MONSTER MINING CORP.

FINANCIAL STATEMENTS

For the year ended July 31, 2013 and 2012

(Stated in Canadian Dollars)

CHARTERED ACCOUNTANTS
MacKay LLP

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Independent Auditor's Report

To the Shareholders of
Monster Mining Corp.

We have audited the accompanying financial statements of Monster Mining Corp., which comprise the statements of financial position as at July 31, 2013 and July 31, 2012, and the statements of 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 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 audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Monster Mining Corp. as at July 31, 2013 and July 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Monster Mining Corp. to continue as a going concern.

"MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
November 26, 2013

MONSTER MINING CORP.
STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian Dollars)

As at		July 31, 2013		July 31, 2012
ASSETS				
Current assets				
Cash	**$**	**2,105**	$	8,293
Available for sale investments – Note 5		**6,650**		8,000
Taxes recoverable		**1,848**		2,340
Prepaid expenses – Note 10		**20,000**		23,751
		30,603		42,384
Non-current assets				
Equipment – Note 6		**8,835**		22,711
Drilling advance – Note 7		**165,256**		165,256
Exploration and evaluation assets – Note 7		**4,370,048**		4,340,773
		4,544,139		4,528,740
Total assets	**$**	**4,574,742**	$	4,571,124
LIABILITIES				
Current liabilities				
Trade and other payables – Note 10	**$**	**387,557**	$	438,754
Advances payable – Note 10		**15,000**		120,000
Total liabilities		**402,557**		558,754
EQUITY				
Share capital – Note 8		**5,604,185**		5,371,422
Equity reserve – Note 8		**1,061,868**		1,196,922
Accumulated comprehensive loss – Note 5		**(7,350)**		(6,000)
Accumulated deficit		**(2,486,518)**		(2,549,974)
		4,172,185		4,012,370
Total liabilities and equity	**$**	**4,574,742**	$	4,571,124

SIGNED ON BEHALF OF THE BOARD:

"Robert Eadie" Director
Robert Eadie

"Gary Arca" Director
Gary Arca

The accompanying notes form an integral part of these financial statements

MONSTER MINING CORP.
STATEMENTS OF COMPREHENSIVE LOSS
(Stated in Canadian Dollars)

Years ended July 31,		**2013**		2012
Expenses:				
Accounting and audit fees – Note 10	**$**	**31,602**	$	49,596
Depreciation		**13,876**		20,963
Finance cost – Note 10		**11,736**		6,217
Foreign exchange loss		**585**		5,514
Legal and corporate services – Note 8		**12,398**		59,725
Management activities – Note 10		**91,899**		102,602
Office, rent and administration – Note 10		**63,761**		72,324
Shareholder communications – Note 10		**21,358**		253,582
Transfer agent and filing fees		**36,648**		72,405
Write-down of exploration and evaluation asset – Note 7		**-**		40,884
Total expenses		**(283,863)**		(683,812)
Other gains (losses):				
Debt forgiveness – Note 10		**40,860**		-
Finance revenue		**-**		907
Gain on settlement of debt – Note 8		**181,459**		-
Loss on sale of equipment		**-**		(539)
Revenue from option agreements – Note 7		**125,000**		23,112
Total other gains (losses)		**347,319**		23,480
Income (loss) for the year		**63,456**		(660,332)
Other comprehensive loss:				
Unrealized loss on available for sale investments		**(1,350)**		(27,000)
Total comprehensive income (loss) for the year	**$**	**62,106**	$	(687,332)
Basic and diluted income (loss) per share – Note 11	**$**	**0.00**	$	(0.02)

The accompanying notes form an integral part of these financial statements

MONSTER MINING CORP.
STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

Years ended July 31,		**2013**		2012
Operating Activities:				
Income (loss) for the year	**$**	**63,456**	$	(660,332)
Adjustments to reconcile loss to net cash used in operating activities:				
Debt forgiveness		**(40,860)**		-
Depreciation		**13,876**		20,963
Finance cost		**11,532**		6,217
Finance revenue		**-**		(907)
Gain on settlement of debt		**(181,459)**		-
Loss on sale of equipment		**-**		539
Share-based compensation		**-**		64,769
Write-down of property		**-**		40,884
Changes in non-cash working capital items:				
Finance cost paid		**-**		(3,788)
Finance revenue received		**-**		2,857
Taxes recoverable		**492**		188,588
Prepaid expenses		**3,751**		27,535
Trade and other payables		**299,768**		261,781
Cash inflows (outflows) for operating activities		**170,556**		(50,894)
Investing Activities:				
Acquisition of equipment		**-**		(2,717)
Investment in exploration and evaluation assets		**(71,744)**		(845,222)
Proceeds on disposition of equipment		**-**		2,700
Sale of short term investment		**-**		500,000
Cash outflows for investing activities		**(71,744)**		(345,239)
Financing Activities:				
Advances payable (repayment)		**(105,000)**		120,000
Total decrease in cash during the year		**(6,188)**		(276,133)
Cash, beginning of the year		**8,293**		284,426
Cash, end of the year	**$**	**2,105**	$	8,293
Property interest expenditures included in trade and other payables	**$**	**65,040**	$	107,509

