NETWORK EXPLORATION LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED MAY 31, 2014

(UNAUDITED)

(Expressed in Canadian Dollars)

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company for the six months ended May 31, 2014 have been prepared by and are the responsibility of the Company's management. The Company's external auditors have not performed a review of these condensed consolidated interim financial statements.

NETWORK EXPLORATION LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)

		May 31 2014		November 30 2013
ASSETS				
Current assets				
Cash	**$**	**89,910**	$	997
GST/HST recoverable		**5,061**		3,946
Prepaid expense and advances		**11,021**		11,021
Total current assets		**105,992**		15,964
Non-current assets				
Deposits (Note 13)		**26,155**		26,155
Exploration and evaluation assets (Note 6)		**1**		1
Total assets	**$**	**132,148**	$	42,120
LIABILITIES				
Current liabilities				
Trade and other payables (Note 8)	**$**	**460,483**	$	423,972
Loans payable (Note 7)		**75,357**		107,310
Total current liabilities		**535,840**		531,282
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 9)		**16,092,000**		15,906,850
Share-based payments reserve		**762,213**		762,213
Deficit		**(17,257,905)**		(17,158,225)
Total shareholders' deficiency		**(403,692)**		(489,162)
Total liabilities and shareholders' deficiency	**$**	**132,148**	$	42,120

Approved and authorized for issue on behalf of the Board of Directors on July 30, 2014:

"Alexander Helmel"	"Bob Friesen"
Director	Director

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

NETWORK EXPLORATION LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	May 31 2014	May 31 2013	May 31 2014	May 31 2013
Expenses				
Consulting and management	$ 25,000	$ 15,000	$ 41,500	$ 30,000
Office facilities and services	10,312	3,341	17,695	11,376
Professional fees	16,623	18,609	16,623	23,609
Transfer and listing fees	16,597	3,841	17,745	10,345
Interest	2,895	-	6,117	-
Net loss and comprehensive loss for the period	$ (71,427)	$ (40,791)	(99,680)	(75,330)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	(0.02)	(0.01)
Weighted average number of common shares outstanding	6,605,212	5,262,366	5,937,499	5,262,366

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

NETWORK EXPLORATION LTD.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIENCY) EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	Class A Common Shares	Class B Common Shares	Class A Common Shares	Class B Common Shares				
	Number	Number	Amount	Amount	Share Subscriptions	Share-based Payments reserve	Deficit	Total Shareholders' (Deficiency) Equity
Balance, December 1, 2013	5,262,366	32	$ 15,871,994	$ 34,856	$ -	$ 762,213	$ (17,158,225)	$ (489,162)
Shares issued for private placement	3,703,000	-	185,150	-	-	-	-	185,150
Net loss for the period	-	-	-	-	-	-	(99,680)	(99,680)
Balance, May 31, 2014	**8,965,366**	**32**	**$ 16,057,144**	**$ 34,856**	**$ -**	**$ 762,213**	**$ (17,257,905)**	**$ (403,692)**
Balance, December 1, 2012	5,262,366	322	$ 15,871,994	$ 34,856	$ -	$ 762,213	$ (16,116,815)	$ 552,248
Net loss for the period	-	-	-	-	-	-	(75,330)	(75,330)
Balance, May 31, 2013	5,262,366	322	$ 15,871,994	$ 34,856	$ -	$ 762,213	$ (16,192,145)	$ 476,918

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

NETWORK EXPLORATION LTD.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

		Six months ended	
		May 31 2014	May 31 2013
Operating activities			
Net loss for the period	**$**	**(99,680)**	(75,330)
Items not involving the use of cash:			
Exploration and evaluation assets written off			
Changes in working capital items:			
GST/HST recoverable		**(1,115)**	5,604
Prepaid expense and advances		**-**	267
Interest from Loans payable		**6,117**	-
Trade and other payables		**36,511**	49,298
Cash used in operating activities		**(58,167)**	(20,161)
Financing activities			
Loan payable (repaid) proceeds received		**(38,070)**	20,160
Deposit and Advances		-	(264)
Proceeds on issuance of shares, net of issue costs		**185,150**	-
Cash provided by financing activities		**147,080**	19,896
Increase (Decrease) in cash and cash equivalents		**88,913**	(265)
Cash and cash equivalents, beginning of period		**997**	8,045
Cash and cash equivalents, end of period	**$**	**89,910**	7,780

Supplementary Cash Flow Information (Note 14)

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

1. CORPORATE INFORMATION AND GOING CONCERN

Network Exploration Ltd. (the "Company") was incorporated on September 2, 1983 under the laws of British Columbia. The Company's principal business activity is the exploration and evaluation of minerals in its mineral properties.

