Precipitate Gold Corp.

(An Exploration Stage Company)

Consolidated Financial Statements

For the Years Ended November 30, 2013 and 2012

Expressed in Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Precipitate Gold Corp.

We have audited the accompanying consolidated financial statements of Precipitate Gold Corp., which comprise the consolidated statement of financial position as at November 30, 2013, and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Precipitate Gold Corp. as at November 30, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Precipitate Gold Corp.'s ability to continue as a going concern.

Other Matters

The consolidated financial statements of Precipitate Gold Corp. for the year ended November 30, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on March 28, 2013.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

February 13, 2014

Precipitate Gold Corp.
(An Exploration Stage Company)

Consolidated Statements of Financial Position

In Canadian Dollars

ASSETS		November 30, 2013		November 30, 2012
Current				
Cash and cash equivalents	$	789,524	$	1,349,460
Amounts receivable		17,815		61,864
Tax credit receivable (Note 4)		28,014		28,639
Prepaid expenses		15,731		120,058
		851,084		1,560,021
Mineral Property Interests (Note 4)		2,625,114		2,719,176
	$	3,476,198	$	4,279,197
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 8)	$	51,985	$	59,514
SHAREHOLDERS' EQUITY				
Share Capital (Note 5)		6,418,533		6,096,455
Reserves (Note 5)		967,702		578,670
Deficit		(3,962,022)		(2,455,442)
		3,424,213		4,219,683
	$	3,476,198	$	4,279,197

Nature of Operations and Going Concern *(Note 1)*

Approved by the Board of Directors:

"Jeffrey Wilson"	*"Darryl Cardey"*
Jeffrey Wilson, Director	Darryl Cardey, Director

\- See Accompanying Notes -

Precipitate Gold Corp.
(An Exploration Stage Company)
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended November 30, 2013 and 2012
In Canadian Dollars

	2013	2012
Expenses		
Audit and accounting (Note 8)	$ 67,066	$ 53,730
Consulting fees (Note 8)	7,762	15,031
Directors fees (Note 8)	48,000	24,000
Exploration and evaluation (Note 4(g))	403,343	570,799
Foreign exchange loss	3,804	546
Insurance	15,527	10,051
Investor relations	144,830	57,013
Legal	36,292	4,658
Marketing, conferences and shareholder relations	72,915	102,775
Office and administrative (Note 8)	70,124	85,586
Property investigation costs (Note 8)	65,914	171,173
Rent	43,392	42,437
Salaries and wages (Note 8)	208,212	216,132
Share-based compensation (Note 5(e))	207,032	485,156
Transfer agent and filing fees	24,505	19,196
Total Expenses	(1,418,718)	(1,858,283)
Interest income	12,136	12,199
Other income (Note 5(c))	-	24,000
Write-off of mineral property interests (Note 4(f))	(99,998)	-
Loss and comprehensive loss for the year	$ (1,506,580)	$ (1,822,084)
Loss per share, basic and diluted	$ (0.06)	$ (0.09)
Weighted average shares outstanding	27,285,591	19,920,660

– See Accompanying Notes –

Precipitate Gold Corp.
(An Exploration Stage Company)

Consolidated Statements of Cash Flows
For the Years Ended November 30, 2013 and 2012
In Canadian Dollars

Cash Provided By (Used In):	**2013**	**2012**
Operating activities:		
Loss for the year	$ (1,506,580)	$ (1,822,084)
Items not affecting cash:		
Other income	-	(24,000)
Share-based compensation	207,032	485,156
Write-off of mineral property interests	99,998	-
Change in non-cash working capital:		
Accounts receivable	44,049	17,129
Tax credit receivable	625	(3,785)
Prepaid expenses	104,327	(106,799)
Accounts payable and accrued liabilities	(7,529)	(32,666)
	(1,058,078)	(1,487,049)
Investing activities:		
Mineral property acquisition costs (Note 4(f))	(136)	(336,553)
Financing activities:		
Proceeds from issuance of shares (Note 5)	500,000	3,055,200
Share issue costs paid	(1,722)	(372,762)
Cash received from exercise of warrants (Note 5)	-	7,500
	498,278	2,689,938
Net change in cash and cash equivalents	(559,936)	866,336
Cash and cash equivalents - beginning of year	1,349,460	483,124
Cash and cash equivalents - end of year	$ 789,524	$ 1,349,460
Supplemental non-cash financing information:		
Mineral property acquisition costs paid with common shares	$ 5,800	$ 2,027,531
Fair value of agent options included in share capital	$ -	$ 93,514