See Supplementary cash flow and non-cash activities (note 12)

MONSTER MINING CORP.
STATEMENT OF CHANGES IN EQUITY
For the years ended July 31, 2013 and July 31, 2012
(Stated in Canadian Dollars)

		Number of shares outstanding	Share capital	Equity reserve	Accumulated comprehensive gain (loss)	Accumulated deficit	Total equity
Balance – August 1, 2011		28,925,847	$ 5,216,368	$ 1,267,207	$ 21,000	$ (1,889,642)	$ 4,614,933
Common shares issued pursuant to:							
-Acquisition of E&E assets	-at $0.20	100,000	20,000	-	-	-	20,000
Shares released from escrow		-	135,054	(135,054)	-	-	-
Share- based payments		-	-	64,769	-	-	64,769
Unrealized loss on marketable securities		-	-	-	(27,000)	-	(27,000)
Net loss for the year		-	-	-	-	(660,332)	(660,332)
Balance – July 31, 2012		29,025,847	5,371,422	1,196,922	(6,000)	(2,549,974)	4,012,370
Common shares issued pursuant to:							
-Debt settlement	-at $0.035	2,791,672	97,709	-	-	-	97,709
Unrealized loss on marketable securities		-	-	-	(1,350)	-	(1,350)
Shares released from escrow		-	135,054	(135,054)	-	-	-
Net income for the year		-	-	-	-	63,456	63,456
Balance – July 31, 2013		**31,817,519**	**$ 5,604,185**	**$ 1,061,868**	**$ (7,350)**	**$ (2,486,518)**	**$ 4,172,185**

The accompanying notes form an integral part of these financial statements

Note 1 Corporate Information

Monster Mining Corp. (the "Company") was incorporated in the Province of British Columbia on May 3, 2007 under the Business Corporations Act (British Columbia) under the name "Northex Ventures Inc." and changed its name to "Monster Mining Corp." on August 20, 2008. The Company was registered as an extra-territorial corporation under the Business Corporations Act (Yukon) on July 10, 2009. The Company completed its IPO pursuant to its prospectus dated April 26, 2011 (the "Prospectus") and commenced trading on the TSX Venture Exchange (the "Exchange") on May 19, 2011 under the symbol MAN. The Company is in the exploration stage and has entered into option and purchase agreements to acquire mineral properties in the Yukon, Canada.

The address of the Company's corporate office and principal place of business is 750 – 580 Hornby Street, Vancouver, British Columbia, Canada.

Note 2 Basis of Preparation

a) Statement of Compliance

These financial statements for the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by the Board of Directors on November 26, 2013.

b) Basis of Measurement

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of held-for-trading and available for sale financial assets.

The financial statements are presented in Canadian dollars ("CDN"), which is also the Company's functional currency and all values are rounded to the nearest dollar, unless otherwise indicated.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Note 2 Basis of Preparation – (cont'd)

c) Going Concern of Operations

The Company has not generated revenue from operations. The Company generated gains on settlement and forgiveness of debt of $222,319 (July 31, 2012 - $Nil) and revenue from option payments of $125,000 (July 31, 2012 - $23,112), resulting in a net income of $63,456 (July 31, 2012 - $(660,332)) during the year ended July 31, 2013, and, as of that date, the Company's accumulated deficit was $2,486,518 (July 31, 2012 - $2,549,974). 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 development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. As at July 31, 2013, the Company had $2,105 (July 31, 2012 - $8,293) in cash, working capital deficiency of $371,954 (July 31, 2012 - $516,370) and no long-term debt. The Company does not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, there is no assurance it will be able to raise funds in this manner in the future and there remains significant doubt as to the Company's ability to continue as a going concern.

These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying financial statements.

Note 3 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently during the year ended July 31, 2013, unless otherwise indicated.

a) Cash

Cash and cash equivalents includes 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.

b) Pre-Exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

Note 3 Summary of Significant Accounting Policies – (cont'd)

c) Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying and sampling costs, drilling costs, payments made to contractors, geologists, consultants, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to E&E activities, including general and administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, E&E assets in respect of that project are deemed to be impaired. As a result, those E&E expenditures, in excess of estimated recoveries, are written off to the Company's profit or loss.

The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". E&E assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation assets are classified as intangible assets.

d) Option Payments Received

Where a third party has been granted the option to acquire an interest in a property owned by the Company, the fair value of any proceeds received in respect of that property is applied to the exploration and evaluation assets cost which is capitalized on the Company's statement of financial position. Once the amount capitalized in respect of that property has been reduced to $Nil, any further payments received are reported as revenue on the Company's statement of comprehensive loss.

A portion of the Company's development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities. The Company does not record any exploration expenditures made by the joint venture partner on its account.

