ERIN VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Erin Ventures Inc.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Erin Ventures Inc., which comprise the consolidated statements of financial position as at June 30, 2013 and 2012, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Erin Ventures Inc. as at June 30, 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 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada — *"Morgan LLP"*

October 24, 2013 — Chartered Accountants

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PO Box 10007, 1488 – 700 West Georgia Street, Vancouver, British Columbia, Canada V7Y 1A1
Tel: (604) 687 – 5841 Fax: (604) 687 – 0075 Email: info@morganllp.com

ERIN VENTURES INC.
Consolidated Statements of Financial Position
As at June 30
(Expressed in Canadian Dollars)

ASSETS

	2013	2012
Current		
Cash	**$ 44,548**	$ 227,734
Commodity tax recoverable	**113,142**	83,978
Prepaids	**-**	14,881
Total Current Assets	**157,690**	326,593
Equipment – Note 4	**10,536**	15,051
Exploration And Evaluation Assets – Notes 5 and 8	**6,283,374**	4,882,403
Total Assets	**$ 6,451,600**	$ 5,244,047

LIABILITIES

	2013	2012
Current		
Accounts payable and accrued liabilities – Note 7	**$ 373,929**	$ 405,910

EQUITY

	2013	2012
Share Capital – Note 6	**21,917,530**	19,145,162
Share Subscriptions Receivable – Note 6	**-**	(20,000)
Share Subscriptions Received In Advance – Note 6	**-**	421,800
Share-based Payment Reserve – Note 6	**1,423,468**	1,146,230
Deficit	**(17,263,327)**	(15,875,055)
Total Equity	**6,077,671**	4,818,137
Total Liabilities And Equity	**$ 6,451,600**	$ 5,224,047

Nature Of Operations And Ability To Continue As A Going Concern – Note 1
Basis Of Presentation – Note 2
Subsequent Event – Note 15

These consolidated financial statements were approved and authorized for issue by the Board of Directors on October 24, 2013. They are signed on the Company's behalf by:

"Tim Daniels"
Director

"Dragoljub Jujic"
Director

See accompanying notes to the consolidated financial statements

ERIN VENTURES INC.
Consolidated Statements of Operations and Comprehensive Loss
For the Years ended June 30
(Expressed in Canadian Dollars)

	2013	2012
Expenses		
Accounting and audit fees	**$ 59,665**	$ 79,390
Consulting fees – Note 8	**54,881**	189,762
Depreciation	**4,515**	6,450
Filing fees	**46,583**	12,499
Interest and bank charges	**8,512**	8,339
Legal fees	**59,539**	16,597
Management fees – Note 8	**231,300**	201,900
Office and miscellaneous – Note 8	**174,455**	129,085
Rent – Note 8	**25,602**	26,115
Share-based payments – Notes 6 and 8	**277,238**	27,008
Telephone	**12,024**	9,499
Transfer agent fees	**19,093**	8,009
Travel and promotion – Note 8	**47,290**	82,923
Operating Loss	**(1,020,697)**	(797,576)
Foreign Exchange Loss	**(4,958)**	(14,824)
Write-off Of Exploration And Evaluation Assets	**(391,997)**	(376,458)
Recovery Of Advances - net	**29,380**	52,111
Net Loss And Comprehensive Loss For The Year	**$ (1,388,272)**	$ (1,136,747)
Basic And Diluted Loss Per Share	**$ (0.01)**	$ (0.01)
Weighted Average Number Of Shares Outstanding	**192,375,592**	158,483,079

See accompanying notes to the consolidated financial statements

ERIN VENTURES INC.
Consolidated Statements of Cash Flows
For the Years ended June 30
(Expressed in Canadian Dollars)

