Financial Statements of

YORBEAU RESOURCES INC.

Years ended December 31, 2013 and 2012

YORBEAU RESOURCES INC.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Yorbeau Resources Inc.

We have audited the accompanying financial statements of Yorbeau Resources Inc., which comprise the statements of financial position as at December 31, 2013 and December 31, 2012, the statements of comprehensive loss, changes in cash flows and changes in equity for the years then ended, and 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 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 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 financial statements. The procedures selected depend on our 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, we consider 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 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 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, the financial statements present fairly, in all material respects, the financial position of Yorbeau Resources Inc. as at December 31, 2013 and December 31, 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 modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Yorbeau Resources Inc. is still in exploration stage and, as such, no revenue has been yet generated from its operating activities. Accordingly, Yorbeau Resources Inc. depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business. These conditions, along with other matters as set forth in Note 1 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Yorbeau Resources Inc.'s ability to continue as a going concern.

KPMG LLP*

March 31, 2014

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A115894

YORBEAU RESOURCES INC.

Statements of Financial Position

December 31, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents (note 5)	$ 57,563	$ 60,538
Tax credits and other receivables (note 6)	128,944	161,654
Prepaid expenses	40,319	50,814
	226,826	273,006
Non-current assets:		
Mining properties and exploration and evaluation assets (note 8)	18,468,674	18,262,292
	$ 18,695,500	$ 18,535,298
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 566,824	$ 528,679
Due to directors and shareholders (note 18)	481,000	–
Short-term loan (note 10)	500,000	–
Gold Fields prepayment (note 7)	112,000	–
	1,659,824	528,679
Shareholders' equity:		
Share capital and warrants (note 11)	42,016,618	42,016,618
Contributed surplus	2,424,841	2,158,866
Deficit	(27,405,783)	(26,168,865)
	17,035,676	18,006,619
Commitments and contingencies (note 14)		
Subsequent event (note 19)		
	$ 18,695,500	$ 18,535,298

See accompanying notes to financial statements

On Behalf of the Board:

(s) David Crevier Director

(s) Frank Di Tomaso Director

YORBEAU RESOURCES INC.

Statements of Comprehensive Loss

Years ended December 31, 2013 and 2012

	2013	2012
Revenues:		
Management fees	$ 30,679	$ –
Rental of facilities	42,000	–
	72,679	–
Other income related to flow-through shares	–	256,288
Expenses:		
Administrative charges (Note 15)	941,262	969,727
Share-based payments	265,975	299,926
Property maintenance	3,848	4,798
	1,211,085	1,274,451
Interest income	(10)	(3,515)
Interest expense	66,362	–
Net interest expense (income)	66,352	(3,515)
Loss and comprehensive loss	$ (1,204,758)	$ (1,014,648)
Net loss per share, basic and diluted	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	174,385,206	174,383,151

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Statements of Changes in Cash Flows

Years ended December 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating:		
Loss and comprehensive loss	$ (1,204,758)	$ (1,014,648)
Items not involving cash:		
Share-based payments	265,975	299,926
Other revenue related to flow-through shares	–	(256,288)
Net interest expense	66,352	(3,515)
Net change in non-cash operating working capital items:		
Change in tax credits and other receivables	92,268	(23,377)
Change in prepaid expenses	10,495	12,685
Change in accounts payable and accrued liabilities	(23,865)	76,892
Change in Gold Fields prepayment	112,000	–
Interest received	10	3,515
Interest paid	(4,352)	–
Net cash used in operating activities	(685,875)	(904,810)
Investing:		
Additions to mining properties and exploration and evaluation assets	(315,961)	(1,999,619)
Credit on mining duties and resource tax credits	50,021	1,062,422
Net cash used in investing activities	(265,940)	(937,197)
Financing:		
Proceeds from issuance of shares	–	2,667
Equity financing expenses	(32,160)	(6,903)
Increase in due to directors and shareholders	606,000	–
Decrease in due to directors and shareholders	(125,000)	–
Short-term loan	500,000	–
Net cash from (used in) financing activities	948,840	(4,236)
Net decrease in cash and cash equivalents	(2,975)	(1,846,243)
Cash and cash equivalents, beginning of year	60,538	1,906,781
Cash and cash equivalents, end of year	$ 57,563	$ 60,538

See accompanying notes to financial statements.

