SULTAN MINERALS INC.
(an exploration stage company)
CONDENSED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

The accompanying condensed interim financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors. The Company's independent auditors have not performed a review of these condensed interim financial statements.

SULTAN MINERALS INC.

(an exploration stage company)
Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)

	September 30, 2013	December 31, 2012
	(Unaudited)	
Assets		
Current assets		
Cash	$ 164,465	$ –
Short-term investments (Note 5)	82,500	363,000
Accounts receivable	3,033	30,670
Prepaid expenses	9,932	14,106
	259,930	407,776
Mineral property exploration interests (Note 4)	8,518,113	8,715,249
Investments (Note 6)	63	70
Equipment (Note 7)	–	453
Credit card deposit (Note 8)	17,250	17,250
Reclamation deposits	36,120	21,120
	$ 8,831,476	$ 9,161,918
Liabilities and Equity		
Current liabilities		
Cheques written in excess of funds on deposit	$ –	$ 7,450
Accounts payable and accrued liabilities (Note 11)	126,856	78,477
Deposit received (Note 4b)	50,000	–
Due to related party (Note 11)	15,000	–
Total liabilities	191,856	85,927
Equity		
Share capital (Note 9)	22,861,534	22,861,534
Warrants reserve (Note 9)	429,049	429,049
Share-based payments reserve	3,505,692	3,504,469
Accumulated other comprehensive loss	(3,854)	(3,847)
Deficit	(18,152,801)	(17,715,214)
	8,639,620	9,075,991
	$ 8,831,476	$ 9,161,918

Approved on Behalf of the Board:

/s/ "*Arthur G. Troup*"
Arthur G. Troup, Director

/s/ "*Robin Merrifield*"
Robin Merrifield, Director

The accompanying notes form an integral part of these financial statements.

SULTAN MINERALS INC.

(an exploration stage company)
Condensed Interim Statements of Operations and Comprehensive Loss
(Unaudited) (Expressed in Canadian dollars)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Expenses				
Depreciation	$ –	$ 652	$ 453	$ 1,305
Legal, accounting and audit	9,149	3,770	29,972	42,307
Management fees	1,500	7,500	4,500	22,500
Office and administration	24,386	27,695	88,303	83,905
Salaries and benefits	45,189	45,752	138,855	141,194
Share-based payments	32	–	1,223	–
Shareholder communications	20,471	33,452	66,628	96,285
Travel and conferences	–	–	1,280	4,484
Interest and other (recoveries)	67	210	(298)	864
	100,794	119,031	330,916	392,844
Loss before other items	(100,794)	(119,031)	(330,916)	(392,844)
Expense recovery	10,829	–	10,829	–
Interest income	–	2,860	–	3,506
Unrealized gain (loss) on investments	32,500	(10,000)	(117,500)	(70,000)
Net loss	(57,465)	(126,171)	(437,587)	(459,338)
Other comprehensive income (loss)				
Unrealized loss on investments	–	(15)	(7)	(78)
Comprehensive loss	$ (57,465)	$ (126,186)	$ (437,594)	$ (459,416)
Loss per share, basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	134,771,918	134,559,418	134,771,918	134,092,265

The accompanying notes form an integral part of these financial statements.

SULTAN MINERALS INC.

(an exploration stage company)
Condensed Interim Statements of Changes in Shareholders' Equity
(Unaudited) (Expressed in Canadian dollars)

	Common Shares Without Par Value						
	Shares	Amount	Warrants Reserve	Share-based Payments Reserve	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity
Balance, December 31, 2011	130,559,418	$ 22,719,474	$ 368,616	$ 3,307,659	$ (3,721)	$ (16,948,671)	$ 9,443,357
Private placement, net of share issuance cost	4,000,000	126,245	66,748	–	–	–	192,993
Warrants exercised	100,000	11,315	(6,315)	–	–	–	5,000
Other comprehensive loss	–	–	–	–	(78)	–	(78)
Loss for the period	–	–	–	–	–	(459,338)	(459,338)
Balance, September 30, 2012	134,659,418	$ 22,857,034	$ 429,049	$ 3,307,659	$ (3,799)	$(17,408,009)	$ 9,181,934
Balance, December 31, 2012	134,771,918	$ 22,861,534	$ 429,049	$ 3,504,469	$ (3,847)	$ (17,715,214)	$ 9,075,991
Share-based payments	–	–	–	1,223	–	–	1,223
Other comprehensive income	–	–	–	–	(7)	–	(7)
Loss for the period	–	–	–	–	–	(437,587)	(437,587)
Balance, September 30, 2013	134,771,918	$ 22,861,534	$ 429,049	$ 3,505,692	$ (3,854)	$ (18,152,801)	$ 8,639,620

The accompanying notes form an integral part of these financial statements.

