5,835,414
INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(1,178,759)	(1,167,588)
Proceeds on sale of exploration and evaluation assets	59,000	-
Purchase of property and equipment	(54,940)	(1,405)
Purchase of long-term investments	-	(207,995)
Loss on sale of long-term investments	177,907	689,327
Net proceeds on sale of long-term investments	245,454	1,370,288
Cash flows provided by (used in) investing activities	(751,338)	682,627
Decrease in cash and temporary investments	(1,538,582)	5,290,100
Cash and temporary investments - beginning of period	8,692,960	1
Cash and temporary investments – end of period	7,154,378	5,290,101
Supplemental cash flow information (note 13)		

See accompanying notes to the condensed interim financial statements

BENTON RESOURCES INC.
(A Development Stage Enterprise)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Prepared by Management – Unaudited)

December 31, 2013

1. NATURE OF OPERATIONS AND GOING CONCERN:

Benton Resources Inc. (“Benton” or the “Company”) was incorporated on November 8, 2011 as 0924698 B.C. Ltd. (renamed Benton Resources Inc. on July 25, 2012) under the laws of British Columbia and is a development stage public company whose shares began trading on the TSX Venture Exchange on August 1, 2012. Its principal business activities are the acquisition, exploration and development of mineral properties. On July 27, 2012, the Company received certain assets by way of a court-approved plan of arrangement (the “Arrangement”) (note 2) from Benton Capital Corp. (formerly Benton Resources Corp.).

The accompanying condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company’s ability to generate future profitable operations and/or generate continued financial support in the form of equity financings. These condensed interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

	Dec. 31, 2013	June 30, 2013
Working capital	\$ 7,344,211	\$ 8,789,765
Deficit	\$(11,051,565)	\$(10,705,802)

2. PLAN OF ARRANGEMENT:

Under the Arrangement, each Benton Capital Corp. share was exchanged for one new Benton Capital Corp. common share and one common share of Benton Resources Inc.

All of Benton Capital Corp.’s assets were transferred to Benton Resources Inc. with the exception of the Goodchild property, the 57,866,754 shares of Coro Mining Corp., and approximately \$730,000 in working capital.

The formation of Benton Resources Inc. was the result of the transfer of assets between entities under common control: accordingly, the transaction is excluded from the scope of IFRS 3, Business Combinations. These financial statements have been presented using predecessor accounting with balance sheet amounts based on the amounts recorded by Benton Capital Corp. up to July 27, 2012.

Carrying value of the net assets transferred and acquired pursuant to the Arrangement on July 27, 2012 consisted of the following:

Cash and temporary investments	\$ 5,615,127
Other deposits and prepaids	153,043
Property and Equipment, net	113,620
Long-term investments	6,557,064
Exploration and evaluation assets	6,939,032
Deferred income tax liability	(55,019)
	<u>\$ 19,322,867</u>

3. FINANCIAL PRESENTATION:

Benton was incorporated on November 8, 2011 and began operations on July 27, 2012. Financial information prior to this date reflects the financial position, statements of income (loss) and comprehensive income (loss) and deficit and cash flows of the related Benton Resources Inc. business of Benton Capital Corp. This information has previously been reported as the Benton Resources Inc. business. The Company's statements of Loss and Comprehensive Loss for the year ended June 30, 2013 include an allocation of Benton Capital Corp.'s general and administrative expenses incurred from July 1, 2012 to July 27, 2012 and the expenses incurred directly by Benton Resources Inc. thereafter to December 31, 2013.

The allocation of general and administrative expense was calculated on the basis of the ratio of costs deferred on the Benton Resources Inc. business properties in each period presented as compared to the costs incurred on all mineral properties in each period. The financial statements have been presented under the continuity of interests basis of accounting with statement of financial position amounts based on the amounts recorded by Benton Capital Corp. Management cautions readers of these financial statements that the allocation of expenses was done for comparative purposes only and does not necessarily reflect future general and administrative expenses.

The opening deficit of Benton Resources Inc. at July 1, 2011 has been calculated by applying the same allocation principles outlined above to the cumulative transactions relating to the mineral properties and includes an allocation of Benton Capital Corp.'s general and administrative expenses. The allocation of these general and administrative expenses was calculated in the same manner as described above.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34- Interim Financial Reporting. The accounting policies followed in these condensed interim financial statements are the same as those applied in the audited annual financial statements of the Company for the year ended June 30, 2013.