YORBEAU RESOURCES INC.

Statements of Changes in Equity

Years ended December 31, 2013 and 2012

	2013	2012
Share capital and warrants:		
Balance, beginning of year	$ 42,016,618	$ 42,012,118
Issue of common shares (note 11)	–	4,500
Balance, end of year	42,016,618	42,016,618
Contributed surplus:		
Balance, beginning of year	2,158,866	1,860,773
Share-based payments to employees and service providers	227,031	283,901
Share-based payments with respect to investor relations (note 11)	38,944	16,025
Share options exercised (note 11)	–	(1,833)
Balance, end of year	2,424,841	2,158,866
Deficit:		
Balance, beginning of year	(26,168,865)	(25,147,314)
Loss and comprehensive loss	(1,204,758)	(1,014,648)
Equity financing expenses	(32,160)	(6,903)
Balance, end of year	(27,405,783)	(26,168,865)
Total shareholders' equity, end of year	$ 17,035,676	$ 18,006,619

See accompanying notes to financial statements.

1. Reporting Entity and going concern:

Yorbeau Resources Inc. (“Yorbeau” or the “Company”) is a company domiciled in Canada and incorporated under the laws of the Province of Québec. The address of the Company’s registered office is 110 Crémazie Boulevard, Suite 430, Montréal, Québec.

The Company is involved in the exploration of mineral properties in the Province of Québec. Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business.

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. Operating activities have not yet generated any revenues. The ability of the Company to meet its commitments as they become payable, including the acquisition of mineral properties and the development of projects, is dependent on its ability to obtain necessary financing. The recoverability of amounts shown for mining properties and exploration and evaluation assets is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties. As at December 31, 2013, current liabilities of $1,659,824 exceed current assets by $1,432,998. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

2. Statement of compliance:

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

These financial statements were authorized for issue by the Board of Directors as at March 25, 2014.

3. Basis of preparation:

(a) Basis of measurement:

The financial statements have been prepared on the historical cost basis.

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 4 and consists in the determination of capitalizable costs as exploration and evaluation assets as well as the recognition and measurement of refundable credits on mining duties.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 4 and 8 - recoverability of mining properties and exploration and evaluation assets;
- Notes 4 and 6 - assessment of refundable credit on mining duties and tax credit related to resources;
- Notes 4 and 12 - estimation of the fair value of share-based payments;
- Notes 4 and 13 - recoverability of income tax assets.

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

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments:

Non-derivative financial assets and liabilities are initially recognized at fair value plus any directly attributable transaction costs.

4. Significant accounting policies (continued):

(a) Financial instruments (continued):

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company classifies its cash and cash equivalents and other receivables as loans and receivables.

Cash and cash equivalents are comprised of cash balances and call deposits with original maturities of three months or less.

Non-derivative financial liabilities at amortized cost

The Company classifies its trade and accrued payables due to directors and shareholders and short-term loan as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Fair value of financial instruments

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices (unadjusted) in active markets.
- Level 2: defined as inputs other than quoted prices included in Level 1, that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring the Company to develop its own assumptions.

(b) Mining properties and exploration and evaluation assets:

Mining properties correspond to acquired interests in mining permits and claims which include the rights to explore, for mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

4. Significant accounting policies (continued):

(b) Mining properties and exploration and evaluation assets (continued):

The expenditures that are included in the measurement of exploration and evaluation assets include those related to acquisition of rights to explore topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. Mining properties and exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing mining properties and exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets.