	2013	2012
Operating Activities		
Net loss for the year	**$ (1,388,272)**	$(1,136,747)
Items not affecting cash:		
Depreciation	**4,515**	6,450
Foreign exchange loss	**4,958**	840
Gain on accounts payable write-off	**(29,380)**	(52,111)
Share-based payments	**277,238**	27,008
Shares issued for services	**40,000**	171,762
Write-off of exploration and evaluation assets	**391,997**	376,458
Changes in non-cash working capital items related to operations:		
Commodity tax receivable	**(29,164)**	(39,737)
Prepaid expenses	**14,881**	(14,881)
Accounts payable and accrued liabilities	**(12,187)**	61,634
Cash Used In Operating Activities	**(725,414)**	(599,324)
Financing Activities		
Issuance of common shares, net of share issuance costs	**2,330,568**	821,500
Share subscriptions received in advance of share issuance	**-**	421,800
Cash Provided By Financing Activities	**2,330,568**	1,243,300
Investing Activity		
Exploration and evaluation asset expenditures	**(1,788,340)**	(2,617,153)
Cash Used In Investing Activity	**(1,788,340)**	(2,617,153)
Change In Cash During The Year	**(183,186)**	(1,973,177)
Cash, Beginning Of The Year	**227,734**	2,200,911
Cash, End Of The Year	**$ 44,548**	$ 227,734
Supplemental Disclosure Of Cash Flow Information:		
Cash paid for:		
Interest	**$ -**	$ -
Income taxes	**$ -**	$ -

Non-Cash Investing and Financing Activities – Note 9

See accompanying notes to the consolidated financial statements

ERIN VENTURES INC.
Consolidated Statements of Changes in Equity
For the Years ended June 30, 2013 and 2012
(Expressed in Canadian Dollars)

	NUMBER OF SHARES	SHARE CAPITAL	SHARE SUBSCRIPTIONS RECEIVABLE	SHARE SUBSCRIPTIONS RECEIVED IN ADVANCE	SHARE-BASED PAYMENT RESERVE	DEFICIT	TOTAL EQUITY
June 30, 2011	154,561,310	$ 18,196,214	$ (149,784)	$ -	$ 1,060,130	$ (14,738,308)	$ 4,368,252
Share-based payments	-	-	-	-	27,008	-	27,008
Share-based payments for exploration and evalution assets	-	-	-	-	59,092	-	59,092
Shares issued for exploration and evaluation assets	193,547	20,226	58,000				78,226
Shares issued for services	-	-	73,034	-	-	-	73,034
Share subscription received in advance	-	-	8,750	421,800	-	-	430,550
Warrants exercised	150,000	13,750	-	-	-	-	13,750
Private placements	9,555,000	955,500	(20,000)	-	-	-	935,500
Less: Share issuance costs	-	(40,528)	10,000	-	-	-	(30,528)
Net loss for the year	-	-	-	-	-	(1,136,747)	(1,136,747)
June 30, 2012	164,459,857	19,145,162	(20,000)	421,800	1,146,230	(15,875,055)	4,818,137
Private placements	43,636,136	2,862,380	20,000	(421,800)	-	-	2,460,580
Less: Share issuance costs	-	(130,012)	-	-	-	-	(130,012)
Shares for services	470,588	40,000	-	-	-	-	40,000
Share-based payments	-	-	-	-	277,238	-	277,238
Net loss for the year	-	-	-	-	-	(1,388,272)	(1,388,272)
June 30, 2013	**208,566,581**	**$ 21,917,530**	**$ -**	**$ -**	**$ 1,423,468**	**$ (17,263,327)**	**$ 6,077,671**

See accompanying notes to the consolidated financial statements

Note 1 Nature of Operations and Ability to Continue as a Going Concern

Erin Ventures Inc. ("the Company") was incorporated under the laws of the Province of Alberta on July 19, 1993 and on May 28, 2001 registered in the Province of British Columbia as an extra-provincial company. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX.V"), under the symbol "EV". The address of the Company's corporate office and principal place of business is Suite 203, 645 Fort Street, Victoria, British Columbia, Canada.

The Company is in the exploration and development stage and is in the process of exploring and developing its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof. Managements' plan in this regard is to secure additional funds through future equity financings, which either may not be available or may not be available on reasonable terms.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization value may be substantially different from carrying value as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At June 30, 2013, the Company had not yet achieved profitable operations, has accumulated losses of $17,263,327 (2012 – $15,875,055) and expects to incur further losses in the development of its business, all of which casts substantial doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

Note 2 Basis of Presentation

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are presented below and are based on IFRS issued and outstanding as of June 30, 2013. The Board of Directors approved the financial statements on October 24, 2013.

These consolidated financial statements are presented in Canadian dollars.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Subsidiaries and Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: 766072 Alberta Inc., Ceibo Resources Ltd., Balkan Gold Corp., Carolina Gold Corp. and Canamanian Resources Inc. 766072 Alberta Inc. is a holding company. Balkan Gold Corp. was incorporated in Serbia for the purposes of complying with Serbian regulatory requirements related to the Piskanja property.