The policies applied in these interim condensed financial statements are based on IFRS issued and outstanding as of February 20, 2014, the date the Audit Committee approved the statements. Any subsequent changes to IFRS after this date could result in changes to the financial statements for the period ended December 31, 2013.

The condensed interim financial statements do not contain all disclosures required under IFRS and should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for Benton Resources Inc. for the year ended June 30, 2013

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds, and income taxes. Differences may be material.

5. TEMPORARY INVESTMENTS:

	Dec. 31, 2013 \$	June 30, 2013 \$
Debenture	-	165,798
Money Market Mutual funds	5,402,204	6,618,422
Guaranteed Investment Certificates	700,000	900,000
Investment Trust	943,500	964,000
	<u>7,045,704</u>	<u>8,648,220</u>

These funds are available for exploration and other purposes upon the request of the Company.

The mutual funds consist of fully liquid, managed money market fund units that yield regular monthly dividends at market rates.

The guaranteed investment certificates mature on October 20, 2014 with interest rates ranging from 1.7% to 2%.

The investment trust is a fully liquid senior loan fund with interest rates ranging from 6% to 6.75%.

6. LONG-TERM INVESTMENTS:

	December 31, 2013		June 30, 2013	
	Market \$	Cost \$	Market \$	Cost \$
Canadian Equities				
Mineral Mountain Resources (i)	226,589	3,107,500	453,177	3,107,500
Global Cobalt Corporation (ii)	-	-	131,759	423,361
Sokoman Iron Corp. (iii)	6,200	201,500	15,500	201,500
Parkside Resources Corporation (iv)	250,000	547,708	300,000	547,708
Gold Royalties Corporation (v)	141,026	285,578	176,283	285,578
Alabama Graphite Corp. (vi)	140,000	480,000	-	-
Other	19,265	401,348	31,595	401,348
	<u>783,080</u>	<u>5,023,634</u>	<u>1,108,314</u>	<u>4,966,995</u>

- (i) The 6,473,958 Mineral Mountain Resources (“Mineral Mountain”) common shares are valued at the December 31, 2013 closing price of \$0.035 per share (June 30, 2013 - \$0.07). The shares were received during the fiscal 2011 period pursuant to the Company selling its option to earn into the Golden Harp Copper Hill Block ‘A’. Mineral Mountain is listed on the TSX Venture Exchange under the symbol “MMV”. During the year ended June 30, 2013, the Company sold 2 million Mineral Mountain shares for gross proceeds of \$715,153 and recorded a loss on disposition in the amount of \$250,924.
- (ii) The 1,550,100 Global Cobalt Corporation (“GCO”) (formerly Puget Ventures Inc.) common shares were sold during the quarter ended December 31, 2013 for net proceeds of \$245,454 and the Company recorded a loss on the sale in the amount of \$425,361. The initial 103,100 shares were received pursuant to a joint venture agreement with GCO and the claims were subsequently sold to GCO on March 26, 2010 for an additional 1,550,000 shares of GCO (valued at \$0.27 per share) for gross proceeds in the amount of \$418,500. GCO is listed on the TSX Venture Exchange under the symbol “GCO”.
- (iii) The 155,000 Sokoman Iron Corp. (“Sokoman”) common shares (formerly Golden Dory Resources Corp.) are valued at the December 31, 2013 trading price of \$0.04 per share (post share consolidation) (June 30, 2013 - \$0.01 (pre-consolidation)). Effective October 1, 2013, Golden Dory Resources Corp. completed a 1:10 share consolidation and underwent a company name change to Sokoman Iron Corp. and commenced trading on the TSX Venture Exchange under the symbol “SIC”. As a result, the Company’s shareholdings were consolidated from 1,550,000 to 155,000 shares of Sokoman Iron Corp. during the current quarter.
- (iv) The 5,000,000 Parkside Resources Corporation (“Parkside”) common shares trade on the TSX Venture Exchange under the symbol “PKS” and are valued at the December 31, 2013 trading price of \$0.05 per share (June 30, 2013 - \$0.06). The Company’s share position in Parkside is subject to certain escrow conditions and as a result only 2 million of the shares are free trading at December 31, 2013. In addition, the Company holds 2 million common share purchase warrants exercisable at \$0.20 each expiring on February 17, 2015. The warrants are also subject to certain escrow conditions and as a result only 300,000 warrants are exercisable at December 31, 2013.
- (v) The 352,565 Gold Royalties Corporation common shares were received by the Company pursuant to the sale of the Company’s 1% net smelter return royalty interest on the Bermuda Project located near Marathon, Ontario during the year ended June 30, 2013. The shares were valued at the December 31, 2013 trading price of \$0.40 per share (June 30, 2013 - \$0.50) and are subject to an escrow agreement that releases them from escrow fully on February 28, 2014.

