

# JIULIAN RESOURCES INC.

## FINANCIAL STATEMENTS

For the Year Ended February 28, 2014

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Expressed in Canadian Dollars

Statements of Financial Position

Statements of Loss and Comprehensive Loss

Statements of Changes in Shareholders' Equity

Statements of Cash Flows

Notes to the Financial Statements

# JAMES STAFFORD

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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Jiulian Resources Inc.

We have audited the accompanying financial statements of Jiulian Resources Inc. which comprise the statements of financial position as at 28 February 2014 and 2013 and the statements of loss and comprehensive loss, changes in shareholders' 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 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.

#### *Auditor's 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also 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 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 Jiulian Resources Inc. as at 28 February 2014 and 2013 and the results of its operations 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 2 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Jiulian Resources Inc. to continue as a going concern.



**Chartered Accountants**  
Vancouver, Canada  
25 June 2014

# Julian Resources Inc.

Canadian Funds

## Statements of Financial Position

		February 28, 2014	February 28, 2013
	Note		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 23,958	\$ 15,644
Term deposits	5	641,071	726,846
Amounts receivable	6	670	26,419
<b>Total Current Assets</b>		<b>665,699</b>	<b>768,909</b>
<b>Non-Current Assets</b>			
Equipment	7	5,556	8,014
Exploration and evaluation properties	8	463,557	451,059
<b>Total Non-Current Assets</b>		<b>469,113</b>	<b>459,073</b>
<b>Total Assets</b>		<b>\$ 1,134,812</b>	<b>\$ 1,227,982</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	9	\$ 8,132	\$ 8,123
<b>Shareholders' Equity</b>			
Share capital	11	2,202,200	2,202,200
Contributed surplus	12	153,151	100,171
Accumulated deficit		(1,228,671)	(1,082,512)
<b>Total Shareholders' Equity</b>		<b>1,126,680</b>	<b>1,219,859</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 1,134,812</b>	<b>\$ 1,227,982</b>

### APPROVED BY THE BOARD ON JUNE 25, 2014:

*"X. Charlie Cheng"*

X. Charlie Cheng, Director

*"Yinbing Ian He"*

Yinbing Ian He, Director

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

# Jiulian Resources Inc.

Canadian Funds

## Statements of Loss and Comprehensive Loss

		Year Ended February 28, 2014	Year Ended February 28, 2013
	Note	<u>2014</u>	<u>2013</u>
<b>Administrative Expenses</b>			
Accounting		\$ 27,933	\$ 17,860
Administration fees		3,200	5,175
Amortization	7	2,458	3,699
Automobile		1,990	-
Bank charges and interest		208	71
Consulting fees	10	24,131	42,373
Filing and transfer agent fees		13,368	21,428
Legal	10	1,585	6,201
Licenses, dues and subscriptions		703	-
Meals and entertainment		554	1,155
Office and administration		2,092	1,996
Rent		9,600	12,000
Salaries and benefits	10	14,820	11,823
Share-based payments	10, 12	52,980	-
Telephone and internet		766	923
Travel		2,535	2,595
		<u>                    </u>	<u>                    </u>
<b>Loss Before Other Item</b>		<b>\$ (158,923)</b>	<b>\$ (127,299)</b>
<b>Other Item</b>			
Interest income		\$ 12,764	\$ 11,870
		<u>                    </u>	<u>                    </u>
<b>Net and Comprehensive Loss for the Year</b>		<b>\$ (146,159)</b>	<b>\$ (115,429)</b>
		<u>                    </u>	<u>                    </u>
<b>Loss per Share - Basic and Diluted</b>		<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
		<u>                    </u>	<u>                    </u>
<b>Weighted Average Number of Common Shares Outstanding – Basic and Diluted</b>			
	13	11,595,000	11,595,000
		<u>                    </u>	<u>                    </u>