- See Accompanying Notes -

Precipitate Gold Corp.
(An Exploration Stage Company)
Consolidated Statements of Changes in Equity
For the Years Ended November 30, 2013 and 2012
In Canadian Dollars

	Share Capital		Reserves			
	Shares	Amount $	Warrants $	Options $	Deficit $	Total $
Balance, November 30, 2011	11,902,000	1,470,250	2,250	-	(633,358)	839,142
Comprehensive loss	-	-	-	-	(1,822,084)	(1,822,084)
Exercise of warrants (Note 5b)(i))	150,000	9,750	(2,250)	-	-	7,500
Private placements (Note 5b)(ii) & (iii))	2,850,666	855,200	-	-	-	855,200
IPO shares (Note 5b)(iv))	5,500,000	2,200,000	-	-	-	2,200,000
IPO share issuance costs (Note 5b)(iv))	-	(372,762)	-	-	-	(372,762)
Fair value of Agent's options (Note 5b)(iv))	-	(93,514)	-	93,514	-	-
Common shares issued for mineral property (Note 5b)(v))	5,068,827	2,027,531	-	-	-	2,027,531
Share-based compensation (Note 5e))	-	-	-	485,156	-	485,156
Balance, November 30, 2012	25,471,493	6,096,455	-	578,670	(2,455,442)	4,219,683
Comprehensive loss	-	-	-	-	(1,506,580)	(1,506,580)
Private placement (Note 5b)(vi))	3,333,332	500,000	-	-	-	500,000
Fair value of warrants (Note 5b)(vi))		(182,000)	182,000	-	-	-
Share issue costs (Note b)(vi))	-	(1,722)	-	-	-	(1,722)
Common shares issued for mineral property (Note 5b)(vii))	58,000	5,800	-	-	-	5,800
Share-based compensation (Note 5e))	-	-	-	207,032	-	207,032
Balance, November 30, 2013	28,862,825	6,418,533	182,000	785,702	(3,962,022)	3,424,213

– See Accompanying Notes –

1. Nature of Operations and Going Concern

Precipitate Gold Corp. (the "Company") was incorporated on January 31, 2011, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada and the Dominican Republic. The head office, principal address, and records office of the Company are located at 789 West Pender Street, Suite 800, Vancouver, British Columbia, V6C 1H2, Canada.

The recoverability of amounts shown as mineral properties is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these financial statements.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At November 30, 2013, the Company had not achieved profitable operations, had an accumulated deficit of $3,962,022 since inception and expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

2. Basis of Presentation

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale and financial assets at fair value through profit and loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting. Certain comparative information has been reclassified to conform with current year presentation.

The accounting policies set out in Note 3 have been applied consistently by the Company during the years presented.

2. Basis of Presentation - *Continued*

b) Approval of the Financial Statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 13, 2014.

c) Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its two wholly-owned subsidiaries: 1) 0945044 BC Ltd., incorporated in British Columbia, Canada, which owns 100% of Corporacion Minera San Juan, S.R.L. located in the Dominican Republic and 2) Minera Pendiente S.A. de C.V., incorporated and located in Mexico.

d) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in Canadian dollars, which is the Company’s presentation and functional currency. Subsidiaries whose functional currency differ from that of the parent company (“foreign operations”) are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the date of the statement of financial position, and income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences. The functional currencies of the Company’s subsidiaries do not differ from that of the parent company.

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

3. Significant Accounting Policies

a) Cash and Cash Equivalents

Cash and cash equivalents consist of amounts held in banks and redeemable fixed term deposits.

b) Mineral Properties

i) Exploration and Evaluation

Property option payments, common shares issued, and other costs associated with acquiring the legal rights to explore a specific resource property are capitalized as mineral property interests and classified as intangible exploration and evaluation assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred during the period. Exploration and evaluation expenditures include costs of assaying, community development, consumables and supplies, drilling, geological consulting, scoping and feasibility study, site administration and other costs to maintain legal rights to explore an area.

ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property acquisition and development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development costs are net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

Mineral property interests are derecognized upon disposal or when no future economic benefits are expected. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

iii) Impairment

The carrying value of all categories of mineral property are reviewed at least annually by management for indicators that the recoverable amount may be less than the carrying value. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

3. Significant Accounting Policies – *Continued*

b) Mineral Properties – *Continued*

iii) Impairment – *Continued*

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, 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.

Fair value less costs to sell is the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to risks uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

c) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense.

3. Significant Accounting Policies – *Continued*

d) Site Closure and Reclamation Provision

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated on a basis consistent with depreciation, depletion, and amortization of the underlying assets.

e) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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 temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. 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 at the reporting date.

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

3. Significant Accounting Policies – *Continued*

f) Share Capital

i) The proceeds from the exercise of stock options, common share purchase warrants and purchase of common shares are recorded as share capital in the amount for which the option, warrant or share enabled the holder to purchase a common share in the Company.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair value of these common shares.

iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis using relative fair values of common shares and warrants. The fair value of common share purchase warrants is determined using the Black-Scholes option pricing model.

(iv) The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company separates the flow-through common share into i) a flow-through common share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. When the resource property expenditures are incurred, the Company derecognizes the liability and recognizes a deferred tax recovery.

All costs related to issuances of share capital are charged against the proceeds received from the related share capital.

g) Loss per Share

Basic loss per share is calculated using the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Diluted and basic loss per share are the same because the effects of potential issuances of common shares under stock options and warrants would be anti-dilutive.

h) Comprehensive Income

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources, and comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position.

3. Significant Accounting Policies – *Continued*

i) Share-based Payments

From time to time, the Company grants stock options to directors, officers, employees and non-employees to purchase common shares. The Company accounts for share-based payments, including stock options, at their fair value on the grant date and recognizes the cost as a compensation expense over the period that the employees become entitled to the award. The fair value of the stock options on the grant date is determined using the Black-Scholes pricing model for stock option awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in shareholders' equity for these costs.

j) Financial Instruments

The Company accounts for its financial instruments as follows:

Cash and cash equivalents and amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than twelve months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

3. Significant Accounting Policies – *Continued*

j) Financial Instruments – *Continued*

Financial Assets at Fair Value Through Profit or Loss

An instrument is classified at fair value through profit or loss if it is held for trading. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not designated any financial assets as fair value through profit or loss.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has not designated any financial assets as available-for-sale.

Financial Liabilities

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified at fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit and loss are expensed as incurred.

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets at fair value through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

3. Significant Accounting Policies – *Continued*

j) Financial Instruments – *Continued*

Impairment of Financial Assets – Continued

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

k) Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

l) Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

3. Significant Accounting Policies – *Continued*

l) Critical Accounting Judgments and Estimates – *Continued*

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used include, among others, the amounts recorded for the recoverability and impairment of mineral properties and valuation of share-based payments.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Information about critical judgments in applying accounting policies that have the most significant effect of amounts recognized in the consolidated financial statements is included in the following notes:

Note 1 – going concern assessment
Note 4 – impairment of exploration and evaluation assets

m) Recent Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not yet early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements. These standards will be adopted in the Company's financial statements for the period beginning December 1, 2013.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12") sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 1 and, replaces the disclosure requirements currently found in IAS 28 *Investments in Associates* ("IAS 28"). The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

3. Significant Accounting Policies – *Continued*

m) Recent Accounting Pronouncements – *Continued*

IFRS 13 *Fair Value Measurement* ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

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 will 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. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

4. Mineral Properties

a) Reef Property

The Company's principal property, also referred to as the "Reef Property" (the "Principal Property"), is located in the Yukon Territory. The Reef Property is comprised of the following mineral quartz claims:

i) The Reef I-48 claims, which forms part of the Fireside Properties (Note 4a(i));
ii) All of the Jay East Property (Note 4a(ii)); and
iii) The Bloom I-262 claims (staked by the Company).