SULTAN MINERALS INC.

(an exploration stage company)
Condensed Interim Statements of Cash Flows
(Unaudited) (Expressed in Canadian dollars)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash provided by (used in)				
Operations				
Net loss	$ (57,465)	$ (126,171)	$ (437,587)	$ (459,338)
Items not involving cash:				
Depreciation	–	653	453	1,305
Share-based payments	32	–	1,223	–
Unrealized (gain) loss on investments	(32,500)	10,001	117,500	70,000
Changes in non-cash operating working capital				
Accounts receivable	(2,166)	(9,558)	27,637	25,660
Due to/from related parties	–	–	–	(36,489)
Prepaid expenses	(2,827)	(1,024)	4,174	785
Accounts payable and accrued liabilities	(29,473)	(16,130)	48,380	(43,903)
	(124,399)	(142,229)	(238,220)	(441,980)
Investing				
Mineral property exploration and evaluation costs	(5,732)	(35,041)	(22,865)	(60,453)
Mineral property option payments received	200,000	–	200,000	395,000
Short-term investments in GICs redeemed	–	19,000	183,000	65,000
Short-term investments in GICs purchased	–	–	–	(300,000)
Mineral exploration tax credits received	–	–	–	169,202
Reclamation bonds purchased	–	–	(15,000)	–
Deposit received	–	–	50,000	–
	194,268	(16,041)	395,135	268,749
Financing				
Proceeds from share issuance	–	–	–	197,993
Due to related party	–	–	15,000	–
	–	–	15,000	197,993
Increase (decrease) in cash	69,869	(158,270)	171,915	24,762
Cash (Cheques issued in excess of funds on deposit), beginning of period	94,596	163,100	(7,450)	(19,932)
Cash, end of period	$ 164,465	$ 4,830	$ 164,465	$ 4,830
Supplemental information				
Share-based payments capitalized to mineral property interests	–	–	–	–
Interest paid	–	–	–	–
Income tax paid	–	–	–	–

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Sultan Minerals Inc., incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("TSX-V") and trades under the symbol SUL. The address of the Company's corporate office and its principal place of business is 1066 West Hastings Street, Suite 2000, Vancouver, British Columbia, Canada.

The Company is in the exploration stage and its principal business activity is the exploration and evaluation of mineral properties in Canada. The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The amounts shown as mineral properties and related capitalized exploration costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. These condensed interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements, with the exception to the changes in accounting policies as described in Note 3. These condensed interim financial statements do not contain all the information required for full annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with our most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

The condensed interim financial statements were authorized for issuance by the Board of Directors on November 7, 2013

b) Going Concern

These interim financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of $18,152,801 at September 30, 2013 which has been funded primarily by issuance of shares. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future. These factors may cast significant doubt on the use of the going concern basis of accounting.

3. ADOPTION OF NEW ACCOUNTING POLICIES

Certain new standards, interpretations and amendments to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on January 1, 2013, which were adopted by the Company. There was no significant impact from the adoption of these new standards on the Company's financial statements.

New mandatory accounting standards effective January 1, 2013:

IFRS 10 *Consolidated Financial Statements* - 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.*

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 existing 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.

IAS 1 *Presentation of Financial Statements (Amendment)* -The amendment to IAS 1 requires the grouping of items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The statement of comprehensive income in these condensed interim financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

IFRIC 20 – *Production Stripping Costs* - IFRIC 20 Stripping Costs requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 19 *Post-Employment Benefits*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

(Unaudited) (Expressed in Canadian dollars)

4. MINERAL PROPERTY EXPLORATION INTERESTS

Expenditures on interests in mineral properties are considered exploration and evaluation assets.

