CASSIUS VENTURES LTD.

Consolidated Financial Statements

Years Ended October 31, 2013 and 2012

(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED ACCOUNTANTS LLP
1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Cassius Ventures Ltd.

We have audited the consolidated financial statements of Cassius Ventures Ltd., which comprise the consolidated statements of financial position as at October 31, 2013 and 2012, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Cassius Ventures Ltd. as at October 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Cassius Ventures Ltd. to continue as a going concern.

Saturna Group Chartered Accountants LLP

Vancouver, Canada

February 27, 2014

CASSIUS VENTURES LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		October 31, 2013		October 31, 2012
Assets				
Current assets				
Cash	$	65,685	$	340,023
Taxes receivable		38,645		39,739
Prepaid expenses		6,193		11,065
Due from related parties (Note 12)		-		45,486
Total Current Assets		110,523		436,313
Restricted cash		5,750		35,818
Equipment (Note 6)		25,033		36,055
Mineral properties (Note 7)		4,480,341		4,802,010
TOTAL ASSETS	$	4,621,647	$	5,310,196
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (Note 8)	$	598,714	$	316,827
Due to related parties (Note 12)		225,342		101,397
Total Current Liabilities		824,056		418,224
Deferred income tax payable (Note 13)		261,033		515,214
TOTAL LIABILITIES		1,085,089		933,438
Shareholders' Equity				
Share capital		5,668,005		5,668,005
Contributed surplus		267,136		260,349
Deficit		(2,398,583)		(1,551,596)
Total Shareholders' Equity		3,536,558		4,376,758
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	4,621,647	$	5,310,196

Nature of operations and continuation of business (Note 1)
Commitment (Note 14)

Approved by the Board:

"Steven Dean" Director

"Robert Atkinson" Director

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

CASSIUS VENTURES LTD.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
Years ended October 31, 2013 and 2012

		October 31, 2013		October 31, 2012
Expenses				
Consulting (Note 12)	**$**	**72,000**	$	76,500
Exploration expenditures		**69,194**		-
Foreign exchange loss		**13,564**		45,455
Investor relations		**1,170**		25,934
Office and general (Note 12)		**51,901**		96,773
Professional fees (Note 12)		**41,023**		62,969
Share-based payments (Notes 10 and 12)		**6,787**		113,325
Termination payments		**-**		5,420
Transfer agent and regulatory		**15,976**		19,113
Write-down of mineral properties (Notes 5 and 7)		**887,449**		-
Net loss from operations		**(1,159,064)**		(445,489)
Other income				
Interest and other income (Note 12)		**57,896**		33,052
Net loss before income taxes		**(1,101,168)**		(412,437)
Income tax recovery (expense) (Note 13)		**254,181**		(10,703)
Net loss and comprehensive loss for the year	**$**	**(846,987)**	$	(423,140)
Loss per common share - basic and diluted	**$**	**(0.021)**	$	(0.012)
Weighted average number of common shares outstanding		**41,148,480**		34,734,272

CASSIUS VENTURES LTD.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
Years Ended October 31, 2013 and 2012

	Share capital								
	Number of shares		Amount		Contributed Surplus		Deficit		Total equity
Balance - October 31, 2012	**41,148,480**	**$**	**5,668,005**	**$**	**260,349**	**$**	**(1,551,596)**	**$**	**4,376,758**
Share-based payments	-		-		6,787		-		6,787
Net loss for the year	-		-		-		(846,987)		(846,987)
Balance - October 31, 2013	**41,148,480**	**$**	**5,668,005**	**$**	**267,136**	**$**	**(2,398,583)**	**$**	**3,536,558**

	Share capital								
	Number of shares		Amount		Contributed Surplus		Deficit		Total equity
Balance - October 31, 2012	**31,248,480**	**$**	**4,689,795**	**$**	**133,157**	**$**	**(1,128,456)**	**$**	**3,694,496**
Private placement - June 2012	9,700,000		970,000		-		-		970,000
Share issuance costs	-		(11,790)		-		-		(11,790)
Share-based payments	-		-		127,192		-		127,192
Warrants exercised	200,000		20,000		-		-		20,000
Net loss for the year	-		-		-		(423,140)		(423,140)
Balance - October 31, 2012	**41,148,480**	**$**	**5,668,005**	**$**	**260,349**	**$**	**(1,551,596)**	**$**	**4,376,758**

