BE RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE NOTED)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BE Resources Inc.

We have audited the accompanying consolidated financial statements of BE Resources Inc. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows, and consolidated statements of changes in shareholders' equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BE Resources Inc. and its subsidiary as at December 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company had continuing losses and negative net cash flows from operating activities during the year ended December 31, 2013 and a cumulative deficit as at December 31, 2013. These conditions along with other matters set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 1, 2014

BE RESOURCES INC.
Consolidated Statements of Financial Position
(Expressed in US Dollars unless otherwise noted)

	As at December 31, 2013	As at December 31, 2012
ASSETS		
Current assets		
Cash	**$ 341,439**	$ 287,145
Prepaid expenses, deposits and other receivables	**17,970**	8,169
Reclamation bonds (note 6)	**-**	91,967
Total assets	**$ 359,409**	$ 387,281
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable	**$ 89,621**	$ 126,141
Accounts payable - related party (note 10)	**83,000**	123,856
Accrued liabilities	**184,483**	173,013
Total liabilities	**357,104**	423,010
Shareholders' equity (deficiency)	**2,305**	(35,729)
Total liabilities and shareholders' equity (deficiency)	**$ 359,409**	$ 387,281

Going concern (note 2)
Commitments and contingencies (notes 7 and 8)

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

Approved on behalf of the Board of Directors:

/s/ Jon Pereira

Jon Pereira
Director

/s/ Edward Godin

Edward Godin
Director

BE RESOURCES INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US Dollars unless otherwise noted)

	Year ended December 31, 2013	2012
Operating expenses		
Management and consulting fees (note 10)	**$ 114,896**	$ 102,189
Acquisition costs (note 8)	**9,708**	-
Geological consulting fees (note 10)	**64,400**	79,723
Office and general	**21,056**	32,734
Professional fees	**19,524**	213,891
Professional fees - related party (note 10)	**126,184**	64,258
Foreign exchange gain	**(3,695)**	(10,844)
Share-based compensation (note 9(c))	**119,527**	-
Fees, licenses and permits	**-**	2,787
Transfer agent and filing fees	**45,581**	35,126
Travel	**2,398**	57,602
Operating loss before the following items	**(519,579)**	(577,466)
Gain on debt settlement (note 7)	**-**	323,344
Bad debt expense (note 10)	**-**	(52,693)
Change in estimated reclamation expenses	**-**	(36,664)
Impairment of uncollectible reclamation bond (note 6)	**-**	(25,946)
Net loss for the year	**$ (519,579)**	$ (369,425)
Other comprehensive loss		
Items that will not be reclassified subsequently to income		
Foreign currency translation	**(10,657)**	-
Comprehensive loss for the year	**$ (530,236)**	$ (369,425)
Basic and diluted loss per share	**$ (0.04)**	$ (0.04)
Basic and diluted weighted average number of common shares	**13,901,324**	10,007,625

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

BE RESOURCES INC.
Consolidated Statements of Cash Flows
(Expressed in US Dollars unless otherwise noted)

	Year ended December 31, 2013	2012
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net loss for the year	**$ (519,579)**	$ (369,425)
Items not involving cash:		
Gain on debt settlement	**-**	(323,344)
Bad debt expense	**-**	52,693
Accretion expense	**-**	36,664
Share-based compensation	**119,527**	-
Foreign exchange	**(10,657)**	-
Settlement of decommissioning liabilities	**-**	(49,170)
	(410,709)	(652,582)
Changes in non-cash working capital items:		
Prepaid expenses, deposits and other receivables	**(9,801)**	9,034
Reclamation bonds	**91,967**	25,946
Accounts payable and accrued liabilities	**(65,906)**	(14,671)
Net cash used in operating activities	**(394,449)**	(632,273)
FINANCING ACTIVITIES		
Issuance of units	**452,213**	-
Cost of issue	**(3,470)**	-
Net cash provided by financing activities	**448,743**	-
Change in cash	**54,294**	(632,273)
Cash, beginning of year	**287,145**	919,418
Cash, end of year	**$ 341,439**	$ 287,145

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

BE RESOURCES INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in US Dollars unless otherwise noted)