Carolina Gold Corp. was incorporated in the State of Delaware, USA, on January 16, 2007, for purposes of developing exploration and evaluation assets in the US. Ceibo Resources Ltd. was incorporated in Belize for the purposes of developing exploration and evaluation assets. Canamanian Resources Inc. was incorporated in Panama on December 18, 2009, for purposes of developing exploration and evaluation assets. All intercompany transactions and balances have been eliminated upon consolidation.

Note 2 **<u>Basis of Presentation</u>** (Continued)

d) Critical Accounting Judgments and Estimates

The preparation of these consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

<u>Critical Accounting Estimates</u>
The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Impairment of Assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairments of non-financial assets have been recorded for the years ended June 30, 2013 and 2012, aside from the exploration and evaluation assets disclosed in note 5.

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

Management estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of exploration and evaluation assets. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

Note 2 **Basis of Presentation** (Continued)

d) Critical Accounting Judgments and Estimates (Continued)

Title to Mineral Property Interests

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

Share-based Compensation

Management is required to make certain estimates when determining the fair value of share-based payments, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated statement of operations and comprehensive loss.

Critical Judgments Used in Applying Accounting Policies

In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgements can have an effect on the amounts recognized in the consolidated financial statements.

Exploration and Evaluation Assets

In estimating the recoverability of capitalized exploration and evaluation assets, management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral properties. Once technical feasibility and commercial viability of property can be demonstrated, it is reclassified from exploration and evaluation assets to property and equipment, and subject to different accounting treatment. As at June 30, 2013 and June 30, 2012 management had determined that no reclassification of exploration and evaluation assets was required.

Income Tax

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The Company's deferred tax assets have not been recorded in these consolidated statements of financial position, because it is not probable that the Company will have sufficient profits in the future to utilize the tax assets. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Note 3 **Significant Accounting Policies**

The accounting policies set out below are adopted for the year ended June 30, 2013 and have been applied consistently to all years presented in these consolidated financial statements.

a) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and cashable highly liquid investments with limited interest and credit risk. The remaining maturities at point of purchase are at 3 months or less, with no penalties on early retirement. The Company places its cash with chartered Canadian banks. As at June 30, 2013 and 2012, the Company had no cash equivalents.

b) Equipment

Equipment is recorded at cost and depreciated over their estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Depreciation is recorded when equipment is put in use over the estimated useful life using the following methods and rates:

Office equipment	5 years straight line
Computer equipment	5 years straight line
Vehicle	30% declining balance

c) Exploration and Evaluation Assets

Upon acquiring the legal right to explore an exploration and evaluation asset, costs related to the acquisition, exploration and evaluation are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit and loss. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

Note 3 **<u>Significant Accounting Policies</u>** (Continued)

c) Exploration and Evaluation Assets (Continued)

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation, and future profitable production or proceeds from the disposition thereof.

d) Exploration Advances

The Company periodically advances funds to its Serbian subsidiary to cover its exploration costs in that country. These funds are internally restricted soley for this purpose and therefore are included in exploration and evaluation assets when they are advanced.

e) Impairment of Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets at each reporting period. An impairment loss is recognized when estimated future cash flows resulting from the use of an asset and its eventual disposition is less than its carrying amount.

A mining enterprise is required to consider the conditions for impairment write-down. The conditions include significant unfavourable economic, legal, regulatory, environmental, political and other factors. In addition, management's development activities towards its planned principal operations are a key factor considered as part of the ongoing assessment of the recoverability of the carrying amount of mineral properties. Whenever events or changes in circumstances indicate that the carrying amount of a mineral property in the exploration stage may be impaired, the capitalized costs are written down to the estimated recoverable amount.

f) Reclamation and Remediation Provisions for Environmental

The Company recognizes a provision for statutory, contractual, constructive, or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance caused by the exploration or development of mineral properties, plant, and equipment occurs, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

Note 3 **Significant Accounting Policies** (Continued)

f) Reclamation and Remediation Provisions for Environmental (Continued)

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant, and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the statements of comprehensive income/loss.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimates of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases, and interest rates, and as new information concerning the Company's closure and reclamation obligations become available.

g) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The presentation currency and functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors indentified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the year.

h) Incidental Revenue

Revenue is recognized from the sale of boron and gold when the price is determinable, the product has been delivered and title has been transferred to the customer and collection of the sales price is reasonably assured. Incidental revenue is set off against related project and exploration expenditures.