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	MCLEESE LAKE PROPERTY, BRITISH COLUMBIA	STEPHENS LAKE PROPERTY, MANITOBA	TOTAL 2013
Acquisition costs					
As at December 31, 2012	40,091	687,669	-	1	**727,761**
Incurred during the period	-	3,712	-	-	**3,712**
As at September 30, 2013	40,091	691,381	-	1	**731,473**
Exploration and evaluation costs					
Incurred during the period					
Options proceeds received	(220,000)	-	-	-	**(220,000)**
Rent and administration	3,000	16,152			**19,152**
	(217,000)	16,152	-	-	**(200,848)**
As at December 31, 2012	3,187,655	4,772,985	26,708	140	**7,987,488**
As at September 30, 2013	2,970,655	4,789,137	26,708	140	**7,786,640**
Balance, September 30, 2013	$ 3,010,746	$ 5,480,518	26,708	$ 141	**$8,518,113**

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	MCLEESE LAKE PROPERTY, BRITISH COLUMBIA	STEPHENS LAKE PROPERTY, MANITOBA	TOTAL 2012
Acquisition costs					
As at December 31, 2011	$ 535,841	$ 696,447	$ -	$ 1	$ **1,232,289**
Incurred during the year	4,250	4,000	-	-	**8,250**
Option proceeds	(500,000)	(12,778)	-	-	**(512,778)**
As at December 31, 2012	40,091	687,669	-	1	**727,761**
Exploration and evaluation costs					
Incurred during the year					
Geological and geophysical	-	462	-	-	**462**
Site activities	17,248	42,685	-	-	**59,933**
Mineral exploration tax credit received	-	(169,202)	-	-	**(169,202)**
Option proceeds received	(110,000)	-	-	-	**(110,000)**
	(92,752)	(126,055)	-	-	**(218,807)**
As at December 31, 2011	3,280,407	4,899,040	26,708	140	**8,206,295**
As at December 31, 2012	3,187,655	4,772,985	26,708	140	**7,987,488**
Balance, December 31, 2012	$ 3,227,746	$ 5,460,654	$ 26,708	$ 141	**$8,715,249**

4. MINERAL PROPERTY EXPLORATION INTERESTS (continued)

a) Kena Property, Ymir, British Columbia, Canada

The Kena Property is comprised of the original Kena claims and additional properties under option. The properties are contiguous. Kena property is located near the community of Ymir in southeastern British Columbia.

Kena Claims

The Company holds 100% of the original Kena Property claims. The property is subject to a 3.0% net smelter returns royalty (“NSR”) on gold and silver and 1.5% on other metals. The Company has the right to purchase 50.0% of the NSR for the greater of 7,000 ounces of gold or $2,000,000 and must issue an additional 100,000 common shares on commencement of commercial production.

Tough Nut Claim Group

The Company holds 100% in three Tough Nut Claim Group claims, located on the north end of the Kena Property. The claims are subject to a 3.0% NSR from gold and silver. The Company has the right to purchase 66.67% of the NSR from the optionors for $2,000,000 at any time prior to commencement of commercial production.

Great Western Claim Group

The Company holds 100% of the Great Western claim group, consisting of 3 claim units contiguous to the Kena property. Sultan must issue 200,000 common shares to the property vendors on receipt of a positive feasibility study. The property is subject to a 3.0% NSR from production of gold and silver and 1.5% from production of other metals. The Company has the right to purchase 66.67% of the NSR for $1,000,000 on commencement of commercial production.

Starlight Claim Group

The Company holds 100% of 4 claim units, known as the Starlight Claim Group, consisting of 3 crown grants and one mineral claim contiguous with the Kena Property. The property is subject to a 1.0% NSR from production of gold and silver and other metals. The Company has the right to purchase the NSR for $1,000,000 on commencement of commercial production.

Daylight Claim Group

The Company holds 100% of the Daylight Claim Group, consisting of 8 crown grants. To exercise the option, the Company made total cash payments of %60,000 and issued 200,000 common shares. In addition, the agreement provides for the issuance of an additional 200,000 common shares to the optionors upon completion of a positive feasibility study recommending commercial production on the property. The properties are subject to royalties payable to the optionors of a 3.0% NSR from production of gold and silver and 1.5% NSR from the production of other metals. The Company has the right to reduce the NSR to 1.0% from the production of gold and silver and 0.5% from the production of other metals by a payment of $1,000,000 on or prior to the commencement of commercial production.

4. MINERAL PROPERTY EXPLORATION INTERESTS (continued)

a) Kena Property, Ymir, British Columbia, Canada (continued)

Option Agreement with Altair Gold Inc. (formerly Altair Ventures Inc.)