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

## Jiulian Resources Inc.

Canadian Funds

### Statements of Changes in Shareholders' Equity

	Common Stock		Contributed Surplus	Deficit Accumulated During the Exploration Stage	Total Shareholders' Equity
	Shares	Amount			
<b>Balance, February 29, 2012</b>	11,595,000	2,202,200	100,171	(967,083)	1,335,288
Net loss for the year	-	-	-	(115,429)	(115,429)
<b>Balance, February 28, 2013</b>	11,595,000	2,202,200	100,171	(1,082,512)	1,219,859
Share-based payments	-	-	52,980	-	52,980
Net loss for the year	-	-	-	(146,159)	(146,159)
<b>Balance, February 28, 2014</b>	11,595,000	2,202,200	153,151	(1,228,671)	1,126,680

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

## Jiulian Resources Inc.

Canadian Funds

### Statements of Cash Flows

	Year Ended February 28, 2014	Year Ended February 28, 2013
<b>Cash Used in Operating Activities</b>		
Net loss for the year	\$ (146,159)	\$ (115,429)
Items not affecting cash:		
Accrued interest on term deposit	5,471	11,870
Amortization	2,456	3,699
Share-based payments	52,980	-
<b>Change In non-cash working capital</b>		
Decrease in prepaid expenses	-	339
(Increase) decrease in amounts receivable	25,749	(3,197)
Increase in accounts payables and accrued liabilities	9	206
	<u>(59,494)</u>	<u>(102,512)</u>
<b>Investing Activities</b>		
Redemption of term deposit	80,306	208,811
Exploration and evaluation properties	<u>(12,498)</u>	<u>(93,127)</u>
	<u>67,808</u>	<u>115,684</u>
<b>Increase in cash and cash equivalents</b>	8,314	13,172
<b>Cash and cash equivalents, beginning of year</b>	<u>15,644</u>	<u>2,472</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 23,958</u>	<u>\$ 15,644</u>
<b>Supplemental disclosure with respect to cash flows:</b>		
Interest paid in cash	<u>-</u>	<u>-</u>
Income tax paid in cash	<u>-</u>	<u>-</u>

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

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014  
(In Canadian dollars)

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**1. Corporate Information**

Jiulian Resources Inc. (the “Company”) was incorporated on October 17, 2006 under the laws of British Columbia. The Company was a capital pool Company as defined in the TSX Venture Exchange (the “Exchange”) Policy 2.4. On July 28, 2009, the Exchange accepted for filing the Company’s Qualifying Transaction, as a result, the Company resumed trading as a Tier 2 mining company under the symbol “JLR”, on August 26, 2009. The Company is now pursuing opportunities in the acquisition, exploration and development of mineral resource properties.

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral property and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the reserve, the achievement of profitable production, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. In addition, although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such property, 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 Company’s exploration activities are subject to various federal, provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The head office, principal address and registered and records office is located at Suite 900-595 Howe Street, Vancouver, B.C. V6C 2T5.

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014  
(In Canadian dollars)

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**2. Basis of Preparation**

a) Basis of Presentation

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in Note 17, and are prepared in Canadian dollars except where otherwise indicated.

b) Statement of Compliance

The financial statements of the Company have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

c) Going Concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

There are several adverse conditions that cast significant doubt upon the soundness of this assumption. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of resource property expenditures is dependent upon several factors. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

## **Jiulian Resources Inc.**

### **Notes to the Financial Statements**

For the year ended February 28, 2014  
(In Canadian dollars)

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Consistent with other companies, in the sector of mineral exploration, the Company has incurred operating losses since inception, has no stable source of revenue, is unable to self-finance operations and has significant cash requirements to meet its overhead and main its mineral interests. The Company incurred a net loss of \$146,159 during the year ended February 28, 2014 (February 28, 2013: \$115,429) and, as of that date the Company's deficit was \$1,228,671 (February 28, 2013: \$1,082,512). However, the company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. As the company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and the development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. There is, however, no assurance that any such initiatives will be sufficient and, as a result, there is significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

#### d) New and revised standards and interpretations

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised standards, amendments and interpretations which are not yet effective during the year ended February 28, 2014.

##### IFRS 2 Share-based payment

The amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

##### IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation

Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

## **Jiulian Resources Inc.**

### **Notes to the Financial Statements**

For the year ended February 28, 2014  
(In Canadian dollars)

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#### IFRS 9 Financial Instruments

The amendments to IFRS 9, issued in December 2011, clarify that financial assets and financial liabilities should be recognized in its statement of financial position when the entity becomes party to the contractual provision of the instrument. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2015.

