

# **ARNEVUT RESOURCES INC.**

For the Nine Months Ended September 30, 2013

## **Condensed Consolidated Interim Financial Statements**

(Unaudited)

(Expressed in United States Dollars)

- Condensed Consolidated Interim Statements of Financial Position
- Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
- Condensed Consolidated Interim Statements of Comprehensive Loss
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# ARNEVUT RESOURCES INC.

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in United States Dollars)

	Note	September 30, 2013 (Unaudited) \$	December 31, 2012 (Audited) \$
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		1,428,406	198,033
<b>NON-CURRENT</b>			
Exploration and Evaluation Assets	3	806,375	623,675
Property and Equipment	3(c)	169,000	-
Reclamation Bond	3(c)	110,380	110,380
		<u>1,085,755</u>	<u>734,055</u>
		<u>2,514,161</u>	<u>932,088</u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Trade and Other Payables	4	110,875	37,409
Due to Related Parties	6(a)	395,803	392,273
		<u>506,678</u>	<u>429,682</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	5	6,168,222	3,818,222
Deficit		<u>(4,160,739)</u>	<u>(3,315,816)</u>
		<u>2,007,483</u>	<u>502,406</u>
		<u>2,514,161</u>	<u>932,088</u>

Nature and Continuation of Operations (Note 1)

Commitments (Note 7)

Subsequent Event (Note 8)

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

Approved on behalf of the Board:

(signed) "William R. Wilson"

William R. Wilson, Director

(signed) "Douglas C. Peters"

Douglas C. Peters, Director

# ARNEVUT RESOURCES INC.

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the Periods Ended September 30, 2013 and December 31, 2012

(Expressed in United States Dollars)

	Note	Number of Common Shares	Share Capital \$	Deficit \$	Total Shareholders' Equity \$
<b>Balance, December 31, 2011 (Audited) (Pre-Share Consolidation)</b>		20,637,767	1,582,505	(1,425,335)	157,170
Shares Issued for Cash	5(c)(i),(ii)	23,693,667	1,929,050	-	1,929,050
Shares Issued on Exercise of Warrants	5(c)(iii)	1,901,667	306,667	-	306,667
Net Comprehensive Loss		-	-	(1,890,481)	(1,890,481)
<b>Balance, December 31, 2012 (Audited) (Pre-Share Consolidation)</b>		46,233,101	3,818,222	(3,315,816)	502,406
Share Consolidation	5(b)	(30,822,028)	-	-	-
<b>Balance, April 12, 2013 (Post-Share Consolidation)</b>		15,411,073	3,818,222	(3,315,816)	502,406
Shares Issued for Cash	5(c)(iv)	3,958,333	1,900,000	-	1,900,000
Shares Issued on Exercise of Warrants	5(c)(v)	625,000	300,000	-	300,000
Shares Issued for Property	5(c)(vi)	300,000	150,000	-	150,000
Net Comprehensive Loss		-	-	(844,923)	(844,923)
<b>Balance, September 30, 2013 (Unaudited) (Post-Share Consolidation)</b>		20,294,406	6,168,222	(4,160,739)	2,007,483

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

# ARNEVUT RESOURCES INC.

## Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in United States Dollars)

	Note	Nine Months Ended September 30, 2013 (Unaudited) \$	Year Ended December 31, 2012 (Audited) \$
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Administration		26,653	30,163
Audit, Accounting and Legal		269,018	74,153
Consulting	6(b),7(b)	90,370	103,657
Dues and Subscriptions		4,760	1,036
Meals and Entertainment		3,786	1,280
Office and Miscellaneous Expense		6,758	5,445
Rent		13,250	12,100
Telephone		2,420	2,499
Travel		19,124	4,935
		<hr/>	<hr/>
		436,139	235,268
<b>EXPLORATION COSTS</b>	3	<hr/> 408,784	<hr/> 1,654,913
<b>LOSS BEFORE OTHER ITEM</b>		(844,923)	(1,890,181)
Unrealized Loss on Marketable Securities		<hr/> -	<hr/> (300)
<b>NET LOSS FOR THE PERIOD</b>		(844,923)	(1,890,481)
Other Comprehensive Income		<hr/> -	<hr/> -
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>		<hr/> <b>(844,923)</b>	<hr/> <b>(1,890,481)</b>
<b>POST-SHARE CONSOLIDATION</b>	5(b)		
Basic and Diluted Loss per Share		<hr/> (0.05)	<hr/> (0.20)
Weighted Average Number of Common Shares Outstanding		<hr/> 16,592,415	<hr/> 9,415,627