The address of the Company's head office and principal place of business is 830 – 1100 Melville Street, Vancouver, British Columbia, Canada, V6E 4A6, and the registered and records office is located at 1500 – 1005 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

These consolidated financial statements have been prepared by management on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. During the period ended May 31, 2014, the Company incurred a net loss of $99,680 (2013 - $75,330) and as at May 31, 2014, has an accumulated deficit of $17,257,905 (2013 - $16,192,145).

The Company's ability to continue as a going concern, to fund mineral property acquisition and exploration commitments and to ensure adequate working capital is dependent upon achieving profitable operations or upon obtaining sufficient additional financing. These factors may cast significant doubt on the Company's ability to continue as a going concern. While the Company is expending its best efforts in this regard, the outcome of these matters cannot be predicted at this time.

These consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS"), *Interim Financial Reporting* ("IAS 34"). The accounting policies adopted in these interim financial statements are consistent with the accounting policies adopted in the Company's consolidated financial statements for the years ended November 30, 2013 and 2012, and as such, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the years ended November 30, 2013 and 2012.

2. STATEMENT OF COMPLIANCE (Continued)

The preparation of unaudited condensed consolidated interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates and the exercise of management's judgment in applying the Company's accounting policies. Areas involving a high degree of judgment or complexity and areas where assumptions and estimates are significant to the Company's unaudited condensed consolidated interim financial statements are discussed in Note 3.

The Company's unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The comparative figures presented in these unaudited condensed consolidated interim financial statements are in accordance with IFRS. Certain comparative figures may have been reclassified to conform to the current period's presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis using the accrual basis of accounting, except for cash flow information and as otherwise specified, as set out in the accounting policies below.

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Network Exploration Chile Limitada, incorporated in Chile (inactive); NETEXP SAC and Netpicha SAC, incorporated in Peru. All material inter-company balances and transactions have been eliminated on consolidation.

b) Foreign Currency Translation

The functional currency of the parent and its subsidiary companies is the Canadian dollar, being the currency of the primary economic environment of the parent entity. The functional currency is also the presentation currency.

Transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. The Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for depreciation which is translated at historical rates. The resulting gains or losses are reflected in profit or loss in the period of translation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Foreign Currency Translation (Continued)

At the entity level, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate in effect at the financial position date and non-monetary assets and liabilities are translated at the exchange rates in effect at the date of the transaction. Income and expenses are translated at rates approximating the exchange rates in effect at the time of the transactions. All exchange gains and losses are credited or charged to profit or loss in the period in which they arise.

c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, short-term, highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

d) Exploration and Evaluation Assets

Pre-exploration costs are expensed as incurred.

Once a license to explore an area has been acquired or an option agreement is signed and binding, exploration and evaluation costs, including the costs of acquiring claims, are capitalized as exploration and evaluation assets on an area of interest basis pending determination of the technical feasibility and the commercial viability of the project. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a claim is relinquished or a project is abandoned, the related costs are recognized in profit or loss at that time.

Exploration and evaluation assets are classified as tangible or intangible, depending on the nature of the expenditure. Capitalized exploration and evaluation costs that are tangible are classified as property and equipment.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial Instruments

The Company's financial instruments consist of cash, trade and other payables, and loans payable. Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "loans and receivable", "available-for-sale", "held-to-maturity", or "other financial liabilities measured at amortized cost" as defined by *IAS 39, Financial Instruments - Recognition and Measurement.*

Cash and deposits are designated as fair value through profit or loss and are carried at fair value with gains or losses recognized in profit or loss.

Trade and other payables, and loans payable are designated as other financial liabilities.

The Company has no derivative financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

i) Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

ii) Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly, such as quoted prices for similar assets or liabilities in active markets, or indirectly, such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

iii) Level 3 - Applies to assets or liabilities for which there are unobservable market data.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Impairment

Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. A financial asset or group of financial assets is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Non-financial Assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount and upon reclassification of these costs to assets under development. Facts and circumstances giving rise to an impairment of exploration and evaluation assets include:

- The right to explore has, or will in the near future, expired and renewal is not expected;
- Further exploration and evaluation expenditure is not budgeted or planned;
- Activities have been discontinued due to lack of discovery; and
- Development is likely, but the recorded amount of exploration and evaluation asset is unlikely to be recovered in full.

