ROCA MINES INC.

CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013

(Expressed in Canadian Funds)

December 19, 2014

Independent Auditor's Report

To the Shareholders of Roca Mines Inc.

We have audited the accompanying consolidated financial statements of Roca Mines Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at August 31, 2014, August 31, 2013 and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years ended August 31, 2014 and August 31, 2013, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Roca Mines Inc. and its subsidiaries as at August 31, 2014 and August 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion we draw attention to Note 1 *Nature of Operations and Going Concern* in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Roca Mines Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

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Roca Mines Inc.
Consolidated Statements of Financial Position
As of August 31
Canadian Funds

ASSETS		**2014**		2013
Current				
Cash and cash equivalents	**$**	**65,849**	$	-
Accounts receivable		**7,304**		10,612
Prepaid expenses and deposits		**27,445**		14,741
Due from related party *(Note 11a)*		**56,902**		-
Inventories *(Note 5)*		**83,430**		83,430
		240,930		108,783
Exploration and Evaluation Assets *(Note 6)*		**6,968,056**		6,889,685
Property, Plant and Equipment *(Note 7)*		**1,331,439**		1,357,537
Reclamation Bonds *(Note 9)*		**730,000**		752,900
		9,029,495		9,000,122
	$	**9,270,425**	$	9,108,905
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**2,824,161**	$	3,357,400
Due to related parties *(Note 11c)*		**997,809**		1,021,332
Asset retirement obligation *(Note 10)*		**-**		21,600
		3,821,970		4,400,332
Asset Retirement Obligations *(Note 10)*		**1,313,402**		1,313,402
		5,135,372		5,713,734
EQUITY				
Share Capital *(Note 8a)*		**56,862,888**		56,862,888
Contributed Surplus		**13,543,304**		13,543,304
Deficit		**(67,167,685)**		(67,011,021)
Total Equity attributed to shareholders of Roca Mines Inc.		**3,238,507**		3,395,171
Non-controlling interest *(Note 8d)*		**896,546**		-
		4,135,053		3,395,171
	$	**9,270,425**	$	9,108,905

Nature of Operations and Going Concern *(Note 1)*

ON BEHALF OF THE BOARD:

"Scott Broughton", Scott E. Broughton, Director

"David Skerlec", David J. Skerlec, Director

Roca Mines Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended August 31
Canadian Funds

	2014	2013
Expenses		
General and administrative	**$ 638,983**	$ 757,913
Mine holding costs *(Note 7)*	**430,255**	407,172
Reclamation expense	**723**	-
(Gain) Loss on disposal of property, plant and equipment	**(64,011)**	120,085
Loss from Operations	**(1,005,950)**	(1,285,170)
Other Income (expenses)		
Foreign exchange loss	**(4,380)**	(1,356)
Interest income	**212**	6,806
Net Loss for the Year	**(1,010,118)**	(1,279,720)
Total Comprehensive Loss for the Year	**$ (1,010,118)**	$ (1,279,720)
Attributable to:		
Owners of the Company	**(910,909)**	(1,279,720)
Non-controlling interest *(Note 8d)*	**(99,209)**	-
Total Comprehensive Loss for the Year	**$ (1,010,118)**	$ (1,279,720)
Net Loss per Share - Basic and Diluted	**$ (0.01)**	$ (0.01)
Weighted Average Number of Common Shares Outstanding	**123,864,898**	123,864,898

- See Accompanying Notes -

Roca Mines Inc.
Consolidated Statements of Changes in Equity

Canadian Funds, except share amounts

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Non-Controlling Interest	Total
		$	$	$	$	$
Balance as at September 1, 2012	123,864,898	56,862,888	13,543,304	(65,731,301)	-	4,674,891
Loss and comprehensive loss for the year	-	-	-	(1,279,720)	-	(1,279,720)
Balance as at August 31, 2013	123,864,898	56,862,888	13,543,304	(67,011,021)	-	3,395,171
Income and comprehensive income for the year	-	-	-	(910,909)	(99,209)	(1,010,118)
Transaction with non-controlling interest *(Note 8d)*	-	-	-	754,245	995,755	1,750,000
Balance as at August 31, 2014	123,864,898	56,862,888	13,543,304	(67,167,685)	896,546	4,135,053

- See Accompanying Notes -

Roca Mines Inc.
Consolidated Statements of Cash Flows
For the Years Ended August 31
Canadian Funds

		2014		2013
Operating Activities				
Loss for the year	**$**	**(1,010,118)**	$	(1,279,720)
Less: Items not affecting cash:				
Amortization, depletion, accretion		**4,855**		7,023
Loss (Gain) on disposal of property, plant and equipment		**(64,011)**		120,086
Changes in non-cash working capital items:				-
Accounts receivable		**4,424**		(5,617)
Prepaid expenses and deposits		**(12,704)**		8,684
Due from related party		**(56,902)**		9,284
Accounts payable, accrued liabilities, due to related party		**(459,535)**		660,800
		(1,593,991)		(479,460)
Investing Activities				
Proceeds on disposal of property, plant and equipment		**48,457**		569,024
Resource property costs, *net of exploration tax credits*		**(161,517)**		(91,339)
Refund of reclamation bonds		**22,900**		-
Proceeds on sale of subsidiary interest		**1,750,000**		-
		1,659,840		477,685
Net Increase (Decrease) in Cash and Cash Equivalents		**65,849**		(1,775)
Cash and cash equivalents - Beginning of year		**-**		1,775
Cash and Cash Equivalents - End of Year	**$**	**65,849**	$	-
Supplemental Schedule of Non-Cash Investing and Financing Transactions				
Plant and equipment expenditures included in accounts payable	**$**	**(36,798)**	$	-
Resource property expenditures included in accounts payable	**$**	**(59,707)**	$	28,507

- See Accompanying Notes -

1. Nature of Operations and Going Concern

Roca Mines Inc. (the "Company") is a Vancouver-based resource company. The Company's head office is located at Suite 490, 1122 Mainland Street, Vancouver British Columbia Canada, V6B 5L1.