#### IAS 24 Related party disclosures

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

#### IAS 36 Impairment of assets

The amendments to IAS 36, issued in May 2013, require:

- Disclosure of the recoverable amount of impaired assets; and
- Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

#### e) Changes in accounting policies

Effective March 1, 2013, the Company adopted the following standards:

- IFRS 13 '*Fair Value Measurement*,' which is a new standard that replaces fair value measurement guidance in other IFRSs.
- IAS 1 (Amendment) '*Presentation of Financial Statements*,' which includes amendments regarding presentation of items of other comprehensive income and clarification of the requirements for comparative information, respectively.

The adoption of the above standards did not result in a significant impact on the Company's financial statements.

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014  
(In Canadian dollars)

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**3. Summary of Significant Accounting Policies**

a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

b) Mineral Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Option payments received are treated as a reduction of the carrying value of the related exploration and evaluation properties and deferred costs until the receipts are in excess of costs incurred, at which time they are credited to income. Option payments are at the discretion of the optionee, and accordingly, are recorded on a cash basis.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

c) Equipment

Equipment is stated as cost less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item.

## Jiulian Resources Inc.

### Notes to the Financial Statements

For the year ended February 28, 2014

(In Canadian dollars)

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Amortization is provided at rates calculated to write off the cost of equipment, less their estimated residual value, using the declining-balance method over the following expected useful lives:

Vehicles	30%
Computer Equipment	45%

One-half of the above rates are taken in the year of the acquisition

#### d) Decommissioning, Restoration and Similar Liabilities

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of exploration and evaluation properties and retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset, and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflects the current market assessments of the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. The net present value of reclamation costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of reclamation projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation properties.

#### e) Financial Assets

Financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

## **Jiulian Resources Inc.**

### **Notes to the Financial Statements**

For the year ended February 28, 2014  
(In Canadian dollars)

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#### *Financial assets at FVTPL*

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Transaction costs associated with financial assets at FVTPL are expensed as incurred. Cash and cash equivalents and term deposits are included in this category of financial assets.

#### *Held-to-maturity and loans and receivables*

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the financial asset classified in this category are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset.

#### *Available-for sale*

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired. Transaction costs are included in the initial carrying amount of the asset. Available-for-sale assets include short term investments in equities of other entities.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

#### *Derivatives designated as hedging instruments in an effective hedge*

The Company does not hold or have any exposure to derivative instruments.

#### f) Impairment of Financial Assets

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

## **Jiulian Resources Inc.**

### **Notes to the Financial Statements**

For the year ended February 28, 2014  
(In Canadian dollars)

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#### *Assets carried at amortized cost*

If there is objective evidence that an impairment loss on assets carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

#### *Available-for-sale*

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income.

#### g) Financial Liabilities

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

#### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. Transaction costs on financial liabilities at FVTPL are expensed as incurred. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

#### *Financial liabilities measure at amortized cost*

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Accounts payables are included in this category of financial liabilities.

#### *Derivative designated as hedging instruments in an effective hedge*

The Company does not hold or have any exposure to derivative instruments.

## **Jiulian Resources Inc.**

### **Notes to the Financial Statements**

For the year ended February 28, 2014  
(In Canadian dollars)

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#### **h) De-recognition of Financial Assets and Liabilities**

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharge, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### **i) Impairment of Non-Financial Assets**

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which these are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

#### **j) Related Party Transactions**

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

## **Jiulian Resources Inc.**

### **Notes to the Financial Statements**

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(In Canadian dollars)

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#### k) Foreign Currencies

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

#### l) Taxation

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014  
(In Canadian dollars)

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m) Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock options reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

**4. Critical Accounting Estimates and Judgements**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the recoverability and measurement of deferred tax assets and liabilities, inventory valuation and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

**5. Term Deposits**

The term investments are Guaranteed Investment Certificates at a chartered Canadian Bank and interest is accrued at interest rates at 1.20% per annum, maturing on June 23, 2014 and January 2, 2015.

Term deposits include accrued interest income of \$5,472 as at February 28, 2014 (February 28, 2013 - \$11,870).