(i) Fireside Properties

On April 23, 2013, the Company revised the April 14, 2011 Fireside Agreement with Strategic Metals Ltd ("Strategic"). In the revised agreement, the Company and Strategic agreed to the following terms:

- The Company has fully exercised its option and completed the acquisition of a 100% interest in the Reef, Papua, and Borneo properties in southeast Yukon, subject to a 2% net smelter return ("NSR") to Strategic;
- The Company has terminated the option on 14 remaining Fireside properties, with Strategic retaining its 100% interest in those claims; and
- No further payments or expenditures are required by the Company.

4. Mineral Properties – *Continued*

a) Reef Property – *Continued*

(i) Fireside Properties – *Continued*

Staking costs of $71,960 relating to the 14 Fireside properties whose options were terminated were written off during the year ended November 30, 2013.

(ii) Jay East Property

On August 10, 2013, the Company completed a purchase agreement with Bearing Resources Ltd. ("Bearing") whereby the Company agreed to acquire from Bearing a 100% interest in the Jay East mining claims in the Yukon Territory. In exchange for the 100% interest in the property, Precipitate granted Bearing a 2.0% NSR on the claims, of which one-half of the NSR can be purchased at any time for $1.0 million. The purchase agreement replaces the July 29, 2011 Jay East Option Agreement whereby the Company had the right to acquire up to 70% of the property.

b) Other Properties in Yukon Territory

The Company acquired the Bright and Lombok properties, located in Yukon Territory, through staking. During the year ended November 30, 2013, the claims making up the Lombok property had expired and therefore the staking costs of $27,300 relating to the Lombok property were written off.

c) Other Properties in British Columbia

The Company acquired the Ba, Gemini, and Horneline properties, located in the British Columbia, through staking. During the year ended November 30, 2013, the claims making up the Ba property had expired and therefore the staking costs of $738 relating to the Ba property were written off.

d) Properties in the Dominican Republic

On November 9, 2012, the Company acquired 100% ownership of the shares of 0945044 BC Ltd., a private BC registered company (“BC Corp.”) which owns a 100% interest in the application for the Juan de Hererra, Higos Blancos and Hato Neuvo gold exploration concessions (“Dominican Republic properties”) in the Dominican Republic through Corporacion Minera San Juan, S.R.L. (“CMSJ”), its wholly-owned subsidiary. The agreement was amended on October 9, 2013 whereby all the cash payments and share payment obligations will be deferred by 12 months. The Company paid $60,000 to acquire the shares of BC Corp. from certain shareholders of the Company.

4. Mineral Properties – *Continued*

d) Properties in the Dominican Republic – *Continued*

In order for the Company to maintain its right, title and interest in BC Corp., the Company must complete the following cash payments, exploration expenditures and share issuances:

- Cash payments totalling $390,000 as follows:
  - $90,000 on or before January 12, 2015
  - $150,000 on or before January 7, 2016; and
  - $150,000 on or before January 7, 2017;
- Incur exploration expenditures totalling $1,000,000 as follows:
  - $250,000 on or before January 7, 2015;
  - $300,000 on or before January 7, 2016; and
  - $450,000 on or before January 7, 2017;
- Issue a total of 3,000,000 common shares of the Company as follows:
  - 1,000,000 common shares on or before January 12, 2015;
  - 1,000,000 common shares on or before January 7, 2016; and
  - 1,000,000 common shares on or before January 7, 2017;

The properties are subject to a 3% NSR from any base and precious metal commercial production. The Company may acquire 50% of the NSR by paying $2,000,000 to certain stakeholders of BC Corp.

On January 7, 2014, the Company's application for the exploration concessions over the Juan de Herrera Property was accepted by the Dominican Republic Ministry.

During the year ended November 30, 2013, the Company abandoned the Higos Blancos concession.

4. Mineral Properties – *Continued*

e) Properties in Mexico

On February 19, 2013, the Company signed an option agreement with Gunpoint Exploration Ltd. ("Gunpoint") whereby the Company has the right to acquire a 100% interest in the Cecilia gold-silver project in Sonora state, Mexico.