(vi) The Alabama Graphite Corp. common shares (“Alabama Graphite”) were received by the Company pursuant to the sale of 16 claim units that were acquired by staking by the Company near Hearst, Ontario (“Hearst Graphite Project”) to Alabama Graphite on August 19, 2013. Alabama Graphite purchased a 100% interest in the Hearst Graphite Project by paying the Company \$8,000 (received) and issuing to the Company, 2 million common shares of Alabama Graphite (received) with the following trading restrictions:

- i. 500,000 common shares restricted until December 23, 2013;
- ii. 500,000 common shares restricted until June 22, 2014;
- iii. 500,000 common shares restricted until December 22, 2014; and
- iv. 500,000 common shares restricted until June 22, 2015.

The Company will also retain a 2% NSR with Alabama Graphite having the right to buy back 50% of the NSR (i.e. 1%) for \$1 million.

The Alabama Graphite shares trade on the Canadian National Stock Exchange (CNSX) under the symbol “ALP” and are valued at the December 31, 2013 closing price of \$0.07 per share. Subsequent to December 31, 2013, the Company sold 500,000 shares of Alabama Graphite for net proceeds of \$55,873.

7. PROPERTY AND EQUIPMENT:

	December 31, 2013			June 30, 2013		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer Equipment	\$ 58,817	\$ 54,016	\$ 4,801	\$ 56,883	\$ 52,727	\$ 4,156
Furniture and Equipment	98,703	58,111	40,592	85,511	54,334	31,177
Computer Software	107,462	106,678	784	106,947	106,151	796
Exploration Camps	220,532	161,956	58,576	181,232	155,087	26,145
Automotive	41,671	26,773	14,898	41,671	24,144	17,527
Total	\$ 527,185	\$ 407,534	\$ 119,651	\$ 472,244	\$ 392,444	\$ 79,801

8. EXPLORATION AND EVALUATION ASSETS:

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production, or written-down if the properties are allowed to lapse, are impaired, or are abandoned. The deferred costs associated with each property for the six months ended December 31, 2013 and year ended June 30, 2013 is summarized in the tables below:

For the six months ended December 31, 2013

	Saganaga/Q9 (a)	Long Range (b)	Elizabeth Anne (c)	Shebandowan (d)	Abernethy (e)	Cape Ray (f)	Other (g)	Total
June 30, 2013 - Acquisition Costs	\$ 280,953	203,130	172,161	-	13,569	28,490	682,793	1,381,096
Additions	-	-	38,771	-	-	727,480	34,154	800,405
Write-downs/Recoveries/Disposals (h)	-	-	-	-	-	-	(33,244)	(33,244)
<i>Subtotal</i>	\$ -	-	38,771	-	-	727,480	910	767,161
Dec. 31, 2013 - Acquisition Costs	\$ 280,953	203,130	210,932	-	13,569	755,970	683,703	2,148,257
June 30, 2013 - Exploration and Evaluation Expenditures	\$ 2,013,434	1,232,797	2,104,205	-	353,248	253,565	656,974	6,614,223
Assaying	-	-	17,685	-	-	33,504	-	51,189
Prospecting	-	-	-	-	-	120,405	-	120,405
Geological	-	-	33,637	-	-	105,587	1,120	140,344
Geophysical	-	-	-	-	-	58,715	812	59,527
Linecutting	-	-	-	-	-	22,288	-	22,288
Trenching	-	-	-	-	-	23,823	-	23,823
Diamond Drilling	848	-	25,225	-	-	1,613	-	27,686
Metallurgy	-	-	-	-	-	33,970	-	33,970
Miscellaneous	6,873	-	6,404	-	-	7,061	4,785	25,123
Write-downs/Recoveries/Disposals (h)	-	-	-	-	-	-	(6,693)	(6,693)
<i>Subtotal</i>	\$ 7,721	-	82,951	-	-	406,966	24	497,662
Dec. 31, 2013 - Exploration and Evaluation Expenditures	\$ 2,021,155	1,232,797	2,187,156	-	353,248	660,531	656,998	7,111,885
Dec. 31, 2013 - Total	\$ 2,302,108	1,435,927	2,398,088	-	366,817	1,416,501	1,340,701	9,260,142