	Common shares		Reserves				
			Warrants	**Share-based payments**	**Accumulated other comprehensive loss**	**Deficit**	**Shareholders' equity (deficiency)**
	(#)	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**
Balance at December 31, 2011	**10,007,625**	**13,897,649**	**226,153**	**1,487,284**	**-**	**(15,277,390)**	**333,696**
Warrant expiry	-	-	(8,058)	-	-	8,058	-
Option expiry	-	-	-	(866,022)	-	866,022	-
Net loss for the year	-	-	-	-	-	(369,425)	(369,425)
Balance at December 31, 2012	**10,007,625**	**13,897,649**	**218,095**	**621,262**	**-**	**(14,772,735)**	**(35,729)**
Units issued	9,350,000	244,195	208,018	-	-	-	452,213
Issue costs	-	(3,470)	-	-	-	-	(3,470)
Warrants reclassified as liability on change in functional currency	-	-	(218,095)	-	-	218,095	-
Modification of warrants	-	-	118,065	-	-	(118,065)	-
Option expiry	-	-	-	(122,100)	-	122,100	-
Share-based compensation	-	-	-	119,527	-	-	119,527
Foreign currency translation	-	-	-	-	(10,657)	-	(10,657)
Net loss for the year	-	-	-	-	-	(519,579)	(519,579)
Balance at December 31, 2013	**19,357,625**	**14,138,374**	**326,083**	**618,689**	**(10,657)**	**(15,070,184)**	**2,305**

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

1. NATURE OF OPERATIONS

BE Resources Inc. (the "Company") was incorporated on August 8, 2007 under the laws of the State of Colorado, United States for the purpose of acquiring certain mineral interests and further exploring and if warranted, developing those interests. The primary office of the Company is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, M5C 2C5.

On July 26, 2012, the Company announced that it voluntarily deregistered its common stock in the United States in order to conserve cash as it searches for suitable assets or businesses to acquire or merge with. The Company’s common stock will continue to be eligible for public trading on the TSX Venture Exchange and in the United States through the Financial Industry Regulatory Authority’s Over-the-Counter Bulletin Board.

The Company was previously engaged in the business of the acquisition and development of mineral properties believed to be prospective for rare earth minerals. The Company decided not to pursue its New Mexico properties and allowed its licenses to expire. The Company's focus is now on the exploration of its LaFlamme property as well as on acquiring additional interests in more traditional mineral resource exploration and development properties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

The financial statements of the Company for the year ended December 31, 2013 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 1, 2014.

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has an accumulated deficit of $15,070,184 as at December 31, 2013 and a net loss of $519,579 and negative net cash flows from operating activities of $394,449 for the year ended December 31, 2013. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and the attainment of profitable operations. These factors raise significant doubt regarding the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

(Expressed in US Dollars unless otherwise noted)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in accounting policies

(i) IAS 1 – Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. At January 1, 2013, the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

(ii) IFRS 7 — Financial Instruments: Disclosures ("IFRS 7") was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are offset in accordance with paragraph 42 of IAS 32 - Financial Instruments: Presentation ("IAS 32"). The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. At January 1, 2013, the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

(iii) IFRS 13 – Fair Value Measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 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 under current market conditions. It also establishes disclosures about fair value measurement. At January 1, 2013, the Company adopted this standard and there was no material impact on the Company's consolidated financial statements given the existing asset and liability mix of the Company to which fair value accounting applies.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary, 8716650 Canada Limited, which was incorporated on December 5, 2013.

The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Cash and cash equivalents

The Company considers all short-term investments with a maturity of three months or less at the date of purchase to be cash equivalents. As at December 31, 2013 and December 31, 2012, the Company did not have any cash equivalents.

Financial instruments

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	Loans and receivables
Deposits and other receivables	Loans and receivables
Reclamation bonds	Loans and receivables

Financial liabilities:	Classification:
Accounts payable	Other financial liabilities
Accounts payable - related party	Other financial liabilities
Accrued liabilities	Other financial liabilities

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

Financial assets and liabilities are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets and liabilities that are not part of an effective and designated hedging relationship. Financial assets and liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of loss and comprehensive loss. The Company does not currently apply hedge accounting.

Loans and receivables:

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

Available for sale:

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classed in any other category. Available-for-sale investments are recognized at fair value at initial recognition. Changes to the fair value of available-for-sale investments are recognized in other comprehensive income. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognized in accumulated other comprehensive income are included in the consolidated statement of loss and comprehensive loss as "gains and losses from available-for-sale investments".

