TULLOCH RESOURCES LTD.

Financial Statements

Years Ended July 31, 2013 and 2012

(Expressed in Canadian dollars)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Tulloch Resources Ltd.

We have audited the accompanying financial statements of Tulloch Resources Ltd. which comprise the statements of financial position as at July 31, 2013 and 2012, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising 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 as issued by the International Accounting Standards Board, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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 Tulloch Resources Ltd. as at July 31, 2013 and 2012, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Tulloch Resources Ltd. to continue as a going concern.

/s/ "Manning Elliott LLP"

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
November 28, 2013

TULLOCH RESOURCES LTD.
Statements of Financial Position
As at July 2013 and 2012
(Expressed in Canadian dollars)

	2013 $	2012 $
Assets		
Current assets		
Cash	395	24,896
Sales tax receivable	50	4,545
Total assets	445	29,441
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	25,781	24,439
Due to related parties (Note 4)	4,500	4,500
Total liabilities	30,281	28,939
Equity (Deficiency)		
Share capital	12,172,109	12,172,109
Contributed surplus	12,571	12,571
Deficit	(12,214,516)	(12,184,178)
Total equity (deficiency)	(29,836)	502
Total liabilities and equity (deficiency)	445	29,441

Going Concern (Note 1)

Approved on behalf of the Board on November 28, 2013:

"Stuart Wooldridge"	*"Robert Trenaman"*
Stuart Wooldridge, Director	Robert Trenaman, Director

(The accompanying notes are an integral part of these financial statements)

TULLOCH RESOURCES LTD.
Statements of Comprehensive Loss
Years ended July 31, 2013 and 2012
(Expressed in Canadian dollars)

	2013 $	2012 $
Revenue	–	–
Expenses		
Communication	234	790
Consulting fees (Note 4)	3,580	35,900
General and administration	11,216	54,870
Professional fees (Note 4)	18,573	47,283
Share-based payments (Note 4)	–	12,571
	33,603	151,414
Loss before other items	(33,603)	(151,414)
Other items		
Interest income	7	45
Gain on derecognition of accounts payable	3,258	–
Net loss and comprehensive loss for the year	(30,338)	(151,369)
Loss per share, basic and diluted	(0.00)	(0.03)
Weighted average number of common shares outstanding	6,580,907	4,790,222

(The accompanying notes are an integral part of these financial statements)

TULLOCH RESOURCES LTD.
Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital				
	Number of shares	Amount $	Contributed surplus $	Deficit $	Total equity $
Balance, July 31, 2011	18,904,532	12,035,049	-	(12,032,809)	2,240
Share consolidation (5:1 basis)	(15,123,625)	-	-	-	-
Shares issued for cash	1,600,000	80,000	-	-	80,000
Share issuance cost	-	(2,940)	-	-	(2,940)
Stock options granted and vested	-	-	12,571	-	12,571
Shares issued for debt settlement	1,200,000	60,000	-	-	60,000
Net loss for the year	-	-	-	(151,369)	(34,022)
Balance, July 31, 2012	6,580,907	12,172,109	12,571	(12,184,178)	502
Net loss for the year	-	-	-	(30,338)	(30,338)
Balance, July 31, 2013	6,580,907	12,172,109	12,571	(12,214,516)	(29,836)

(The accompanying notes are an integral part of these financial statements)

TULLOCH RESOURCES LTD.
Statements of Cash Flows
Years ended July 31, 2013 and 2012
(Expressed in Canadian dollars)