Under the terms of the agreement, which was amended on June 24, 2013, the Company can elect to complete the acquisition by making the following cash payments and issuing the following common shares to Gunpoint:

- 58,000 common shares of the Company at the completion of due diligence on October 24, 2013 (issued at a value of $5,800);
- $125,000 and 233,000 common shares on or before October 24, 2014; and
- $275,000 and 234,000 common shares on or before October 24, 2015.

A portion of the property is subject to a 1% NSR payable to the Mexican Government.

f) Acquisition Costs Summary

Details of acquisition costs incurred for the years ended November 30, 2013 and 2012 are as follows:

	Yukon Properties	British Columbia Properties	Dominican Republic Properties	Mexico Properties	Total
Balance – November 30, 2011	$ 316,422	$ 38,670	$ -	$ -	$ 355,092
Acquisition and staking- cash	175,000	54,272	107,281	-	336,553
Acquisition and staking- shares	1,520,648	506,883	-	-	2,027,531
Balance – November 30, 2012	$ 2,012,070	$ 599,825	$ 107,281	$ -	$ 2,719,176
Acquisition and staking - cash	-	-	136	-	136
Acquisition and staking- shares	-	-	-	5,800	5,800
Write-off of mineral property interests	(95,274)	(4,724)	-	-	(99,998)
Balance – November 30, 2013	$ 1,916,796	$ 595,101	$ 107,417	$ 5,800	$ 2,625,114

4. Mineral Properties – *Continued*

g) Exploration and Evaluation Costs Summary

Details of exploration and evaluation costs incurred for the years ended November 30, 2013 and 2012 are as follows:

	2013					2012
	Yukon Properties	British Columbia Properties	Dominican Republic Properties	Mexico Properties	Total	Total
Exploration and evaluation						
Aircraft charter	$ -	$ -	$ -	$ -	$ -	$ 7,715
Assays	412	-	27,191	7,062	34,665	17,167
Camp and general	365	691	1,564	-	2,620	43,845
Consulting	-	-	18,372	1,617	19,989	42,000
Field equipment and supplies	-	-	1,617	-	1,617	51,046
Foreign sales tax credit	-	-	14,651	-	14,651	51,046
Fuel	-	-	898	-	898	4,818
Geological	988	3,375	114,237	56,365	174,965	213,806
Geophysics	-	-	640	-	640	-
Helicopter	-	-	8,755	-	8,755	36,437
Legal	-	-	411	10,479	10,890	7,670
Maps, orthophotos, reports	113	175	6,213	16,750	23,251	28,704
Office	360	120	52,091	541	53,112	6,865
Salaries and benefit	4,643	1,857	8,719	-	15,219	105,595
Transportation	-	-	8,107	-	8,107	4,617
Travel, meals, accommodation	-	-	33,339	-	33,339	29,153
Total exploration and	6,881	6,218	296,805	92,814	402,718	599,438
BC METC	-	625	-	-	625	(28,639)
Net exploration and evaluation costs	6,881	6,843	296,805	92,814	403,343	570,799
Balance – beginning of year	858,362	264,932	42,266	-	1,165,560	594,761
Balance – end of year	$ 865,243	$ 271,775	$ 339,071	$ 92,814	$ 1,568,903	1,165,560

5. Shareholders' Equity

a) Authorized

Unlimited number of common shares without par value

b) Issued Share Capital

Share transactions for the year ended November 30, 2012:

(i) On December 7, 2011, the remaining 150,000 non flow-through warrants issued on March 7, 2011 were exercised at $0.05 per warrant for cash proceeds of $7,500.

(ii) On January 10, 2012, the Company completed a private placement of 300,000 common shares at a price of $0.30 per share for cash proceeds of $90,000.

(iii) On January 31, 2012, the Company completed a private placement of 2,550,666 common shares at a price of $0.30 per share for cash proceeds of $765,200.

(iv) On May 24, 2012, the Company completed an initial public offering ("IPO") by issuing 5,500,000 common shares at $0.40 per common share for gross proceeds of $2,200,000 ("the Offering"). The Agent received:

i. a marketing commission equal to $176,000 which was paid in cash;

ii. Agent's options equal to 8% of the number of common shares issued in the Offering, being 440,000, with an exercise price of $0.40 per share, expiring 24 months after listing on the TSX-V. These options were valued at $93,514 using the Black-Scholes option-pricing model with the following assumptions:

Stock price volatility	101.22%
Risk free interest rate	1.16%
Expected life of options	2 years
Expected dividend yield	0.00%

iii. a corporate finance fee of $40,000, which was paid in cash; and

iv. reimbursement for expenses, including legal fees, third- party expenses and out of pocket expenses of $18,884.