(c) Impairment:

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued;

4. Significant accounting policies (continued):

(c) Impairment (continued):

Non-financial assets (continued)

– Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present the 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The level identified by the Company for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

(d) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as an increase to deficit, net of any tax effects.

Flow-through shares

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company may finance a portion of its exploration programs with flow-through share issues.

At the time of share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability for flow-through shares obligation. The Company estimates the fair value of the obligation using the residual method, i.e. by comparing the price of the flow-through share to the quoted price of common share at the date of the financing announcement.

4. Significant accounting policies (continued):

(d) Share capital (continued):

Flow-through shares (continued)

The Company may renounce the deductions for tax purposes under either what is referred to as the “general” method or the “look-back” method.

When tax deductions are being renounced under the general method, and the Company has the expectation of renouncing and has capitalized the expenditures during the current year, then the entity records a deferred tax liability with the corresponding charge to income tax expense. The obligation is reduced to zero, with a corresponding income recorded.

When tax deductions are being renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to income tax expense when expenditures are made and capitalized. At that time, the obligation would be reduced to zero, with a corresponding income recorded.

Warrants

Warrants are classified as equity when they are derivatives over the Company’s own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company’s own equity instruments.

(e) Share-based payments:

The grant date fair value of share-based payment awards granted to employees and directors is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the employees and directors unconditionally become entitled to the 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.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settles share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

(f) Leases:

All leases are classified as operating leases and as such the leased assets are not recognized in the Company’s statements of financial position.

4. Significant accounting policies (continued):

(f) Leases (continued):

Payments made under operating leases, are recognized either through the statement of comprehensive loss or through exploration and evaluation assets, depending on its nature, and on a straight-line basis over the term of the lease.

(g) Finance income and finance costs:

Interest income is recognized as it accrues, using the effective interest method.

Interest received and interest paid is classified under operating activities in the statements of changes in cash flows.

(h) Revenue recognition:

Revenues from management fees, rental of facilities and other services are recognized as services are rendered. Revenues recorded for other services are considered to be under an agency relationship based on the evaluation of the risks and responsibilities taken by the entity. Other services charged back to the principal are recorded on a net basis since the related activities reflect those of the principal and not those of the entity. Instead, revenue is the amount of management fee and rental facilities.

(i) Refundable tax credit related to resources and refundable credit on mining duties:

The Company is eligible for a refundable resource tax credit on Canadian Exploration Expenditures, financed by treasury funds, other than flow-through shares financings, of up to 35%. This credit is recorded as a government grant against mining properties and exploration and evaluation assets.

The Company is also entitled to a refundable credit on mining duties under the Québec Mining Tax Act. The accounting treatment for refundable credit on mining duties depends on management's intention to either go into production in the future or to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*. At the same time a deferred tax liability and deferred tax expense is recognized because the exploration and evaluation assets lose their tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future and, accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets.

4. Significant accounting policies (continued):

(i) Refundable tax credit related to resources and refundable credit on mining duties (continued):

Management's current intention is to sell the mining properties in the future, and, therefore, the credit on mining duties is recorded as a government grant against mining properties and exploration and evaluation assets. The Company records the credit at the rate of 16% (2012 - 16%) applicable on 50% of the eligible expense.

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits.

(j) Income tax:

Income tax expense comprises current and deferred tax. Current income taxes and deferred income taxes are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity. Therefore, when deferred taxes relate to equity items, a backwards tracing is necessary to determine the adjustment to taxes (e.g. change in tax rates) that should be recorded in equity. For this purpose, the accounting policy of the Company is to allocate changes in the recognition of deferred tax assets based on their expected maturity date.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regards to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

4. Significant accounting policies (continued):

(k) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to employees.

(l) Segment reporting:

The Company determined that it only has one operating segment, i.e. mining exploration.

(m) Adoption of new accounting standards:

The adoption of these new standards has not had a material impact on the financial statements.

(i) IFRS 11, *Joint Arrangements*:

IFRS 11 replaces the guidance in IAS 31, *Interests in Joint Ventures*.