For the year ended June 30, 2013

	Saganaga/Q9 (a)	Long Range (b)	Elizabeth Anne (c)	Shebandowan (d)	Abernethy (e)	Cape Ray (f)	Other (g)	Total
June 30, 2012 - Acquisition Costs	\$ 280,143	200,230	56,972	86,933	13,569	5,100	704,600	1,347,547
Additions	810	2,900	115,189	-	-	23,890	125,287	268,076
Write-downs/Recoveries/Disposals (h)	-	-	-	(86,933)	-	(500)	(147,094)	(234,527)
<i>Subtotal</i>	\$ 810	2,900	115,189	(86,933)	-	23,390	(21,807)	33,549
June 30, 2013 - Acquisition Costs	\$ 280,953	203,130	172,161	-	13,569	28,490	682,793	1,381,096
June 30, 2012 - Exploration and Evaluation Expenditures	\$ 1,939,538	1,232,797	363,080	708,157	352,848	72,576	792,939	5,461,935
Assaying	29,629	-	236,127	2,073	-	8,621	19,412	295,862
Prospecting	3,046	-	101,274	1,576	-	52,493	12,697	171,086
Geological	29,095	-	132,759	-	-	87,278	14,269	263,401
Geophysical	-	-	46,276	-	-	1,042	-	47,318
Line Cutting	-	-	-	-	-	19,699	-	19,699
Trenching	-	-	-	-	-	30,000	14,204	44,204
Diamond Drilling	6,377	-	1,208,701	2,359	-	7,264	-	1,224,701
Miscellaneous	5,749	-	15,988	99	400	31,792	2,429	56,457
Write-downs/Recoveries/Disposals (h)	-	-	-	(714,264)	-	(57,200)	(198,976)	(970,440)
<i>Subtotal</i>	\$ 73,896	-	1,741,125	(708,157)	400	180,989	(135,965)	1,152,288
June 30, 2013 - Exploration and Evaluation Expenditures	\$ 2,013,434	1,232,797	2,104,205	-	353,248	253,565	656,974	6,614,223
June 30, 2013 - Total	\$ 2,294,387	1,435,927	2,276,366	-	366,817	282,055	1,339,767	7,995,319

(a) Saganaga Lake/Q9 Property

The Saganaga Lake Property consists of mining rights for 100% of 20 claims totalling 51 units and the Company also has earned 100% in one claim totalling 2 units and 99% of 10 claims under option from Wing Resources in the Saganaga Lake area of Thunder Bay. Pursuant to an option agreement dated September 27, 2005, the Company acquired a 100% interest in the mining claims by paying the vendor a total of \$100,000 in cash and issuing 100,000 shares over a four year period (completed). The vendor retains a 3% NSR of which the Company has the right to buy back up to 50% for \$500,000 per 0.5% NSR.

The Q-9 property is located approximately 160km west of Thunder Bay, Ontario and adjoins the Saganaga Gold property. The project was subject to an asset purchase, sale and royalty agreement dated May 8, 2006 between the Company and Stares Contracting Corp., a company controlled by Stephen Stares, Director and Officer and Michael Stares, Director of the Company, whereby the Company has a 100% interest subject to a 2% NSR in the project as a result of the Company having paid \$75,000 and issued 200,000 shares.

(b) Long Range Property

The Long Range property is located in central Newfoundland and is the result of a 50%/50% joint venture agreement formed between the Company and Buchans Minerals Corporation (“Buchans”) now owned by Minco PLC and is comprised of claims totaling 222km². Buchans is currently operating the project and the Company has informed Buchans that it will not be contributing to any future work programs on the project and will be diluted accordingly.

(c) Elizabeth Anne Property

The Elizabeth Anne property is located in San Bernardino County, California, USA. The Company acquired the property under option dated March 30, 2012 and has the exclusive right to acquire a 100% interest in the property by paying to the vendor \$1.2 million of which \$90,000 has been paid and the balance of \$1.11 million is due over eleven (11) years as follows:

- i) \$60,000 on March 30, 2014;
- ii) \$70,000 on March 30, 2015;
- iii) \$80,000 on March 30, 2016;
- iv) \$90,000 on March 30, 2017;
- v) seven annual payments of \$100,000 each starting March 30, 2018 and ending on March 30, 2024; and
- vi) \$110,000 on March 30, 2025.