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

# ARNEVUT RESOURCES INC.

## Condensed Consolidated Interim Statements of Cash Flows

(Expressed in United States Dollars)

	Nine Months Ended September 30, 2013 (Unaudited) \$	Year Ended December 31, 2012 (Audited) \$
<b>CASH PROVIDED FROM (UTILIZED FOR):</b>		
<b>OPERATING ACTIVITIES</b>		
Net Loss for the Period	(844,923)	(1,890,481)
Non-Cash Item		
Unrealized Loss on Marketable Securities	-	300
	(844,923)	(1,890,181)
Change in Non-Cash Working Capital Accounts		
Trade and Other Payables	73,466	(40,258)
Due to Related Parties	3,530	72,396
	(767,927)	(1,858,043)
<b>FINANCING ACTIVITY</b>		
Shares Issued for Cash	2,200,000	2,235,717
<b>INVESTING ACTIVITIES</b>		
Property and Equipment	(169,000)	-
Reclamation Bond	-	(69,300)
Resource Property Expenditures	(32,700)	(110,900)
	(201,700)	(180,200)
<b>INCREASE IN CASH</b>	1,230,373	197,474
Cash, Beginning of the Period	198,033	559
<b>CASH, END OF THE PERIOD</b>	1,428,406	198,033

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

# ARNEVUT RESOURCES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2013

(Unaudited)

(Expressed in United States Dollars)

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### NOTE 1 – NATURE AND CONTINUANCE OF OPERATIONS

ARNEVUT Resources Inc. (the “Company”) was incorporated on July 7, 2007, under the laws of the State of Colorado in the United States. The Company is a development stage junior mining company engaged in the identification, acquisition, evaluation, exploration, and development of mineral properties in the United States.

The head office, principal address, and records office of the Company are located at Suite 202 – 2700 Youngfield Street, Lakewood, Colorado, United States.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions as set out below cast uncertainties on the Company’s ability to continue as a going concern.

From inception to date, the Company has incurred losses from operations, and has an accumulated deficit of \$4,160,739 as at September 30, 2013. In addition, the Company has a significant exploration and development program requiring ongoing investments in the continuing exploration and development of its resource properties, as well as the evaluation of additional resource properties.

The Company’s ability to continue operations is dependent upon the financial support from its shareholders and other related parties, its ability to obtain additional financing, the existence of economically recoverable reserves, and the attainment of profitable operations or sufficient proceeds from disposition of the properties. The outcome of these matters cannot be predicted at this time. While management has been successful in obtaining sufficient funding for its operating, capital, development, and exploration requirements from the inception of the Company to date, there is no assurance that additional future funding will be available to the Company or on terms that are acceptable to management.

These condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

### NOTE 2 – BASIS OF PRESENTATION

These condensed consolidated interim financial statements have been prepared in accordance with IFRS 34 “Interim Financial Reporting” on a historical cost basis using the accrual basis of accounting, except for financial instruments classified as available-for-sale that have been measured at fair value. Cost is the fair value of the consideration given in exchange for net assets. The following companies have been consolidated within these condensed consolidated interim financial statements (collectively, the “Company”):

Entity	Country of Incorporation	Holding	Functional Currency
ARNEVUT Resources Inc.	Colorado, United States	Parent Company	United States
ARNEVUT Resources Nevada, LLC	Nevada, United States	100%	United States
ARNEVUT Resources Utah, LLC	Utah, United States	100%	United States

These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements in accordance with IFRS and therefore, should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2012.

The same accounting policies are used in the preparation of these condensed consolidated interim financial statements as for the most recent audited annual consolidated financial statements and reflect all the adjustments necessary for fair presentation in accordance with IFRS of the results for the interim period presented.

# ARNEVUT RESOURCES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2013

(Unaudited)

(Expressed in United States Dollars)

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### NOTE 2 – BASIS OF PRESENTATION (Continued)

The Company's functional and presentation currency is the United States dollar.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 15, 2013.