Under IFRS 11, joint arrangements are now classified as either joint operations or joint ventures, depending upon the rights and obligations of the parties to the arrangement. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements for which, although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have direct and primary rights to the assets and obligations for the liabilities. Such arrangements are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

(ii) IFRS 12, *Disclosure of Interests in Other Entities*:

As part of its new suite of consolidation and related standards, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*, effective for annual periods beginning on or after January 1, 2013, to replace the existing disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), and associates.

4. Significant accounting policies (continued):

(m) Adoption of new accounting standards (continued):

(iii) IFRS 13, *Fair Value Measurement*:

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income.

IFRS 13 explains how to measure fair value when it is required or permitted by other IFRS. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

(n) New standards and interpretations not yet adopted:

IFRS 9, *Financial instruments*:

In November 2009, the IASB issued IFRS 9, *Financial Instruments* (“IFRS 9 (2009)”), and, in October 2010, the IASB published amendments to IFRS 9 (“IFRS 9 (2010)”).

In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9, *Financial Instruments* (2013). The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

IFRS 9 (2010) introduces additional changes relating to financial liabilities.

IFRS 9 (2013) includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

4. Significant accounting policies (continued):

(n) New standards and interpretations not yet adopted (continued):

IFRS 9, *Financial instruments* (continued):

Special transitional requirements have been set for the application of the new general hedging model.

The mandatory effective date is not yet determined, however, early adoption of the new standard is still permitted. Canadian reporting entities cannot early adopt IFRS 9 (2013) until it has been approved by the Canadian Accounting Standards Board.

5. Cash and cash equivalents:

	2013	2012
Bank balances	$ 57,563	$ 60,538

6. Tax credits and other receivables:

	2013	2012
Sales taxes	$ 4,607	$ 97,696
Tax credits for resources	95,386	50,000
Exploration credits on mining duties	21,172	7,000
Others	7,779	6,958
Tax credits and other receivables	$ 128,944	$ 161,654

7. Option and joint venture agreement with Gold Fields Sudbury Exploration Corp.:

On June 26, 2013, the Company entered into an option and joint venture agreement with Gold Fields Sudbury Exploration Corp., a 100% indirect subsidiary of Gold Fields Limited ("Gold Fields") pursuant to which the Company granted to Gold Fields an option to earn a 51% interest in the Rouyn property. In order to exercise the option, Gold Fields is required to fund $19 million in exploration and development expenditures of which $4 million is a firm commitment to be spent prior to December 31, 2014. As of December 31, 2013, Gold Fields reported to the Company that they had spent approximately $1.4 million in exploration and development expenditures on the Rouyn property. Gold Fields is also required to participate in three private placements for securities of the Company ranging from at least $3 million and up to a maximum of $6 million between 18 months and 54 months after June 26, 2013. Gold Fields will subscribe for units of the Company, each unit to consist of one common share and one-half of a purchase warrant, the units to be priced at the greater of $0.30 or a 10% premium to market. Each whole purchase warrant will entitle Gold Fields to acquire an additional common share at an exercise price equal to 110% of the unit cost.

Upon earning a 51% interest in the Rouyn property, Gold Fields has a further option to increase its interest to 70% by incurring an additional $15 million of exploration and development expenditures over three years.

In recognition of the value of the mining infrastructure currently existing on the Rouyn property, the option and joint venture agreement also provides the Company with an infrastructure credit in lieu of Yorbeau's future cash contributions to the joint venture. Accordingly, once the option or further option is exercised and the resulting joint venture is formed (either 51%-49% or 70%-30%), Gold Fields will be required to solely fund the joint venture until such time as the total cumulative exploration and development expenditures incurred by Gold Fields shall correspond to an amount of $40 million deemed to have been incurred by Yorbeau. In addition to the foregoing, in the case of a 70%-30% joint venture and where the expenditure by Gold Fields is in respect of development expense, Gold Fields will solely fund an additional amount of $20 million.