Note 3 Summary of Significant Accounting Policies – (cont'd)

e) Equipment

Recognition and Measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in the Company's profit or loss as incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Company's profit or loss during the financial period in which they are incurred.

Gains and Losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized, net, within profit or loss.

Depreciation

Depreciation in profit or loss is provided on a straight-line basis over the estimated useful life of the assets as follows:

Computer equipment	Straight line over 2.5 years
Vehicle	Straight line over 3.3 years
Furniture & equipment	Straight line over 5.0 years

Note 3 Summary of Significant Accounting Policies – (cont'd)

e) Equipment – (cont'd)

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

f) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets including E&E assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has no cash generating unit for which impairment testing was performed.

An impairment loss is charged to the Company's profit or loss, except to the extent that they reverse gains previously recognized in other comprehensive loss/income.

g) Financial Instruments

Financial assets are classified as one of the following categories based upon the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and subsequently carried at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company's cash is accounted for as loans and receivables.

Note 3 Summary of Significant Accounting Policies – (cont'd)

g) Financial Instruments – (cont'd)

Available-for-Sale

Non-derivative financial assets not included in the above category and other than those qualifying as subsidiaries are classified as available-for-sale. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/profit. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset, which constitutes objective evidence of impairment, the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income is recognized in the Company's profit or loss. If there is no quoted market price, no active market, and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to the Company's profit or loss.

Impairment on Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred subsequent to the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and are comprised of trade and other payables and advances payable. These liabilities are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that, any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

Note 3 Summary of Significant Accounting Policies – (cont'd)

h) Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by E&E activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities include: restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on the passage of time, current market discount rates and liability specific risks. Adjustments to the liability as a result of any of the charges are recognized as a corresponding change to evaluation and exploration asset.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company has recorded a rehabilitation provision on these financial statements (see Note 7).

i) Income Taxes

Current tax and deferred tax are recognized in the Company's profit or loss, except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Note 3 Summary of Significant Accounting Policies – (cont'd)

j) Share Capital

Financial instruments issued by the Company are classified as equity, only to the extent that they do not meet the definition of a financial liability or asset. The Company's common shares, share warrants and share options are classified as equity instruments.

Incremental costs, directly attributable to the issue of new shares, warrants or options, are shown in equity as a deduction, net of tax, from proceeds. The residual method was used to calculate the fair value of the warrant component of the units, whereby the residual of the private placement proceeds less the fair value of the share component was assigned as the fair value of the warrant.

k) Profit or Loss Per Share

Basic profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares, by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period.

l) Share Based Payments

Where equity-settled share options are awarded to employees or non-employees, the fair value of the options at the date of grant is charged to the Company's profit or loss over the vesting period. The number of equity instruments expected to vest at each reporting date, are taken into account so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is charged to the Company's profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the Company's profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

Note 3 Summary of Significant Accounting Policies – (cont'd)

l) Share Based Payments – (cont'd)

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations.

All equity-settled share based payments are reflected in equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent that the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

m) Standards, Amendments and Interpretations Not Yet Effective

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards that may impact the Company, which have been published but are effective for accounting periods beginning on or after January 1, 2013. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements. The company has also determined that any new standards not disclosed will not have an impact to the financial statements.

IFRS 7	Financial Instruments disclosure (Effective for years beginning on or after January 1, 2013
IFRS 9	Financial Instruments (Effective for years beginning on or after January 1, 2015)
IFRS 13	Fair Value Measurement (Effective for years beginning on or after January 1, 2013)
IAS 32	Financial Instruments: Presentation (Effective for years beginning on or after January 1, 2014)

Note 4 Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in the Company's profit or loss in the period of the change, if it affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

a) Exploration and Evaluation Expenditures

The application of the Company accounting policy for E&E expenditures requires judgment in determining whether it is likely that future economic benefits will follow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the Company's profit or loss in the period the new information becomes available.

b) Title to Mineral Property Interests

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

c) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Note 4 Critical Accounting Estimates and Judgments - (cont'd)

d) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with employees, and some with non-employees, by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8.

Note 5 Available for Sale Investments

Available for sale investments consists of investments in common shares of Dawson Gold Corp. ("Dawson") and shares of O'Conner Lake Mines Ltd. ("O'Connor").

On February 28, 2013, Dawson consolidated its shares, 10 pre-consolidated shares for 1 post-consolidated share.

At July 31, 2013 and July 31, 2012 the Company held the following shares:

	July 31, 2013			July 31, 2012
	Shares	**Original Value**	**Fair Value**	Fair Value
O'Conner	100,000	$ 5,000	$ 5,000	$ 5,000
Dawson	7,500	9,000	1,650	3,000
		$ 14,000	$ 6,650	$ 8,000

The fair value of Dawson has been determined by reference to published price quotations in an active market and the fair value of O'Connor has been determined by the last share issuance price recorded by O'Connor.