### NOTE 3 – EXPLORATION AND EVALUATION ASSETS

As of September 30, 2013, the Company has incurred and capitalized the following acquisition and holding costs related to its resource properties:

	December 31, 2011 (Audited) \$	Additions \$	December 31, 2012 (Audited) \$	Additions \$	September 30, 2013 (Unaudited) \$
<b>Blair Property</b>					
Acquisition Costs	-	-	-	4,000	4,000
<b>East Canyon Property</b>					
Acquisition Costs	12,000	5,000	17,000	5,000	22,000
Option Payment Received	(7,000)	-	(7,000)	-	(7,000)
	5,000	5,000	10,000	5,000	15,000
<b>Island Mountain Property</b>					
Acquisition Costs	207,775	105,900	313,675	173,700	487,375
<b>Zia Property</b>					
Acquisition Costs	300,000	-	300,000	-	300,000
<b>TOTAL RESOURCE PROPERTIES</b>	<b>512,775</b>	<b>110,900</b>	<b>623,675</b>	<b>182,700</b>	<b>806,375</b>

# ARNEVUT RESOURCES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2013

(Unaudited)

(Expressed in United States Dollars)

### NOTE 3 – EXPLORATION AND EVALUATION ASSETS (Continued)

The Company incurred the following exploration expenditures for the periods below:

	Nine Months Ended September 30, 2013 (Unaudited) \$:	Year Ended December 31, 2012 (Audited) \$
<b>Blair Property</b>		
Maintenance Fees and Licenses	6,819	-
<b>East Canyon Property</b>		
Maintenance Fees and Licenses	6,106	12,380
Geological Consulting (Note 6(b))	7,695	11,218
Travel	210	1,732
	14,011	25,330
<b>Island Mountain Property</b>		
Administrative	30,903	21,267
Assaying	-	182,038
Exploration and Surveying	186,072	1,169,700
Geological Consulting (Note 6(b))	131,009	179,229
Maintenance Fees and Licenses	12,284	13,673
Travel	20,462	44,703
	380,730	1,610,610
<b>Zia Property</b>		
Geological Consulting	5,500	-
Maintenance Fees and Licenses	175	18,483
Travel	1,549	490
	7,224	18,973
<b>TOTAL EXPLORATION COSTS</b>	408,784	1,654,913

#### a) Blair Property, Nevada

In March 2013, the Company began the process of acquiring a new exploration property in Southwestern Utah. A Utah State Section lease has been acquired on a key portion of this property, and staking of unpatented claims for key parts of the remainder of the property was completed in May 2013. Additional claims may be staked in 2014.

#### b) East Canyon Property, Nevada and Utah

On October 20, 2009, the Company entered into an agreement to lease 100% of ten mineral claims comprising the East Canyon Property located in Box Elder County in Utah and Elko County in Nevada. Consideration to lease the property included an initial issuance of 50,000 common shares of the Company (issued), a payment of \$2,000 (paid), and ongoing payments of \$5,000 every subsequent anniversary of the agreement. Should the Company enter into a joint venture with another company on the property, the annual lease payment increases to \$7,500.



# ARNEVUT RESOURCES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2013

(Unaudited)

(Expressed in United States Dollars)

### NOTE 3 – EXPLORATION AND EVALUATION ASSETS (Continued)

#### b) East Canyon Property, Nevada and Utah (Continued)

The property is subject to a 2.5% net smelter return (“NSR”) royalty on base metals and a 3% NSR on precious metals. The Company has the option to purchase the property and NSR royalty in full for \$4,000,000 payable in cash or in stocks.

During the period ended September 30, 2013, the Company paid the annual \$5,000 lease payment.

#### c) Island Mountain Property, Nevada

On November 16, 2007, the Company entered into an option agreement (as amended by agreements dated April 1, 2008, October 31, 2008, November 9, 2009, May 10, 2010, October 11, 2011, November 2, 2012, and June 3, 2013) to acquire up to a 75% interest in 53 mineral claims comprising the Island Mountain property located in Elko County in Northeast Nevada.