Note 3 **<u>Significant Accounting Policies</u>** (Continued)

i) Assets Held for Sale

Assets classified as held for sale are those that their carrying amount will be recovered through a sale transaction rather than through continuing use, and expected to be sold within a twelve month period and there is no longer intent to hold for future use. Assets held for sale are valued at the lower of cost and fair value less cost of disposal.

j) Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the periods presented.

k) Share Consideration

Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration is based upon the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued according to the residual method.

l) Share-based Payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Note 3 **Significant Accounting Policies** (Continued)

m) Income Taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method. Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes are recognized as deferred tax assets and liabilities. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

n) Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Note 3 **Significant Accounting Policies** (Continued)

n) Financial Instruments (Continued)

Financial assets (Continued)

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through other comprehensive income (loss).

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash at fair value through profit and loss.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company’s accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Note 3 **Significant Accounting Policies** (Continued)

n) Financial Instruments (Continued)

Financial liabilities (Continued)

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company's accounts payable and accrued liabilities and assets held for sale are classified as other financial liabilities.

The Company designated cash (Level 1) as held for trading assets, measured at fair value. Accounts payable and accrued liabilities are designated as other financial liabilities and measured at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement. The Company had neither available-for-sale, nor held-to-maturity instruments during the year ended June 30, 2013.

The Company is required to disclose the inputs used in fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

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 or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company has determined that no adjustments are currently required for transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading.

o) Adoption of Accounting Policies on July 1, 2012

IAS 12 – Income Taxes (Amended) (IAS 12), introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value.

IFRS 7 – *Financial instruments: Disclosures (Amended*) require additional disclosures on transferred financial assets.

The adoption of the policies noted above had no impact on the Company's consolidated financial statements for the year ended June 30, 2013.

Note 3 **Significant Accounting Policies** (Continued)

p) Future Accounting Changes

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting Standards Issued and Effective for Annual Reporting Periods Beginning on or After January 1, 2013

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard:

- requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation
- sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee;
- sets out the accounting requirements for the preparation of consolidated interim financial. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 *Disclosure of Involvement* with Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

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

(Expressed in Canadian Dollars)

Note 3 Significant Accounting Policies (Continued)

p) Future Accounting Changes (Continued)

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

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

Accounting Standards Issued and Effective for Annual Reporting Periods Beginning on or After January 1, 2015

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

Note 4 Equipment

	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	VEHICLE	TOTAL
COST				
Balance, June 30, 2012 and 2013	**$ 8,390**	**$ 25,009**	**$ 25,295**	**$ 58,694**
ACCUMULATED DEPRECIATION				
Balance, June 30, 2011	$ 8,390	$ 25,009	$ 3,794	$ 37,193
Depreciation for the year	-	-	6,450	6,450
Balance, June 30, 2012	8,390	25,009	10,244	43,643
Depreciation for the year	-	-	4,515	4,515
Balance, June 30, 2013	**$ 8,390**	**$ 25,009**	**$ 14,759**	**$ 48,158**
CARRYING AMOUNTS				
June 30, 2011	$ -	$ -	$ 21,501	$ 21,501
June 30, 2012	$ -	$ -	$ 15,051	$ 15,051
June 30, 2013	**$ -**	**$ -**	**$ 10,536**	**$ 10,536**

Note 5 Exploration and Evaluation Assets

ERIN VENTURES INC.
Notes to the Consolidated Financial Statements
Years ended June 30, 2013 and 2012
(Expressed in Canadian Dollars)

	USA	SERBIA	CANADA	TOTAL
Balance, June 30, 2012	$ 1,475,172	$ 3,015,234	$ 391,997	$ 4,882,403
Deferred exploration costs				
Assay		33,857	-	33,857
Consulting and geological consulting	(29,342)	419,672	-	390,330
Drilling	-	742,951	-	742,951
Field work and supplies	-	777,390	-	777,390
Geophysical	5,046	-	-	5,046
Other	-	49,722	-	49,722
Travel	-	927	-	927
VAT Refund	-	(257,903)	-	(257,903)
	1,450,876	4,781,850	391,997	6,624,723
Exploration advances	-	50,648	-	50,648
Less: Written off	-	-	(391,997)	(391,997)
Balance, June 30, 2013	**$ 1,450,876**	**$ 4,832,498**	**$ -**	**$ 6,283,374**