On December 30, 2011, the Company entered into an option Letter Agreement with Altair Ventures Inc. (“Altair”), which was amended on December 28, 2012 and June 30, 2013. Under the amended terms Altair has an option to earn a 60% interest in 7,000 hectares of mineral claims that comprise the Kena and Toughnut portions of the Company’s Kena Gold-Copper Property (the "Project") in British Columbia by completing $7,500,000 in Project related exploration expenditures over six years. The Altair Option has a term of six years commencing from December 30, 2011 (the "Effective Date").

To exercise the Option and earn its (60%) interest in the Project, Altair will:

i) make the following cash option payments to the Company:

(A) within 5 business days of receiving the TSX-V acceptance, $195,000 (received);
(B) within six months from the Effective Date, an additional $200,000 (received);
(C) by July 21, 2013, an additional $50,000 (received);
(D) by September 15, 2013, an additional $150,000(received);
(E) by December 15, 2013, an additional $200,000
(F) within thirty months from the Effective Date, an additional $300,000;
(G) within forty-two months from the Effective Date, an additional $300,000;
(H) within fifty-four months from the Effective Date, an additional $400,000; and
(I) within sixty-six months from the Effective Date, an additional $600,000;

for total cash option payments of $2,400,000 including $5,000 received on signing of Letter Agreement;

ii) issue common shares of Altair to the Company as follows:

(A) within 5 business days of receiving the TSX-V acceptance, 500,000 shares (received);
(B) within six months from the Effective Date, an additional 500,000 shares (received);
(C) within eighteen months from the Effective Date, an additional 500,000 shares (received)
(D) within thirty months from the Effective Date, an additional 500,000 shares;
(E) within forty-two months from the Effective Date, an additional 500,000 shares;
(F) within fifty-four months from the Effective Date, an additional 500,000 shares; and
(G) within sixty-six months from the Effective Date, an additional 666,667 shares;

for a total of 3,666,667 shares; and

iii) incur exploration expenditures as follows:

(A) within twelve months from the Effective Date, $1,350,000 (incurred);
(B) within thirty-six months from the Effective Date, an additional $650,000;
(C) within forty-eight months from the Effective Date, an additional $1,000,000; and
(D) within sixty months from the Effective Date, an additional $2,000,000; and
(E) within seventy-two months from the Effective Date, an additional $2,500,000

for total exploration expenditures of $7,500,000.

4. MINERAL PROPERTY EXPLORATION INTERESTS (continued)

a) <u>Kena Property, Ymir, British Columbia, Canada (continued)</u>

Option Agreement with Altair Ventures Inc. (continued)

After Altair has earned its 60% interest in the Project, Altair may elect to extend the option (the "First Option Extension Notice") and earn a 70% interest in the Project by completing a Feasibility Report within 72 months following the Effective Date. If Altair completes a Feasibility Report within 72 months of the Effective Date, then Altair may elect to earn an additional 5% interest in the Project (the "Second Option

Extension Notice"), making Altair's aggregate interest in the Project 75% by electing to continue funding all of the Project development expenditures up to the achievement of Commercial Production from the Project.

In addition to the other payments provided for in the agreement, Altair will make bonus payments to Sultan as follows:

(A) If, at the end of 51 months following the Effective Date, Altair has elected not to give the First Option Extension Notice, and the Parties have then established that there are measured and indicated gold resources on the Project of not less than 2.0 million ounces at a 0.3 gram/tonne cut-off, then Altair will pay a one-time lump sum $2.0 million Reported Resource Bonus to Sultan.

(B) If, Altair elects to give the First Option Extension Notice, then at the end of 76 months following the Effective Date Altair will pay a Reported Resource Bonus to Sultan equal to the greater of:

- (i) $5.00 per ounce of probable and proven mineral reserves on the Project, determined at a 0.3 gram/tonne cut-off; or
- (ii) a one-time lump sum amount of $2.0 million, provided that the Parties have by then established that there are measured and indicated gold resources on the Project of not less than 2.0 million ounces at a 0.3 gram/tonne cut-off.

As at September 30, 2013, $830,000 in cumulative option payments from Altair were deducted from the acquisition and exploration costs for the Kena and Toughnut portions of the Company's Kena Property.

b) <u>Jersey and Emerald Properties, Salmo, British Columbia, Canada</u>

The Company holds a 100% interest in the Jersey Claim Group located near Salmo, British Columbia. The property is subject to a 3.0% NSR that can be reduced to 1.5% by making payments of $500,000 and issuing 50,000 common shares. Annual advance royalty payments of $50,000 were to commence in October 2000. In October 2000, an amendment to the agreement extended the commencement of these royalty payments to 2004. In consideration for the extension, 200,000 common shares were issued to the royalty holders. In October 2004, the agreement was further amended to defer commencement of the royalty payments to October 2009, by the issuance of 200,000 common shares to the royalty holders.