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

As of December 31, 2013 and 2012, none of the Company's financial instruments are recorded at fair value on the consolidated statements of financial position based on their classification. The fair values of the Company's financial assets and liabilities approximate their carrying values, given their short-term nature.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets are impaired. Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs, which includes building and equipment in the exploration and evaluation property). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Mineral rights and exploration costs

The Company expenses all costs related to obtaining unpatented and patented mining claims, the cost of acquisition of properties and the maintenance and exploration and evaluation of mineral interests prior to the project being established as commercially viable and technically feasible. As at December 31, 2013 and December 31, 2012, the Company had not established any proven or probable reserves.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Share-based payment transactions

The fair value of share options granted to employees and non-employees is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of equity-settled share-based payments to employees is measured at the grant date based on the fair value of the equity instrument granted and recognized over the period during which the options vest. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest based on an estimate of forfeiture rate.

Unexercised expired stock options and warrants are transferred to deficit.

Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (Continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Decommissioning liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs are discounted to their net present value using a risk-free rate and are charged against profit or loss at the start of each project as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The Company's diluted loss per share for the periods presented does not include the effect of stock options and warrants as they are anti-dilutive.

Significant accounting judgments and estimates

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Estimation of decommissioning and restoration costs and the timing of expenditure - Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities;
- Share-based payments - Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates; and
- Income taxes and recoverability of potential deferred tax assets - In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Foreign currency translation

Effective August 1, 2013, the functional currency of the Company changed to Canadian dollars as a significant portion of the Company's expenses are denominated in Canadian dollars, the financing, which closed on August 1, 2013, was denominated in Canadian dollars and future sources of financing are anticipated to be denominated in Canadian dollars. Prior to that time, the functional currency was the US dollar. The change to the Company's functional currency has been accounted for in accordance with IAS 21 - The Effects of Changes in Foreign Exchange Rates. All amounts in these financial statements are presented in US dollars ("presentation currency") since the US dollar provides a more useful point of reference for investors.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

Subsequent to the change in functional currency described above, the Company translates the assets and liabilities of the Company from the functional currency to the presentation currency at the period end rate. Revenue and expenses are translated at the average rate of exchange prevailing during the period. The resulting unrealized gain or loss on translation is recognized as other comprehensive income or loss. Equity is translated at historical rates.

Recent accounting pronouncements

Certain pronouncements issued by the IASB or the IFRIC are mandatory for accounting periods beginning on or after January 1, 2014. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

(ii) IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

4. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be shareholders' equity, which at December 31, 2013 totaled $2,305 (2012 - $(35,729)). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on its exploration and development activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2013 and 2012. The Company is not subject to any capital requirements imposed by a lending institution.

5. FINANCIAL RISK FACTORS

The Company is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risks) as explained below. Risk management is carried out by the Company's management team with guidance from the Audit Committee and the Board of Directors. There have been no material changes in the risks, objectives, policies and procedures during the years ended December 31, 2013 and 2012.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Cash deposits with a major Canadian chartered bank are insured by the Canadian Deposit Insurance Company up to Cdn$100,000. As at December 31, 2013, the Company held $341,439 (2012 - $287,145) with a major Canadian chartered bank.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2013, the Company had cash of $341,439 (2012 - $287,145) to settle current liabilities of $357,104 (2012 - $423,010).

Interest Rate Risk

The Company currently does not have any short-term or long-term debt that is interest bearing and, as such, the Company’s current exposure to interest rate risk is minimal.

Foreign Exchange Risk

Certain of the Company's expenses were incurred in Canadian currency and are therefore subject to gains or losses due to fluctuations in this currency. As at December 31, 2013, the Company held cash of Cdn$360,754 ($339,181) denominated in Canadian dollars (December 31, 2012 - Cdn$284,968 ($286,429)) and had accounts payable and accrued liabilities of Cdn$139,670 ($131,337) denominated in Canadian dollars (December 31, 2012 - Cdn$101,379 ($101,899)).

Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals. The Company’s risk management objectives are to ensure that business and financial exposures to risk that have been identified and measured are minimized using the most effective and efficient methods to reduce, transfer and, when possible, eliminate such exposures. Operating decisions contemplate associated risks and management strives to structure proposed transactions to avoid or reduce risk whenever possible.