	USA	SERBIA	CANADA	TOTAL
Balance, June 30, 2011	$ 1,262,272	$ 816,606	$ 366,997	$ 2,445,875
Acquisition costs				
Cash	13,769	-	-	13,769
Shares and options	82,318	-	25,000	107,318
Deferred exploration costs				
Administration and rent	36,599	-	-	36,599
Consulting and geological consulting	64,492	454,769	-	519,261
Drilling	7,491	1,363,301	-	1,370,792
Field work and supplies	-	581,609	-	581,609
Travel	8,231	21,978	-	30,209
Incidental revenue	-	(43,071)	-	(43,071)
	1,475,172	3,195,192	391,997	5,062,361
Exploration advances	-	196,500	-	196,500
Less: Written off	-	(376,458)	-	(376,458)
Balance, June 30, 2012	$ 1,475,172	$ 3,015,234	$ 391,997	$ 4,882,403

Note 5 Exploration and Evaluation Assets (Continued)

Deep River Gold Project, North Carolina, United States of America ("USA")

By agreement dated June 15, 2006, the Company entered into a strategic alliance with a North Carolina company to acquire, explore and develop exploration and evaluation assets in the Southeastern United States. At June 30, 2013 and 2012, the Company has accrued US$165,000 in consulting fees that were required per the agreement to this company.

The North Carolina company retains a 0.80% production royalty on the property.

The Company has the option to purchase the production royalty during the 60 day period following completion of a positive feasibility study for 1% of the value of proven and probable gold plus 1% of the other economically recoverable minerals to a maximum of $4,000,000.

During April 2012, the Company announced that it has entered into a non-binding Letter of Intent, which outlines the terms of an Earn-in Option Agreement whereby Mountain Man Minerals Corp. ("MMM"), a private BC company, may acquire the Deep River Gold project from the Company. MMM may earn 100% interest in Deep River in consideration for a total of $250,000 cash, $600,000 worth of shares, a $3,000,000 work expenditure over 4 years, and an ongoing NSR payment based on production. As at June 30, 2013, discussions have continued but no consideration has been paid or work expenditures made.

Volujski Kljuc ("VK") Property, Serbia

In the year ended June 30, 2012, the Company's wholly owned subsidiary, Balkan Gold, had received an exploration license for the Volujski Kljuc ("VK") alluvial gold deposit in Serbia, but were unable to gain acceptable usage rights from the private landowners. Accordingly, the Company has abandoned its property and written off the exploration and evaluation assets.

Piskanja Property, Serbia

The Company has entered in to a binding agreement with the Serbian state-owned mining company, JP PEU, for the joint development of the Piskanja boron deposit, located in Serbia as follows:

i) The Company's wholly owned Serbian subsidiary, Balkan Gold doo ("Balkan"), will apply for an exclusive exploration license (obtained) on the Piskanja property and conduct a geological study on the deposit. If results are positive, Balkan will then compose a feasibility study for mine development. Balkan is responsible for 100 % of the costs related to these studies and retains 100% ownership at this stage.

Note 5 **Exploration and Evaluation Assets** (Continued)

Piskanja Property, Serbia (Continued)

ii) When the feasibility study is complete, Balkan and JP PEU will form a joint venture company that will apply for an exploration license. However, in the event that JP PEU's corporate structure does not allow for it to enter into this joint venture (as is currently the case), Balkan will retain the right to apply for the exploration license on its own and retain 100% interest in the project.

iii) Ownership in the joint venture company will be directly proportional to the value of the assets contributed by each party. Balkan will be responsible for providing all the financing required to develop the mine and ore-processing facilities. JP PEU will contribute certain existing infrastructure assets in its possession (such as a power substation, access roads, rail spur, office and maintenance buildings in strategic proximity to the property) and historical research data from previous exploration programs at Piskanja. The determination of the assets to be contributed by JP PEU to the joint venture will be at the sole discretion of Balkan. These assets will be contributed at their established fair market value.

iv) An official determination of percentage ownership will occur at the completion of the mine development and be based upon the amount that has been actually spent by Balkan on exploration and mine development and the fair market value of the assets contributed by JP PEU.

v) Each party will have representation on the board of directors of the joint venture company on a basis that reflects its pro rata ownership of the joint venture company.