The Company may earn a 51% interest in the property (the “First Option”) by issuing 1,350,000 common shares, paying \$150,000 in cash, and incurring \$2,500,000 in work related expenditures as follows:

		Number of Shares	Cash \$	Exploration Expenditures \$
On execution of agreement	(issued and paid)	100,000	10,000	-
By November 16, 2008	(issued and paid)	150,000	5,000	-
By November 16, 2009	(issued)	350,000	-	-
By May 16, 2010	(paid)	-	20,000	150,000
By November 16, 2010	(issued and paid)	250,000	30,000	250,000
By November 16, 2011	(issued)	500,000	-	-
By February 16, 2012	(paid)	-	35,000	-
By November 1, 2012	(paid)	-	50,000	-
By November 16, 2012	(paid)	-	-	1,350,000
By November 16, 2013	(paid)	-	-	750,000
		<u>1,350,000</u>	<u>150,000</u>	<u>2,500,000</u>

As of January 16, 2013, the Company had issued a total of 1,350,000 (2012 – 1,350,000) common shares valued at \$112,500 (2012 – \$112,500) and made total cash option payments of \$150,000 (2012 – \$150,000), as well as spending more than \$2,500,000 total on work on the Island Mountain property, thereby achieving the First Option for Island Mountain.

By earning the First Option, the Company may earn a further 14% interest in the property (the “Second Option”) by issuing 600,000 common shares of the Company, paying \$75,000 in cash, and incurring an additional \$2,500,000 in work expenditures as follows:

		Number of Shares	Cash \$	Exploration Expenditures \$
One year after earning of First Option		300,000	35,000	1,250,000
Two years after earning of First Option		300,000	40,000	1,250,000
		<u>600,000</u>	<u>75,000</u>	<u>2,500,000</u>

# ARNEVUT RESOURCES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2013

(Unaudited)

(Expressed in United States Dollars)

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### NOTE 3 – EXPLORATION AND EVALUATION ASSETS (Continued)

#### c) **Island Mountain Property, Nevada (Continued)**

Upon earning the Second Option, the Company may earn a further 10% interest in the property by completing a feasibility study by the third year after earning the First Option.

In 2010, the Company entered into agreements to lease three patented claim groups at the property for a term of 20 years with an option to renew for an additional 20 years provided that the Company has advanced the property to the production stage. The Company is required to pay annual lease payments which progressively increase by \$1,800 annually for the duration of the lease, from annual lease payments totaling \$10,300 in the first year of the lease to \$44,500 in the twentieth year of the initial lease term.

In 2011, the Company entered into a lease agreement to lease a patented claim group at the property for a term of 5 years with an option to renew for an additional 5 years provided the Company has proven advancement of the property by exploration or has advanced the property to the production stage. Subsequent 5-year renewals are contingent upon the property being advanced to the production stage and so long as production continues from the property. The Company is required to pay an annual lease payment which progressively increases by \$1,000 annually for the duration of the lease, from an annual lease payment of \$6,000 in the first year of the lease to \$10,000 in the fifth year of the initial lease term.

These patented lease claims are subject to a (“NSR”) royalty of up to 3% upon commencement of commercial production. During the period ended September 30, 2013, the Company paid total lease payments of \$23,700 (December 31, 2012 – \$20,900). As at September 30, 2013, the cumulative lease payments paid were \$73,000 (December 31, 2012 – \$49,300).

During the interim period ended September 30, 2013, the Company issued 300,000 common shares pursuant to the terms of the Addendum 7 to the option agreement dated November 16, 2007 for the Island Mountain Property. Should the Company not achieve a listing in a securities publicly listed on a stock exchange (the “listing”) on or before December 1, 2013, an additional 150,000 common shares must be issued. Additional blocks of 150,000 shares of common stock shall be issued upon each six month anniversary of December 1, 2013 unless the Company is able to achieve the listing.

The Company purchased a vehicle (\$24,000) and real estate property (house, garage and 2 acres of land; \$145,000) during the interim period totaling \$169,000 to be used for the Island Mountain Property. The real estate has an owner-carried mortgage of \$90,000 and requiring annual payments for 5 years with 6% interest. Payments are due on or before May 15 of each year.

The Company has two reclamation bonds totaling \$110,380 (December 31, 2012 – \$110,380), with \$41,080 (December 31, 2012 – \$41,080) held with the Nevada Division of Environmental Protection and \$69,300 (December 31, 2012 – \$69,300) held with the United States Forest Service, for future site reclamation costs.

#### d) **Zia Property, New Mexico**

The Company holds a 100% interest in 79 mineral claims comprising the Zia property located in Cibola and McKinley Counties, New Mexico.