6. RECLAMATION BONDS

Under the laws of the State of New Mexico, the Company was required to maintain reclamation deposits, which cover the cost to reclaim the ground disturbed. As at December 31, 2013, the Company had nil (December 31, 2012 - three) reclamation bonds totaling $nil (December 31, 2012 - $91,967).

On February 22, 2013, the New Mexico Mining and Minerals Division signed off on the completion of the required site well plugging and reclamation activities as required by the State of New Mexico and the return of the Company's outstanding reclamation bonds totalling $91,967. During the year ended December 31, 2013, the reclamation bonds were returned to the Company.

7. COMMITMENTS AND CONTINGENCIES

Environmental Consideration

The exploration for and development of resource properties involves the extraction, production and transportation of materials, which under certain conditions, can be hazardous or cause environmental pollution problems. The Company is taking action it believes appropriate to satisfy applicable federal, state, provincial and local environmental regulations and does not currently anticipate that compliance with federal, state, provincial and local environmental regulations will have a material adverse effect upon capital expenditures, results of operations or financial condition. However, due to the significant public and governmental interest in environmental matters related to those activities, the Company cannot predict the effects of possible future legislation, rule changes, or governmental or private claims.

Disputed Payables

The Company was involved in a dispute with a former supplier over payables in the amount of approximately $473,000. During the year ended December 31, 2012, the Company negotiated a reduction of the amount from $473,000 to $150,000. On January 20, 2012, the Company paid the $150,000 reduced amount and recorded a gain on debt settlement for approximately $323,000.

8. MINERAL EXPLORATION PROPERTIES

LaFlamme Property

On December 9, 2013, the Company entered into an option agreement to acquire a 100% interest in the LaFlamme property, subject to a 3% NSR. The LaFlamme property is located in the Abitibi area of Quebec in Bernetz Township. The Company has the right to earn a 100% interest in the property by making the following option payments:

i) On signing of the agreement, cash payment of Cdn$10,000 ($9,708) (paid) and an option to acquire 200,000 common shares of the Company at the minimum option exercise price at the time of grant in accordance with the rules of the TSXV; and
ii) Upon closing of a hard dollar, non-flow-through, financing of not less than Cdn$300,000 by the Company, the further sum of Cdn$10,000.

New Mexico Beryllium Project

On October 1, 2007, the Company acquired an interest in the New Mexico Beryllium Project (the “Project”).

The Project was comprised of one lease from private landowners (the “Sullivan Lease”), three State leases (the “State Leases”), 133 unpatented mining claims and 690 lode mining claims in Socorro County and Sierra County, New Mexico.

During the year ended December 31, 2012, the Company decided not to pursue the Project.

9. SHARE CAPITAL

On March 21, 2013, the Company completed the share consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every six pre-consolidation common shares. As part of the share consolidation, the stock options and warrants were also consolidated and the exercise price adjusted to reflect the consolidation. The share consolidation has been reflected in these consolidated financial statements and all applicable references to the number of shares, warrants and stock options and their strike price and per share information have been restated.

(a) Authorized

41,666,667 shares of voting common stock, with no par value
1,666,667 shares of preferred stock, with no par value

(Expressed in US Dollars unless otherwise noted)

9. SHARE CAPITAL (Continued)

(b) Issued capital stock

A summary of changes in capital stock is as follows:

(i) On August 1, 2013, the Company closed a non-brokered private placement for gross proceeds of Cdn$467,500 ($452,213). The placement consisted of 9,350,000 units at a price of Cdn$0.05 per unit. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable into one additional common share at Cdn$0.10 for a period of 5 years from the date of issue. Related issue costs in cash totaled $3,470. See note 10(e).

The grant date fair value of the 9,350,000 warrants was estimated using the Black-Scholes option pricing model to be $208,018. The assumptions used were: expected dividend yield of 0%; expected volatility of 154% (which is based on historical volatility of the Company's share price); risk free interest rate of 1.80%; and expected life of 5 years.

(c) Stock options

The Company's stock option plan (the "Plan") was amended in December 2013 from a 10% rolling stock option plan to a fixed number option plan. The Plan now allows the Company to provide for the grant of incentive and non-qualified stock options for up to 3,800,000 common shares to employees, consultants, officers and directors of the Company.