Note 6 Equipment

	Computer Equipment	Vehicles	Furniture & Equipment	Total
Cost				
Balance, August 1, 2011	$ 18,848	$ 35,464	$ 8,373	$ 62,685
Additions	2,717	-	-	2,717
Dispositions	(16,109)	-	-	(16,109)
Balance, July 31, 2012 & July 31, 2013	**$ 5,456**	**$ 35,464**	**$ 8,373**	**$ 49,293**
Depreciation & disposals				
Balance, August 1, 2011	$ 8,115	$ 10,137	$ 237	$ 18,489
Depreciation for the year	8,649	10,639	1,675	20,963
Recovery on dispositions	(12,870)	-	-	(12,870)
Balance, July 31, 2012	3,894	20,776	1,912	26,582
Depreciation for the year	1,562	10,639	1,675	13,876
Balance, July 31, 2013	**$ 5,456**	**$ 31,415**	**$ 3,587**	**$ 40,458**
Carrying amounts				
Balance, July 31, 2012	$ 1,562	$ 14,688	$ 6,461	$ 22,711
Balance, July 31, 2013	**$ -**	**$ 4,049**	**$ 4,786**	**$ 8,835**

Note 7 **Exploration and Evaluation Assets**

	Keno Lightning	McKay Hill	Cobalt Hill	Franklin Creek	Red Ridge	Total
Acquisition costs:						
Balance, August 1, 2011	$ 380,000	$ 200,000	$ -	$ 70,000	$ 37,000	$ 687,000
Cash Payment	6,000	6,000	30,000	-	-	42,000
100,000 common shares issued at $0.20	-	-	20,000	-	-	20,000
Proceeds received	-	-	-	(70,000)	-	(70,000)
Write-down	-	-	-	-	(37,000)	(37,000)
Balance, July 31, 2012	386,000	206,000	50,000	-	-	642,000
Option payment	6,000	6,000	-	-	-	12,000
Balance, July 31, 2013	**$ 392,000**	**$ 212,000**	**$ 50,000**	**$ -**	**$ -**	**$ 654,000**
Exploration costs:						
Balance, August 1, 2011	$ 2,668,663	$ 129,798	$ -	$ 6,888	$ 1,167	$ 2,806,516
Assays and sampling	22,201	-	-	-	-	22,201
Airborne geophysics	60,737	20,267	-	-	-	81,004
Claim maintenance	7,365	3,394	-	-	-	10,759
Transportation	45,834	19,748	-	-	-	65,582
Geological	293,452	18,989	-	-	2,717	315,158
Excavator	83,318	-	-	-	-	83,318
Drilling	241,560	-	-	-	-	241,560
Field cost	83,309	-	-	-	-	83,309
Camp construction	25,138	-	-	-	-	25,138
Proceeds received	-	-	-	(6,888)	-	(6,888)
YMIP funding	-	(25,000)	-	-	-	(25,000)
Write-down	-	-	-	-	(3,884)	(3,884)
Balance, July 31, 2012	3,531,577	167,196	-	-	-	3,698,773

Note 7 **<u>Exploration and Evaluation Assets</u> - (cont'd)**

	Keno Lightning	McKay Hill	Cobalt Hill	Franklin Creek	Red Ridge	Total
Exploration costs: - (cont'd)						
Balance, July 31, 2012 - (cont'd)	$3,531,577	$ 167,196	$ -	$ -	$ -	$3,698,773
Assays and sampling	(2,087)	-	-	-	-	(2,087)
Airborne geophysics	15,547	3,751	-	-	-	19,298
Equipment rental	700	-	-	-	-	700
Geological	(636)	-	-	-	-	(636)
Balance, July 31, 2013	**$3,545,101**	**$ 170,947**	**$ -**	**$ -**	**$ -**	**$3,716,048**
Total exploration and evaluation assets						
Balance, July 31, 2012	$3,917,577	$ 373,196	$ 50,000	$ -	$ -	$4,340,773
Balance, July 31, 2013	**$3,937,101**	**$ 382,947**	**$ 50,000**	**$ -**	**$ -**	**$4,370,048**

Note 7 Exploration and Evaluation Assets - (cont'd)

a) Keno Lightning

By agreement dated August 1, 2007, the Company entered into an option agreement to acquire a 100% interest (the "Option") from the owners (the "Optionors") of certain mining claims situated in the Mayo Mining District, Yukon, more commonly known as the Keno Lightning Property ("Keno").

In order to maintain the Option in good standing and earn a 100% undivided interest in Keno, the Company must pay $100,000 and issue 700,000 common shares of the Company to the Optionors and incur $300,000 in exploration expenditures as follows:

i) pay $10,000 upon signing the Agreement (paid);
ii) pay an additional $15,000 by June 3, 2011 (paid);
iii) pay an additional $15,000 by May 19, 2012 ($9,000 paid)*;
iv) pay an additional $15,000 by May 19, 2013 ($9,000 paid)*;
v) pay an additional $15,000 by May 19, 2014 ($9,000 paid);
vi) pay an additional $15,000 by May 19, 2015 ($9,000 paid);
vii) pay an additional $15,000 by May 19, 2016 ($9,000 paid);
viii) issue 700,000 shares by June 3, 2011 (issued); and
ix) incur $300,000 in exploration expenses on Keno on or before December 31, 2009 (incurred).