# ARNEVUT RESOURCES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2013

(Unaudited)

(Expressed in United States Dollars)

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### NOTE 4 – TRADE AND OTHER PAYABLES

	September 30, 2013 (Unaudited) \$	December 31, 2012 (Audited) \$
Trade Payables	99,292	12,409
Accrued Liabilities	11,583	25,000
	<hr/>	<hr/>
	110,875	37,409

### NOTE 5 – SHARE CAPITAL

#### a) Authorized Share Capital

The Company is authorized to issue 100,000,000 common shares with no par value.

#### b) Share Consolidation

On April 12, 2013, the Company's shareholders approved a consolidation of its outstanding share capital on a basis of one post-consolidation share for every three pre-consolidation share. Accordingly, 30,822,028 common shares were surrendered and cancelled.

As at December 31, 2012, the number of issued and outstanding common shares of the Company would be 15,411,034 had the share consolidation been effected as at December 31, 2012. The basic loss per share calculations disclosed in the condensed consolidated interim statements of comprehensive loss for the year ended December 31, 2012 has been adjusted to reflect the subsequent share consolidation.

#### c) Issued and Outstanding Common Shares

As at September 30, 2013, the Company had 20,294,406 common shares issued and outstanding as presented in the condensed consolidated interim statements of changes in shareholders' equity.

- (i) In August 2012, the Company signed a Letter of Intent ("LOI") with Precious Minerals and Energy Company ("PME") for an investment by PME in the share capital of the Company. Pursuant to the terms of the LOI, the Company issued 22,500,000 common shares at a price of \$0.08 per share for total cash proceeds of \$1,800,000. Upon completion of the August 2012 subscription, the Company was required to issue to PME 15,625,000 share purchase warrants. Each share purchase warrant entitles PME to purchase one common share of the Company at a price of \$0.16 per share. The warrant expiration date was extended from April 1, 2013 to the Company's completion of IPO estimated to be April 1, 2014.
- (ii) During the year ended December 31, 2012, the Company issued, by way of private placements, 186,667 units at a price of \$0.15 per unit, raising gross proceeds of \$28,000, and 1,000,000 units at a price of \$0.10 per unit, raising gross proceeds of \$100,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at \$0.25 per share and expires on December 20, 2012 (relating to the 186,667 units), and into one common share at \$0.10 per share and expires on February 1, 2015 (relating to the 1,000,000 units).

In addition, the Company completed a private placement of 7,000 common shares at a price of \$0.15 per share, raising gross proceeds of \$1,050.

# ARNEVUT RESOURCES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2013

(Unaudited)

(Expressed in United States Dollars)

### NOTE 5 – SHARE CAPITAL (Continued)

#### c) Issued and Outstanding Common Shares (Continued)

- (iii) In November and December 2012, the Company issued 26,667 common shares valued at \$0.25 per share and 1,875,000 common shares at \$0.16 per share upon the exercise of warrants raising gross proceeds totaling \$306,667.
- (iv) During the interim period ended September 30, 2013, the Company issued, by way of private placements, 833,333 shares at a price of \$0.48 per share, raising gross proceeds of \$400,000, and 3,125,000 shares at a price of \$0.48 per share, raising gross proceeds of \$1,500,000.
- (v) In both February and April 2013, the Company issued 312,500 common shares (translated at post-share consolidation values) totaling 625,000 common shares valued at \$0.48 per share upon the exercise of warrants raising gross proceeds totaling \$300,000.
- (vi) During the interim period ended September 30, 2013, the Company issued 300,000 common shares valued at \$150,000 pursuant to the terms of the Addendum 7 to the option agreement dated November 16, 2007 for the Island Mountain Property (Note3(c)).

#### d) Share Purchase Warrants

The continuity of warrants for the period ended September 30, 2013 is summarized below:

Expiry Date	Exercise Price	December 31, 2012	Issued	Exercised	Expired/ Cancelled	September 30, 2013
April 1, 2014	\$0.48	4,583,334	-	(625,000)	-	3,958,334
February 1, 2015	\$0.30	333,334	-	-	-	333,334
<b>Total</b>		<b>4,916,668</b>	<b>-</b>	<b>(625,000)</b>	<b>-</b>	<b>4,291,668</b>
<b>Weighted Average Exercise Price</b>		<b>\$0.47</b>	<b>-</b>	<b>\$0.48</b>	<b>-</b>	<b>\$0.47</b>

### NOTE 6 – RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. Details of transactions between the Company and other related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described below.