Total cash share issuance costs, amounted to $372,762 and mainly consisted of Agent's commission and corporate finance fee, legal, accounting, listing and filing fees.

(v) On May 28, 2012, the Company also issued 5,068,827 common shares (the "Strategic Shares") to Strategic Metals Ltd. equal to 19.9% of the Company's issued and outstanding common shares immediately following the IPO pursuant to the mineral property option agreement.

5. Shareholders' Equity - *Continued*

b) Issued Share Capital - *Continued*

Share transactions for the year ended November 30, 2013:

(vi) On May 16, 2013, the Company completed a non-brokered private placement of 3,333,332 units at a price of $0.15 per unit for gross proceeds of $500,000. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.25 per share for a period of 24 months from May 16, 2013. The Company has the right to accelerate the expiry date of the warrants if the daily volume weighted average trading price of the common shares of the Company is equal to or exceeds $0.50 for a period of 10 consecutive trading days, commencing four months after the date the warrants are issued.

Gross proceeds from this financing were allocated $318,000 to share capital and $182,000 to warrant reserves based on their relative fair values. The Company paid $1,722 of share issue costs related to the private placement which was offset against share capital.

(vii) On October 24, 2013, the Company issued 58,000 common shares in connection with the option agreement with Gunpoint (Note 4 (e)) at a value of $0.10 per common share for total of $5,800.

c) Flow-through Share Liability

During the period ended November 30, 2011, the Company raised a total of $187,000 through the issuance of flow-through shares, of which $93,500 of these funds had been spent on qualifying flow through exploration expenditures in the period ended November 30, 2011. The remaining funds of $93,500 had been spent on qualifying flow through exploration expenditures in the year ended November 30, 2012 and therefore $24,000 of flow-through has been recognized in other income.

d) Warrants

Details of non flow-through warrant activity for the years ended November 30, 2013 and 2012 are as follows:

November 30, 2012	Issued	Exercised	November 30, 2013	Exercise Price	Expiry Date
-	3,333,332	-	3,333,332	$0.25	May 16, 2015

November 30, 2011	Issued	Exercised	November 30, 2012	Exercise Price	Expiry Date
150,000	-	(150,000)	-	-	-

5. Shareholders' Equity – *Continued*

d) Warrants – *Continued*

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of warrants issued in the year ended November 30, 2013:

Risk-free interest rate	1.01%
Expected life of options	2.0 years
Expected annualized volatility	114%
Expected dividend rate	0%

e) Share Options

On December 5, 2011, the Company adopted a rolling share option plan, which authorizes the Board of Directors to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option may not be less than market price of the Company's shares calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's share option plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule at its discretion.

Details of activity in share purchase options for years ended November 30, 2013 and 2012 are as follows:

November 31, 2012	Issued	Cancelled	Forfeited	November 30, 2013	Exercise Price	Expiry Date
440,000	-	-	-	440,000	$0.40	May 29, 2014
-	100,000	-	-	100,000	$0.40	February 11, 2015
1,930,000	-	(225,000)	(62,500)	1,642,500	$0.40	May 29, 2017*
150,000	-	-	-	150,000	$0.46	August 21, 2017
150,000	-	-	-	150,000	$0.40	September 5, 2017
-	150,000	-	-	150,000	$0.25	December 3, 2017
-	150,000	-	-	150,000	$0.25	January 7, 2018
2,670,000	400,000	(225,000)	(62,500)	2,782,500	$0.39	

November 30, 2011	Issued	Cancelled	Exercised	November 30, 2012	Exercise Price	Expiry Date
-	440,000	-	-	440,000	$0.40	May 29, 2014
-	1,930,000	-	-	1,930,000	$0.40	May 29, 2017
-	150,000	-	-	150,000	$0.46	August 21, 2017
-	150,000	-	-	150,000	$0.40	September 5, 2017
-	2,670,000	-	-	2,670,000	$0.40	