A summary of changes in stock options are as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2011	1,245,000	$ 1.59
Expired	(820,000)	1.60
Balance, December 31, 2012	425,000	$ 1.56
Granted (i)	1,150,000	0.09
Expired	(83,333)	1.67
Balance, December 31, 2013	1,491,667	$ 0.15

(i) On August 7, 2013, 1,150,000 incentive stock options were granted to directors, officers and consultants of the Company pursuant to its incentive stock option plan. The options vested immediately and are exercisable until August 7, 2018 at a price of Cdn$0.10. The fair value of the stock options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 154% (which is based on historical volatility of the Company's share price); risk free interest rate of 1.76%; expected forfeiture rate of nil; and an expected life of 5 years. As a result, the grant date fair value of the stock options was calculated to be $103,377.

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

Date of Grant	Options Granted	Options Exercisable	Exercise Price	Expiration Date
November 12, 2009 (1)	66,667	66,667	CDN$0.37	November 12, 2014
June 7, 2010 (1)	8,333	8,333	CDN$0.37	June 7, 2015
September 9, 2011 (1)	266,667	266,667	CDN$0.37	September 9, 2016
August 7, 2013	1,150,000	1,150,000	CDN$0.10	August 7, 2018
	1,491,667	1,491,667		

9. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

(1) On December 19, 2013, the Company re-priced these options. The fair value of the re-priced stock options was estimated on the date of modification using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 186% (which is based on historical volatility of the Company's share price); risk free interest rate of 1.16%; expected forfeiture rate of nil; and an expected life of 2.34 years. As a result, additonal share-based compensation of $16,150 was recorded.

As at December 31, 2013, the weighted average exercise price of the outstanding options is Cdn$0.16. As at December 31, 2013, the weighted average remaining contractual life of outstanding options is 4.08 years.

(d) Warrants

A summary of changes in warrant and compensation warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2011	947,583	$ 1.14
Expired	(6,250)	1.74
Balance, December 31, 2012	941,333	$ 1.14
Issued	9,350,000	0.10
Expired	(108,000)	0.66
Balance, December 31, 2013	10,183,333	$ 0.14

As at December 31, 2013, the following warrants were outstanding:

Expiration Date	Number of Warrants	Exercise Price	Grant Date Fair Value, Net of Issue Costs
September 6, 2014 (1)	833,333	CDN$0.60	$ 118,065 (2)
August 1, 2018	9,350,000	CDN$0.10	208,018
	10,183,333		$ 326,083

(1) On August 20, 2013, the Company extended and re-priced these warrants. The exercise price of the warrants was changed from US Dollars to Cdn Dollars. As a result the fair value of the warrants was reclassified from a derivative liability to equity in the consolidated statements of financial position. The fair value of the warrants was estimated on August 20, 2013, the date of the change in the exercise price currency, using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 244% (which is based on historical volatility of the Company's share price); risk free interest rate of 1.10%; and an expected life of 1.05 years. As a result, the fair value of the warrants was calculated to be $118,065.

(2) As a result of the change in functional currency on August 1, 2013 (see Note 3), the fair value of the warrants exercisable in US Dollars was reclassified from equity to a derivative liability in the consolidated statements of financial position. The fair value of the warrants was estimated on August 1, 2013, the date of the change in functional currency, using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 54% (which is based on historical volatility of the Company's share price); risk free interest rate of 0.98%; and an expected life of 0.10 years. As a result, the fair value of the warrants was calculated to be $nil.

10. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The below noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(a) During the year ended December 31, 2013, the Company incurred fees for accounting services rendered of $30,075 (year ended December 31, 2012 - $25,235) charged by a corporation controlled by an officer of the Company and consulting fees of $23,299 (year ended December 31, 2012 - $24,014) charged by this officer. These amounts are included in professional fees in the consolidated statement of loss and comprehensive loss. During the year ended December 31, 2013, the Company incurred fees for corporate secretarial services rendered of $14,562 (year ended December 31, 2012 - $15,009) charged by a corporation of which an officer of the Company is also an officer and shareholder. Included in accounts payable as at December 31, 2013 is $8,081 (December 31, 2012 - $6,251) owing to this corporation and $1,771 (December 31, 2012 - $2,006) owing to a corporation of which this individual is also an officer and shareholder. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

(b) Starting February 23, 2012, the Company paid or accrued a monthly consulting fee of CDN$10,000 to an officer and director of the Company. During the year ended December 31, 2013, consulting fees of $116,496 (year ended December 31, 2012 $102,189) are included in management and consulting fees in the consolidated statement of loss and comprehensive loss. Included in accounts payable as at December 31, 2013 is $73,148 (December 31, 2012 - $115,599) owing to the same officer and director of the Company. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

(c) During the year ended December 31, 2013, the Company incurred fees for geological consulting services rendered of $58,248 (year ended December 31, 2012 - $60,036) charged by a corporation controlled by a former director. These amounts are included in geological consulting fees in the consolidated statement of loss and comprehensive loss. Included in accounts payable as at December 31, 2013 is $nil (December 31, 2012 - $nil) owing to this corporation.