The cash payments can be accelerated at the Company’s sole election. In addition, the Company had an obligation to drill, within nine months of the option agreement date, 2 HQ core drill holes to a depth of 1,200 feet on the property which has been fulfilled. The option can be terminated by the Company at any time and no further payments would be required nor would any interest in the project transfer to the Company until the payments are made in their entirety. In addition, the agreement is subject to a 3% NSR of which the Company has the exclusive right to buy back 1.5% for \$1.5 million and will hold the exclusive right to match any offer on the remaining 1.5% of the NSR.

(d) Shebandowan Property

The Shebandowan property is located approximately 90km west of Thunder Bay, Ontario. The Company acquired by staking a 100% interest in 17 staked claims totaling 209 units. The Company had also entered into an agreement with Trillium North Minerals Ltd. (“Trillium North”) in December 2010 that granted the Company the exclusive right to earn up to a 70% interest in 5 adjoining mineral claims totaling 27 units by paying Trillium North \$80,000 cash (\$20,000 paid), issuing 100,000 shares of the Company (25,000 shares issued) and spending \$1 million on the property over a period of seven years. During the year ended June 30, 2013, the Company terminated the option with Trillium North and has no further work planned on its 100% owned claims and as a result, wrote off \$801,197 in capitalized acquisition and exploration and evaluation expenditures. The Company still holds the staked claims in good standing and will seek out a joint venture partner or outright purchaser of the claims or let them lapse.

(e) Abernethy Property

The Abernethy property is located 10km southwest of Kenora, Ontario. The Company acquired through staking, a 100% interest in the property which consists of 9 claims totaling 67 units.

(f) Cape Ray

The Cape Ray project is comprised of the following groups of claims:

Windowglass Hill and 51 Zone Deposits

During the year ended June 30, 2013, the Company signed a binding letter of intent with Cornerstone Capital Resources Inc. ("Cornerstone") to acquire up to a 75% interest in Cornerstone's Windowglass Hill and 51 Zone deposits (collectively the "Property"), located approximately 25km northeast of the town of Port aux Basques in southwestern Newfoundland. The Property consists of a single 183-claim mineral license which covers an area of 4,575 ha. To earn the initial 70%, the Company must make cash payments totaling \$125,000 (\$20,000 paid on signing) and 155,000 common shares of the Company (25,000 shares paid on signing) as well as work commitments totaling \$2 million, all over a period of four years. The Company can earn the additional 5% (taking its interest to 75%) by incurring an additional \$1 million in exploration expenditures at its sole election but such election must be made within a period that is 18 months from the date that the Company's interest vests at 70%.

On July 4, 2013, the Company amended its agreement with Cornerstone. Pursuant to the terms of the amended agreement, the Company has acquired a 100% interest in the Cape Ray Gold project by paying \$200,000 and issuing 350,000 common shares of the Company. Under the amended agreement, Cornerstone received an additional 0.25% NSR thereby increasing the total NSR on the project to 2%, of which the Company has the right to purchase back 1% for \$1 million.

04/41/Isle Aux Mort/Big Pond Deposits

During the quarter ended December 31, 2013, the Company entered into an option agreement with Tenacity Gold Mining Company Ltd. ("Tenacity") to purchase a 100% interest in four mining claims which encompasses the 04 , 41 , Isle Aux Mort and the Big Pond gold deposits located in southwest Newfoundland. The Company paid \$400,000 and issued 1.5 million common shares to Tenacity in connection with the agreement. To exercise the option the Company will be required to issue a further 1.5 million common shares (for a total of 3 million shares of the Company) in 12 months. The acquired claims are subject to a sliding scale net smelter returns royalty (NSR) on the production of metals: a 3% NSR on production when the price of gold is below \$2,000 per ounce; a 4% NSR when the price of gold is from \$2,000 to less than \$3,000 per ounce subject to the right of the Company to buy back 1% for \$500,000; and a 5% NSR when the price of gold is \$3,000 or above subject to the right of the Company to buy back 1% for \$500,000.

Cape Ray East

The 100% owned Cape Ray East Property was acquired by staking and is comprised of 510 contiguous claims. The property is located approximately 30 km northeast of Port aux Basques, southwestern Newfoundland, at the southernmost point and continues in a northeast and easterly direction for approximately 40 km.

Other Properties

Other property consists of several early stage projects and that the Company is evaluating for exploration potential at December 31, 2013. Included in Other property are certain projects that are subject to agreements that are more fully described below.

(i) Kingurutik Lake Property

The Kingurutik Lake property was acquired 100% by staking 488 claim units in late October 2006.