As part of the $19 million in exploration and development expenditures required to be spent by Gold Fields in order to earn the 51% interest in the Rouyn property, Yorbeau is entitled to receive cash prepayments of $1 million including applicable sales tax amounts in respect of services and equipment to be provided to Gold Fields. An amount of $500,000 was received on June 26, 2013 and the balance of $500,000 is due March 2014. As of December 31, 2013, $388,000 of management fees, rental of facilities and other services have been netted against the prepayment received.

8. Mining properties and exploration and evaluation assets:

Mining properties and exploration and evaluation assets, which relate to the Rouyn property as well as the Beschefer property, are as follows:

	2013		2012	
	Rouyn	Beschefer	Rouyn	Beschefer
Balance, beginning of year:				
Mining properties	$ 2,162,560	$ –	$ 2,162,560	$ –
Exploration and evaluation assets	16,027,990	71,742	14,162,950	71,742
Additions of exploration and evaluation assets	315,961	–	1,999,619	–
Mining and resource tax credits	(109,579)	–	(134,579)	–
Balance, end of year:				
Mining properties	2,162,560	–	2,162,560	–
Exploration and evaluation assets	16,234,372	71,742	16,027,990	71,742

(a) Rouyn Property:

Yorbeau owns 100% interest in the Rouyn property which is located in the Rouyn and Beauchastel Townships, Québec. The Rouyn property is composed of one mining lease, one mining concession and a group of 90 mining claims. Conversion of the mining lease into mining claims is pending. Twelve of the ninety mining claims are subject to a $50,000 per annum royalty payable to Société Minière Alta Inc., a company controlled by a director of Yorbeau. An option and joint venture agreement with Goldfields was concluded on June 26, 2013 (refer to Note 7).

8. Mining properties and exploration and evaluation assets (continued):

(b) Beschefer property:

In 2002, Yorbeau entered into an agreement with Explorers Alliance Corporation ("Explorers"), pursuant to which Yorbeau acquired from Explorers an 80% interest in 149 staked mining claims in consideration of the issuance to Explorers of 350,000 Class A common shares of Yorbeau. In 2005, Yorbeau abandoned 12 of these claims. The Company also has the option to acquire, at any time, the remaining 20% interest held by Explorers in the property in consideration of either a cash payment of $500,000 or the issuance to Explorers of 1,800,000 additional Class A common shares of Yorbeau, as determined by Explorers. Yorbeau also owns a 100% interest in 120 staked claims located in the Beschefer Township. The 257 staked claims which form the Beschefer property were converted in July 2012 into an aggregate of 115 map designated claims. Yorbeau owns a 100% interest in 50 of these claims and an 80% interest in the remaining 65 claims.

(c) Ellison property:

In 2002, Yorbeau entered into an agreement with Agnico-Eagle Mines Limited ("Agnico"), pursuant to which Yorbeau transferred to Agnico all of its interests in the Ellison property in consideration of a cash payment of $1,000,000 of which $500,000 was received on closing and $500,000 is receivable upon commencement of commercial production. Yorbeau also retains a 2.5% net smelter return royalty when the current gold price as established by the London Bullion Market Association is over US$425 per ounce.

9. Accounts payable and accrued liabilities:

	2013	2012
Accounts payable	$ 352,252	$ 403,615
Accrued liabilities	214,572	125,064
Accounts payable and accrued liabilities	$ 566,824	$ 528,679

10. Short-term loan:

In June 2013, a third party made a loan of $500,000 to the Company. This loan bears interest at a rate of 12% per annum, is unsecured and is repayable on January 31, 2014. Interest of $34,192 was charged to interest expense. As at December 31, 2013, $500,000 of the loan is outstanding.