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

CASSIUS VENTURES LTD.
Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)
Years Ended October 31, 2013 and 2012

	October 31, 2013	October 31, 2012
Operating activities		
Net loss for the year	$ (846,987)	$ (423,140)
Items not involving cash:		
Deferred income tax (recovery) expense	(254,181)	10,703
Share-based payments	6,787	113,325
Write-down of mineral properties	887,449	-
Net changes in non-cash working capital balances:		
Prepaid expenses	(128)	43,322
Due from related parties	45,486	(45,486)
Taxes receivable	235	12,823
Accounts payable and accrued liabilities	11,262	(55,396)
Due to related parties	109,557	58,824
Net cash used in operating activities	(40,520)	(285,025)
Investing activities		
Restricted cash	-	(18,568)
Purchase of equipment	(1,473)	(10,551)
Mineral property expenditures	(232,345)	(1,744,795)
Net cash used in investing activities	(233,818)	(1,773,914)
Financing activities		
Private placement, net of share issuance costs	-	958,210
Exercise of warrants	-	20,000
Net cash provided in financing activities	-	978,210
Change in cash during the year	(274,338)	(1,080,729)
Cash, beginning of year	340,023	1,420,752
Cash, end of year	$ 65,685	$ 340,023
Supplemental cash flow information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Non-cash investing and financing activities		
Fair value of options capitalized in mineral properties	$ -	$ 13,867
Equipment amortization capitalized in mineral properties	$ 12,495	$ 12,300
Mineral property expenditures in accounts payable	$ 554,322	$ 321,003

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

1. Nature of Operations and Continuance of Business

Cassius Ventures Ltd. (the "Company") is an exploration stage company focused on the exploration of its flagship properties located in Nicaragua. The Company was incorporated under the Business Corporations Act (British Columbia) on February 23, 2007. The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, British Columbia. The Company's registered and records office is located at 595 Burrard Street, Suite 2900, Vancouver, British Columbia. Its common shares are traded on the TSX Venture exchange under the symbol "CZ".

The Company owns 100% of the issued and outstanding shares of Fortress de Nicaragua S.A. ("Fortress"), a private Nicaraguan company, which is the legal and beneficial owner of sixteen exploration concessions with a total area of approximately 137,000 hectares in Nicaragua.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has yet to generate any revenues from operations and as at October 31, 2013, had an accumulated deficit of $2,398,583 and a working capital deficit of $713,533, including $495,726 due and payable in respect of concession rents relating to the periods ending December 31, 2012, June 30, 2013, and December 31, 2013. These conditions, along with other factors indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company's ability to continue operations in the normal course of business is dependent on several factors, including the ability to secure additional financing. In addition, the recoverability of the amounts shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production, all of which are uncertain.

Although management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's current liabilities as well as future liabilities and commitments as they become due, there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. The consolidated financial statements do not include any additional adjustments to the recoverability and classification of certain recorded asset amounts, and changes to statements of comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

2. Basis of Presentation

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

We have consistently applied the same accounting policies in all periods presented. These financial statements were approved by the board of directors on February 27, 2014.

3. Summary of Significant Accounting Policies

The significant accounting policies used to prepare these consolidated financial statements are outlined as follows:

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Fortress de Nicaragua S.A. ("Fortress") and Nueva Segovia Mining S.A. ("Nueva Segovia"). All material intercompany transactions and balances have been eliminated on consolidation.

b) Mineral properties

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition costs are capitalized and deferred until such time as the property is put into production or the property is disposed of, either through sale or abandonment, or becomes impaired. If a property is put into production, the cost of acquisition will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property. If a property is abandoned, the acquisition costs will be written off to operations. Recorded costs of mineral properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amounts.

Although the Company has taken steps that it considers adequate to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Title to mineral properties in foreign jurisdictions is subject to uncertainty and consequently, such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

c) Mineral property exploration expenditures

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation and classified as a component of mineral properties. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

3. Summary of Significant Accounting Policies (continued)

d) Impairment of mineral properties

The Company regularly reviews the recoverability of the carrying value of each mineral property. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

e) Asset retirement obligations

Asset retirement obligations will be recognized for estimated obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A liability for an asset retirement obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with the corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. The Company had no asset retirement obligations at October 31, 2013 and 2012.

f) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value to be cash equivalents.

g) Restricted cash

As at October 31, 2013 and 2012, restricted cash comprised $5,750 (2012: $5,750) held in a term deposit held as security against the Company's credit card, and $nil (2012: $30,068) held in a term deposit in a major Nicaraguan bank as a security deposit relating to the importation of a drill used in the Company's exploration program.

h) Translation of foreign currencies

i. Functional and presentation currency: Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company, along with its wholly owned subsidiaries, Fortress and Nueva Segovia.

ii. Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recorded in the consolidated statements of loss and comprehensive loss.