The Company entered into a Participation Agreement (the “Teck Agreement”) with Teck Resources Ltd. (“Teck”) whereby the Company and Teck formed the Kingurutik Lake project by amalgamating and jointly exploring certain of their land positions in Labrador. The project is located approximately 60km north of the Voisey’s Bay copper-nickel deposit and consists of the 488 claim units held by the Company, (previously known as the NBK property), and 266 claim units held by Teck.

Under the terms of the Teck Agreement, Teck completed a private placement financing with the Company during a prior fiscal year whereby the Company issued 1,000,000 common shares at \$0.70 per share for total proceeds of \$700,000 which resulted in the Company and Teck each holding a 50% interest in the combined properties. The Company then agreed to fund the initial \$600,000 in exploration work to be carried out by Teck, which Teck then has the option to increase its interest in the property to 60% by incurring an additional \$4 million in expenditures over the initial three years with an additional right to increase its interest to 70% by incurring an additional \$7 million in expenditures (for a total of \$11 million) over a further three years.

During the 2009 fiscal year, Teck notified the Company that it elected to exercise its option to increase its interest in the project to 60% by incurring the aforementioned expenditures. However, during fiscal 2010, Teck informed the Company that it did not fulfill its expenditure requirement under the 60% option and would not be participating in future exploration programs. The Company has assumed operatorship and will dilute Teck’s interest accordingly should any further work be performed on the project.

(ii) Forester Lake

The Forester Lake property was acquired by staking and consists of 21 claims totaling 272 units and is located approximately 100km north of Pickle Lake, Ontario. During the 2011 fiscal year, the Company entered into an agreement with Parkside Resources Corp. (“Parkside”) which granted Parkside the right to earn a 60% interest in the property. Under the terms of the agreement, Parkside was to pay the Company \$50,000 in cash (received), issue to the Company 1 million Parkside common shares (received) and expend \$300,000 on the property over a period of three years with a minimum of \$100,000 to be spent in each 12 month period of the three year period (fulfilled). Parkside, at their election, can earn an additional 10% (70% total) by expending an additional \$700,000 on the property over an additional three year period. In addition, the Company provided Parkside with \$200,000 in equity financing in fiscal 2011 (including \$150,000 in flow-through financing) and \$200,000 during the year ended June 30, 2013 in exchange for an additional 4 million common shares of Parkside (taking the Company’s share position to 5 million shares – see note 6 “Long Term Investments”).

(iii) Onion Lake Property

The Onion Lake property was acquired by staking and consists of 105 claims totaling 1,198 units and is located 30km north of Thunder Bay, Ontario. In fiscal 2010, the Company entered into an agreement with Glory Resources Limited (“Glory”) which granted Glory the right to earn an initial 30% interest in the property (earned) by paying the Company \$95,000 cash (received) and expending \$500,000 on the property over a period of two years following the effective date (expended). Glory can earn an additional 30% (taking its interest to 60%) by expending an additional \$1.8 million on the property over an additional two year period (currently earning). Glory may earn an additional 10% (taking its interest to 70%) by expending an additional \$1.5 million on the property over an additional 18 month period.

(iv) Mealy Property

On July 31 and August 7, 2013, the Company acquired through staking a total of 1,017 claim units representing approximately 261 square kilometres within the Mealy Lake intrusion (the “Mealy Project”) in Labrador. On August 9, 2013, the Company executed an option agreement with Platinum Group Metals Ltd. (“PTM”) on the Mealy Project

whereby PTM can earn a 71% interest in the Mealy Project by paying to the Company \$51,000 (received) on the effective date (the “Effective Date”) and incurring an aggregate of \$2.4 million in exploration expenditures on the Mealy Project as follows:

- \$300,000 on or before August 9, 2014;
- a further \$300,000 on or August 9, 2015;
- a further \$400,000 on or before August 9, 2016;
- a further \$1.4 million on or before August 9, 2017.

The Company will retain a 1% NSR on the Mealy Project and PTM will be the operator while it holds a majority interest.

(v) *Hearst Graphite*

See note 6 (vi).