**The Company has not made the additional payments of $6,000 due in 2012 nor the subsequent payment of $6,000 due in 2013. The Company has not been notified by the optionor of default, one of whom is a related party. At July 31, 2013 $12,000 (July 31, 2012 - $6,000) has been accrued and was included in trade and other payables.*

Keno is subject to a 3% NSR to the Optionors. The Company has the option to purchase up to 2% of this royalty interest for $300,000 for the first 1%, and $1,200,000 for the second 1%.

Of the consideration, $30,000 in cash payments ($7,500 paid) and 210,000 (issued) of the shares issued are to a director of the Company.

On October 25, 2011, the Company entered into an option agreement with Midnight Sun Mining Corp. ("Midnight Sun") granting Midnight Sun the option to acquire a 20% interest in the Company's Keno Property in exchange of $7,500,000 in exploration expenditures. In order to exercise the option, Midnight Sun reimbursed a total of $200,000 of exploration expenditures on the Keno Property at the acceptance of the agreement.

During the year ended July 31, 2012, Midnight Sun was unable to meet its exploration commitment losing its option to acquire an interest in the Keno Property.

Note 7 Exploration and Evaluation Assets - (cont'd).

a) Keno Lightning – (cont'd)

The Company acquired a 25% interest in the Blanche Claim in the Keno Hill area of the Yukon on August 1, 2007 pursuant to a third party property option agreement whereby the Company was granted the claims as they fell within an area of interest. By agreement dated January 17, 2010, the Company acquired another 50% interest in the Blanche Claim in consideration of 100,000 shares of the Company.

The Company has also accrued $20,000 (July 31, 2012: $20,000) relating to the site restoration costs.

b) McKay Hill

By agreement dated September 1, 2007 and amended November 21, 2010, the Company entered into an option agreement to acquire a 100% interest in 20 mining claims situated in the Mayo Mining District, Yukon ("McKay Hill").

In order to maintain the option in good standing and to acquire a 100% undivided interest in the McKay Hill property the Company must pay $110,000, issue 300,000 common shares of the Company to the vendors and incur an aggregate of $100,000 in exploration expenditures as follows:

i) pay $20,000 upon signing the Agreement (paid);
ii) pay $15,000 by June 3, 2011 (paid);
iii) pay an additional $15,000 by May 19, 2012 ($9,000 paid)*;
iv) pay an additional $15,000 by May 19, 2013 ($9,000 paid)*:
v) pay an additional $15,000 by May 19, 2014 ($9,000 paid);
vi) pay an additional $15,000 by May 19, 2015 ($9,000 paid);
vii) pay an additional $15,000 by May 19, 2016 ($9,000 paid);
viii) issue 300,000 common shares by June 3, 2011 (issued); and
ix) incur $100,000 in exploration expenses on McKay Hill before December 31, 2011 (incurred).

**The Company has not made the additional payments of $6,000 due in 2012, nor the subsequent payment of $6,000 due in 2013. The Company has not been notified by the optionors of default, one of whom is a related party. At July 31, 2013 $12,000 (July 31, 2012: $6,000) has been accrued and was included in trade and other payables.*

The property is subject to a 3% NSR to the vendors. The Company has the option to purchase up to 2% of this royalty interest for $300,000 for the first 1%, and $1,200,000 for the second 1%.

Of the consideration, $44,000 in cash payments ($14,000 paid) and 190,000 (issued) of the shares issued are to a director of the Company.

In 2010, an additional 124 claims were staked by the Company at a cost of $13,429.

Note 7 **Exploration and Evaluation Assets - (cont'd)**

c) Cobalt Hill

By agreement dated March 28, 2012, the Company entered into an option agreement to acquire a 100% interest (the "Option") from the owner (the "Optionor") in 20 unsurveyed mining claims situated in the Mayo Mining District, Yukon more commonly known as the Cobalt Hill Property ("Cobalt Hill").

In order to maintain the Option in good standing and earn a 100% undivided interest in Cobalt Hill, the Company must pay $200,000, issue 695,000 common shares of the Company to the Optionor and incur $400,000 in exploration expenditures over a period of 5 years from the effective date of April 19, 2012 as follows:

i) pay $30,000 upon signing the Agreement (paid);
ii) issue 100,000 shares on April 19, 2012 (issued);
iii) issue 100,000 shares by April 19, 2013*;
iv) pay an additional $30,000, issue 100,000 shares and incur exploration expenditures of $50,000 by April 19, 2014;
v) pay an additional $40,000, issue 100,000 shares and incur exploration expenditures of $50,000 by April 19, 2015;
vi) pay an additional $50,000, issue 145,000 shares and incur exploration expenditures of $100,000 by April 19, 2016; and
vii) pay an additional $50,000, issue 150,000 shares and incur exploration expenditures of $200,000 by April 19, 2017.