	2013 $	2012 $
Cash provided by (used in):		
Operating activities		
Net loss for the year	(30,338)	(151,369)
Items not involving cash:		
Share-based payments	–	12,571
Gain on derecognition of accounts payable	(3,258)	–
	(33,596)	(138,798)
Changes in non-cash operating working capital:		
Amounts receivable	4,495	(4,545)
Accounts payable and accrued liabilities	4,600	1,947
Net cash used in operating activities	(24,501)	(141,396)
Investing activities		
Redemption of short-term investments	–	25,000
Net cash provided by investing activities	–	25,000
Financing activities		
Due to related parties (Notes 4 and 7)	–	4,500
Proceeds from issuance of common shares, net (Note 5(b))	–	77,060
Net cash provided by financing activities	–	81,560
Increase (decrease) in cash	(24,501)	(34,836)
Cash, beginning of year	24,896	59,732
Cash, end of year	395	24,896
Supplemental disclosures:		
Interest paid	–	–
Income tax paid	–	–

Non-cash activity:		
Settlement of debt with shares (Note 7)	–	60,000

(The accompanying notes are an integral part of these financial statements)

1. Nature of Operations and Going Concern

Tulloch Resources Ltd. ("the Company") was incorporated under the laws of British Columbia as Treminco Resources Ltd. on March 12, 1980. The name was changed to Elkhorn Gold Mining Corporation on February 8, 1999 and to Tulloch Resources Ltd. on October 12, 2011. The Company has historically been engaged in the identification of mineral properties for acquisition and exploration. The head office, address and records office of the Company are located at 1209-409 Granville Street, Vancouver, British Columbia, Canada V6C 1T2.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at July 31, 2013, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has a working capital deficit of $29,836 and an accumulated deficit of $12,214,516. These factors raise significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to identify projects and negotiate suitable arrangements, maintain support from its significant shareholders and obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from financing from related parties to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Basis of Preparation and Statement of Compliance

Statement of Compliance

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

The financial statements have been prepared on a historical cost basis except for financial instruments described in Note 3(d), which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency. The accounting policies set out below have been applied consistently to all years presented in these financial statements as if the policies have always been in effect.

On March 10, 2012, the Company consolidated its shares on a 5:1 basis. All share amounts disclosed reflect the post-consolidated number of shares.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include measurement of share-based payments, fair values of financial instruments, and recognition of deferred income tax assets. A significant area requiring the use of judgment is management's assessment of the Company's ability to continue as a going concern.

3. Significant Accounting Policies

(a) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance or are readily redeemed into known amounts of cash without significant penalties to be cash equivalents.

(b) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of income.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of operations and comprehensive loss.

(c) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

3. Significant Accounting Policies (continued)

(d) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits at fair value on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. The Company classified cash as financial assets at FVTPL.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any assets classified as available-for sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company does not have any assets classified as loans and receivables.

3. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and amounts due to related parties.

3. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(ii) Non-derivative financial liabilities (continued)

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(e) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(f) Foreign Currency Translation

The functional currency of the Company is Canadian dollar, which is the currency of the primary economic environment in which that Company operates.

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date which is approximated by an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

3. Significant Accounting Policies (continued)

(g) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in-the-money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

(h) Share-based Payments

The Company grants share-based awards to employees, directors and non-employees as an element of compensation. The fair value of the awards granted to employees and directors is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of operations and comprehensive loss with a corresponding entry within equity, against share-based payment reserve. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payment arrangements with non-employees in which the Company receives goods or services are measured based on the estimated fair value of the goods or services received, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

(i) Share Issuance Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

(j) Changes in Accounting Standards Issued

(i) Accounting Standards Issued and Effective:

The Company has adopted these standards effective for the fiscal year beginning on August 1, 2012 and there were no significant impact on the financial statements:

	Effective
Amendment to IAS 12, Income Taxes	January 1, 2012
IAS 1 – Presentation of Financial Statements	July 1, 2012

3. Significant Accounting Policies (continued)

(j) Changes in Accounting Standards Issued (continued)

(ii) Accounting Standards Issued But Not Yet Effective:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods with early adoption permitted. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company has not early adopted these new or revised standards because they are not effective until or subsequent to annual and interim reporting periods beginning on or after January 1, 2013 and is currently assessing the impact that these standards will have on the financial statements.