For purposes of impairment testing, exploration and evaluation costs are allocated to cash-generating units ("CGU") based on their ability to generate largely independent cash flows. If indicators of impairment exist, the recorded cost of an asset or CGU is written down to the recoverable amount. The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Provision for Decommissioning Liabilities

A provision for decommissioning liabilities including a legal or constructive obligation to incur restoration, rehabilitation and environmental costs is recognized based on statutory, contractual or constructive obligations resulting from the acquisition, exploration and development of mineral properties. The net present value of the future decommissioning liabilities is capitalized to the related asset with a corresponding increase in the provision for decommissioning liabilities. The net present value is calculated using a pre-tax rate that reflects the time-value of money and the risks specific to the liability. The unwinding of the discount is classified as a finance cost in profit or loss.

As at May 31, 2014 and 2013, the Company had no provisions for decommissioning liabilities.

h) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects.

i) Share-based Payments

The Company has a stock option plan under which it grants stock options to directors, employees and consultants.

Share-based payments are recorded as expenses for all options granted to employees, or to those providing similar services, at the fair value of the equity instruments over the vesting period, with a corresponding increase in share-based payments reserve. Each transfer in an award is considered separately with its own vesting date and grant date fair value. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. For awards with vesting conditions, a forfeiture rate is recognized at the grant date and is adjusted to reflect the number of awards expected to vest. As the options are exercised, the consideration paid, together with the amount previously recognized in share-based payments reserve, is recorded as an increase in share capital.

For equity-settled stock-based payments to non-employees, the Company measures the value of the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

The Company has no cash-settled share-based payment transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

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

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences, and the carry forward of non-capital losses, can be utilized.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. 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, and they relate to income taxes levied by the same taxation 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.

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.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered and/or the carrying value of temporary differences exceed their tax basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Loss per Share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings/loss per share reflect the potential dilution of outstanding stock options and warrants that could share in the earnings of the Company. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

4. ADOPTION OF NEW ACCOUNTING POLICIES

Certain new accounting standards, amendments to standards and interpretations have been issued by the IASB or IFRIC, effective for annual periods beginning on or after January 1, 2013. These standards have been adopted this period and assessed to not have a significant impact on the Company's financial statements:

New standards adopted during the period

Amendments to IFRS 7 Financial Instruments: Disclosures

Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) amends the disclosure requirements to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.

The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for financial statements and SIC 12 Consolidation - Special Purpose Entities. IFRS 10 establishes principles for the presentation and preparation of financial statements when an entity controls one or more entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present financial statements; (ii) defines the principle of control and establishes control as a basis for consolidation; (iii) sets out how to apply the principle of control whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of financial statements.

4. ADOPTION OF NEW ACCOUNTING POLICIES (Continued)

New standards adopted during the period (Continued)

IFRS 10 may be adopted to an earlier accounting period, but in doing so, an entity must disclose the fact that it has early-adopted the standard and apply IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (as amended in 2012) and IAS 28 Investments in Associates and Joint Ventures (as amended in 2012).

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:

- A **joint operation** is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognize their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly).

- A **joint venture** is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 combines the disclosure requirements for an entity's interest in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard. This standard requires the disclosure of information that enable users of financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows.

4. ADOPTION OF NEW ACCOUNTING POLICIES (Continued)

New standards adopted during the period (Continued)

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on how to measure fair value, but does not change when fair value is required or permitted under IFRS. IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value that are not fair value, such as net realizable value in IAS 2 Inventories; or value in use in IAS 36 Impairment of Assets.

IAS 27 Separate Financial Statements

IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly controlled entities and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 prescribes the accounting for investments in associates and to set the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

New standard not yet adopted applicable to annual periods beginning on or after December 1, 2014

Amendments to IAS 32 Financial Instruments: Presentation

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) amends to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- The meaning of “currently has a legally enforceable right of set-off”;
- The application of simultaneous realization and settlement;
- The offsetting of collateral amounts;
- The unit of account for applying the offsetting requirements.