11. Share capital and warrants:

Authorized:

An unlimited number of Class A common shares, without nominal or par value

Shares fluctuated as follows during the year:

	2013		2012	
	Number of shares	$	Number of shares	$
Balance, beginning of year	174,385,206	42,016,618	174,368,540	42,012,118
Shares issued:				
Exercised options	–	–	16,666	4,500
Balance, end of year	174,385,206	42,016,618	174,385,206	42,016,618

In February 2012, options were exercised that required the Company to issue 16,666 common shares at $0.16 per share for total proceeds of $2,667. At the date of the exercise, the weighted average share price of the Company's common share on the market was $0.29 per share. Furthermore, once options are exercised, the original cost that was accounted for in contributed surplus at the grant date is removed and accounted for in share capital. The corresponding amount regarding this specific exercise of options was $1,833.

The number of outstanding share purchase warrants fluctuated as follows during the year:

	2013	2012
Balance, beginning of year	200,000	6,909,366
Warrants issued:		
Finder's fee	–	–
With respect to investor relations	200,000	–
Warrants expired	(200,000)	(6,709,366)
Balance, end of year	200,000	200,000

11. Share capital and warrants (continued):

In August 2013, 200,000 share purchase warrants, exercisable at $0.25 per warrant, were issued in relation to consulting agreements with public relations firms. The Company accounted for these compensation warrants by using the Black-Scholes pricing model. At the date of the issuance, the weighted average fair value of warrants issued was $0.118 per warrant for a total value of $23,614 presented in the contributed surplus and as share-based payments in the statements of comprehensive loss.

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

- 200,000 warrants at $0.25 per warrant expiring the earlier of (i) January 31, 2015 or (ii) that date which is the first anniversary of the date upon which the consulting agreements with investor relations firms shall be terminated.

All options and warrants outstanding at the end of the period could potentially dilute basic earnings per share in the future.

12. Share option plan:

As at December 31, 2013, 13,983,334 Class A common shares were reserved for future issuances under the share option plan for the benefit of the directors, employees and service providers of the Company. Options are issued at an exercise price corresponding to the latest closing price of the Class A common shares on the Toronto Stock Exchange prior to the grant of the option. They vest over a period of three years and expire after a period of five years.

On August 13, 2013, the Company granted 3,025,000 share options to directors, employees, and service providers, exercisable at $0.25 per share. The fair value of each option was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of share options granted was $0.118 per option for a total value of $356,950.

On February 3, 2012, the Company granted 2,500,000 share options to directors, employees, and service providers, exercisable at $0.27 per share. The fair value of each option was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of share options granted was $0.17 per option for a total value of $425,000.

On May 2, 2012, the Company granted 200,000 share options to a service provider exercisable at $0.27 per share. The fair value of each option was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of share options granted was $0.20 per option for a total value of $40,000.

12. Share option plan (continued):

The following weighted average assumptions were used in these calculations:

	2013	2012
Risk-free interest rate	1.89%	1.36%, 1.58%
Expected life	5 years	5 years
Expected volatility	71.99%	77.45%, 96.31%
Expected dividend	0.00%	0.00%

The number of stock options outstanding fluctuated as follows during the year:

	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	5,333,334	$ 0.23	5,400,000	$ 0.24
Expired	–	–	(2,750,000)	0.30
Granted	3,025,000	0.25	2,700,000	0.27
Exercised	–	–	(16,666)	0.16
Balance, end of year	8,358,334	$ 0.24	5,333,334	$ 0.23
Exercisable options, end of year	3,516,667	$ 0.21	2,310,001	$ 0.18

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

- 1,713,334 options at $0.16 per share until June 9, 2014
- 250,000 options at $0.28 per share until March 11, 2015
- 620,000 options at $0.25 per share until November 3, 2015
- 50,000 options at $0.24 per share until February 24, 2016
- 2,500,000 options at $0.27 per share until February 2, 2017
- 200,000 options at $0.27 per share until May 1, 2017

12. Share option plan (continued):

As at December 31, 2013, the following options were outstanding (continued):

- 3,025,000 options at $0.25 per share until August 12, 2018.