3. Summary of Significant Accounting Policies (continued)

i) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Diluted loss per share has not been presented separately as the effect of common shares issuable on the exercise of stock options and share purchase warrants would be anti-dilutive. At October 31, 2013, the Company had 1,635,000 (2012: 1,685,000) potentially dilutive shares from its issued and outstanding stock options, and nil (2012: 8,625,000) from share purchase warrants outstanding.

j) Equipment

Property and equipment are carried at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Amortization is calculated at the following annual rates:

Computer equipment	straight-line - 30%
Office furniture and equipment	straight-line - 20%

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

k) Share issuance costs

Share issuance costs incurred on the issuance of the Company’s shares are charged directly to share capital.

l) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from contributed surplus.

3. Summary of Significant Accounting Policies (continued)

m) Current and deferred taxes

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

n) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual areas of estimates includes the impairment of mineral properties, assumptions used in the accounting for share-based payments, amortization and useful life of long lived assets, fair value of financial instruments and deferred tax asset valuation allowances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the notes to the financial statements where applicable.

o) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3. Summary of Significant Accounting Policies (continued)

o) Financial instruments (continued)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- Held-for-trading: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. The Company has designated its cash as held-for-trading and are measured at fair value at the end of each period with any resulting gains or losses recognized in profit or loss.
- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of taxes receivable and amounts due from related parties, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, and amounts due to related parties. Accounts payable and amounts due to related parties are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Financial liabilities are classified as current liabilities as payment is due within twelve months.

4. Accounting Standards Issued But Not Yet Applied

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended October 31, 2013, and have not been applied in preparing these financial statements.

New standard IFRS 9, "Financial Instruments"

New standard IFRS 10, "Consolidated Financial Statements" and IFRS 12 "Disclosure of interests in Other Entities"

New standard IFRS 13, "Fair Value Measurement"

Amendments to IAS 1, "Presentation of Financial Statements"

Amendments to IAS 27, "Separate Financial Statements"

Amendments to IAS 32, "Financial Instruments: Presentation"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Notes to the consolidated financial statements (Expressed in Canadian Dollars)

5. Acquisition of Nueva Segovia

On January 30, 2012, Fortress completed an acquisition of the issued and outstanding shares of Nueva Segovia, a private company incorporated in Nicaragua, from Infinito International Holdings Corp ("Infinito"). Nueva Segovia is the legal and beneficial owner of a concession located in Nicaragua known as El Zúngano, of which the Company wishes to conduct exploration activities.

Under the terms of the agreement, Fortress acquired all the issued and outstanding shares of Nueva Segovia in exchange for $5,000.

Pursuant to the transaction, the Company paid transaction costs of $9,371 in professional fees, which have been expensed in the consolidated statement of loss, comprehensive loss and deficit.

The transaction has been accounted for as a business combination using the purchase method. The allocation of the purchase price fair value of the assets acquired and liabilities assumed is as follows:

Cash	$	852
Deposit		5,014
Mineral properties		86,851
Accounts payable		(63,162)
Deferred income tax liability		(24,555)
	$	5,000

The El Zúngano concession is subject to an agreement between Nueva Segovia and the former landowner of the concession, entitling the owner to payments of US $100,000 due on January 5, 2013 and US $495,000 due on January 5, 2014. The agreement also entitles the owner to a 1.5% royalty from sales of metals up to a maximum of US $10,000,000 should the concession enter into production. Nueva Segovia may terminate the agreement upon 30 days written notice providing concession rent payments are made up to the termination date.

In April 2013, the agreement between Nueva Segovia and the former landowner of the El Zúngano concession was terminated and Nueva Segovia provided notice to the Ministry of Energy and Mines that the concession should be returned to the former landowner. Refer to note 7.