4. ADOPTION OF NEW ACCOUNTING POLICIES (Continued)

New standard not yet adopted applicable to annual periods beginning on or after December 1, 2015

IFRS 9 Financial Instruments (2009)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances);
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss;
- All other instruments (including all derivatives) are measured at fair value with changes recognized in profit or loss;
- The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

This standard is only applicable if it is optionally adopted for annual periods beginning before August 1, 2015. For annual periods beginning on or after August 1, 2015, the Company must adopt IFRS 9 (2011).

IFRS 9 Financial Instruments (2011)

This is a revised version incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

This standard applies to annual periods beginning on or after August 1, 2015 and supersedes IFRS 9 (2009). However, for annual reporting periods beginning before August 1, 2015, the Company may early-adopt IFRS 9 (2009) instead of applying this standard.

5. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

When preparing the consolidated financial statements in conformity with IFRS, management undertakes a number of judgments, estimates and assumptions about the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management.

Significant areas of estimation uncertainty considered by management in preparing the financial statements are as follows:

The amounts disclosed related to fair values of stock options and warrants issued and the resultant effects on profit or loss are based on estimates of future volatility of the Company's share price, expected lives of the options and expected dividends.

The valuation of deferred income tax assets is based on estimates of the probability of the Company utilizing certain tax pools and assets and on the impact of future changes in legislation, tax rates and interpretations by taxation authorities.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

6. EXPLORATION AND EVALUATION ASSETS

	Pistala Peru	Picha Peru	Total
Acquisition costs			
Balance, December 1, 2012	$ -	$ 380,130	$ 380,130
Write-off		(380,130)	(380,130)
Balance, November 30, 2013	-	-	-
Exploration expenditures			
Balance, December 1, 2012	191,822	228,347	420,169
Drilling and permit costs	-	40,000	40,000
Staking and claim fees	-	26,933	26,933
Write-off	(191,821)	(295,280)	(487,101)
Balance, November 30, 2013	1	-	1
Exploration and evaluation assets Balance, November 30, 2013	**$ 1**	**$ -**	**$ 1**
Exploration and evaluation assets Balance, May 31, 2014	**$ 1**	**$ -**	**$ 1**

a) Pistala, Peru

In February 2007, by way of a third party agreement, the Company staked the 1,600 hectare Pistala property in Southern Peru; and in July 2008, the Company staked an additional 1,300 hectares. The Company entered into a participation agreement with NETEXP.SAC Peru whereby Network Exploration Ltd. is entitled to 95% of the rights and benefits derived from the property. The Company still has title to the Pistala project; however, during the year ended November 30, 2013, the Company wrote off $191,821 in accumulated exploration expenditures, as management has decided not to incur further expenditures at the present time.

b) Picha, Peru

On December 6, 2011, and as amended on December 5, 2012, the Company entered into an option agreement with Lara Exploration Ltd. (“Lara”) to acquire a working interest in the Picha Property in Peru, in which Lara is the operator of the Property. Under the terms of the agreement, as amended, the Company may earn an initial 55% undivided working interest in the Property by paying to Lara an aggregate of US$200,000 with US$50,000 payable upon execution (paid), US$50,000 on regulatory approval (paid) and US$100,000 on June 6, 2013. In addition, on December 7, 2011, the Company issued to Lara 3,500,000 units, with each unit consisting of one Class A common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles Lara to purchase one Class A common share of the Company at a price of $0.10 per share until December 7, 2013. The Company has also agreed to fund aggregate expenditures of US$3,000,000 on the Property, with US$500,000 fundable on or before June 6, 2013, an additional US$1,000,000 fundable on or before December 7, 2013 and an additional US$1,500,000 fundable on or before December 7, 2014. Upon the completion of the above payments, issuances and funding, the Company will hold a 55% undivided working interest in the Property.

6. EXPLORATION AND EVALUATION ASSETS (Continued)

b) Picha, Peru (Continued)

The Company may earn an additional 20% undivided working interest (for a total undivided interest of 75%) in the Property by paying to Lara US$1,000,000 within 30 days of electing to exercise this additional option (the "Election Date") and funding aggregate expenditures of US$5,000,000, with US$1,000,000 fundable on or before the date that is one year following the Election Date, an additional US$1,500,000 fundable on or before the date that is two years following the Election Date and an additional US$2,500,000 fundable on or before the date that is three years from the Election Date. Upon completion of the above payments and funding, the Company will hold a 75% undivided working interest in the Property.

The Company did not amend the agreement beyond the December 7, 2013 date and has decided that it is not in the Company's interest to incur further expenditures on this project; accordingly, during the year ended November 30, 2013, the Company wrote off $675,410 in accumulated exploration expenditures.