On January 8, 2013, the Company received an exploration license for additional territory within the Jarandol Basin in Serbia. The license is valid until December 10, 2015 and can be extended beyond the initial 3 year period at the request of the Company. The Company has the exclusive right to apply for an exploitation license upon successful completion of exploration.

On January 28, 2013, the Company announced that it has received Serbian government approval to opt out of its agreement with the Serbian state-owned mining Company "JPPEU" for the future joint-development of the Piskanja boron deposit. As a result, the Company will continue to retain an undivided 100% interest in the Piskanja project.

Yukon Property, Canada

During the year ended June 30, 2010, the Company entered into an agreement to purchase a 100% interest in a Yukon property, which has 36 Quartz Claims, in exchange for:

- Cash payment of $25,000 (paid);
- 1,500,000 common shares of the Company (issued);
- 1,500,000 warrants, exercisable into one common share of the Company for $0.10 for two years (granted);
- payment of 3% net smelter royalty;

Note 5 **Exploration and Evaluation Assets** (Continued)

Yukon Property, Canada (Continued)

- $20,000 expenditure of exploration on the property by June 1, 2010 (completed); and
- a further $100,000 expenditure of exploration on the property by May 15, 2011 (during the year ended June 30, 2011 the Company was given an extension to July 1, 2012. Subsequent to the year ended June 30, 2012, a further extension was provided to July 15, 2013).

During the year ended June 30, 2013, the Company wrote off the property as it was no longer in their exploration plans.

Note 6 **Share Capital**

a) Authorized:

Unlimited voting common shares without par value
Unlimited preferred shares without par value (none issued)

b) Issued common shares:

During the year ended June 30, 2013, the Company:

i) issued 19,214,996 units at $0.06 per unit for private placements. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.12 per share in the first year and $0.25 in the second year. All of the proceeds have been allocated to shares issued and none to the warrants. The Company paid share issuance costs of $51,160 in cash.

ii) issued 15,000,000 units at $0.07 per unit for private placements. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase on common share at $0.15 per share in the first year and $0.30 in the second year. All of the proceeds have been allocated to shares issued and none to the warrants. The Company paid share issuance costs of $56,267 in cash.

iii) issued 9,421,140 units at $0.07 per unit for private placements. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase on common share at $0.15 per share in the first year and $0.30 in the second year. All of the proceeds have been allocated to shares issued and none to the warrants. The Company paid share issuance costs of $22,585 in cash.

iv) issued 470,588 shares at $0.085 per share to settle debt in the amount of $40,000 for advisory services.

(Expressed in Canadian Dollars)

Note 6 **Share Capital** (Continued)

b) Issued common shares: (Continued)

During the year ended June 30, 2012, the Company:

i) issued 9,555,000 units at $0.10 per unit for private placements. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.25 per share until February 10, 2014. All of the proceeds have been allocated to shares issued and none to the warrants.

ii) issued 193,547 common shares pursuant to an exploration and evaluation asset agreement for the Deep River Gold Project, valued at $0.12 per share for total value of $23,226.

iii) issued 150,000 shares for proceeds of $22,500 for warrants exercised.

c) Commitments:

Share purchase options

The Company has granted directors and employees common share purchase options. Additional common share purchase options were also granted pursuant to exploration and evaluation assets acquisition agreements. These options are granted with an exercise price equal to the market price of the Company's shares on the date of the grant. The aggregate number of options are restricted to 10% of the total common shares issued and outstanding, and the number of options to any individual is restricted to 5% of the total common shares issued and outstanding, unless that individual is a consultant, in which case the number is restricted to 2%. The options may not be assigned nor transferred, and can have a term of no more than 5 years. The options vest at the discretion of the directors.

A summary of the status of share purchase options outstanding is presented below:

	YEAR ENDED JUNE 30, 2013		YEAR ENDED JUNE 30, 2012	
	SHARES	**WEIGHTED AVERAGE EXERCISE PRICE**	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	**5,155,000**	**$0.15**	6,080,000	$0.14
Expired	**(2,650,000)**	**$0.15**	(2,200,000)	$0.13
Granted	**5,200,000**	**$0.10**	1,275,000	$0.16
Outstanding at end of year	**7,705,000**	**$0.12**	5,155,000	$0.15
Exercisable at end of year	**7,705,000**	**$0.12**	5,155,000	$0.15

The weighted average remaining life of options outstanding at June 30, 2013 is 3.61 years (2012 – 1.51 years).