In May 2009, the Company entered into an additional amendment to the option agreement to defer the commencement date of the annual royalty payments of $50,000 due to commence in October 2009 by further four years, in exchange for a one-time payment of 250,000 common shares, and the right to collect mineral specimens from an exposure in the Jersey F Zone workings of the Jersey-Emerald property up to October 20, 2013, for the sole purpose of specimen collection.

Additional claims forming part of the Jersey Emerald properties include the Tungsten King Prospect, comprised of 17 crown-granted mineral claims. The Company acquired a 100% interest in these claims by issuing 100,000 shares of the Company. The Company also holds a 100% interest in the Truman Hill and Leroy North properties, additional properties in the Jersey and Emerald property group. The Truman Hill and Leroy north properties are subject to a NSR of 1.5% of which 50.0% can be purchased by issuing 25,000 shares of the Company. The Company also holds a 100% interest in the Summit Gold Property consisting of 4 mineral units and one reverted crown grant. The property is subject to a 2.0% NSR, which the Company has the right to purchase for $500,000. The Company holds a 100% interest in the Jumbo 2 and Boncher crown granted mineral claims.

4. MINERAL PROPERTY EXPLORATION INTERESTS (continued)

b) <u>Jersey and Emerald Properties, Salmo, British Columbia, Canada</u> (continued)

In June 2006, the Company entered into a purchase agreement to acquire 100% of the rights, title and interest in the surface rights over 28 crown granted mineral claims, four 2-post claims and 80 mineral units located near Salmo, British Columbia. In November 2006, the Company acquired the surface rights on a section of the Jersey Claim Group at a cost of $100,000, inclusive of the initial option payment made on the property.

The Company completed a purchase agreement to acquire 100% of the rights, title and interest for the surface rights over 150 acres of land. Under the terms of the agreement, the Company made a cash payment of $50,000 and issued 150,000 common shares to the sellers for the purchase of the property. The acquisition is included in mineral property costs in Jersey-Emerald.

The Company entered into a purchase agreement to acquire 100% of the rights, title and interest in the surface rights to 22 acres of land. Under the terms of the agreement, the Company made a cash payment of $18,100 and issued 30,000 common shares to the sellers.

In June 2013, the Company entered into a non-binding proposal agreement with a third party to sell a 100% interest in the Jersey and Emerald Properties. The Company received a $50,000 deposit. The final terms of the agreement are under negotiation.

Invincible Tungsten Mine

The Company acquired a 100% interest in the now decommissioned 7.4-hectare Invincible Tungsten Mine located south of Salmo, British Columbia. Under the agreement, the Company paid $3,000 and issued 9,000 common shares, subject to a 2.0% NSR, which the Company may, at its discretion, reduce to a 0.5% NSR by the payment of $150,000 after the completion of a positive feasibility study and by the payment of advance royalties of $3,000 per annum, commencing in 2010.

Victory Tungsten Property

In May 2009, the Company acquired a 100% interest in the Victory Tungsten Property, consisting of six reverted crown grants, located approximately six kilometers south of Salmo, British Columbia, Canada. Under the terms of the agreement, the Company made a cash payment of $12,000 and issued 200,000 common shares for the purchase of the property. The property is subject to a 2.0% NSR, payable to the optionor, which the Company has the right to reduce to 0.5% by making a one-time payment of $150,000 at any time up to and including the commencement of commercial production. If at any time the optionor wishes to sell or assign its NSR, the optionor has agreed to give the Company a 60-day right of first purchase to acquire the NSR, provided that the optionor shall not thereafter offer its NSR to a third party on terms less favourable to the optionor than those offered to the Company.

Garnet Lead-Zinc Property

In September 2009, the Company entered into an agreement to acquire a 100% interest in the Garnet Lead-Zinc Property, comprised of five mineral claims, Tenure Numbers 544860, 544861, 607011, 607013 and 607015, located approximately five kilometers south of Salmo, British Columbia, Canada. Under the terms of the agreement, the Company has an option to earn a 100% interest by making cash payments of $75,000 ($15,000 paid) and issuing 500,000 common shares (400,000 issued) to the optionors over four years. During the year ended December 31, 2012, the Company issued 100,000 common shares of the Company with a fair value of $4,000 in relation to acquiring 100% interest in the Garnet Lead-Zinc Property. During the same year, the company deferred a payment of $20,000 in cash to June 2013. The Company is required to make a final payment of $40,000 and issue 100,000 shares to the property vendors by November 4, 2013.