Effective for annual periods beginning on or after January 1, 2013:

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(j) Changes in Accounting Standards Issued (continued)

Effective for annual periods beginning on or after January 1, 2015:

IFRS 9 *Financial Instruments* – IFRS 9 introduces new requirements for how an entity should classify and measure financial assets that are in the scope of IAS 39. The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if two criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. If a financial asset meets the criteria to be measured at amortized cost, it can be designated at fair value through profit or loss under the fair value option, if doing so would significantly reduce or eliminate an accounting mismatch. If a financial asset does not meet the business model and contractual terms criteria to be measured at amortized cost, then it is subsequently measured at fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss.

The IASB extended the mandatory effective date for IFRS 9 to on or after January 1, 2015 with early adoption permitted. As a result, there were amendments to IAS 32 Financial Instruments – Presentation to clarify the offsetting between financial assets and liabilities, which are mandatory effective on or after January 1, 2014.

4. Related Party Transactions and Balances

The Company has identified its directors and certain senior officers as its key personnel. No post-employment benefits, other long-terms benefits and termination benefits were incurred during the years ended July 31, 2013 and 2012. The amounts due to related parties consists of the following as at July 31, 2013 and 2012:

	2013 $	**2012 $**
Director	$ 4,500	$ 4,500
Total	$ 4,500	$ 4,500

The balances are unsecured, non-interest bearing and have no specific terms for repayment. In 2012, the Company settled its indebtedness of $60,000 with related parties for 1,200,000 post consolidated common shares.

During the year, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The short-term key management compensation and director fees consist of the following for the years ended July 31, 2013 and 2012:

	2013 $	**2012 $**
Directors' fees	$ 625	$ 8,250
Consulting fees to a company owned by common directors	2,500	30,000
Share-based payments to key personnel (Note 6)	-	12,571
Total	$ 3,125	$ 50,821

5. Share Capital

The authorized share capital for the Company consists of 100,000,000 common shares without par value. As at July 31, 2013, the Company has 6,580,907 post-consolidated common shares issued and outstanding.

(a) On March 10, 2012, the Company consolidated its shares on a 5:1 basis.

(b) On March 22, 2012 the Company accepted subscription agreements for a private placement of 1,600,000 post-consolidated common shares of the Company at $0.05 each. Gross proceeds were $80,000. The Company incurred issuance costs of $2,940 for professional fees.

(c) On March 23, 2012, the Company issued 1,200,000 post-consolidation common shares of the Company with an estimated fair value of $0.05 each to settle the amount of $60,000 owing to related parties.

6. Stock Options

Under the Company's stock option plan (the "Plan") the Company's board of directors is authorized to grant stock options to directors, senior officers, employees, consultants, consultant company or management company employees not to exceed 10% of the issued and outstanding common shares of the Company from time to time. Stock options granted under the Plan are exercisable over a period not exceeding two years from the date granted. An option shall be granted as fully vested immediately, unless a vesting schedule is imposed by the Board as a condition at the grant date.

On March 23, 2012, the Company granted 400,000 options to its directors and officers to purchase 400,000 common shares of the Company at a price of $0.05 per share. The fair value of $12,571 was calculated using the Black-Scholes Option-Pricing Model with the following assumptions: share price of $0.05, risk-free interest rate of 1.25%, expected life of 2 years, expected dividends of zero, forfeitures of nil, and expected annual volatility of 125%. The amount of $12,571 was recorded as share-based payments in the year ended July 31, 2012. The weighted average fair value of each option on the grant date was $0.03.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. The pricing models adopted by management do not necessarily provide a consistent single measure of the fair value of the Company's share options and other share-based transactions.