(g) **Write-downs/Recoveries/Disposals**

Reductions to the carrying costs of associated properties pertaining to write-downs or as a result of cost recoveries or earn-ins, or due to dispositions during the six month period ended December 31, 2013 and the year ended June 30, 2013 were as follows:

	<u>Six months ended</u> <u>December 30,</u> <u>2013</u> \$	<u>Year ended</u> <u>June 30, 2013</u> \$
<i>Write-downs:</i>		
Shebandowan Property	-	801,197
Other Properties	11,623	346,570
<i>Subtotal</i>	<u>11,623</u>	<u>1,147,767</u>
<i>Recoveries:</i>		
Cape Ray	-	57,200
Other – Mealy	20,518	-
Other – Hearst Graphite	7,796	-
<i>Subtotal</i>	<u>28,314</u>	<u>57,200</u>
Total	<u>39,937</u>	<u>2,747,917</u>

9. CAPITAL STOCK:

(a) Share Capital

Authorized:

Unlimited common shares
One voting preference share

Issued:

76,209,031 common shares
Nil preference shares – during the year one preference share was issued and subsequently cancelled as part of the spin-out arrangement

- (i) During the year ended June 30, 2013, the Company applied for and received regulatory approval for a Normal Course Issuer Bid (the “Bid”) to purchase, through the facilities of the TSX Venture Exchange, up to 5,000,000 shares of its issued and outstanding common shares. The actual number of shares that may be purchased and the timing of such purchases will be determined by the Company and purchases pursuant to the Bid will be conducted through BMO Nesbitt Burns. During the year ended June 30, 2013, the Company acquired a total of 1,689,500 common shares at a total cost of \$162,865 and cancelled the shares. During the six month period ended December

31, 2013, the Company acquired a total of 250,000 common shares at a total cost of \$15,250 and cancelled the shares.

(b) Stock Options

Details of stock option transactions for the six month period ended December 31, 2013 and the year ended June 30, 2013 are as follows:

	<u># of Options</u>	<u>Weighted Average Exercise Price</u>
Balance, June 30, 2013	8,050,000	\$0.15
Granted during the period	-	-
Expired during the period	(100,000)	\$0.15
Balance, December 31, 2013	<u>7,950,000</u>	<u>\$0.15</u>

As at December 31, 2013 the following stock options were outstanding:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>December 31, 2013</u>	
		<u># of Options</u>	<u>Options exercisable</u>
August 15, 2017	\$0.15	7,750,000	5,812,500
September 5, 2017	\$0.15	200,000	150,000
		<u>7,950,000</u>	<u>5,962,500</u>

(c) Stock Option Plan

The Company has a Stock Option Plan (the "Plan") for directors, officers, employees and consultants. The Plan authorizes the granting of options to purchase up to a maximum of 15,524,706 common shares of which 7,950,000 are outstanding at December 31, 2013. The Plan provides that:

- i) any options granted pursuant to the Plan shall expire no later than five years after the date of grant;
- ii) any options granted pursuant to the Plan shall be non-assignable and non-transferable;
- iii) the number of common shares issuable pursuant to the Plan to any one person in any 12 month period shall not exceed 5% of the outstanding common shares;
- iv) the number of common shares issuable pursuant to the Plan to any one consultant in any 12 month period may not exceed 2% of the outstanding common shares;
- v) the number of common shares issuable pursuant to the Plan to persons employed in investor relation activities may not exceed 2% of the outstanding common shares in any 12 month period.
- vi) the Plan provides that options shall expire and terminate 30 days following the date the optionee ceases to be an employee, director or officer of, or consultant to, the Company, provided that if such termination is as a result of death of the optionee, the optionee's personal representative shall have one year to exercise such options.
- vii) The number of common shares: (1) reserved for issuance to insiders of the Company may not exceed 20% of the issued and outstanding common shares; and (2) which may be issued to insiders within a one year period may not exceed 20% of the issued and outstanding common shares.
- viii) the Plan provides that options granted under the plan shall vest in the optionee, and may be exercisable by the optionee as follows: (1) 25% on the date of granting; (2) 25% six months from the date of granting; (3) 25% twelve months from the date of granting; and (4) 25% eighteen months from the date of granting.

10. RELATED PARTY TRANSACTIONS:

The Company paid or accrued the following amounts to related parties during the six month period ended December 31, 2013 and 2012:

Payee	Description of Relationship	Nature of Transaction	December 31, 2013 Amount (\$)	December 31, 2012 Amount (\$)
Stares Contracting Corp.	Company controlled by Stephen Stares, Director and Officer and Michael Stares, Director	Payments for office rental costs included in general and administrative expenses and expense reimbursements included in exploration and evaluation assets	39,528	37,689
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Director and Officer	Legal fees and disbursements charged/accrued during the year	34,194	13,604
Michael Stares	Director	Reimbursement of expenditures included in exploration and evaluation assets and field consulting services	12,840	-
Stares Prospecting Ltd.	Company controlled by Alexander Stares, Brother of Stephen and Michael Stares	Prospecting services and equipment rentals included in exploration and evaluation assets	7,059	384

The purchases from and fees charged by the related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the period ended December 31, 2013, the Company paid director fees to one of its directors totaling \$5,000 for services rendered on the Company's Audit Committee (2012 - \$5,000). The director is to receive \$2,500 per quarter.