4. MINERAL PROPERTY EXPLORATION INTERESTS (continued)

b) Jersey and Emerald Properties, Salmo, British Columbia, Canada (continued)

Upon making the cash payments and associated share issuances, the Company will acquire 100% right, title and interest in the property subject only to a 3.0% NSR, payable to the optionors and a further 200,000 common shares due on commencement of commercial production. The Company may, at its discretion, have the exclusive right to reduce the NSR to 1.0% by making a one-time payment of $1,000,000 to the optionors exercisable within 90 days after commencement of commercial production. If at any time either of the optionors wishes to sell or assign this interest in the NSR in the property the optionors agree to give to the Company a 30-day right of first purchase to acquire such interest provided that the optionors shall not thereafter offer their NSR to a third party on terms more favorable than those offered to the Company.

HB and HB2 Lead-Zinc Property

In October 2009, the Company entered into an agreement to acquire a 100% interest in the HB Lead-Zinc Property, comprised of a 100-hectare mineral claim, Tenure Number 533727, located approximately eight kilometers southeast of Salmo, British Columbia, Canada. Under the terms of the agreement, the Company has an option to earn a 100% interest in the property by making cash payments of $15,000 (paid) and issuing 100,000 common shares (issued) to the optionors over 12 months.

In March 2010, the Company entered into an agreement to acquire 100% of the rights and interest in the HB 2 Mineral Claim, Tenure 693188 located at UTM coordinates 5,443,100N and 485,600E near Salmo, British Columbia, Canada. Under the terms of the agreement, the Company acquired an undivided 100% interest in the property by making cash payments of $10,000 and issuing 100,000 common shares.

Aspen Lead-Zinc-Silver Property

In November 2009, the Company entered into an agreement to acquire a 100% interest in the Aspen Lead-Zinc-Silver Property, comprised of seven mineral claims, Tenure Numbers 548440, 548464 – 548467, 604689 and 665745 located approximately six kilometers southeast of Salmo, British Columbia, Canada.

Under the terms of the agreement, the Company paid $10,000 and issued 100,000 common shares to the optionors for the purchase of the property. Upon fulfilling the cash and share payments, the property will be subject only to a 1.0% NSR, payable to the optionors. The Company has the exclusive right to reduce the NSR to 0.5% by making a one-time payment of $100,000 to the optionors at any time up to and including the commencement of commercial production.

c) Stephens Lake Property, Manitoba, Canada

The Company is in a joint venture with ValGold Resources Ltd. and Cream Minerals Ltd. (the “Companies”). The Companies have 75% of the Trout Claim Group, which are internal to the claims forming the Stephens Lake Property. Under the terms of the Trout Claim Group agreement, the Companies each made cash payments of $36,667 and issued 66,667 common shares to the optionor over a 36-month period from July 22, 2004. The Company has written off all exploration and carrying costs on the property to a nominal carrying value of $1, as it has no exploration programs planned.

d) Mineral Property Interests Commitments

To maintain its mineral property interests, the Company is required to make monthly cash payments of $750 in fiscal 2013 for lease of surface property rights.

(Unaudited) (Expressed in Canadian dollars)

5. SHORT-TERM INVESTMENTS

Short-term investments consist of investments in shares of Altair Gold Inc. and Guaranteed Investment Certificates which are summarized as follows:

	Number of Shares	Historical Cost	Fair Value September 30, 2013	Fair Value December 31, 2012
Altair Gold Inc. (Note 4 (a))	1,500,000	$ 230,000	$ 82,500	$ 180,000
GICs	-	-	-	183,000
Total Investments		$ 230,000	$ 82,500	$ 363,000

These investments are classified as fair value though profit or loss and recorded at fair value with realized gains and losses recognized in income.

6. INVESTMENTS

	Number of Shares	Book Value September 30, 2013	Fair Value September 30, 2013	Fair Value December 31, 2012
Emgold Mining Corporation (Note 11 (c))	1,565	$ 3,913	$ 63	$ 70
Total Investments		$ 3,913	$ 63	$ 70

As at September 30, 2013, investments in available-for-sale securities consist of marketable securities which had a market value of $63 (December 31, 2012 - $70). The carrying amount of these securities are subject to revaluation on a mark-to-market basis at the end of each reporting period, and the increases or decreases arising on revaluation are recorded in Accumulated Other Comprehensive Income (“AOCI”), a component of shareholders’ equity.