7. LOANS PAYABLE

As at May 31, 2014, $66,253 (2013 - $71,232) were due to a company controlled by a director and $9,104 (2013 Nil) were due to a third party. Loans payable are unsecured and are payable on demand. Effective June 1, 2013, all loans payable began bearing interest at a rate of 1% per month.

During the six months ended May 31, 2014:

• the Company recorded $6,117 (2013 – $Nil) in interest expense that is included in the loans payable balance.
• the Company received $11,930 in loans and repaid $50,000 in loans.

8. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and measured at the amounts established and agreed to by the related parties.

Key Management Compensation

	SIX MONTH PERIOD ENDED MAY 31	
	2014	2013
Consulting and management fees	**$ 30,000**	$ 15,000

8. RELATED PARTY TRANSACTIONS (Continued)

Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel. Included in the figure above are the annual directors' fees for two non-executive directors that total $10,000.

Other Related Party Transactions

In addition to those related party transactions disclosed elsewhere in the financial statements, the Company incurred the following transactions:

As at May 31, 2014, trade and other payables include $92,282 (2013 - $76,432) due to related parties. Amounts due to related parties are interest free, unsecured, and have no specified terms of repayment.

The Company shares office space with other companies. During the period ended May 31, 2014, the Company paid $57,678 (2013 - $57,678) in total rent, of which $3,500 (2013 - $30,000) was recovered from companies with a common director and $33,350 (2013 - $7,378) was recovered from other companies.

At May 31, 2014, $66,253 (2013 - $71,232) in loans payable were due to a company controlled by a director.

9. SHARE CAPITAL

a) Authorized

Unlimited number of Class A common shares without par value
Unlimited number of Class B non-voting convertible common shares without par value, convertible to Class A common shares on a 1 for 1 basis.

b) Issued

On April 2, 2014, the Company consolidated its common shares (the "Shares") on the basis of one (1) post-consolidated common share for every ten (10) pre-consolidated Shares held (the "Consolidation"). The new CUSIP number is 64124B300 and the new ISIN number is CA64124B3002. The Consolidation was approved by shareholders of the Company at the Company's Annual and Special Meeting held on August 20, 2013 (the "Meeting"). The Company had 5,262,398 Shares issued and outstanding following the Consolidation. All references to the number of common shares and per common share amounts have been retroactively restated to reflect this common share consolidation.

9. SHARE CAPITAL (Continued)

On May 28, 2014, the Company completed a private placement and issued 3,703,000 units at a price of $0.05 per unit for gross proceeds of $185,150. Each unit consists of one Class A common share and one quarter share purchase warrant. Each warrant entitles the holder to purchase one Class A common share at a price of $0.10 up to May 27, 2014. The Company paid no finder's fees.

c) Stock Options

The Company has a fixed stock option plan, which follows the policies of the TSX Venture Exchange ("TSXV") regarding stock option awards granted to employees, directors and consultants. According to the plan, the Company may grant incentive stock options up to a total of 10% of the Company's issued and outstanding common shares issued.

A summary of the changes in stock options is presented below:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, November 30, 2012	112,083	$ 2.20
Expired	(42,083)	6.00
Balance, November 30, 2013	70,000	$ 1.89
Balance, May 31, 2014	**70,000**	**$ 1.89**

As at May 31, 2014, the following stock options to purchase Class A common shares were outstanding:

EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING YEARS	OPTIONS EXERCISABLE
$ 6.00	12,500	0.14	12,500
$ 1.00	57,500	1.08	57,500
	70,000		70,000

The Company did not grant any stock options during the periods ended May 31, 2014 and 2013.

9. SHARE CAPITAL (Continued)

d) Warrants

A summary of the changes in warrants is presented below:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, November 30, 2013 and 2012	1,344,550	$ 1.00
Expired December 2013	(1,345,550)	1.00
Issued May 28, 2014	925,750	0.10
Balance, May 31, 2014	**925,750**	**0.10**

As at May 31, 2014, the Company had the following warrants to purchase Class A common shares of the Company outstanding:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
925,750	$0.10	May 27, 2014

10. FAIR VALUES AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, trade and other payables, and loans payable. Cash is measured at fair value based on Level 1 input of the fair value hierarchy. The fair value of trade and other payables and loans payable approximate their carrying values.