** At July 31, 2013, the Company is negotiating a new agreement with the Optionor and has not issued 100,000 shares due on April 19, 2013 and has not been notified by the optionor of default.*

The property is subject to a 3% NSR to the optionor. The Company has the option to purchase up to 1.5% of this royalty interest for $1,500,000.

d) Franklin Creek

Pursuant to a purchase agreement dated May 5, 2007, as amended on March 14, 2008 and December 1, 2010, between the Company and Dynamic Resources Corp. ("Dynamic") the Company acquired a 100% interest in three claim groups in the Yukon and Northwest Territories, more commonly known as the MAG Claim Group and the ALAN Claim Group, Northwest Territories and 16 claims known as the Franklin Creek Claim Group (Guy 1 – 16) located in the Whitehorse Mining District, Yukon Territory. Consideration paid was as follows:

i) Payment of $50,000 in cash (paid); and
ii) issuance of 100,000 common shares (issued).

By Sale Agreement dated March 25, 2010, between the Company and O'Connor Lake Mines Ltd., ("O'Connor") the Company granted O'Connor an undivided 100% interest in the MAG Claim Group and the ALAN Claim Group, in consideration of O'Connor issuing to the Company 100,000 common shares (received and recorded at $5,000).

Note 7 Exploration and Evaluation Assets - (cont'd)

d) Franklin Creek – (cont'd)

In addition, for the acquisition of the MAG Claim Group, the Company is to receive:

i) Payment of $10,000 and 100,000 shares of O'Connor common stock to the Company within 15 business days of O'Connor's shares being listed on the Canadian National Stock Exchange ("CNSX") or the Exchange;
ii) a further $10,000 and 100,000 shares to be issued on the first anniversary of the listing date of O'Connor's shares on the CNSX or the Exchange; and
iii) 1,000,000 shares of O'Connor upon completion of a bankable feasibility study.

In addition, for the acquisition of the ALAN Claim Group, the Company is to receive:

i) Payment of $10,000 and 100,000 shares of O'Connor common stock to the Company within 15 business days of O'Connor's shares being listed on the CNSX or the Exchange;
ii) a further $10,000 and 100,000 shares to be issued on the first anniversary of the listing date of O'Connor's shares on the CNSX or the Exchange; and
iii) 1,000,000 shares of O'Connor upon completion of a Bankable Feasibility study.

Under the agreement O'Connor is required to maintain all claims in good standing and to pay to the Company a 2% NSR.

On September 27, 2010, the Company entered into an agreement with Strategic Metals Ltd. ("SMD") to sell the Franklin Creek Claim Group (Guy 1-16) whereby the Company agreed to sell an undivided 100% interest in the claims to SMD in consideration of one half (50%) of any of the proceeds from any sale, option or disposition of all or any part of the claims, as well as from SMD's Hopper Claims and SMD's Gal claims.

During the year ended July 31, 2012 the Company received $100,000 from SMD as its share of the proceeds related to the Hopper claims which were allocated as $76,888 to prior amounts capitalized in E&E activities and $23,112 (July 31, 2011: $Nil) as revenue in the Company's statement of comprehensive loss.

During the year ended July 31, 2013, the Company sold its undivided 50% beneficial interest in each and all of the Guy, Hopper and Gal claims to SMD for $125,000. This amount is shown as revenue in the Company's statement of comprehensive earnings (loss).

Note 7 Exploration and Evaluation Assets - (cont'd)

e) Red Ridge

On June 4, 2011, the Company entered into an option agreement (the "Agreement") to earn a 100% undivided interest in 30 mining claims in the Whitehorse Mining District, more commonly known as the Red Ridge Property. During the year ended July 31, 2012, the Company terminated the proposed acquisition and recorded a write-down of $40,884 in the statement of comprehensive earnings (loss) relating to payments and expenditures on this property.

f) Drilling Advance

The Company advanced $400,000, of which $165,256 remains to be incurred as at July 31, 2013 (July 31, 2012:$165,256) to a shareholder for drilling and geological services on the Company's mineral properties. This transaction was measured at the exchange amount, which is the amount agreed upon by the transacting parties and was made by the Company in order to secure favourable terms and priority on drilling costs and timing.

g) Environmental Protection Practices

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company (see note 7(a)).

Note 8 Share Capital and Equity Reserve

a) Common Shares

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

The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which are declared from time-to-time. No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual assets.

Pursuant to the Exchange policy guidelines, at July 31, 2013, 3,872,294 (July 31, 2012: 6,970,129) common shares were held in escrow and will be released in 2 instalments, each 6 months, until May 19, 2014.

During the period ended July 31, 2013, 3,872,294 shares were released from escrow.