7. EQUIPMENT

Cost	Computer Equipment	Field and Mining Equipment	Vehicles	Total
As at December 31, 2012	$ 15,770	$ 49,614	$ 26,271	$ 91,655
Additions	-	-	-	-
As at September 30, 2013	$ 15,770	$ 49,614	$ 26,271	$ 91,655
Accumulated Depreciation				
As at December 31, 2012	$ 15,317	$ 49,614	$ 26,271	$ 91,202
Depreciation	453	-	-	453
As at September 30, 2013	$ 15,770	$ 49,614	$ 26,271	$ 91,655
Carrying Amounts				
Balance, December 31, 2012	$ 453	$ -	$ -	$ 453
Balance, September 30, 2013	$ -	$ -	$ -	$ -

(Unaudited) (Expressed in Canadian dollars)

8. CREDIT CARD DEPOSIT

The amount of $17,250 (December 31, 2012 - $17,250) represents a three-year guaranteed investment certificate with interest at prime minus 2.05%, held by the bank as security for the Company's credit card usage and has been classified as restricted cash.

9. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares without par value.

(b) Issued and outstanding:

See Statements of Changes in Shareholders' Equity.

(c) Stock options

The Company has a stock option plan which allows for the grant of options to purchase up to 20,390,173 common shares. The following table summarizes information about the stock options outstanding at September 30, 2013:

Weighted Average Exercise Price	Number Outstanding at September 30, 2013	Weighted Average Remaining Contractual Life
$0.10	4,430,000	0.7 years
$0.10	500,000	1.2 years
$0.10	6,425,000	4.0 years
$0.10	11,355,000	2.6 years

A summary of the changes in stock options for the nine months ended September 30, 2013 is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2012	11,455,000	$0.10
Expired	(100,000)	$0.29
Balance, September 30, 2013	11,355,000	$0.10
Balance vested, September 30, 2013	11,355,000	$0.10

(Unaudited) (Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

(d) Share purchase warrants

As at September 30, 2013, the following share purchase warrants issued in connection with financings made by private placements and short-form offerings were outstanding:

Number of Warrants	Exercise Price	Expiry Date
13,333,333	$0.12	June 30, 2014
706,666	$0.12	June 30, 2014
66,666	$0.12	June 28, 2014
523,800	$0.05	June 30, 2014
1,498,400	$0.12	June 30, 2014
4,000,000	$0.10	February 1, 2014
20,128,865	$0.11	

There were no changes in warrants during the nine month period ending September 30, 2013.

(e) Shareholder rights plan

The Company's board of directors adopted a Shareholder Rights Plan on September 23, 2013.

The Shareholder Rights Plan has been designed to protect shareholders from unfair, abusive or coercive take-over strategies including the acquisition of control of the Company by a bidder in a transaction or series of transactions that may not treat all shareholders fairly nor afford all shareholders an equal opportunity to share in the premium paid upon an acquisition of control. The Shareholder Rights Plan was adopted to provide the Board with sufficient time, in the event of a public take-over bid or tender offer for the common shares, to pursue alternatives which could enhance shareholder value.

This Shareholder Rights Plan is not being adopted in response to any proposal to acquire control of the Company.

The Rights will not, however, be triggered by a "Permitted Bid", which is defined as a bid which is outstanding for a minimum of 60 days made to all of the shareholders of the Company for all of their common shares and, subject to other specified conditions, is accepted by a majority of independent shareholders (as detailed in the Rights Plan).

(Unaudited) (Expressed in Canadian dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are comprised of:

Accounts payable and accrued liabilities:	September 30, 2013	December 31, 2012
Accounts payable	$ 2,356	$ 7,983
Accrued liabilities	124,500	70,494
	$ 126,856	$ 78,477

11. RELATED PARTY TRANSACTIONS AND BALANCES

Services rendered and reimbursement of expenses:	Nine months ended September 30, 2013	2012
Quorum Management and Administrative Services Inc. (a)	$ –	$ 211
Lang Mining Corporation (b)	4,500	22,500
Directors' fees	19,000	29,015
Shareholder Communication	54,000	–
Short term remuneration (e)	106,053	189,000

Balances payable to (d):	September 30, 2013	December 31, 2012
Directors' fees	19,000	–
Short term remuneration (e)	45,000	–
Shareholder Communication	18,000	–
Lang Mining Corporation (b)	4,500	–
	$ 86,500	$ –

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties and on terms and conditions similar to non-related parties as follows:

(a) Management, administrative, geological and other services are provided by Quorum Management and Administrative Services Inc. ("Quorum") at market rates.