(Expressed in Canadian dollars)

6. Stock Options (continued)

The following table summarizes the continuity of the Company's stock options:

	Options outstanding and exercisable	Weighted average exercise price $
Balance, July 31, 2011	-	-
Granted, March 23, 2012	400,000	0.05
Balance, July 31, 2012 and 2013	400,000	0.05

As at July 31, 2013, the following stock options were outstanding:

	Outstanding and exercisable		
Range of exercise prices $	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.05	400,000	0.54	0.05

7. Settlement of Debt

On March 23, 2012, the Company agreed to settle its indebtedness of $60,000 with related parties for 1,200,000 post-consolidated common shares having an estimated fair value of $60,000. The fair value of the shares was determined by using the price of the common shares issued in non-brokered private placement completed on March 22, 2012.

8. Financial Instruments and Risks

The Company classifies its cash as FVTPL and its accounts payable and due to related parties as other financial liabilities.

(a) Fair Values

Per IFRS 7, a three-level hierarchy that reflects the significance of inputs used in making fair value adjustments is required. The three levels of fair value hierarchy are as follows:

a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 – Input for assets or liabilities that are not based on observable market data.

Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair measurement. The Company's financial assets measured on a recurring basis at fair value are as follows:

	July 31, 2013			
	Level 1	Level 2	Level 3	Total
Cash	$ 395	$ –	$ –	$ 395

8. Financial Instruments and Risks (continued)

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of these financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company's interest rate risk management policy is to purchase highly liquid investments with terms to maturity of three months or less on the date of purchase or redeemable at the option of the Company. The Company does not engage in any hedging activity. A 1% change in interest rates would not have significant impact on interest income and expense.

During the years ended July 31, 2013 and 2012, the Company held financial assets and liabilities and incurred expenses denominated primarily in Canadian dollars. The Company does not have significant foreign exchange risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations using cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 10.

	Contractual Maturity Analysis at July 31, 2013				
	Less than 3 Months	**3 - 12 Months**	**1 - 5 Years**	**Over 5 Years**	**Total**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	(25,781)	-	-	-	(25,781)
Due to related parties	(4,500)	-	-	-	(4,500)
	(30,281)	-	-	-	(30,281)

(e) Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The sale of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(Expressed in Canadian dollars)

9. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred tax assets and liabilities, are as follows:

	2013 $	2012 $
Net loss before income taxes	(30,338)	(151,369)
Canadian statutory income tax rate	25.3%	25.6%
Income tax recovery at statutory rate	7,685	38,788
Tax effect of:		
Other non-deductible expense	–	(3,221)
Share issuance cost	–	151
Change in enacted tax rates	38,015	(871)
Change in unrecognized deferred tax assets	(45,700)	(34,847)
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2013 $	2012 $
Deferred income tax assets		
Non-capital losses carried forward	120,200	59,000
Resource pools	875,600	891,000
Share issuance costs	500	600
Total gross deferred income tax assets	996,300	950,600
Unrecognized deferred tax assets	(996,300)	(950,600)
Net deferred income tax assets	–	–

As at July 31, 2013, the Company has non-capital losses carried forward of approximately $462,237 which are available to offset future years' taxable income. These losses expire as follows:

	$
2030	322
2031	96,917
2032	139,386
2033	225,612
	462,237

The Company also has certain allowances in respect of resource development and exploration costs of approximately $3,368,000 (2012 - $3,562,000) which, subject to certain restrictions, are available to offset against future taxable income. The application of non-capital losses and resource development and exploration costs against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

10. Capital Management

The Company's objectives when managing capital are to identify, pursue exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is advances from related parties and the issuance of share capital.

Management considers shareholders' equity as capital:

	2013	2012
Shareholders' equity (deficiency)	$ (29,836)	$ 502

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected to match the expected timing of expenditures to continue operations.

The Company's overall strategy with respect to capital risk management remains unchanged from the year ended July 31, 2012. Refer to note 1 for management's plan to raise capital.

11. Segment Information

The Company currently operates in a single reportable operating segment. All of the Company's assets and expenditures are located in Canada.