Condensed interim consolidated financial statements of

# Potash Ridge Corporation

For the three months ended March 31, 2014 and March 31, 2013

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying condensed interim consolidated financial statements of Potash Ridge Corporation (the "Corporation") have been prepared by management in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the condensed interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate and timely and comprehensive financial information is prepared. However, any system of internal controls over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for reviewing and approving the condensed interim consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities.

**POTASH RIDGE CORPORATION**

**(An Exploration and Development Stage Entity)**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**(Unaudited - In Canadian dollars)**

| As at | | March 31 2014 | | December 31 2013 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash and cash equivalents (Note 3) | $ | **5,480,545** | $ | 8,031,855 |
| Restricted cash (Note 4) | | **302,373** | | 268,041 |
| Receivables | | **10,728** | | 28,979 |
| Other current assets | | **201,470** | | 240,490 |
| | | **5,995,116** | | 8,569,365 |
| Exploration and evaluation assets (Note 5) | | **23,724,184** | | 21,107,864 |
| Property, plant and equipment | | **572,214** | | 578,458 |
| Restricted cash (Note 4) | | **530,278** | | 510,272 |
| Other non-current assets | | **45,006** | | 45,006 |
| | $ | **30,866,798** | $ | 30,810,965 |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | $ | **876,666** | $ | 1,579,528 |
| Other current liabilities (Note 10) | | **181,269** | | - |
| | | **1,057,935** | | 1,579,528 |
| Other non-current liabilities (Note 10) | | **725,077** | | - |
| | | **1,783,012** | | 1,579,528 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Capital stock (Note 6) | | **33,428,933** | | 33,428,933 |
| Contributed surplus (Note 6) | | **6,384,547** | | 6,271,378 |
| Deficit | | **(10,644,046)** | | (10,435,305) |
| Accumulated other comprehensive loss | | **(85,648)** | | (33,569) |
| | | **29,083,786** | | 29,231,437 |
| | $ | **30,866,798** | $ | 30,810,965 |

Nature of Operations and Going Concern (Note 1)

Approved by the Board of Directors on May 8, 2014

(Signed) GUY BENTINCK
Director

(Signed) NAVIN DAVE
Director

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

**POTASH RIDGE CORPORATION**
**(An Exploration and Development Stage Entity)**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

**(Unaudited - In Canadian dollars)**

| | | Three months ended | | |
|---|---|---|---|---|
| | | March 31 2014 | | March 31 2013 |
| **EXPENSES** | | | | |
| Management, employee, director, general and administrative expenses | $ | **822,473** | | 966,380 |
| Professional fees | | **307,324** | | 314,858 |
| Share-based compensation (Note 8) | | **85,248** | | 203,751 |
| Depreciation | | **49,409** | | 26,836 |
| | | **(1,264,454)** | | (1,511,825) |
| **OTHER ITEMS** | | | | |
| Interest income | | **6,690** | | 22,786 |
| Foreign exchange gain | | **1,049,023** | | 523,882 |
| **Net loss for the period** | | **(208,741)** | | (965,157) |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Foreign currency translation adjustment | | **(52,079)** | | 7,865 |
| **Comprehensive loss for the period** | $ | **(260,820)** | $ | (957,292) |
| Weighted average number of common shares outstanding | | **86,709,032** | | 86,594,987 |
| Basic and diluted loss per common share | $ | **(0.00)** | $ | (0.01) |

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

**POTASH RIDGE CORPORATION**
**(An Exploration and Development Stage Entity)**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**(Unaudited - In Canadian dollars)**