The Company is exposed to financial risks arising from its financial assets and liabilities. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are:

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to minimal credit risk. The credit risk on cash is low because the counterparties are highly rated banks.

10. FAIR VALUES AND RISK MANAGEMENT (Continued)

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is exposed to minimal interest rate risk as the Company invests cash at floating rates of interest in highly liquid instruments, when applicable.

c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's trade and other payables and loans payable are all current. The Company ensures that it has sufficient capital to meet short term financial obligations after taking into account its cash on hand.

d) Foreign Currency Risk

While the parent company is a Canadian company and all capital is raised in Canadian dollars; the Company conducts business in Peru, whose currency is the Peruvian new sol. The Company is subject to risk due to fluctuations in the relative exchange rates of the Canadian dollar, United States dollar and the Peruvian sol. The Company does not manage currency risk through hedging. As at May 31, 2014, the Company is exposed to currency risk through its accounts payable denominated in US dollars in the amount of $159,028 (2013 - $112,000). Based on the above net exposures and assuming that all other variables remain constant, a 1% change in the value of the US dollar against the Canadian dollar would result in an increase or decrease of $1,600 (2013 - $1,100) in income/loss from operations.

11. CAPITAL MANAGEMENT

The Company is in the business of mineral exploration in Canada and South America. Management determines the Company's capital structure and makes adjustments to it based on funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors has not established quantitative return on capital criteria for capital management but rather relies upon the expertise of the management team to sustain the future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; and the Company does not generate any revenue, and accordingly, the Company is dependent upon external financing to fund both its exploration programs and its administrative costs. The Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties, if management feels there is sufficient geologic or economic potential, provided it has adequate financial resources to do so.

11. CAPITAL MANAGEMENT

Management reviews its capital management approach on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable. There have been no changes in the Company's approach to capital management in the period ended May 31, 2014.

The Company is not subject to externally imposed capital requirements.

12. SEGMENTED INFORMATION

The Company's mineral resource interests are located in Canada and South America. All of the Company's mineral resource interests are in the exploration and evaluation stage, and accordingly, have no reportable segment revenues or operating results.

Segmented identifiable assets and net loss by geographical location are as follows:

	May 31, 2013		
	CANADA	**SOUTH AMERICA**	**TOTAL**
Current assets	**$ 94,157**	**11,835**	**105,992**
Deposit	**26,155**	**-**	**26,155**
Exploration and evaluation assets	**-**	**1**	**1**
Total assets	**$ 120,312**	**11,836**	**132,148**

	November 30, 2013		
	CANADA	SOUTH AMERICA	TOTAL
Current assets	$ 4,129	$ 11,835	$ 15,964
Deposit	26,155	-	26,155
Exploration and evaluation assets	-	1	1
Total assets	$ 30,284	$ 11,836	$ 42,120

13. COMMITMENT

Office Lease

The Company has an office lease agreement expiring June 30, 2016 and is committed to total monthly basic rental payments of $6,030 from July 1, 2011 to June 30, 2014, and $6,478 from July 1, 2014 to June 30, 2016, of which a portion is recoverable from companies with a common director and other companies for sharing office space. Pursuant to the lease agreement, the Company paid $31,738 in security deposits, of which $18,090 will be applied against the monthly basic rental payments in June 2013, 2014 and 2015, with the remainder of the amount refundable to the Company at the end of the lease. As of May 31, 2014, the Company has recovered $5,583 (2013 - $Nil) of the security deposits.

14. SUPPLEMENTARY CASH FLOW INFORMATION

		2013		2012
Supplementary cash flow information				
Interest paid	**$**	**-**	$	-
Taxes paid	**$**	**-**	$	-
Investing activities				
Shares issued for property	**$**	**-**	$	245,000
Shares issued for property finder's fee	**$**	**-**	$	17,500
Financing activities				
Brokers' warrants issued for share issue costs	**$**	**-**	$	27,062

15. SUBSEQUENT EVENT

Subsequent to May 31, 2014, the Company entered into agreements with certain of its creditors pursuant to which it has agreed to settle debt in an aggregate amount of approximately $439,236 in exchange for the issuance of an aggregate of approximately 8,784,720 post-consolidated common shares and 2,196,180 post-consolidated share purchase warrants. Each whole warrant will be exercisable into one common share at a price of $0.10 per share for two years from the date of issuance. The debt settlement will be based at a deemed price of $0.05 per share on a post-consolidated basis. The debt settlement agreements are subject to TSXV approval.