MONSTER MINING CORP.

FINANCIAL STATEMENTS

For the year ended July 31, 2014 and 2013

(Stated in Canadian Dollars)

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 statement of financial position as at July 31, 2014, and the statement of comprehensive loss, statement of cash flows and statement of changes in equity for the year 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 audit. We conducted our audit 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 Monster Mining Corp. as at July 31, 2014, and its financial performance and its cash flows for the year 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 indicates that Monster Mining Corp. Does not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about Monster Mining Corp.'s ability to continue as a going concern.

Other Matter

The financial statements of Monster Mining Corp. for the year ended July 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on November 26, 2013.

WOLRIGE MAHON LLP

CHARTERED ACCOUNTANTS

October 30, 2014
Vancouver, B.C.

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

As at		July 31, 2014		July 31, 2013
ASSETS				
Current assets				
Cash	$	**252**	$	2,105
Available for sale investments – Note 5		**-**		6,650
Taxes recoverable		**9,639**		1,848
Prepaid expenses		**15,000**		20,000
		24,891		30,603
Non-current assets				
Equipment – Note 6		**3,111**		8,835
Drilling advance – Note 7		**165,256**		165,256
Exploration and evaluation assets – Notes 7 & 10		**-**		4,370,048
		168,367		4,544,139
Total assets	$	**193,258**	$	4,574,742
LIABILITIES				
Current liabilities				
Trade and other payables – Note 10	$	**574,677**	$	387,557
Advances payable – Note 10		**63,500**		15,000
Total liabilities		**638,177**		402,557
EQUITY				
Share capital – Note 8		**5,739,239**		5,604,185
Equity reserve – Note 8		**926,814**		1,061,868
Accumulated comprehensive loss – Note 5		**-**		(7,350)
Accumulated deficit		**(7,110,972)**		(2,486,518)
		(444,919)		4,172,185
Total liabilities and equity	$	**193,258**	$	4,574,742

Subsequent Event (Note 8)

SIGNED ON BEHALF OF THE BOARD:

"Stephen Pearce" Director — Stephen Pearce

"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,	**2014**	2013
Expenses:		
Accounting and audit fees – Note 10	**$ 39,121**	$ 31,602
Depreciation	**5,724**	13,876
Finance cost	**11,725**	11,736
Foreign exchange loss	**2,165**	585
Legal and corporate services	**1,003**	12,398
Management activities – Note 10	**70,000**	91,899
Office, rent and administration – Note 10	**63,468**	63,761
Shareholder communications – Note 10	**15,972**	21,358
Transfer agent and filing fees	**14,007**	36,648
Total expenses	**(223,185)**	(283,863)
Other gains (losses):		
Debt forgiveness	**-**	40,860
Gain on settlement of debt	**-**	181,459
Revenue from option agreements	**-**	125,000
Impairment on marketable securities – Note 5	**(14,000)**	-
Impairment of exploration and evaluation assets - Note 7	**(4,387,269)**	-
Total other gains (losses)	**(4,401,269)**	347,319
Income (loss) for the year	**(4,624,454)**	63,456
Other comprehensive loss:		
Realized loss on available for sale investments	**7,350**	-
Unrealized loss on available for sale investments	**-**	(1,350)
Total comprehensive income (loss) for the year	**$ (4,617,104)**	$ 62,106
Basic and diluted income (loss) per share – Note 11	**$ (0.15)**	$ 0.00

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

Years ended July 31,	**2014**	2013
Operating Activities:		
Income (loss) for the year	**$ (4,624,454)**	$ 63,456
Adjustments to reconcile loss to net cash used in operating activities:		
Debt forgiveness	**-**	(40,860)
Depreciation	**5,724**	13,876
Finance cost	**-**	11,532
Gain on settlement of debt	**-**	(181,459)
Impairment on marketable securities – Note 5	**14,000**	
Impairment of exploration and evaluation assets - Note 7	**4,387,269**	
Changes in non-cash working capital items:		
Taxes recoverable	**(7,791)**	492
Prepaid expenses	**-**	3,751
Trade and other payables	**175,120**	299,768
Cash inflows (outflows) for operating activities	**(50,132)**	170,556
Investing Activities:		
Investment in exploration and evaluation assets	**(5,221)**	(71,744)
Financing Activities:		
Advances payable (repayment)	**53,500**	(105,000)
Total decrease in cash during the year	**(1,853)**	(6,188)
Cash, beginning of the year	**2,105**	8,293
Cash, end of the year	**$ 252**	$ 2,105
Property interest expenditures included in trade and other payables	**$ 77,040**	$ 65,040