| | Number of voting shares | Number of non-voting shares | Share capital | Contributed surplus | Deficit | Accumulated other comprehensive income/(loss) | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2014** | **81,653,778** | **5,055,254** | **$ 33,428,933** | **$ 6,271,378** | **$ (10,435,305)** | **$ (33,569)** | **$ 29,231,437** |
| **Net loss** | **-** | **-** | **-** | **-** | **(208,741)** | **-** | **(208,741)** |
| **Effect on foreign currency translation** | **-** | **-** | **-** | **-** | **-** | **(52,079)** | **(52,079)** |
| **Share based compensation (Note 8)** | **-** | **-** | **-** | **113,169** | **-** | **-** | **113,169** |
| **Balance at March 31, 2014** | **81,653,778** | **5,055,254** | **$ 33,428,933** | **$ 6,384,547** | **$ (10,644,046)** | **$ (85,648)** | **$ 29,083,786** |
| Balance at January 1, 2013 | 81,303,778 | 5,055,254 | $ 33,267,933 | $ 5,317,884 | $ (5,902,684) | $ (5,665) | $ 32,677,468 |
| Exercised options | 350,000 | - | 161,000 | (73,500) | | | 87,500 |
| Net loss | - | - | - | - | (965,157) | - | (965,157) |
| Effect on foreign currency translation | - | - | - | - | - | 7,865 | 7,865 |
| Share based compensation (Note 8) | - | - | - | 267,816 | - | - | 267,816 |
| Balance at March 31, 2013 | 81,653,778 | 5,055,254 | $ 33,428,933 | $ 5,512,200 | $ (6,867,841) | $ 2,200 | $ 32,075,492 |

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

**POTASH RIDGE CORPORATION**
**(An Exploration and Development Stage Entity)**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited - In Canadian dollars)**

| | | **Three months ended March 31 2014** | | Three months ended March 31 2013 |
|---|---|---|---|---|
| **CASH FLOWS USED IN OPERATING ACTIVITIES** | | | | |
| Loss for the periods | **$** | **(208,741)** | $ | (965,157) |
| Items not affecting cash: | | | | |
| Depreciation | | **49,409** | | 26,836 |
| Share based compensation (Note 8) | | **85,248** | | 203,751 |
| Foreign exchange gain | | **(979,248)** | | (269,720) |
| Changes in non-cash working capital items: | | | | |
| Decrease/(Increase) in receivables | | **18,251** | | (143,340) |
| Decrease in other current assets | | **39,020** | | 5,815 |
| Increase in other non-current assets working capital | | **-** | | (131,141) |
| Increase in operating restricted cash | | **(54,338)** | | (146,870) |
| Decrease in accounts payable and accrued liabilities | | **(753,990)** | | (1,084,216) |
| Net cash used in operating activities | | **(1,804,389)** | | (2,504,042) |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | | | |
| Acquisition of property, plant and equipment | | **(44,612)** | | (113,677) |
| Decrease in short term deposits | | **-** | | 4,975,000 |
| Exploration and evaluation assets | | **(846,173)** | | (1,874,816) |
| Net cash used in investing activities | | **(890,785)** | | 2,986,507 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Net proceeds from share options exercised | | **-** | | 87,500 |
| Net cash provided by financing activities | | **-** | | 87,500 |
| **(Decrease)/Increase in cash and cash equivalents for the period** | | **(2,695,174)** | | 569,965 |
| **Effect of foreign exchange rate changes on cash and cash equivalents** | | **143,864** | | 277,484 |
| **Cash and cash equivalents, beginning of the period** | | **8,031,855** | | 17,800,890 |
| **Cash and cash equivalents, end of the period** | **$** | **5,480,545** | $ | 18,648,339 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Potash Ridge Corporation (the "Corporation") is a corporation operating under the Ontario Business Corporation Act. Its registered office is located in Toronto, Canada at 3 Church Street, Suite 600, Toronto, Ontario, M5E 1M2. On December 5, 2012, the Corporation closed its initial public offering (the "IPO") of Common Shares. The Common Shares were listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "PRK" on December 5, 2012. The Common Shares commenced trading on the OTCQX on April 29, 2013 under the symbol "POTRF".

The principal activity of the Corporation is the exploration and development of its Blawn Mountain alunite property in Utah, USA (the "Blawn Mountain Project" or "Project"). The Blawn Mountain Project is located on lands belonging to the State of Utah, managed by the State of Utah School and Institutional Trust Lands Administration ("SITLA") and initially leased to the Corporation through a Mining Exploration Agreement with option to Lease (the "Exploration Agreement"). On March 24, 2014, the Corporation exercised an option (the "Lease Option") in the Exploration Agreement to convert it into a long-term mining lease (note 10). The Blawn Mountain Project is the Corporation's only material development property.