(Expressed in Canadian Dollars)

Note 6 **Share Capital** (Continued)

c) Commitments: (Continued)

Share purchase options (Continued)

At June 30, 2013, the Company has 7,705,000 share purchase options outstanding entitling the holder thereof the right to purchase one common share for each option held as follows:

NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE
330,000	$0.10	September 16, 2013 (Expired subsequent to year end)
300,000	$0.16	October 13, 2013 (Expired subsequent to year end)
300,000	$0.16	October 13, 2014
1,500,000	$0.16	December 7, 2015 (200,000 forfeited subsequent to year end)
75,000	$0.10	January 24, 2017
5,000,000	$0.10	December 20, 2017 (600,000 forfeited subsequent to year end)
200,000	$0.10	June 13, 2018
7,705,000		

The fair value of the share-based payments during the year ended June 30, 2013 was $277,238 (2012 - $86,100) of which $277,238 (2012 - $27,008) is included in share-based payments expense and $Nil (2012 - $59,092) is included in exploration and evaluation asset acquisition costs. Unless otherwise noted, all share purchase options vest when granted. The Company uses the Black-Scholes option pricing model to estimate the fair value of the options using the following assumptions:

	2013	2012
Dividend yield	**Nil**	Nil
Annualized volatility	**110-112%**	78-117%
Risk-free interest rate	**1.39-1.56%**	1.02-1.36%
Expected life	**5 years**	1 – 5 years

Share Purchase Warrants

A summary of the status of share purchase warrants outstanding is presented below:

	YEAR ENDED JUNE 30, 2013		YEAR ENDED JUNE 30, 2012	
	SHARES	**WEIGHTED AVERAGE EXERCISE PRICE**	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	**33,405,000**	**$0.18**	40,950,500	$0.13
Issued	**43,636,136**	**$0.14**	9,555,000	$0.25
Exercised	**-**	**-**	(150,000)	$0.15
Expired	**(7,500,000)**	**$0.14**	(16,950,500)	$0.10
Outstanding at end of year	**69,541,136**	**$0.16**	33,405,000	$0.18

(Expressed in Canadian Dollars)

Note 6 **Share Capital** (Continued)

c) Commitments: (Continued)

Share purchase warrants (Continued)

At June 30, 2013, the Company has 69,541,136 common share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
16,350,000	$0.15	December 2, 2013*
9,555,000	$0.25	February 10, 2014
19,214,996	$0.12	July 26, 2014
15,000,000	$0.15	December 17, 2014
9,421,140	$0.15	April 4, 2015
69,541,136		

* during the year ended June 30, 2013, the Company extended the life of the warrants to December 2, 2013

Note 7 **Accounts Payable and Accrued Liabilities**

		JUNE 30, 2013		JUNE 30, 2012
Trade payable	**$**	**165,425**	$	140,752
Accrued liabilities		**208,504**		265,158
	$	**373,929**	$	405,910

(Expressed in Canadian Dollars)

Note 8 **Related Party Transactions and Key Management Compensation**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and other members of key management personnel during the year ended June 30, 2013 and 2012 are as follows:

	2013	2012
Exploration and evaluation assets costs		
Consulting and geological consulting	**$ 146,000**	$ 122,215
Adminstration and rent	**-**	6,599
Acquisition costs	**-**	150,063
Consulting fees	**76,250**	38,000
Office and miscellaneous	**45,000**	67,500
Management fees	**231,300**	202,500
Rent	**4,800**	4,800
Share-based payments	**262,981**	-
Travel and promotion	**2,400**	2,400
	$ 768,731	$ 594,077

Key Management Compensation

	2013	2012
Management fees – cash	**$ 231,300**	$ 236,500
Management fees – shares	**-**	40,000
Exploration and evaluation assets costs - Consulting fees	**146,000**	74,000

As at June 30, 2013 accounts payable includes $100,769 (2012 - $209,508) due to directors of the Company and companies with common directors. This amount is comprised of unpaid geological fees, consulting fees, office costs, royalties and travel costs. All amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Note 9 Non-Cash Investing and Financing Activities

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows:

At June 30, 2013, the Company had $182,051 (2012 - $177,423) in accounts payable that related to exploration and evaluation assets expenditures.