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

MONSTER MINING CORP.
STATEMENT OF CHANGES IN EQUITY
For the years ended July 31, 2014 and July 31, 2013
(Stated in Canadian Dollars)

		Number of shares outstanding	Share capital	Equity reserve	Accumulated comprehensive gain (loss)	Accumulated deficit	Total equity
Balance – August 1, 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 $0.035	2,791,672	97,709	-	-	-	97,709
Unrealized loss on marketable securities		-	-	-	(1,350)	-	(1,350)
Shares released from escrow		-	135,054	(135,054)	-	-	-
Net income for the year		-	-	-	-	63,456	63,456
Balance – July 31, 2013		31,817,519	5,604,185	1,061,868	(7,350)	(2,486,518)	4,172,185
Realized loss on marketable securities		-	-	-	7,350	-	7,350
Shares released from escrow		-	135,054	(135,054)	-	-	-
Net income for the year		-	-	-	-	(4,624,454)	(4,624,454)
Balance – July 31, 2014		**31,817,519**	**$ 5,739,239**	**$ 926,814**	**$ -**	**$ (7,110,972)**	**$ (444,919)**

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 October 30, 2014.

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 incurred a loss of $4,624,454 (July 31, 2013 – income of $63,456) during the year ended July 31, 2014, and, as of that date, the Company's accumulated deficit was $7,110,972 (July 31, 2013 - $2,486,518). The Company recorded an impairment of $4,387,269 on its exploration and evaluation assets during the year. As at July 31, 2014, the Company had $252 (July 31, 2013 - $2,105) in cash, working capital deficiency of $613,285 (July 31, 2013 - $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.

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, 2014, 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.

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

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

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

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) Share Capital

Financial instruments issued by the Company are classified as equity, 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.

j) 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.

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

k) 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.

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.

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

l) Standards, Amendments and Interpretations Not Yet Effective

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Company's future financial statements. The Company is in the process of evaluating the impact of these new standards. The Company has also determined that any new standards not disclosed will not have an impact to the financial statements.

IFRS 7	Financial instruments: disclosures (Effective for annual periods beginning on or after July 1, 2016)
IFRS 9	Financial Instruments: Recognition and Measurement (Effective for annual periods beginning on or after January 1, 2018)
IFRS 14	Regulatory Deferral Accounts (Effective for annual periods beginning on or after January 1, 2016)
IFRS 15	Revenue from Contracts with Customers (Effective for annual periods beginning on or after January 1, 2017)
IAS 16	Property, Plant and Equipment (Effective for annual periods beginning on or after January 1, 2016)

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 judgments 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.

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

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) 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'Connor Lake Mines Ltd. ("O'Connor").

At July 31, 2014 and July 31, 2013 the Company held the following shares:

	July 31, 2014			July 31, 2013
	Shares	**Original Value**	**Fair Value**	Fair Value
O'Connor	100,000	$ 5,000	$ -	$ 5,000
Dawson	7,500	9,000	-	1,650
		$ 14,000	$ -	$ 6,650

The fair value of Dawson has been determined by reference to published price quotations in an active market and O'Connor, a private company, has been written down to nil in the current period due to a lack of corporate activity.