The Corporation is an exploration and development stage entity and has not yet achieved profitable operations. It is subject to risks and challenges similar to companies in a comparable stage of development. These risks include, but are not limited to, the challenges of securing adequate capital to fund its activities, operational risks inherent in the mining industry, and global economic and commodity price volatility. The underlying value of the Blawn Mountain Project and the recoverability of the related capitalized costs are entirely dependent on the Corporation's ability to successfully develop the Project by, among other things, securing necessary permits, obtaining the required financing to complete the development and construction, and upon future profitable production from, or the proceeds from the disposition of, its mineral property.

The Corporation incurred a comprehensive loss for the three months ended March 31, 2014 of \$260,820 (March 31, 2013 - \$957,292) and reported an accumulated comprehensive deficit of \$10,729,694 as at March 31, 2014 (December 31, 2013 - \$10,468,874). The Corporation's sole source of funding has been the issuance of equity securities for cash. As at March 31, 2014, the Corporation had \$5,480,545 in cash and cash equivalents (December 31, 2013 - \$8,031,855). There are no sources of operating cash flows. The Corporation intends to use its existing cash resources to continue the execution of its permitting strategy, pursue commercial and infrastructure arrangements for the development of the Blawn Mountain Project, and incur project management and general corporate and operating expenditures. The Corporation will need to raise additional capital through equity issuances or other available means in order to continue funding its operating, exploration and evaluation activities, and eventual development of the Project. Although the Corporation has been successful in its past fundraising activities, there is no assurance as to the success of future fundraising efforts or as to the sufficiency of funds raised in future fundraisings.

These circumstances, along with other risks relevant to exploration companies, such as continuing losses, result in material uncertainty which lends significant doubt as to the ability of the Corporation to fulfill its exploration and development activities and, accordingly, the appropriateness ultimately of the use of the accounting principles applicable to a going concern.

These condensed interim consolidated financial statements have been prepared under the assumption that the Corporation will continue as a going concern. The going concern basis of presentation assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future.

These condensed interim consolidated financial statements do not give effect to adjustments to the carrying values of assets, liabilities and the reported expenses and classifications that would be necessary should the Corporation be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Corporation on May 8, 2014.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

*a) Statement of compliance*

These condensed interim consolidated financial statements were prepared in accordance with IAS 34 Interim Financial Statements. The condensed interim consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Corporation's annual financial statements at December 31, 2013. Any subsequent changes to IFRS that are reflected in the Corporation's consolidated financial statements for the year ended December 31, 2013 could result in restatement of those condensed interim consolidated financial statements.

*b) Basis of preparation*

The condensed interim consolidated financial statements have been prepared using the historical cost convention, modified by the revaluation of any financial assets and financial liabilities at fair value through profit and loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Corporation's accounting policies.

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of the annual condensed financial statements for the year ended December 31, 2013.

*c) Basis of consolidation*

The condensed interim consolidated financial statements incorporate the financial statements of the Corporation and its wholly-owned subsidiary Utah Alunite Corporation ("UAC"). Consolidation is required when the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

d) *Changes in accounting policies*

IFRS 32 'Financial Instruments: Presentation' ("IAS 32")

This IASB published amendments to IAS 32 to provide clarifications on the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. Management determined that, based on the Corporation's existing operations, this standard has no impact on the Corporation's financial statements.

IFRIC 21 'Levies' ("IFRIC 21")

IFRIC 21 is an interpretation on IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, with respect to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligating event is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. Management determined that, based on the Corporation's existing operations, this standard has no impact on the Corporation's financial statements.