**6. Amounts Receivable**

The Company's amounts receivable comprise of Goods and Services Tax / Harmonized Sales Tax ("GST/HST") receivable due from the government taxation authorities.

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014  
(In Canadian dollars)

**7. Equipment**

	Vehicles		Computers		Total
<b>Cost or Deemed Cost</b>					
<b>Balance at February 28, 2013</b>	\$	25,143	\$	3,751	\$ 28,894
<b>Balance at February 28, 2014</b>		25,143		3,751	28,894
<b>Amortization and Impairment</b>					
<b>Balance at February 29, 2012</b>		14,671		2,510	17,181
Amortization		3,142		557	3,699
<b>Balance at February 28, 2013</b>		17,813		3,067	20,880
Amortization		2,158		300	2,458
<b>Balance at February 28, 2014</b>		19,971		3,367	23,338
<b>Carrying Amounts</b>					
<b>At February 28, 2013</b>	\$	7,330	\$	684	\$ 8,014
<b>At February 28, 2014</b>	\$	5,172	\$	384	\$ 5,556

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014

(In Canadian dollars)

**8. Exploration and Evaluation of Assets**

	Big Kidd Property	Little Fort Property	Total
	\$	\$	\$
<b>Balance at February 29, 2012</b>	<b>214,052</b>	<b>143,880</b>	<b>357,932</b>
Exploration costs			
Assays	-	6,103	6,103
Automobile	120	2,228	2,348
Consulting fees (Note 10)	2,240	31,765	34,005
Field supplies	-	5,715	5,715
Geological	-	60,463	60,463
Storage fees	-	2,700	2,700
Telephone	-	924	924
Travel	85	5,784	5,869
Cost recovery	(25,000)	-	(25,000)
<b>Balance at February 28, 2013</b>	<b>191,497</b>	<b>259,562</b>	<b>451,059</b>
Exploration costs			
Assays	-	15,099	15,099
Consulting fees (Note 10)	3,250	11,050	14,300
Field supplies	335	45	380
Geological	-	5,129	5,129
Telephone	-	100	100
Travel	1,539	3,012	4,551
Storage fees	1,092	-	1,092
Cost recovery	(11,405)	(16,748)	(28,153)
<b>Balance at February 28, 2014</b>	<b>186,308</b>	<b>277,249</b>	<b>463,557</b>

On January 25, 2011 and subsequently amended on March 30, 2011, the Company entered into a purchase, sale and option agreement to acquire the Big Kidd Property and Little Fort Property from Gunpoint Exploration Ltd. ("Gunpoint"). For consideration, the Company was required to make a cash payment of \$100,000 (paid) and issue 1,875,000 common shares of the Company (issued) (Note 11). The Company prepared a work plan for the Big Kidd property and submitted the Notice of Work for an 18 km IP survey and 2,000 metre drilling on July 14, 2011 after compiling historical exploration data, inspecting the property and checking historic drill cores.

## Jiulian Resources Inc.

### Notes to the Financial Statements

For the year ended February 28, 2014

(In Canadian dollars)

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On October 18, 2011, the Company has entered into an agreement with Xstrata Copper Canada, a business unit of Xstrata Canada Corporation ("Xstrata"), allowing Xstrata the option to earn up to a 75% interest in the Company's Big Kidd property, located in the Quesnel Trough region of southern British Columbia. The 4055.77 ha property is road accessible and is located approximately 20 km southeast of the city of Merritt. This is an arm's length transaction and no finders were involved.

Under the terms of the agreement, Xstrata may earn an initial 51% interest by making staged cash payments to the Company totalling \$180,000 (\$50,000 received) and incurring cumulative exploration expenditures totalling \$3 million over a four year period. Upon vesting at a 51% interest in the property, a joint venture will be formed and Xstrata will maintain the right to earn a further 24% interest (75% interest total) by funding the completion of a feasibility study or incurring \$15 million in expenditures towards the completion of a prefeasibility study and a feasibility study on the property.

On June 25, 2013, the Company announced that it had been advised that as a result of recent corporate restructuring, Xstrata had elected to terminate the Big Kidd option agreement. The subject property and drill core were returned to the Company in August 2013.