(b) Lang Mining Corporation ("Lang Mining") is a private company controlled by the chairman of the Company. Lang Mining receives a management fee of $500 per month (2012 – $2,500 per month) for the services of Frank A. Lang, an officer and director of the Company.

(c) The Company's investments include shares in a listed company with a common director.

(d) Balances payable to related parties are included in accounts payable on the statement of financial position. These amounts are non-interest bearing and are due on demand.

(e) Key management personnel compensation.

On June 17, 2013, the Company entered into a loan agreement with its director in the amount of $15,000. As at September 30, 2013, $15,000 (2012 - $Nil) of the loan payable was outstanding and included in due to related party on the statement of financial position. The loan is non-interest bearing and is due on demand.

(Unaudited) (Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at September 30, 2013, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2012, are shown in the table below:

	September 30, 2013		December 31, 2012	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Financial assets				
Cash	$ 164,465	$ 164,465	$ -	$ -
Short-term investments	82,500	82,500	363,000	363,000
Investments	63	63	70	70
Credit card deposit	17,250	17,250	17,250	17,250
Reclamation Deposit	36,120	36,120	21,120	21,120
Financial liabilities				
Cheques written in excess of funds on deposit	-	-	7,450	7,450
Accounts payable and accrued liabilities	126,856	126,856	78,477	78,477
Due to related party	15,000	15,000	-	-

The fair values of the Company's financial instruments measured at September 30, 2013, constitute Level 1 measurements for its cash, short-term investments and investments within the fair value hierarchy.

The Company recognized interest income during the nine months ended September 30, 2013, totaling $66. This is primarily interest income from the Company's short-term investments. This balance represents interest income from all sources.

<u>Credit risk</u>
Those financial assets that potentially subject the Company to credit risk are from any investments in term deposits and any receivables. The Company has increased its focus on credit risk given the impact of the current economic climate. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where any term deposits are held. The Company's maximum exposure to credit risk is equal to the carrying value of any terms deposits and receivables.

<u>Liquidity risk</u>
Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 13, in normal circumstances. The Company's financial liabilities are comprised of its accounts payable and amounts due to related parties, the contractual maturities of which at September 30, 2013, are summarized as follows:

12. FINANCIAL INSTRUMENTS (continued)

	September 30, 2013	December 31, 2012
Accounts payable with contractual maturities –		
Within 90 days or less	$ 126,856	$ 78,477
In later than 90 days, not later than one year	-	-
Due to related parties with contractual maturities –		
Within 90 days or less	15,000	-
In later than 90 days, not later than one year	-	-

Market risk
Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The sale of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments, and unfavourable markets conditions could result in dispositions of investments at less than favourable prices. The Company's investments are accounted for at estimated fair values and are sensitive to changes in markets prices, such that changes in market prices results in a proportionate change in the carrying value of the Company's investments.

The Company's ability to raise capital to fund exploration or evaluation activities is subject to risk associated with fluctuations in the market prices of gold, copper, zinc, lead, molybdenum and tungsten, and the outlook for these metals. The Company's ability to raise capital is affected by the prices of commodities that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for these metals have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

Interest rate risk
At September 30, 2013, the Company has no significant exposure to interest rate risk through its financial instruments.

Currency risk
Fluctuations in United States dollars would not significantly impact the operations and the values of its assets and shareholders' equity at this time. If the Company were to go into production, the Company would be subject to more foreign currency risk from fluctuations in the Canadian dollar relative to the United States dollar, due to metals prices and their denomination in United States dollars.

13. MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests in British Columbia and to maintain a flexible capital structure which will optimize the costs of capital.

The Company endeavours to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

13. MANAGEMENT OF CAPITAL (continued)

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this form of financing due to the current difficult conditions. The Company makes adjustments to its management of capital in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its costs of capital while maintaining an acceptable level of risk. The Company currently has sufficient funds for operations but must rely on equity financings, or forms of joint venture or other types of financing to continue exploration and development work and to meet its administrative overhead costs in future years (see Note 2b).

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities allowing the Company to withdraw funds at intervals needed for the expected timing of expenditures in its operations.