13. Income tax:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.9% (2012 - 26.9%) as a result of the following:

	2013	2012
Loss and comprehensive loss	$ (1,204,758)	$ (1,014,648)
Computed “expected” tax recovery	(324,080)	(272,940)
Increase in income taxes resulting from:		
Non-deductible share-based payments	71,547	80,680
Change in unrecognized deferred income tax assets	–	(206,837)
Current year losses not recognized	252,533	–
Deferred tax arising from flow-through shares	–	492,438
Non taxable other revenue related to flow-through shares	–	(68,941)
Other	–	(24,400)
Total income tax recovery	$ –	$ –

Reconciliation of change in applicable tax rate

	2013	2012
Applicable tax rate for the previous year	26.90%	28.40%
Change in the applicable federal tax rate	– %	(1.50)%
Applicable tax rate for the current year	26.90%	26.90%

13. Income tax (continued):

As at December 31, 2013, the Company has exploration expenditures and other costs of approximately $23,230,000 which are being carried forward for income tax purposes indefinitely and which may be deducted from future taxable income. The Company also has $10,723,000 in tax losses available to reduce future years' income. These tax losses, for which the tax effect has not been recorded in the financial statements, expire as follows:

2014	$ 480,000
2015	525,000
2026	744,000
2027	977,000
2028	1,354,000
2029	1,591,000
2030	1,324,000
2031	1,326,000
2032	1,229,000
2033	1,173,000
Total	$ 10,723,000

Deferred tax assets have not been recognized because it is not probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised. Deferred tax assets have not been recognized in respect of the following items:

	2013	2012
Operating losses	$ 2,896,000	$ 2,580,000
Equity financing costs	56,000	104,000
Equipment	129,000	132,000
Mining properties and exploration and evaluation assets	1,233,000	1,237,000
Unrecognized deferred tax assets	$ 4,314,000	$ 4,053,000

14. Commitments and contingencies:

The Company has lease commitments for premises, trailers and a surface vehicle. Minimum lease payments are as follows:

	2013	2012
One year and less	$ 42,262	$ 57,600

14. Commitments and contingencies (continued):

The lease contracts are standard industry contracts. The lease for the premises is primarily based on square footage. Lease payments for the surface vehicle and trailers are based primarily on the cost of the units plus related financing costs.

15. Administrative charges:

	2013	2012
Professional fees	$ 364,531	$ 288,397
Salaries	248,815	234,427
Investor relations	118,663	240,657
Taxes, licenses, fees	12,372	(1,000)
Royalty	50,000	50,000
Miscellaneous	55,146	66,506
Rent	49,399	48,314
Insurance	42,336	42,426
Total	$ 941,262	$ 969,727

16. Financial instruments and financial risk management:

Risk management:

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

(a) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. Cash and cash equivalents is maintained with high-credit, quality financial institutions.

(b) Interest rate risk:

The cash and cash equivalents bear interest at a variable rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

16. Financial instruments and financial risk management (continued):

(c) Liquidity risk:

Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has its disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even though the Company was successful in the past, there is no guarantee that it will succeed in the future.

(d) Fair value:

The fair value of accounts payable, accrued liabilities, due to directors and shareholders, and short-term loan approximates their carrying amount because of the short-term nature of those instruments.

17. Capital disclosures:

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In the management of capital, the Company includes the components of shareholders' equity. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments. The Company does not intend to use long-term debts before it will generate revenues. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last period.

18. Related party transactions:

Transactions with key management personnel

The compensation of directors and executive officers of the Company comprises:

	2013	2012
Short-term employee benefits	$ 100,003	$ 100,003
Share-based payments	167,923	189,729
Total	$ 267,926	$ 289,732

Other related party transactions

During the year, a law firm, in which a director and officer of the Company is a partner, rendered legal and consulting services in the amount of $335,385 (2012 - $264,090), charged to administrative charges, as well as with respect to financing in the amount of $25,075 (2012 - $6,360) charged to equity financing expenses, totalling an aggregate amount of $360,460 (2012 - $270,450). As at December 31, 2013, the accounts payable include $181,933 (2012 - $134,681) owed to this legal firm.