IAS 36 'Impairment of Assets' ("IAS 36")

The IASB published amendments to the disclosures required by IAS 36, when the recoverable amount is determined based on fair value less costs of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. Management determined that, based on the Corporation's existing operations, this standard has no impact on the Corporation's financial statements.

e) *Future accounting standards and pronouncements*

IFRS 9 'Financial Instruments' ("IFRS 9")

This standard is the first step in the process to replace IAS 39, Financial Instruments: Recognition & Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 has an effective date of January 1, 2015, with early adoption permitted. The Corporation continues to monitor and assess the impact of this standard.

IFRS 2 'Share Based Payment' ("IFRS 2")

This IASB published amendments to IFRS 2 to provide clarifications on the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014. The Corporation continues to monitor and assess the impact of this amendment to the standard.

IFRS 3 'Business Combinations' ("IFRS 3")

The IASB published amendments to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. The amendments are effective for business combinations where the acquisition date is on or after July 1, 2014. The Corporation continues to monitor and assess the impact of this amendment to the standard.

IAS 16 'Property, Plant and Equipment' ("IAS 16")

The IASB published amendments to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The amendments to IAS 16 are effective for annual periods beginning on or after July 1, 2014. The Corporation continues to monitor and assess the impact of this amendment to the standard.

IAS 24 'Related Party Disclosures' ("IAS 24")

The IASB published amendments to IAS 24 to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided. The Corporation continues to monitor and assess the impact of this amendment to the standard.

## 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of $1,424,011 (December 31, 2013 - $2,418,474) in Canadian dollar denominated current accounts, and $4,056,534 (December 31, 2013 - $5,613,381) in U.S. dollar denominated current accounts.

All accounts and deposits are with a Canadian chartered bank with a AA- rating from Standard & Poor's except US$134,818, which is held in an account with a Utah-based commercial bank.

## 4. RESTRICTED CASH

The Corporation has set aside $832,651 (December 31, 2013 - $778,313) relating to reclamation surety bonds and collateral requirements ($445,796), and a Letter of Credit posted in accordance with the lease of the Corporation's Salt Lake City office ($386,855). The funds relating to the reclamation surety bonds are to be released upon the Corporation meeting all of its commitments to SITLA relating to its on-site Project activities and have therefore been classified as current or non-current assets on the consolidated statements of financial position according to management's estimated timing of completing such commitments.

## 5. EXPLORATION AND EVALUATION ASSETS

The following is a summary of exploration and evaluation expenditures related to the Corporation's Blawn Mountain Project that have been capitalized.

| | As at March 31, 2014 | As at December 31, 2013 |
|---|---|---|
| Drilling | **$ 5,487,231** | $ 5,280,213 |
| Pre-feasibility study | **5,124,787** | 4,923,590 |
| Professional and labour | **3,762,757** | 3,436,164 |
| Preliminary economic assessment | **3,015,351** | 2,901,591 |
| Employee salary and benefits | **2,664,821** | 2,200,445 |
| Mineral leases | **1,795,189** | 579,300 |
| Employee share based compensation (non-cash) | **1,041,098** | 1,013,177 |
| Transportation | **300,793** | 275,140 |
| Equipment rentals | **195,615** | 188,235 |
| Data acquisition | **150,340** | 144,668 |
| Field expenditures | **111,945** | 107,721 |
| Feasibility study | **41,776** | 26,897 |
| Other | **32,481** | 30,723 |
| **Total exploration and evaluation assets** | **$ 23,724,184** | $ 21,107,864 |

## 6. ISSUED CAPITAL

a) *Authorized: the Corporation is authorized to issue an unlimited number of common shares ("Common Shares") and 50,000,000 non-voting shares.*