Notes to the consolidated financial statements (Expressed in Canadian Dollars)

6. Equipment

		Equipment
Year ended October 31, 2012		
At October 31, 2011	$	37,804
Additions		10,551
Depreciation for the year		(12,300)
Closing net book value	**$**	**36,055**
At October 31, 2012		
Cost	$	51,113
Accumulated depreciation		(15,058)
Net book Value	**$**	**36,055**
Year ended October 31, 2013		
At October 31, 2012	$	36,055
Additions		1,473
Depreciation for the year		(12,495)
Closing net book value	**$**	**25,033**
At October 31, 2013		
Cost	$	52,586
Accumulated depreciation		(27,553)
Net book Value	**$**	**25,033**

Notes to the consolidated financial statements (Expressed in Canadian Dollars)

7. Mineral Properties

	Nueva Segovia Mining S.A.	Fortress de Nicaragua S.A.	Total
Balance October 31, 2011	$ -	$ 2,674,409	$ 2,674,409
Acquisition costs	86,837	-	**86,837**
Deferred exploration expenditures			
Drilling and fieldwork costs	-	1,362,238	**1,362,238**
Assays	-	235,180	**235,180**
Claims/permitting	17,867	400,167	**418,034**
Other	-	25,312	**25,312**
Total additions in the year	**104,704**	**2,022,897**	**2,127,601**
Balance October 31, 2012	**104,704**	**4,697,306**	**4,802,010**
Deferred exploration expenditures			
Drilling and fieldwork costs	-	213,815	**213,815**
Assays	-	6,117	**6,117**
Claims/permitting	18,000	291,529	**309,529**
Other	-	36,319	**36,319**
Total additions in the year	**18,000**	**547,780**	**565,780**
Write down of mineral properties	(122,704)	(764,745)	**(887,449)**
Balance - October 31, 2013	**$ -**	**$ 4,480,341**	**$ 4,480,341**

The Company is focused on the exploration and development of its Nicaraguan Gold Properties in two main project areas in Nicaragua: Nueva Segovia, and León.

As discussed in Note 5, in April 2013, the agreement between Nueva Segovia and the former landowner of the El Zúngano concession was terminated and Nueva Segovia provided notice to the Ministry of Energy and Mines that the concession should be returned to the former landowner. A total of $122,704 of costs that were originally capitalized to mineral properties were written off with $98,178 being allocated to the statement of loss and comprehensive loss and $24,555 being charged as a reduction to the deferred tax liability.

In June 2013, the Company provided notice to the Nicaraguan Ministry of Mines ("Ministry") that it was reducing its landholdings by 66,093 hectares. Once the notice is accepted by the Ministry, the Company will hold 11 concessions over 71,689 hectares. As a result of the notice sent to the Ministry, the Company has recorded a write-down of $764,745 on the consolidated statements of loss and comprehensive loss for the year ended October 31, 2013.

8. Accounts Payable and Accrued Liabilities

	October 31, 2013	October 31, 2012
Payables and accrued liabilities related to concession rents	$ 495,726	$ 165,254
Other payables and accrued liabilities	102,988	151,573
	$ 598,714	**$ 316,827**

Notes to the consolidated financial statements (Expressed in Canadian Dollars)

9. Share Capital and Contributed Surplus

	Number of shares	Share Capital Amount	Contributed surplus
Balance, October 31, 2011	31,248,480	$ 4,689,795	$ 133,157
Private placement - June 2012	9,700,000	970,000	-
Share issue costs	-	(11,790)	-
Warrants exercised (Note 11)	200,000	20,000	-
Fair value of share-based payments (Note 10)	-	-	127,192
Balance, October 31, 2012	**41,148,480**	**5,668,005**	**260,349**
Fair value of share-based payments (Note 10)	-	-	6,787
Balance, October 31, 2013	**41,148,480**	**$ 5,668,005**	**$ 267,136**

The Company has an unlimited number of common shares without par value authorized.

On June 28, 2012, the Company completed a non-brokered private placement comprising 9,700,000 common shares, at a price of $0.10 per common share for proceeds of $970,000. A total of $11,790 of share issuance costs were incurred in conjunction with the above noted private placement.

During the year ended October 31, 2012, a total of 200,000 common shares were issued upon the exercise of share purchase warrants at an exercise price of $0.10 per common share for gross proceeds of $20,000.

Escrowed Shares
On January 27, 2013 and July 29, 2013, 300,000 common shares were released from escrow. As at October 31, 2013, a total of nil (2012: 600,000) common shares were held in escrow.