*112,500 share purchase options were forfeited unexercised subsequent to November 30, 2013

5. Shareholders' Equity – *Continued*

e) Share Options

(i) On May 29, 2012, the Company granted 440,000 options to its agent, equal to 8% of the number of common shares issued in the Initial Public Offering, with an exercise price of $0.40 per share, expiring on May 29, 2014, 24 months after listing on the TSX-V. All options vested on the date of grant. On the date of grant, these options were valued at $93,514 using the Black-Scholes option-pricing model with the following assumptions:

Stock price volatility	101.22%
Risk-free interest rate	1.16%
Expected life of options	2 years
Expected dividend yield	0.00%

(ii) On May 29, 2012, the Company granted to its directors and officers 1,930,000 share options with an exercise price of $0.40 per share expiring on May 29, 2017. A fair value of $104,957 (2012: $432,719) was recorded for the year ended November 30, 2013 as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	109.94%
Risk-free interest rate	1.38%
Expected life of options	5 years
Expected dividend yield	0.00%

(iii) On August 21, 2012, the Company granted 150,000 stock options to its consultant. The options have an exercise price of $0.46 per share and expire on August 21, 2017. A fair value of $27,650 (2012: $31,500) was recorded for the year ended November 30, 2013 as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	113.98%-118.91%
Risk-free interest rate	1.40%
Expected life of options	5 years
Expected dividend yield	0.00%

5. Shareholders' Equity – *Continued*

e) Share Options – *Continued*

(iv) On September 5, 2012, the Company granted 150,000 stock options to its consultants. The options have an exercise price of $0.40 per share and expire on September 5, 2017. A fair value of $20,938 (2012: $20,937) was recorded for the year ended November 30, 2013 as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	112.33%-119.48%
Risk-free interest rate	1.26%
Expected life of options	5 years
Expected dividend yield	0.00%

(v) On December 3, 2012, the Company granted 150,000 stock options to an officer and director. The options have an exercise price of $0.25 per share and expire on December 3, 2017. The fair value of $20,759 (2012: $Nil) was recorded for the year ended November 30, 2013 as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	114.56%-120.36%
Risk-free interest rate	1.23%
Expected life of options	5 years
Expected dividend yield	0.00%

(vi) On January 17, 2013, the Company granted 150,000 stock options to an officer and director. The options have an exercise price of $0.25 per share and expire on January 17, 2018. The fair value of $23,248 was recorded for the year ended November 30, 2013 as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	116.26%-120.76%
Risk-free interest rate	1.42%
Expected life of options	5 years
Expected dividend yield	0.00%

5. Shareholders' Equity – *Continued*

e) Share Options – *Continued*

(vii) On February 11, 2013, the Company granted 100,000 stock options to an investor relations consultant. The options have an exercise price of $0.40 per share and expire on February 11, 2015. The fair value of $9,480 (2012: $Nil) was recorded for the year ended November 30, 2013 as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	105.18%-105.75%
Risk-free interest rate	0.99%
Expected life of options	2 years
Expected dividend yield	0.00%

f) Escrow Shares

Pursuant to an escrow agreement dated February 1, 2012, 2,665,000 common shares were placed in escrow. 10% of the escrowed shares (266,500 shares) were released from escrow upon completion of the IPO on May 24, 2012, and 15% of the shares are released from escrow every 6 months thereafter. As of November 30, 2013, there were 1,199,250 common shares remaining in escrow.

Pursuant to an escrow agreement dated May 24, 2012, 3,846,367 Strategic Shares were placed in escrow ("Strategic Escrowed Shares"). 10% of the Strategic Escrowed Shares (384,637 shares) were released from escrow upon completion of the IPO, and 15% of the shares are released from escrow every 6 months thereafter. As of November 30, 2013, there were 1,730,865 Strategic Shares remaining in escrow.

6. Segmented Information

a) Operating Segment

The Company's operations are primarily directed towards the acquisition of mineral properties and exploration for metals in Canada, the Dominican Republic and Mexico.