## 9. Accounts Payable and Accrued Liabilities

The Company's accounts payable and accrued liabilities consist of the following amounts:

	<b>As at</b>	<b>As at</b>
	<b>February 28, 2014</b>	<b>February 28, 2013</b>
	\$	\$
Accounts payable	632	613
Accrued liabilities	7,500	7,510
<b>Total accounts payables and accrued liabilities</b>	<b>8,132</b>	<b>8,123</b>

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014  
(In Canadian dollars)

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**10. Related Party Transactions**

The remuneration of directors and other members of key management were as follows:

	<b>Year Ended February 28, 2014</b>	<b>Year Ended February 28, 2013</b>
	\$	\$
Consulting and legal fees	44,790	31,694
Geological consulting	39,561	36,444
Salaries and benefits	14,820	11,823
Share-based payments	52,980	-
<b>Total key management personnel compensation</b>	<b>152,151</b>	<b>79,961</b>

**11. Share Capital**

a) Common Shares

The Company is authorized to issue an unlimited number of shares, issuable in series, with no par value.

The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at the meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

On July 13, 2011, the Company issued 1,875,000 common shares to Gunpoint at the value of \$206,250 related to the Big Kidd and Little Fort properties (Note 7). The shares were valued at \$0.11 per share.

b) Escrow Shares

As at February 28, 2014 and 2013, the Company had nil common shares held in escrow.

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014  
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**12. Share-Based Payments**

The Board of Directors of the Company may from time to time, in its discretion, and in accordance with Exchange requirements, grant to directors and officers of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company, exercisable for a period of up to five years, from the date of grant. There are no vesting requirements under the stock option plan. The Board may, however, add such provisions in its discretion on a grant by grant basis.

On July 25, 2013, the Company granted incentive stock options to directors, officers and consultants of the Company for the purchase of an aggregate of 770,000 common shares of the Company at an exercise price of \$0.10 each until July 25, 2018. Under the Black-Scholes, the fair value of these stock options at the date of the issue was estimated to be \$0.068 per share with the following assumptions at the measurement date: average risk free interest rate of 1.74%; expected life of 5 years; expected volatility of 135% and expected dividends of \$nil. The Company recognized share-based payments of \$52,980.

The following is a summary of changes in options from February 28, 2012 to February 28, 2014:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding, February 29, 2012	1,010,000	\$0.14
Forfeited	(320,000)	\$0.13
<b>Outstanding, February 28, 2013</b>	<b>690,000</b>	<b>\$0.15</b>
Cancelled	(80,000)	\$0.15
Expired	(390,000)	\$0.15
Granted	770,000	\$0.10
<b>Outstanding, February 28, 2014</b>	<b>990,000</b>	<b>\$0.11</b>

The following table summarizes information regarding stock options outstanding and exercisable as at February 28, 2014.

	<b>Number of options outstanding</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Weighted average exercise price</b>
<b>Options outstanding and exercisable</b>	<b>990,000</b>	<b>3.58</b>	<b>\$0.11</b>

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014

(In Canadian dollars)

**13. Loss Per Share**

The calculation of basic and diluted loss per share is based on the following data:

	<b>Year Ended February 28,</b>	
	<b>2014</b>	<b>2013</b>
Net loss for the year	\$ (146,159)	\$ (115,429)
Weighted average number of shares – basic and diluted	11,595,000	11,595,000
<b>Loss per share, basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if dilutive. All of the stock options were anti-dilutive for the years ended February 28, 2014 and 2013.