Note 6 Equipment

	Computer Equipment	Vehicles	Furniture & Equipment	Total
Cost				
Balance, August 1, 2012, July 31, 2013 & **July 31, 2014**	**$ 5,456**	**$ 35,464**	**$ 8,373**	**$ 49,293**
Depreciation				
Balance, August 1, 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
Depreciation for the year	-	4,049	1,675	5,724
Balance, July 31, 2014	**$ 5,456**	**$ 35,464**	**$ 5,262**	**$ 46,182**
Carrying amounts				
Balance, July 31, 2013	$ -	$ 4,049	$ 4,786	$ 8,835
Balance, July 31, 2014	**$ -**	**$ -**	**$ 3,111**	**$ 3,111**

Note 7 **Exploration and Evaluation Assets**

	Keno Lightning	McKay Hill	Cobalt Hill	Total
Acquisition costs:				
Balance, August 1, 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
Option payment	6,000	6,000	5,000	17,000
Property write-off	(398,000)	(218,000)	(55,000)	(671,000)
Balance, July 31, 2014	**$ -**	**$ -**	**$ -**	**$ -**
Exploration costs:				
Balance, August 1, 2012	$ 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
Transportation	221	-	-	221
Property impairment write-down	(3,545,322)	(170,947)	-	(3,716,269)
Balance July 31, 2014	**$ -**	**$ -**	**$ -**	**$ -**
Balance, July 31, 2013	$ 3,937,101	$ 382,947	$ 50,000	$ 4,370,048
Balance, July 31, 2014	**$ -**	**$ -**	**$ -**	**$ -**

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

a) <u>Keno Lightning</u>

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, 2013 and 2014. The Company has not been notified by the optionor of default, one of whom is a related party. At July 31, 2014 $18,000 (July 31, 2013 - $12,000) 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.

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, 2013: $20,000) relating to the site restoration costs.

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

a) <u>Keno Lightning</u> – (cont'd)

At July 31, 2014, management has decided to write the costs accumulated on the Keno property to nil as an asset impairment. While management still believes that the properties are of merit and warrant continued development, lack of activity due to market conditions over obtaining adequate financing warrants a write down at this time under IFRS accounting guidance. As such, the Company has recorded an impairment loss of $ 3,943,322 on the Keno property which has been charged in the statement of comprehensive loss.

b) <u>McKay Hill</u>

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, 2013 and 2014. The Company has not been notified by the optionors of default, one of whom is a related party. At July 31, 2014 $18,000 (July 31, 2013: $12,000) 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)

b) McKay Hill – (cont'd)

At July 31, 2014, management has decided to write the costs accumulated on the McKay Hill property to nil as an asset impairment. While management still believes that the properties are of merit and warrant continued development, lack of activity due to market conditions over obtaining adequate financing warrants a write down at this time under IFRS accounting guidance. As such, the Company has recorded an impairment loss of $388,947 on the McKay Hill property which has been charged in the statement of comprehensive loss.

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, 2014, the Company is negotiating a new agreement with the Optionor and has not issued 200,000 shares due on April 19, 2013 and 2014 or the $30,000 due on April 19, 2014. The Company 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.

At July 31, 2014, management has decided to write the costs accumulated on the Cobalt Hill property to nil as an asset impairment. While management still believes that the properties are of merit and warrant continued development, lack of activity due to market conditions over obtaining adequate financing warrants a write down at this time under IFRS accounting guidance. As such, the Company has recorded an impairment loss of $55,000 on the Cobalt Hill property which has been charged in the statement of comprehensive loss.

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

d) Drilling Advance

The Company advanced $400,000, of which $165,256 remains to be incurred as at July 31, 2014 (July 31, 2013:$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.

e) 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.

During the year ended July 31, 2014, 3,872,294 (2013 – 3,872,294) shares were released from escrow.

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.

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

b) Equity Reserve

As at July 31, 2014 and July 31, 2013, equity reserve consisted of the following:

		July 31, 2014		July 31, 2013
Expired warrants	**$**	**120,000**	$	120,000
Expired agent warrants		**26,000**		26,000
Shares held in escrow		**-**		135,054
Share purchase options		**457,523**		457,523
Forfeited share purchase options		**323,291**		323,291
Equity reserve	**$**	**926,814**	$	1,061,868

c) 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:

	Number of Shares	Weighted Average Exercise Price
Balance at August 1, 2012	2,252,000	$0.40
Cancelled	(540,000)	$0.40
Balance at July 31, 2013	1,712,000	$0.40
Cancelled	(75,000)	$0.40
Outstanding at July 31, 2014	**1,637,000**	**$0.40**
Exercisable at July 31, 2014	**1,637,000**	**$0.40**

During the year ended July 31, 2014, 75,000 options were cancelled by the Company. Subsequent to July 31, 2014, the remaining options were terminated by the Company with the consent of the option holders.