Administrative charges in the statements of comprehensive loss include an amount of $50,000 (2012 - $50,000) paid as a royalty to Société Minière Alta Inc., of which a director of Yorbeau is the sole shareholder (Note 8 (a)).

A director of the Company rendered investor relations services in the amount of $20,000 (2012 - $15,000), charged to administrative charges. As at December 31, 2013, the accounts payable include $10,000 (2012 - nil) payable to this director.

In addition, consulting services were charged to Yorbeau in the amount of nil (2012 -$24,843) by a company, in which a director of Yorbeau is the president as well as the controlling shareholder. This amount was charged to administrative charges. As at December 31, 2013, the accounts payable include nil (2012 - nil) payable to this company.

Furthermore, mining properties and exploration and evaluation assets include consulting fees in the amount of $30,000 (2012 - $57,500) charged by a director. Administrative charges in the statements of comprehensive loss include consulting fees in the amount of $30,000 (2012 - nil) charged by the same director. As at December 31, 2013, the accounts payable include $22,995 (2012 - $5,749) payable to this director.

During the year, certain directors made loans totalling $525,000 to the Company. These loans bear interest at a rate of between 10% and 12% per annum and are repayable on demand. During 2013, interest of $27,660 was charged to interest expense and $125,000 has been repaid. As at December 31, 2013, $400,000 of these loans is outstanding.

18. Related party transactions (continued):

During the year, shareholders advanced to the Company $81,000, non-interest bearing. Subsequent to the end of the year, the Company closed the first tranche of a private placement and the outstanding non-interest bearing loan of $81,000 was reimbursed through the issuance of shares.

These transactions, made in the normal course of business, were measured at the exchange amount, which is the amount established and agreed to by the parties.

19. Subsequent events:

On January 9, 2014, a director of the Company loaned $50,000 to the Company. This loan bears interest at a rate of 10% per annum and is repayable on demand.

On January 29, 2014, the Company repaid its loan received from a third party, consisting of the principal of $500,000, as well as interest totalling $38,795, for a total of $538,795.

On February 17, 2014, the Company announced the proposed acquisition of all the issued and outstanding securities of Cancor Mines Inc. It is contemplated that the acquisition will proceed by way of a triangular amalgamation whereby a federally incorporated wholly-owned subsidiary of Yorbeau will amalgamate with Cancor Mines Inc. to form a new entity which will be a wholly-owned subsidiary of the Company. It is presently anticipated that the common shares of Cancor Mines Inc. outstanding on the Closing Date will be exchanged for units of the Company's on a 12 for 1 ratio. For the purpose of the acquisition, Cancor Mines Inc. will be valued at approximately $1,475,000 and the units of the Company will be valued at $0.18 each. The options of Cancor Mines Inc. outstanding on the Closing Date will be exchanged for rights granted by the Company to the holders of options entitling each holder to receive a cash payment from the Company for an amount equivalent to the increase in value that such holder would have realized on the expiry of the option. The acquisition is expected to be closed in May 2014.

On March 11, 2014, the Company received the second and final prepayment of $500,000 from Gold Fields Sudbury Exploration Corp. as per the option and joint venture agreement (refer to Note 7).

On March 20, 2014, the Company reimbursed $350,000 of outstanding loans to one of its directors plus interest of $30,354 totalling $380,354.

On March 24, 2014, the Company closed its private placement. There were a total of four tranches closed. The Company issued a total of 9,515,002 units at a price of $0.18 per unit for gross proceeds of $1,712,700. Each unit consists of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of $0.30 until December 31, 2015.

The Company reimbursed $100,000 of outstanding loans to one of its directors through the issuance of shares upon the closing of the private placement.