**14. Taxes**

a) Provision for income taxes

	<b>Year Ended February 28,</b>	
	<b>2014</b>	<b>2013</b>
	\$	\$
Loss before tax	146,159	115,429
Statutory tax rate	25.92%	25.00%
Expected tax recovery	37,880	28,857
Non-deductible items	(13,802)	(143)
Change in prior year provision to actual	(70,004)	-
Change in enacted tax rates	7,310	-
Change in valuation allowance	38,616	(28,714)
<b>Tax recovery for the year</b>	<b>-</b>	<b>-</b>

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014

(In Canadian dollars)

b) Deferred tax balances

The tax effects of temporary differences that give rise to future income tax assets and liabilities are as follows:

	<b>As at February 28, 2014</b>	<b>As at February 28, 2013</b>
	\$	\$
Tax loss carry-forwards	227,901	196,525
Equipment	6,090	5,241
Exploration and evaluation properties	(15,087)	55,753
	<u>218,904</u>	<u>257,519</u>
Valuation allowance	(218,904)	(257,519)
	<u>-</u>	<u>-</u>
<b>Deferred tax assets</b>	<b>-</b>	<b>-</b>

c) Expiry dates

The Company's recognized and unrecognized deferred tax assets related to unused tax losses have the following expiry dates:

	<b>As at February 28, 2014</b>
	\$
<b>Non-capital losses</b>	
2027	13,784
2028	94,885
2029	84,604
2030	126,460
2031	189,373
2032	165,841
2033	111,152
2034	90,444
	<u>876,543</u>
<b>Total non-capital losses</b>	<b>876,543</b>
<b>Total resource-related deduction, no expiry</b>	<b>405,532</b>

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014  
(In Canadian dollars)

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**15. Segment Reporting**

The Company conducts its business as a single operating segment being the mining business in Canada. All assets are situated in Canada.

**16. Capital Risk Management**

The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's normal operating requirements, continue the development and exploration of its mineral properties.

The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administration costs, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company is not subject to any externally imposed capital requirements. In order to maximize ongoing development efforts, the Company does not pay dividends. There were no significant changes in the Company's approach or the Company's objectives and policies for managing its capital.

**17. Financial Instruments**

a) Categories of financial instruments

	<b>As at February 28, 2014</b>	<b>As at February 28, 2013</b>
	<b>\$</b>	<b>\$</b>
<b>FINANCIAL ASSETS</b>		
<b>FVTPL, at fair value</b>		
Cash and cash equivalents	23,958	15,644
Term deposits	641,071	726,846
<b>Total financial assets</b>	<b>665,029</b>	<b>742,490</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Other liabilities, at amortized cost</b>		
Accounts payable	214	196
<b>Total financial liabilities</b>	<b>214</b>	<b>196</b>

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014

(In Canadian dollars)

b) Fair value

The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at February 28, 2014, the Company does not have any Level 3 financial instruments.

<b>As at February 28, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets at fair value</b>			
Cash and cash equivalents	23,958	-	23,958
Term deposits	641,071	-	641,071
<b>Total financial assets at fair value</b>	<b>665,029</b>	<b>-</b>	<b>665,029</b>
<b>As at February 28, 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets at fair value</b>			
Cash and cash equivalents	15,644	-	15,644
Term deposits	726,846	-	726,846
<b>Total financial assets at fair value</b>	<b>742,490</b>	<b>-</b>	<b>742,490</b>

There were no transfers between Level 1 and 2 in the years ended February 28, 2014 and 2013.

**Jiulian Resources Inc.**  
**Notes to the Financial Statements**

For the year ended February 28, 2014  
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c) Management of financial risks

The financial risk arising from the Company's operations are credit risk, liquidity risk, interest rate risk, currency risk and commodity price risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Credit risk*

The Company does not believe it is subject to any significant credit risk although cash is held in excess of federally insured limits, with major financial institutions. As at February 28, 2014, the total amount of financial assets subject to credit risk is \$665,029.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. As at February 28, 2014, the Company had current assets of \$665,699 to settle current liabilities of \$8,132. As a result, liquidity risk is considered insignificant.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the term deposits is limited.

*Currency risk*

The Company is exposed to currency risk by incurring certain expenditures and holding assets denominated in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations.

*Commodity price risk*

The Company is not exposed to commodity price risk as it is still in exploration stage.

**Jiulian Resources Inc.**

**Notes to the Financial Statements**

For the year ended February 28, 2014

(In Canadian dollars)

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**18. Events After the Reporting Period**

There are no reportable events for the period from February 28, 2014 to the date the financial statements were available to be issued.

**19. Approval of the Financial Statements**

The financial statements of the Company for the year ended February 28, 2014 were approved and authorized for issue by the Board of Directors on June 25, 2014.