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, 2014	July 31, 2013
Income (loss) before income taxes	**$ (4,624,454)**	$ 63,456
Basic statutory and provincial income tax rate	**26%**	25.58%
Expected tax recovery on net loss	**$ (1,202,358)**	$ 16,234
Non deductible items	**-**	-
Effect of change in tax rates	**-**	(10,037)
Unrecognized deferred tax assets	**1,202,358**	(6,197)
Total income tax expense (recovery)	**$ -**	$ -

The nature and tax effect of the temporary differences giving rise to the deferred income tax assets and liabilities at July 31, 2014 and July 31, 2013 are summarized as follows:

	July 31, 2013	**Recognized in profit or loss**	**Recognized in equity**	**July 31, 2014**
Non-capital losses carried forward	$ 455,000	$ 73,000	$ -	$ 528,000
Share issuance cost	31,000	(18,000)	-	15,000
Equipment	13,000	2,000	-	15,000
Marketable securities	1,000	1,000	-	2,000
Exploration & evaluation expenditures	(249,000)	1,140,000	-	891,000
	251,000	1,200,000	-	1,451,000
Unrecognized deferred tax assets	(251,000)	(1,200,000)	-	(1,451,000)
Deferred income tax liability	**$ -**	**$ -**	**$ -**	**$ -**

Note 9 Income Taxes – (cont'd)

	August 1, 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
Equipment	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	$ -	$ -	$ -	$ -

As at July 31, 2014, the Company had non-capital losses for Canadian tax purposes of $2,032,645. 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
2034	283,502
Total	$ 2,032,645

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,		2014		2013
Accounting fees	$	21,000	$	21,000
Exploration and evaluation assets		10,500		10,500
Finance cost		-		10,788
Management activities		70,000		91,500
Office, rent and administration		60,000		60,000
Shareholder communications		15,000		15,000
Total	$	176,500	$	208,788

Key management personnel compensation

Year ended July 31,		2014		2013
Management and director fees	$	70,000	$	91,500

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

The Company incurred accounting and audit fees of $21,000 (July 31, 2013 - $21,000), finance cost of $Nil (July 31, 2013 - $10,788), office, rent and administration cost of $60,000 (July 31, 2013 - $60,000) and shareholder communication cost of $15,000 (July 31, 2013 - $15,000) to a company controlled by a director and officer of the Company.

Included in accounts payable and accrued liabilities at July 31, 2014 is $438,298 (July 31, 2013: $245,258) due to directors and companies controlled by directors for various expenses and exploration and evaluation assets. These amounts are unsecured and do not bear interest.

Included in advances payable at July 31, 2014, is $31,500 (July 31, 2013: $15,000) due to directors and companies controlled by directors of the Company. These amounts are unsecured and bear no interest.

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,	
	2014	2013
Issued and outstanding, beginning of the year	31,817,519	29,025,847
Weighted average shares issued during the year	-	1,376,751
Weighted average number of common shares for the year (basic and diluted)	31,817,519	30,402,598

Note 12 Supplemental Cash Flow and Non-Cash Activities

The Company has excluded from its investing cash flows for the year ended July 31, 2014, amount in accounts payable relating to exploration and evaluation expenditures of $77,040 (July 31, 2013 - $65,040) and $135,054 (July 31, 2013 - $135,054) relating to escrowed shares being released

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, 2014.

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, 2014.

The Company has no exposure to interest rate fluctuations.

Note 14 <u>Financial Instruments</u> – (cont'd)

b) <u>Credit Risk</u>

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, 2014 is $252. 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, 2014 with a balance of $165,256.

c) <u>Liquidity Risk</u>

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, 2014, the Company had $252 in cash, working capital deficiency of $613,286 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.