Note 8 <u>Share Capital and Equity Reserve</u> – (cont'd)

a) <u>Common Shares</u> – (cont'd)

Settlement of Debt

On February 7, 2013, the Company agreed to settle debt of $279,168 owed to its vendors by issuing 2,791,672 shares at a price of $0.035 per share for a total of $97,709. The debt was originally recorded under trade and other payables. The fair value of the shares allotted was determined by using the market price of the common shares. The Company recognized a one-time gain of $181,459 on the settlement of the debt on statement of comprehensive earnings (loss). Of the amounts settled, $82,300 was owing to officers and directors who also agreed to forgive $40,860 of debt relating to outstanding management fees (see Note 10).

Acquisition of Mineral Property

On April 19, 2012, the Company issued 100,000 common shares pursuant to the Cobalt Hill property acquisition valued at $0.20 per share (Note 7). These shares are valued at $20,000 using the quoted market price of the Company's shares on the date of issuance and have been excluded from the statement of cash flows.

b) <u>Equity Reserve</u>

As at July 31, 2013 and July 31, 2012, equity reserve consisted of the following:

	July 31, 2013	July 31, 2012
Warrants	**$ -**	$ 120,000
Expired warrants	**120,000**	-
Expired agent warrants	**26,000**	26,000
Shares held in escrow	**135,054**	270,108
Share purchase options	**457,523**	780,814
Forfeited share purchase options	**323,291**	-
Equity reserve	**$ 1,061,868**	$ 1,196,922

Note 8 Share Capital and Equity Reserve – (cont'd)

c) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants as at July 31, 2013 and July 31, 2012 and the changes during the years ended July 31, 2013 and 2012 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Amount
Outstanding at August 1, 2011 & July 31, 2012	2,500,000	$ 0.30	$ 120,000
Expired	(2,500,000)	0.30	(120,000)
Outstanding at July 31, 2013	**-**	**$ -**	**$ -**

d) Share-Based Payments

The Company, in accordance with the policies of the Exchange, is authorized to grant share purchase options to directors, officers, employees and service providers to acquire up to 10% of common stock outstanding (the "Plan"). Under the Plan, options may be granted at, not less than the closing market price of the Company's shares on the day preceding the grant for a maximum term of 5 years. No amounts are paid or payable by the recipient on receipt and the options are not dependent on any performance-based criteria. Share purchase options will vest when granted except where granted for investor relations activities which vest and may be exercised in accordance with the vesting provisions as to ¼ of the options each 3 months.

The following is a summary of changes in options from August 1, 2012 to July 31, 2013:

Grant Date mm/dd/yy	**Expiry Date mm/dd/yy**	**Exercise Price**	**Opening Balance**	**During the Year**			**Closing Balance**	**Closing Exercisable**
				Granted	**Exercised**	**Cancelled**		
05/19/11	05/19/16	$0.40	1,902,000	-	-	(190,000)	1,712,000	1,712,000
05/19/11	05/19/16	$0.40	350,000	-	-	(350,000)	-	-
			2,252,000	-	-	(540,000)	1,712,000	1,712,000
Weighted Average Exercise Price			$0.40	$ -	$ -	$0.40	$0.40	$0.40

During the year ended July 31, 2013, 540,000 options were forfeited due to employees resigning from the company.

Note 8 **Share Capital and Equity Reserve – (cont'd)**

d) Share-Based Payments – (cont'd)

The following is a summary of changes in options from August 1, 2011 to July 31, 2012:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Year			Closing	Closing, Vested and Exercisable
				Granted	Exercised	Cancelled		
05/19/11	05/19/16	$0.40	2,537,000	-	-	(635,000)	1,902,000	1,902,000
05/19/11	05/19/16	$0.40	350,000	-	-	-	350,000	350,000
			2,887,000	-	-	(635,000)	2,252,000	2,252,000
Weighted Average Exercise Price			$0.40	$ -	$ -	$0.40	$0.40	$0.40

e) Expenses Arising from Share-Based Payment Transactions

Share-based payment transactions arising from options which vested during the year are recognized in the Company expenses as follows:

	July 31, 2013	July 31, 2012
Legal and corporate services	$ -	$ 64,769

Note 9 **Income Taxes**

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate for the full financial year.

The difference between tax expense for the year and the expected income taxes based on the statutory rate are as follows:

	July 31, 2013	July 31, 2012
Income (loss) before income taxes	**$ 63,456**	$ (660,332)
Basic statutory and provincial income tax rate	**25.58%**	25.63%
Expected tax recovery on net loss	**$ 16,234**	$ (169,200)
Non deductible items	**-**	16,600
Effect of change in tax rates	**(10,037)**	3,800
Unrecognized deferred tax assets	**(6,197)**	148,800
Total income tax expense (recovery)	**$ -**	$ -

Note 9 **Income Taxes – (cont'd)**

The nature and tax effect of the temporary differences giving rise to the deferred income tax assets and liabilities at July 31, 2013 and July 31, 2012 are summarized as follows:

	July 31, 2012	Recognized in profit or loss	Recognized in equity	July 31, 2013
Non-capital losses carried forward	$ 408,000	$ 47,000	$ -	$ 455,000
Share issuance cost	47,000	(16,000)	-	31,000
Capital assets	9,000	4,000	-	13,000
Marketable securities	1,000	-	-	1,000
Exploration & evaluation expenditures	(208,000)	(41,000)		(249,000)
	257,000	6,000	-	251,000
Unrecognized deferred tax assets	(257,000)	(6,000)	-	(251,000)
Deferred income tax liability	**$ -**	**$ -**	**$ -**	**$ -**

	August 1, 2011	Recognized in profit or loss	Recognized in equity	July 31, 2012
Non-capital losses carried forward	$ 252,000	$ 156,000	$ -	$ 408,000
Share issuance cost	64,000	(17,000)	-	47,000
Capital assets	4,000	5,000	-	9,000
Marketable securities	(2,000)	3,000	-	1,000
Exploration & evaluation expenditures	(215,000)	7,000	-	(208,000)
	103,000	154,000	-	257,000
Unrecognized deferred tax assets	(103,000)	(154,000)	-	(257,000)
Deferred income tax liability	$ -	$ -	$ -	$ -

Note 9 **Income Taxes – (cont'd)**

As at July 31, 2013, the Company had non-capital losses for Canadian tax purposes of $1,971,462. These losses may be carried forward to reduce taxable income derived in future years. A summary of these tax losses and their year of expiry are as follows:

Year of Expiry		Non-Capital Losses
2027	$	7,500
2028		37,126
2029		80,929
2030		90,701
2031		791,667
2032		624,921
2033		116,299
Total	$	1,749,143

The potential benefits of these carry-forward non-capital losses and deductible temporary differences have not been recognized in these financial statements, except for a recovery on flow through proceeds renounced, as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Note 10 **Related Party Transactions**

The following is a summary of charges incurred by the Company with related parties:

Year ended July 31,		2013		2012
Accounting fees	$	21,000	$	21,000
Exploration and evaluation assets		10,500		10,500
Finance cost		10,788		743
Management activities		91,500		90,000
Office, rent and administration		60,000		60,000
Shareholder communications		15,000		15,000
Total	$	208,788	$	197,243

Key management personnel compensation

Year ended July 31,		2013		2012
Management and director fees	$	91,500	$	90,000

Key management personnel include the Company's directors and officers.

Note 10 Related Party Transactions – (cont'd)

The Company incurred accounting and audit fees of $21,000 (July 31, 2012 - $21,000), finance cost of $10,788 (July 31, 2012 - $743), office, rent and administration cost of $60,000 (July 31, 2012 - $60,000) and shareholder communication cost of $15,000 (July 31, 2012 - $15,000) to a company controlled by a director and officer of the Company.

Included in prepaid expenses at July 31, 2013, is $5,000 (July 31, 2012: $5,000) for prepaid rent and refundable expenses advance with a company controlled by a director.

Included in accounts payable and accrued liabilities at July 31, 2013 is $245,258 (July 31, 2012: $159,079) due to directors and companies controlled by directors for various expenses and exploration and evaluation assets.

Included in advances payable at July 31, 2013, is $15,000 (July 31, 2012: $120,000) due to a company controlled by a director of the Company. These amounts are unsecured and bear no interest.

In addition, management fees payable to officers of the Company were forgiven during the period which triggered a one-time gain of $40,860. The Company wrote off these debts which were originally recorded under trade and other payables.

These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

Note 11 Loss Per Share

The denominator for the calculation of loss per share, being the weighted average number of common shares, is calculated as follows:

	Year ended July 31,	
	2013	2012
Issued and outstanding, beginning of the year	29,025,847	28,925,847
Weighted average shares issued during the year	1,376,751	28,415
Weighted average number of common shares for the year (basic and diluted)	30,402,598	28,954,262

Note 12 Supplemental Cash Flow and Non-Cash Activities

The Company has excluded from its investing cash flows for the year ended July 31, 2013, change in accounts payable relating to exploration and evaluation expenditures of $65,040 (July 31, 2012 - $107,509) and $135,054 (July 31, 2012 - $135,054) relating to escrowed shares being released

During the year ended July 31, 2013, the Company had cash inflow of $Nil (July 31, 2012 - $2,857) in interest income and cash outflow of $Nil (July 31, 2012 - $50) as interest expense.

Note 13 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in 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.

There have been no changes in the Company's approach to capital management during the year ended July 31, 2013.

Note 14 Financial Instruments

a) Interest Rate Risk

The Company's cash earns interest at a variable interest rate however earned no interest during the year ended July 31, 2013.

The Company has no exposure to interest rate fluctuations.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash balance, the balance of which at July 31, 2013 is $2,105. Cash is held at a chartered Canadian financial institution. The Company is also exposed to credit risk with regard to the drilling advance at July 31, 2013 with a balance of $165,256.

c) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. As at July 31, 2013, the Company had $2,105 in cash, working capital deficiency of $371,954 and no long-term debt. The Company does not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, there is no assurance it will be able to raise funds in this manner in the future and there remains significant doubt as to the Company's ability to continue as a going concern. The Company's trade and other payables are due in the short term.