During the year ended June 30, 2013, the Company issued shares valued at $40,000 for services.

During the year ended June 30, 2012, the Company:

- issued 193,547 common shares valued at $23,226 with respect to exploration and evaluation assets acquisition costs;
- granted 900,000 stock options valued at $59,092 with repect to exploration and evaluation assets costs;
- issued 1,280,000 common shares, as part of the 9,555,000 private placement, valued at $128,000 for services.

Note 10 Financial Instruments

The fair value of the financial instruments approximates their carrying value as they are short term in nature.

Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The types of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

The Company is primarily exposed to credit risk on its bank accounts. Credit risk exposure is limited by placing its cash with high-credit quality financial institutions.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash. The Company believes that these sources will be sufficient to cover the expected short and long term cash requirements.

Note 10 **Financial Instruments** (Continued)

Market Risk

The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk, and commodity price risk.

The Company has operations in Canada, the United States and Serbia subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian dollars, United States dollars ("US dollars") and Serbian dinars, and the fluctuation of the Canadian dollar in relation to these other currencies will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

Financial assets and liabilities denominated in currencies other than the Canadian dollar are as follows:

	JUNE 30, 2013	
	FINANCIAL ASSETS	FINANCIAL LIABILITIES
US dollar	$ 1,157	$ 164,688

Based on the above net exposures at June 30, 2013, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of $17,374 in the Company's loss from operations.

Interest Rate Risk

As at June 30, 2013, the Company does not have any interest bearing financial instruments and accordingly the Company is not exposed to interest rate risks.

(Expressed in Canadian Dollars)

Note 11 Income Taxes

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2013	2012
Statutory rate	**25%**	26%
Expected income tax recovery	**$ 351,000**	$ 296,000
(Increase) decrease in income tax recovery resulting from:		
Permanent differences	**(71,000)**	(50,000)
Change in tax rate	**99,000**	(8,000)
Change in estimates and other	**123,000**	(76,000)
Share issuance costs	**33,000**	8,000
Change in unrecognized deferred tax assets	**(535,000)**	(170,000)
Income tax recovery	**$ -**	$ -

The significant components of the Company's future income tax assets, after applying enacted corporate income tax rates, are as follows:

	2013	2012
Resource properties and deferred exploration	**$ 1,810,000**	$ 1,587,000
Non-capital losses carried forward	**1,472,000**	1,177,000
Unused share issuance costs	**55,000**	42,000
Equipment	**67,000**	63,000
Deferred tax assets	**3,404,000**	2,869,000
Less: unrecognized deferred tax assets	**(3,404,000)**	(2,869,000)
	$ -	$ -

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more likely-than-not that sufficient taxable income will not be realized in the future to utilize all future tax assets.

At June 30, 2013, the Company has accumulated Canadian and foreign exploration and development expenditures of approximately $13,245,000 and non-capital losses of approximately $5,660,000, that may be applied against future income for tax purposes. The non-capital losses expire by 2033.

(Expressed in Canadian Dollars)

Note 12 Capital Disclosures

The Company was formed for the purpose of acquiring exploration and development stage natural exploration and evaluation assets. The directors determine the Company's capital structure and make adjustments to it based on funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent upon incidental sales of boron from mining operations and external financing to fund future exploration programs and its administrative costs. The Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential provided it has adequate financial resources to do so.

The directors review the Company's capital management approach on an ongoing basis and believe that this approach, given the relative size of the Company, is reasonable. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company considers the items included on the balance sheet in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

The Company's approach to capital management did not change during the year ended June 30, 2013.

Note 13 Segmented Information

Capital assets by geographic segment, at cost:

	JUNE 30, 2013	JUNE 30, 2012
Canada	**$ -**	$ 391,997
Serbia	**4,843,034**	3,030,285
United States	**1,450,876**	1,475,172
	$ 6,293,910	$ 4,897,454

Note 14 Contingencies

In the year ending June 30, 2013, there was a lawsuit filed in British Columbia by a former consultant for the amount of $50,000. The Company believes this suit is without merit and no expense provision has been made.

Note 15 Subsequent Event

Subsequent to June 30, 2013, the Company completed a private placement of 8,500,000 units at a price of $0.07 per unit. Each unit consists of one common share and one warrant. The warrant has a two year term with an exercise price of $0.25. Finders' fees of $13,475 were paid.