*b) Summary of securities issued:*

| | | Common Shares | | | Convertible Securities | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Number of Voting Shares Issued | Number of Non-Voting Shares Issued | Share Capital | Number of Subscriber Warrants | Number of Broker Options | Number of Incentive Options | Number of Broker Warrants | Number of Non-Voting Warrants | Contributed Surplus |
| Opening Balance at January 1, 2013 | | 81,303,778 | 5,055,254 | 33,267,933 | 10,747,500 | 1,685,600 | 6,830,000 | 839,458 | 5,055,254 | 5,317,884 |
| Exercised share options | 6(i) | 350,000 | - | 161,000 | - | - | (350,000) | - | - | (73,500) |
| Expired share options | 8(i) | - | - | - | - | - | (380,000) | - | - | (12,122) |
| Share-based compensation | 8(ii) | - | - | - | - | - | 890,000 | - | - | 1,039,116 |
| **Balance at December 31, 2013** | | **81,653,778** | **5,055,254** | **$ 33,428,933** | **10,747,500** | **1,685,600** | **6,990,000** | **839,458** | **5,055,254** | **$ 6,271,378** |
| Share-based compensation | 8 | - | - | - | - | - | - | - | - | 113,169 |
| **Balance at March 31, 2014** | | **81,653,778** | **5,055,254** | **$ 33,428,933** | **10,747,500** | **1,685,600** | **6,990,000** | **839,458** | **5,055,254** | **$ 6,384,547** |

i. During the year ended December 31, 2013, 350,000 stock options were exercised at an exercise price of $0.25, resulting in net cash proceeds of $87,500 and a fair value of $161,000 recorded in share capital.

## 7. CONVERTIBLE SECURITIES – WARRANTS, BROKER WARRANTS OR OPTIONS

The following table details the actual convertible securities outstanding as at March 31, 2014:

| Expiry date | Type | Fair value ($) (at issuance) | Exercise price ($) | Issued | Exercised | Outstanding |
|---|---|---|---|---|---|---|
| November 27, 2014 | Subscriber warrants | 0.04 | 0.50 | 10,787,500 | 40,000 | 10,747,500 |
| November 27, 2014 | Broker unit options | 0.15 | 0.25 | 1,685,600 | - | 1,685,600 |
| November 27, 2014 | Broker warrants | 0.42 | 0.75 | 839,458 | - | 839,458 |
| December 5, 2014 | Warrants (Non – voting shares) | 0.30 | 1.00 | 5,055,254 | - | 5,055,254 |
| | | | | 18,367,812 | 40,000 | 18,327,812 |

## 8. SHARE-BASED COMPENSATION

The Corporation maintains a stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors, or consultants of the Corporation, options to acquire common shares in such numbers, for such terms and at such exercise prices, as may be determined by the Board of Directors or such committee. The stock option plan provides that the total number of common shares that may be reserved for issuance for all purposes under the stock option plan cannot be more than 10% of the outstanding Common Shares at the time of any grant of stock options. The terms of the options, including when they vest, are determined by the Board of Directors as they are granted.

The following table reflects the continuity of stock options for the three months ended March 31, 2014 and for the year ended December 31, 2013:

| | Number of stock options | Weighted average exercise price ($) |
|---|---|---|
| Balance, December 31, 2012 | 6,830,000 | 0.65 |
| Granted (8ii) | 890,000 | 0.28 |
| Exercised (note 6i) | (350,000) | 0.25 |
| Expired (8i) | (360,000) | 0.76 |
| Forfeited (8i) | (20,000) | 1.00 |
| Balance, December 31, 2013 | 6,990,000 | 0.62 |
| **Balance, March 31, 2014** | **6,990,000** | **0.62** |
| **Exercisable, March 31, 2014** | **5,453,333** | **0.59** |

i. In 2013, 360,000 stock options at an average exercise price of $0.76 expired unexercised and 20,000 stock options with an exercise price of $1.00 were forfeited.

ii. During the year ended December 31, 2013, the Corporation granted a total of 890,000 stock options to certain employees. The stock options were granted with a term of 10 years from the date of grant. 140,000 of the options granted are exercisable at a price of $1.00 and the remaining 750,000 options granted are exercisable at a price of $0.14. These options vest on the following schedule: 1/3 on grant, 1/3 a year after grant, 1/3 two years after grant.

As at March 31, 2014, the Corporation has committed to the issuance of 240,000 stock options in a subsequent period to an officer.