Included in accounts payable and accrued liabilities as at December 31, 2013 is \$987 (2012 - \$18,877) to Stares Contracting Corp., \$9,400 (2012 - \$nil) to Gordon J. Fretwell Law Corporation, and \$7,059 (2012 - \$nil) to Stares Prospecting Ltd. The repayment terms are similar to the repayment terms of non-related party trade payables.

During the 2013 fiscal year, the Company invoiced and accrued \$28,000 in management fees to Benton Capital Corp. to offset certain overhead covered by the Company on Benton Capital Corp.'s behalf.

Key management personnel remuneration during current period included \$263,665 (December 31, 2012 - \$282,571) in salaries and benefits and \$46,451 (December 31, 2012 - \$247,853) in share-based payments. There were no post-retirement or other long-term benefits paid to key management personnel during the year.

11. NET EARNINGS (LOSS) PER SHARE:

Basic loss per common share has been calculated using the weighted average number of common shares outstanding in each respective period. As the issue of shares upon the exercise of stock options and warrants would be anti-dilutive, diluted loss per common share is equivalent to basic loss per common share.

12. SHARE-BASED PAYMENTS:

The Company applies the fair value method of accounting for share-based payments to directors, officers, employees and non-employees and accordingly \$62,355 is recorded as share-based payments and under reserves as equity settled benefits for the 925,554 options vesting to directors, officers, and employees during the period. The fair value of the options vesting below during the period ended December 31, 2013 was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Grant Date	# of Options Vested	Exercise Price	Expiry Date	Fair Value of Option	Dividend Yield	Volatility	Risk-free Interest Rate	Expected Life
August 15, 2012	899,693	\$0.15	August 15, 2017	\$0.067	0%	104%	1.47%	5 yrs
September 5, 2012	25,860	\$0.15	September 5, 2017	\$0.079	0%	106%	1.26%	2 yrs
	<u>925,554</u>							

13. SUPPLEMENTAL CASH FLOW INFORMATION:

The following transactions did not result in cash flows and have been excluded from operating, financing and investing activities:

	<u>Dec. 31, 2013</u>	<u>Dec. 31, 2012</u>
	\$	\$
<i>Non-cash operating activities</i>		
Gain on sale of exploration and evaluation assets	(480,000)	-
Non-cash working capital balances transferred from Benton Capital Corp.	-	(153,043)
<i>Non-cash financing activities</i>		
Non-cash working capital balances transferred from Benton Capital Corp.		153,043
Common shares issued for mineral property purchase	126,000	2,750
<i>Non-cash investing activities</i>		
Mineral property financed through common share issuance	(126,000)	(2,750)
Shares received pursuant to sale of Hearst Graphite property	480,000	-

14. REFUNDABLE SECURITY DEPOSITS:

Refundable security deposits of \$167,495 (June 30, 2013 - \$106,309) represents security deposits paid to the Government of Newfoundland and Labrador in connection with mineral property claims located in the Province of Newfoundland. These refundable security deposits are refundable to the Company upon submission by the Company of a report covering the first year work requirements, which meets the requirements of the Government of Newfoundland and Labrador.

15. COMMITMENTS:

The Company has commitments as described in note 8 related to mineral properties and deferred development expenditures. The Company leases certain office equipment for \$488 per month until August 2015

16. GEOGRAPHIC SEGMENTED INFORMATION

Details are as follows:

	Canada \$	United States \$	Total \$
December 31, 2013			
Loss and comprehensive loss for the period	345,763	-	345,763
Non-current assets	7,764,785	2,398,088	10,162,873
Total assets	15,161,647	2,408,724	17,570,371
Total liabilities	63,287	-	63,287
December 31, 2012			
Income and comprehensive income for the period	523,374	-	523,374
Non-current assets	14,227,666	1,171,076	15,398,742
Total assets	19,710,780	1,171,076	20,881,856
Total liabilities	44,367	15,756	60,123