#### a) Related Party Balances

As at September 30, 2013, the Company has \$395,803 (December 31, 2012 – \$392,273) owed to Directors and Officers of the Company and a related company controlled by a Director (also an Officer) for advances made and consulting services provided to the Company and expenses incurred on behalf of the Company. The amounts are unsecured, non-interest bearing, and have no specified terms for repayment.

# ARNEVUT RESOURCES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2013

(Unaudited)

(Expressed in United States Dollars)

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### NOTE 6 – RELATED PARTY TRANSACTIONS (Continued)

#### b) Compensation of Key Management Personnel

The Company incurred consulting fees for general, geological, and financing services provided by key management personnel for the period ended September 30, 2013 as described below. The Company has entered into management agreements with key management personnel for management and technical services provided (Note 7(a)). All related party transactions were in the ordinary course of business and were measured at their exchange amount.

	September 30, 2013 (Unaudited) \$	December 31, 2012 (Audited) \$
General Consulting Fees	89,207	96,865
Geological Consulting Fees	80,540	79,995
	<u>169,747</u>	<u>176,860</u>

### NOTE 7 – COMMITMENTS

#### a) Management Agreements with Key Management Personnel

On October 1, 2010, the Company entered into management agreements with Officers and Directors of the Company for management, strategic, administration, and technical consulting services. The agreements require hourly rates and maximum daily rates for each officer, with no daily minimum payment required for any officer. All officers are reimbursed at cost for approved expenses. The President and Chief Operating Officer (also a Director), have an hourly rate of \$65 for general and administrative (G&A) activities and \$85 for activities related to Island Mountain and East Canyon, with maximum daily rates of \$500 for G&A and \$700 for projects and a monthly maximum of \$5,500 for all G&A activities. For each of the Chief Executive Officer (also the Chairman), Chief Financial Officer (also a Director), the Vice President for Environmental Technologies, and the Corporate Secretary of the Company, the hourly rate is \$50 and the daily maximum rate is \$400.

The agreements have an initial term of two years and will automatically extend for one-year periods unless terminated by the Company or the Officers and Directors. Should the agreements be cancelled by the Company unilaterally or because of a takeover by or merger with another company, the Company will pay severance up to a maximum of 12 months of management's pay in effect at the time of cancellation.

#### b) Consulting Agreements

In October 2010, the Company entered into consulting agreements with two arm's length consultants for exploration consulting services at a daily compensation rate ranging from \$600 to \$650 (or \$75 to \$82 per hour) plus expense reimbursement. The agreements have a term of two years and may extend for one-year periods as mutually agreed upon by the Company and the consultant.

# ARNEVUT RESOURCES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2013

(Unaudited)

(Expressed in United States Dollars)

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### NOTE 7 – COMMITMENTS (Continued)

#### b) Consulting Agreements (Continued)

In 2011, one of the consultant agreements was terminated. The second existing consulting agreement was amended to increase the hourly rate to \$85 and allow for charges for actual time spent over 8 hours per day for days where the consultant was managing a drill rig where 12-hour shifts were common. An additional consulting agreement with an arm's length consultant was entered into for exploration consulting services at a daily compensation rate of \$300 (or \$38 per hour) plus expense reimbursement and allowing for charges for actual time spent over 8 hours per day for days where the consultant was managing a drill rig where 12-hour shifts were common.

#### c) Lease/Purchase Agreement

In September 2012, the Company entered into lease/purchase agreement with an arm's length company (the "seller/lessor") for commercial lease of 1111 Metzler Road, Elko, Nevada with an option to purchase. The total rent to be paid over the two year term is \$43,200, or \$1,800 per month. Pursuant to Addendum #1 of the lease contract, the property shall continue to be listed for sale during the term of the lease/option agreement. If the seller/lessor receives an offer from a third party to purchase the property, the lessee (being the Company) will be able to exercise their option to purchase the property at a price of \$219,000.

### NOTE 8 – SUBSEQUENT EVENT

#### Drilling Activities

A water well, used for supply of drilling water to the core and Reverse Circulation ("RC") rigs, was completed on October 7, 2013. Supplemental drilling water is being obtained by the drilling company from a nearby ranch. Drilling of five core holes was completed on November 2, 2013 at a cost of \$408,441.