The total share-based compensation of $113,169 for the three months ended March 31, 2014 (March 31, 2013 - $267,816) was allocated as follows:

| **Three months ended March 31,** | **2014** | **2013** |
|---|---|---|
| Share-based compensation | **85,248** | 203,751 |
| Exploration and evaluation assets | **27,921** | 64,065 |
| | **113,169** | 267,816 |

The following table summarizes incentive stock options outstanding at March 31, 2014:

| Number outstanding | Number vested and exercisable | Exercise price | Expiry date | Weighted average remaining actual life (years) |
|---|---|---|---|---|
| 2,500,000 | 2,500,000 | $0.25 | December 9, 2021 | 7.7 |
| 600,000 | 600,000 | 0.75 | January 26, 2022 | 7.8 |
| 60,000 | 60,000 | 0.75 | February 1, 2022 | 7.8 |
| 2,940,000 | 1,960,000 | 1.00 | December 5, 2022 | 8.6 |
| 110,000 | 73,333 | 1.00 | March 27, 2023 | 9.0 |
| 30,000 | 10,000 | 1.00 | May 9, 2023 | 9.0 |
| 750,000 | 250,000 | 0.14 | November 22, 2023 | 9.6 |
| 6,990,000 | 5,453,333 | | | |

## 9. RELATED PARTY TRANSACTIONS

The Corporation's related parties as defined by IAS 24 "Related Party Disclosures", include the Corporation's subsidiary, executive and non-executive directors, senior officers and entities controlled or jointly controlled by the Corporation's directors or senior officers.

The compensation expense incurred by the Corporation including its subsidiary is summarized in the tables below:

| | Short term compensation and benefits or fee | Share-based awards | Total |
|---|---|---|---|
| **Three months ended March 31, 2014** | | | |
| Senior officers | $ 340,810 | $ 52,464 | $ 393,274 |
| Directors | 58,407 | 52,500 | 110,907 |
| **Three months ended March 31, 2013** | | | |
| Senior officers | 373,549 | 105,190 | 478,739 |
| Directors | 54,500 | 157,500 | 212,000 |

The Corporation entered into indemnity agreements with all of its directors and officers in 2012 in respect of possible liabilities or expenses, which such directors and officers may incur as a result of acting as a director or officer of the Corporation or its related entities. No liability has been incurred in 2014 or 2013.

## 10. OTHER CURRENT AND NON-CURRENT LIABILITIES

On March 24, 2014, the Corporation exercised the Lease Option in the Exploration Agreement to convert into a long-term mining lease (the "Mining Lease"). The Corporation made an initial payment to SITLA of US$200,000 and has entered into an arrangement whereby it will make further payments, as follows:

- March 31, 2015 US$164,000
- August 31, 2015 US$164,000
- March 31, 2016 US$164,000
- August 31, 2016 US$164,000
- March 31, 2017 US$164,000

The Corporation classed this agreement as 'other financial liabilities' and recorded it at fair value on initial recognition. The Corporation has agreed to pay a finance charge of 5.75% per annum on the outstanding balance during this three year period.

Under the terms of the mining lease, a minimum annual royalty payment of US$46,200 and an annual rental payment of US$11,500 is due to SITLA. The first annual royalty and rental payments were made on March 24, 2014.

The other current and non-current liabilities of the Corporation as at March 31, 2014 and December 31, 2013 are detailed in the table below:

| | **As at March 31, 2014** | **As at December 31, 2013** |
|---|---|---|
| Other current liabilities | **181,269** | - |
| Other non-current liabilities | **725,077** | - |
| | **906,346** | - |

## 11. COMMITMENTS AND CONTINGENCIES

The future minimum payments under various lease arrangements and other contractual obligations are as follows, as at March 31, 2014:

| | **Less than 1 year** | **1 - 5 years** | **After 5 years** | **Total** |
|---|---|---|---|---|
| Mining Lease | $ 63,832 | $ 268,091 | $ 434,051 | $ 765,974 |
| Exploration leases | 15,054 | 60,217 | 81,206 | 156,477 |
| Operating leases | 456,886 | 1,409,809 | 429,269 | 2,295,964 |
| Purchase obligations | 106,250 | - | - | 106,250 |
| Total | **$ 642,022** | **$ 1,738,117** | **$ 944,526** | **$ 3,324,665** |