10. Stock Options

The Company has established a stock option plan (the "Plan") for its directors, executive officers, employees and consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company exercisable for a period of up to 5 years from the date of grant.

Within any 12 month period, the maximum number of common shares reserved for issuance to any individual cannot exceed 5% of the issued common shares, and the maximum number of common shares reserved for issuance to any insider cannot exceed 10% of the issued common shares. The aggregate number of common shares reserved for issuance to insiders cannot exceed 10% of the issued common shares. Within any 12 month period, the maximum number of options granted to any one consultant cannot exceed 2% of the issued common shares and the maximum number of options granted to all employees and consultants conducting investor relations activities cannot exceed 2% of the issued common shares.

Notes to the consolidated financial statements (Expressed in Canadian Dollars)

10. Stock Options (continued)

The exercise price of an option granted under this plan shall not be less than the discounted market price provided that:

(i) if options are granted within 90 days of a distribution by a prospectus, the minimum exercise price of those options will be the greater of the discounted market price and the per share price paid by the public investors for shares acquired under the distribution;

(ii) the 90 day period begins on the date a final receipt is issued for the prospectus;

(iii) for unit offerings, the minimum option exercise price will be the 'base' (or imputed) price of the shares included in the unit; and

(iv) for all other financings, the minimum exercise price will be the average price paid by the public investors.

Subject to the discretion of the Board, the options granted to an optionee under this Plan shall fully vest on the date of grant of such options. In accordance with the policies of the TSXV, and subject to their approval to the contrary, options issued to consultants providing investor relations services must vest (and not otherwise be exercisable) in stages over a minimum of 12 months with no more than 25% of the options vesting in any 3 month period.

As at October 31, 2013 and 2012, the Company had the following stock options outstanding:

	Options		Weighted average exercise price
Options outstanding - October 31, 2011	1,435,000	$	0.21
Granted	350,000		0.19
Forfeited	(100,000)		0.21
Options outstanding and exercisable - October 31, 2012	**1,685,000**	**$**	**0.21**
Forfeited	(50,000)		0.21
Options outstanding and exercisable - October 31, 2013	**1,635,000**	**$**	**0.21**

The weighted average grant date fair value of the options granted for the year ended October 31, 2013 was $nil ($0.12).

The fair value of stock options vested during the year ended October 31, 2013 was $6,787 (2012 - $127,192), which was recorded in contributed surplus, of which $nil (2012: $13,867) was capitalized to mineral properties and $6,787 (2012: $113,325) was recorded as share-based payments.

The following table summarizes information about the stock options outstanding at October 31, 2013:

	Exercise price	Number	Weighted average remaining life (years)
$	0.17	250,000	3.4
$	0.21	1,285,000	2.7
$	0.25	100,000	3.5
		1,635,000	**2.7**

Notes to the consolidated financial statements (Expressed in Canadian Dollars)

11. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number		Weighted average exercise price
Balance, October 31, 2011	10,325,000	$	0.28
Exercised	(200,000)		0.10
Expired	(1,500,000)		0.15
Balance, October 31, 2012	**8,625,000**	**$**	**0.30**
Expired	(8,625,000)		0.30
Balance, October 31, 2013	**-**	**$**	**-**

12. Related Party Transactions

a) Key Management Compensation

Key management includes the Company’s directors, Chief Executive Officer, and Chief Financial Officer. Compensation awarded to key management during the year ended October 31, 2013 comprised share-based payments to directors and officers of the Company totalling $6,368 (2012: $85,605).

b) Payments for services by related parties

As disclosed in Note 14, the Company is charged shared lease and overhead, and service costs by Spur Ventures Inc. (“Spur”), a Company with a director and officer in common. For the year ended October 31, 2013, the Company incurred $17,347 (2012: $43,614) in shared lease and overhead, and service costs. Refer to note 14 for a listing of future commitments in respect of such lease costs. As at October 31, 2013, the Company owed $24,816 to Spur (October 31, 2012: $5,042).

During the year ended October 31, 2013, the Company incurred corporate consulting fees of $24,000 (2012: $24,000), to Sirocco Advisory Services Ltd. (“Sirocco”), a company controlled by a director and officer of the Company. As at October 31, 2013, the Company owed $41,580 to Sirocco (October 31, 2012: $15,680).