(d) During the year ended December 31, 2013, the Company incurred fees for legal services rendered of $58,248 (year ended December 31, 2012 - $nil) charged by a corporation controlled by a director of the Company. These amounts are included in professional fees in the consolidated statement of loss and comprehensive loss. Included in accounts payable as at December 31, 2013 is $10,843 (December 31, 2012 - $nil) owing to this corporation.

(e) Certain officers and directors, either directly or through a company they control, purchased units in the August 1, 2013 private placement (see note 9(b)(i)):

(i) 2380775 Ontario Limited, a corporation controlled by an officer and director of the Company, purchased 2,000,000 units.
(ii) C. Marrelli Services Limited, a corporation controlled by an officer of the Company, purchased 200,000 units.
(iii) Mani Verma, a director of the Company, purchased 500,000 units.
(iv) Ed Godin, a director of the Company, purchased 100,000 units.
(v) GMS Law Professional Corporation, a corporation controlled by a director of the Company, purchased 1,000,000 units.

(f) During the year ended December 31, 2012, the Company made a demand for payment of $52,693 owing from a former officer for certain obligations and the former officer denied his obligation to pay the amount. There was therefore some doubt as to the Company's ability to collect the receivable and a provision was recorded against the receivable.

(Expressed in US Dollars unless otherwise noted)

10. RELATED PARTY TRANSACTIONS (Continued)

To the knowledge of the directors and senior officers of the Company as at December 31, 2013, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than as set out below:

	Number of common shares	Percentage of outstanding common shares
2380775 Ontario Limited	2,000,000	10 %

As of December 31, 2013, directors and officers of the Company with control of less than 10% of the common shares of the Company collectively controlled 2,009,904 common shares of the Company or approximately 10% of the total common shares outstanding.

None of the Company's major shareholders have different voting rights than other holders of the Company's common shares.

Remuneration of Directors and key management personnel, other than consulting fees described above, of the Company was as follows:

	Year ended December 31, 2013	Year ended December 31, 2012
Share-based compensation	**$ 85,651**	$ -

11. SEGMENTED INFORMATION

The Company has one operating segment, which is the exploration and development of exploration properties in Canada. As at December 31, 2013, geographic segmentation of the Company's assets is as follows: Canada - $359,409 (December 31, 2012 - $295,314), United States - $nil (December 31, 2012 - $91,967).

12. INCOME TAXES

Major items causing the Company's income tax rate to differ from the U.S. federal statutory rate of approximately 34% (2012 - 34%) are as follows:

	Year ended December 31, 2013	Year ended December 31, 2012
Loss before income taxes	**$ (519,579)**	$ (369,425)
Expected income tax benefit based on statutory rate	**(177,000)**	(126,000)
Adjustment resulting from:		
Deferred tax assets not recognized for accounting purposes	**177,000**	126,000
Deferred tax recovery for the year	**$ -**	$ -

As at December 31, 2013, the Company had approximately $13,926,843 (2012 - $12,406,625) of net operating loss carry-forwards in the U.S., which may be used to reduce taxable income in future years which expire starting December 31, 2028. The Company also has exploration expenditures of approximately $4,203,977 (2012 - $4,830,190) which may be used to reduce taxable income in future years. As management of the Company cannot determine if it is probable that the Company will realize the benefit of the net deferred tax asset, no deferred tax asset was recorded at December 31, 2013.

(Expressed in US Dollars unless otherwise noted)

12. INCOME TAXES (Continued)

The total unrecognized deferred tax assets for the years ended December 31, 2013 and 2012 are as follows:

	Year ended December 31, 2013	Year ended December 31, 2012
Non-capital losses	**$ 4,736,000**	$ 4,219,000
Exploration expenditures	**1,429,000**	1,642,000
	$ 6,165,000	$ 5,861,000