6. Segmented Information – *Continued*

b) Geographic Segments

The Company's geographic information for years ended November 30, 2013 and 2012 are as follows:

As at November 30, 2013	Canada	Dominican Republic	Mexico	Total
Assets				
Mineral properties	$ 2,511,897	$ 107,417	5,800	$ 2,625,114
Other assets	831,123	6,037	13,924	851,084
Total	$ 3,343,020	$ 113,454	19,724	$ 3,476,198

As at November 30, 2012	Canada	Dominican Republic	Mexico	Total
Assets				
Mineral properties	$ 2,611,895	$ 107,281	-	$ 2,719,176
Other assets	1,537,691	22,330	-	1,560,021
Total	$ 4,149,586	$ 129,611	-	$ 4,279,197

7. Income Taxes

(a) Current Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

	November 30, 2013	November 30, 2012
Loss for the year	$ (1,506,780)	$ (1,822,084)
Income tax recovery at statutory rates	(387,000)	(457,000)
Tax Effect of:		
Change in statutory tax rates	(26,000)	-
Permanent differences	73,000	191,000
Differences between foreign tax rates, foreign exchange and other	95,000	(30,000)
Benefit of tax losses not recognized	245,000	389,000
Deductible costs charged to equity	-	(93,000)
Income tax expense	$ -	$ -

7. Income Taxes – *Continued*

(b) Deferred Taxes

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	2013	Expiry Date Range	2012
Mining tax credit	$ 91,000	No expiry date	$ 94,000
Non-capital loss carry forwards	1,652,000	2020 to 2033	752,000
Exploration and evaluation assets	994,000	2034 to 2037	937,000
Other deductible temporary differences	225,000	2014 to 2033	298,000

8. Related Party Transactions

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

(a) During the year ended November 30, 2013, the Company paid $135,087 (2012 - $Nil) of salaries and wages to the President and CEO of the Company.

(b) During the year ended November 30, 2013, the Company paid/accrued $73,688 (2012 - $123,750) for geological consulting fees, $53,550 (2012 - $Nil) for property investigation costs, and $7,762 (2012 - $Nil) in general consulting fees to the Vice President of Exploration of the Company, of which $13,779 (2012 - $Nil) was included in accounts payable and accrued liabilities.

(c) During the year ended November 30, 2013, the Company paid $30,000 (2012 - $28,500) in accounting fees and $30,000 (2012 - $28,053) in office and administration expense to a company partially controlled by a director of the Company.

(d) During the year ended November 30, 2013, the Company paid $Nil of salaries and wages (2012 - $146,192) and $Nil (2012 - $77,500) of severance fees to the Company's former President and CEO. Severance fees were recorded in salaries and wages on the statement of loss. Of the total $Nil ($2012 - $146,192) of salaries and wages, $Nil (2012 - $74,563) was recorded as salaries and benefits, $Nil (2012 - $61,648) was recorded as exploration and evaluation costs and $Nil ($2012 - $9,981) was recorded as property investigation costs.

8. Related Party Transactions – *Continued*

(e) During the year ended November 30, 2013, the Company paid $18,000 (2012 - $20,000) in salaries and wages and $13,500 (2012 - $Nil) of severance fees to the Company's former CFO.

(f) During the year ended November 30, 2013, the Company paid a total of $48,000 (2012- $24,000) to the four directors of the Company, of which $4,139 (2012 - $6,720) was included in accounts payable and accrued liabilities.

(g) Total fair value of the share-based payments to directors and officers, being key management personnel, is $98,197 (2012 - $269,048) for the year ended November 30, 2013.

9. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, reserves and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as considered appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements.

10. Financial Instruments

a) Fair Values

The fair value of cash and cash equivalents, amounts receivable, and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

10. Financial Instruments – *Continued*

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and amounts receivable. Cash and cash equivalents are held with a major Canadian financial institution and the receivables are from Government entities. Management is of the view that all amounts are fully collectible.

d) 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 has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

e) Political Risk

The Company has subsidiaries in both the Dominican Republic and Mexico. These operations are potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

f) Foreign Currency Fluctuation Risk

The Company has vendors in Canada, the Dominican Republic and Mexico; therefore, the Company's operations are affected by the currency fluctuations in these jurisdictions. The Company's exposure to foreign currency fluctuations is minimal.