During the year ended October 31, 2013, the Company incurred corporate consulting fees of $24,000 (2012: $24,000), to Shariff Advisory Services Ltd. (“Shariff”), a company controlled by an officer of the Company. As at October 31, 2013, the Company owed $41,580 to Shariff (October 31, 2012: $15,680).

During the year ended October 31, 2013, the Company incurred corporate consulting fees of $24,000 (2012: $24,000), to JAT Metconsult Ltd. (“JAT”), a company controlled by a director and officer of the Company. As at October 31, 2013, the Company owed $45,154 to JAT (October 31, 2012: $15,680).

During the year ended October 31, 2013, the Company incurred geological consulting fees of $15,200 (2012: $4,484), to GeoConsul Canova Inc. (“Canova”), a company controlled by a director of the Company. As at October 31, 2013, the Company owed $48,120 to Canova (October 31, 2012: $37,305).

Notes to the consolidated financial statements (Expressed in Canadian Dollars)

12. Related Party Transactions (continued)

b) Payments for services by related parties (continued)

During the year ended October 31, 2013, the Company incurred professional fees of $11,076 (2012: $19,225), to Oceanic Iron Ore Corp. ("Oceanic"), a company with a director and officer in common. As at October 31, 2013, the Company owed $24,937 to Oceanic (October 31, 2012: $12,010).

c) Services provided to related parties

During the year ended October 31, 2013, the Company earned income as a result of services provided to a subsidiary of Infinito Gold Ltd. ("Infinito"), a company with common directors. For the year ended October 31, 2013, the Company earned income totalling $57,607 (2012: $25,264). As at October 31, 2013, the Company was owed $nil from Infinito (October 31, 2012: $45,486).

The amounts due to and from related parties are non-interest bearing, unsecured and due on demand.

13. Income Taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	October 31, 2013	October 31, 2012
Loss before income taxes	$ (1,101,168)	$ (412,437)
Combined federal and provincial income tax rates	25.59%	25.25%
Expected income tax recovery	(281,789)	(104,140)
Increase (decrease) due to:		
Stock based compensation and other non-deductible expenses	15,864	28,753
Change in enacted tax rates	(716)	688
Difference in foreign tax rates	(40,564)	3,577
Foreign exchange	(4,067)	12,953
Tax benefit of losses not recognized	57,092	68,872
Income tax expense (recovery)	**$ (254,181)**	**$ 10,703**

The components of the deferred income tax liability are as follows:

	October 31, 2013	October 31, 2012
Equipment	$ 232	$ 454
Mineral Properties	260,801	519,102
Other	-	(4,342)
Total deferred income tax liability	**$ 261,033**	**$ 515,214**

Notes to the consolidated financial statements (Expressed in Canadian Dollars)

13. Income Taxes (continued)

The continuity of the changes in the Company's net deferred tax liability is as follows:

	October 31, 2013	October 31, 2012
Deferred tax liability, beginning of year	$ 515,214	$ 479,956
Deferred tax expense (recovery)	(254,181)	10,703
Business acquisition	-	24,555
Deferred tax liability, end of year	**$ 261,033**	**$ 515,214**

The composition of the unrecognized deferred tax asset is provided in the table below:

	October 31, 2013	October 31, 2012
Non-capital losses	$ 814,123	$ 561,402
Mineral Property, plant and equipment	105,261	102,568
Share issuance costs	15,717	26,127
Valuation allowance	(935,101)	(690,097)
	$ -	**$ -**

The Company has loss carry-forwards of $2,865,426 that may be available for tax purposes. No deferred tax asset has been recorded in respect of these losses as it is not probable that the Company will generate sufficient taxable income. The loss carry-forwards are all in respect of Canadian and Nicaraguan operations and expire as follows:

Expiry Date	Canada	Nicaragua	Total
2014	-	53,748	53,748
2015	-	799,146	799,146
2016	-	751,005	751,005
2017		123,909	123,909
2027	26,008	-	26,008
2028	25,989	-	25,989
2029	68,734	-	68,734
2030	127,873	-	127,873
2031	359,908	-	359,908
2032	310,312	-	310,312
2033	218,793		218,793
	$ 1,137,617	**$ 1,727,809**	**$ 2,865,426**

14. Commitment

Effective July 1, 2011, the Company entered into an agreement with an affiliated company in respect of shared lease, overhead and service costs (amended on July 1, 2012). Under the agreement, the Company is billed quarterly for office rental and other services relating to its head office in Vancouver, Canada. The agreement expires on September 29, 2015, but either party may terminate the agreement provided 90 days' notice. The Company is committed to the following future lease payments:

2014	7,563
2015	6,932
	$ 14,495

15. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, taxes receivable, restricted cash, accounts payable, accrued liabilities, and amounts due from and due to related parties.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and taxes receivable. The Company's cash is being held with large financial institutions. Taxes receivable are comprised of GST receivables from the Government of Canada and VAT receivables from the Government of Nicaragua. The Company's credit risk is mitigated by maintaining its financial liquid assets with highly reputable counterparties. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets noted above.

Foreign Exchange Rate Risk

The Company incurs exploration expenditures in US dollars and Nicaraguan Cordobas. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates.

The Company is exposed to fluctuations in foreign currency at the time payments are due on exploration costs in US dollars and Nicaraguan Cordobas. The Company manages this risk by monitoring fluctuations in foreign exchange rates and considers using derivative instruments to reduce its exposure to foreign currency risk. At October 31, 2013 and 2012, the Company had not entered into any hedging contracts to minimize its foreign exchange risk. A change of 10% of the Canadian dollar against the Nicaraguan Cordoba would result in a change in net loss of $11,658.

Liquidity Risk

The Company's cash are invested in business accounts which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and cash needs over the short term. At October 31, 2013, the Company had total current assets of $110,523 (2012: $436,313). Contractual undiscounted cash flow requirements for financial liabilities as at October 31, 2013 and 2012 are presented below.

Notes to the consolidated financial statements (Expressed in Canadian Dollars)

15. Financial Risk Management (continued)

October 31, 2013

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 598,714	$ -	$ -	$ 598,714
Due to related parties	225,342	-	-	225,342

October 31, 2012

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 316,827	$ -	$ -	$ 316,827
Due to related parties	101,397	-	-	101,397

The Company's ability to continue operations in the normal course of business is dependent on several factors, including the ability to secure additional financing. In addition, the recoverability of the amounts shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production, all of which are uncertain. Further information relating to liquidity risk is disclosed in Note 1.

Interest Rate Risk

The Company is not significantly impacted by interest rate risk.

Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

Fair Value

A three-level hierarchy for fair value measurements exists based upon the significance of inputs used in making fair value measurements:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data.

At October 31, 2013, cash were categorized as level 1. The fair values of other financial instruments, which include taxes receivable, accounts payable and accrued liabilities, and amounts due to and from related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

Notes to the consolidated financial statements (Expressed in Canadian Dollars)

16. Management of Capital

The Company considers its capital to be its share capital and contributed surplus. The Company's objectives when managing capital are to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. In the management of capital, the Company includes the components of equity attributable to shareholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions and also taking into consideration externally imposed capital requirements. The annual and updated budgets are approved by the Board of Directors. In order to maximize ongoing development efforts, the Company does not pay dividends.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from continuing operations. The Company has no externally imposed capital requirements. The Company's capital management policies have not significantly changed from the year ended October 31, 2012.

17. Segmented Information

The Company operates in one business segment, being the acquisition, exploration and development of mineral properties. The Company's assets are located in Canada and Nicaragua.

A comparison of total non-current assets and mineral properties at October 31, 2013 compared to October 31, 2012 by geographic location is shown below:

			October 31, 2013
	Canada	**Nicaragua**	**Total**
Restricted cash	$ 5,750	$ -	**$ 5,750**
Equipment	-	25,033	**25,033**
Mineral Properties	-	4,480,341	**4,480,341**
Total non-current assets	5,750	4,505,374	**4,511,124**

			October 31, 2012
	Canada	**Nicaragua**	**Total**
Restricted cash	$ 5,750	$ 30,068	**$ 35,818**
Equipment	-	36,055	**36,055**
Mineral Properties	-	4,802,010	**4,802,010**
Total non-current assets	5,750	4,868,133	**4,873,883**

Notes to the consolidated financial statements (Expressed in Canadian Dollars)

17. Segmented Information (continued)

A comparison of net loss for the year ended October 31, 2013 compared to the same period in 2012 by geographic location is shown below:

		Year ended October 31, 2013		Year ended October 31, 2012
Canada	$	(126,130)	$	(433,744)
Nicaragua		(720,857)		10,604
	$	**(846,987)**	$	(423,140)