The Company was incorporated on June 19, 2001 as 629645 BC Ltd. and changed its name to Roca Mines Inc. on April 29, 2002. The Company holds interests in exploration properties in British Columbia and maintains a wholly-owned subsidiary, Minera ROK, S.A. de C.V. to hold potential property interests in Mexico. The Company's 65% held subsidiary, FortyTwo Metals Inc. holds the MAX molybdenum mine southeast of Revelstoke, British Columbia. Production at the MAX molybdenum mine has been suspended indefinitely due to low commodity prices and high costs.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis and be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the year ended August 31, 2014, the Company reported a loss of $1,010,118 and an accumulated deficit of $67,167,685 at that date. The Company had a working capital deficit of $3,581,040 and cash and cash equivalents at August 31, 2014 amounted to $65,849. These circumstances lend significant doubt as to the ability of the Company to continue as a going concern.

Exploration at the Company's Foremore project and SeaGold joint venture has been constrained by available funding and the MAX molybdenum mine has encountered operating difficulties and has been shut down over the past two years. Continuing operations as a going concern are dependent upon management's ability to raise adequate financing in the capital markets or by sale of assets (*Note 8d*). Although management has been successful in the past; there is no assurance that these initiatives will be successful in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Basis of Preparation

(a) Basis of Preparation

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Board of Directors approved these financial statements on December 18, 2014. The financial statements have been prepared under the historical cost convention.

(b) Critical accounting estimates and judgments

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the company has made in the preparation of the financial statements:

2. Basis of Preparation - *Continued*

Asset Retirement Obligations

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Significant judgments and estimates are made when estimating the nature and costs associated with asset retirement provisions. When considering the effect of the extended time period over which costs are expected to be incurred, combined with the estimated discount rate and inflation factors, the recorded value of the restoration provisions could materially change from period to period due to changes in the underlying assumptions.

Impairment of long-lived Assets

Carrying values of non-producing mining properties and the property, plant and equipment associated with those exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. If the property is assessed to be impaired, it is written down to its estimated recoverable amount. Significant judgments and estimates are made when estimating this net recoverable value. Therefore the recorded value of exploration and evaluation assets could materially change from period to period due to changes in estimates.

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed in this table:

Name	Equity Interest at August 31, 2014	2013
FortyTwo Metals Inc. (Canada)	65%	100%
0943798 B.C. Ltd (Canada)	-	100%
Minera ROK, S.A de C.V. (Mexico)	100%	100%

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity have been calculated based on fair value. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

b) Functional currency and foreign currency translation

The functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit or loss.

3. Significant Accounting Policies - *Continued*

c) Financial Instruments

The Company recognizes financial assets and liabilities on the balance sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are classified as loans and receivables.

Accounts payable, accrued liabilities and due to related parties

Accounts payable, accrued liabilities, and due to related parties are classified as other financial liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Derivative instruments

Derivative instruments, including embedded derivatives, are recorded at “fair value through profit or loss”. The Company’s metal concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. This portion of the receivable is considered an embedded derivative. As a result, the values of concentrate receivables change as the underlying commodity market prices vary and are based on management’s estimates of final settlement values at the date of the statements of financial position.

Reclamation Bonds

Cash and cash equivalents subject to contractual restrictions on use are classified separately as reclamation deposits and are classified as loans and receivables.

Impairment of financial assets

At each reporting date, the company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if objective evidence of an impairment loss include:

(i) significant financial difficulty of the obligor;

(ii) delinquencies in interest or principal payments; and

(iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument’s original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the loss in accumulated other comprehensive income that is reclassified to net income.

3. Significant Accounting Policies - *Continued*

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

d) Inventories

Consumable parts and supplies are valued at the lower of cost and net realizable value on a first-in, first-out basis. Product inventory, including work in progress is valued at the lower of average production cost or net realizable value.

Production cost represents production costs for concentrates including material costs, direct labour, mine and mill site overhead and amortization and depletion. When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. If the circumstances that caused the write-down no longer exist, the amount of the write-down is reversed.

e) Exploration and Evaluation Assets

Pre-exploration costs or property investigation costs are expensed in the period in which they are incurred. Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur. Any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

When an exploration project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

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” within property, plant and equipment.

f) Equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Repairs and maintenance expenditures are charged to operations; major improvements and replacements which extend the useful life of an asset are capitalized. Mine property and development costs, plant and equipment are amortized, net of estimated residual values, over the estimated remaining mine life, on a unit of production basis. The Company provides for amortization on its equipment at an annual rate of 45% for computer equipment and 20% for other office and field equipment on the declining balance method.

g) Impairment of Non-Financial Assets

At the end of each reporting period, the Company’s assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

3. Significant Accounting Policies - *Continued*

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an impairment loss subsequently reverses, the amount of the reversal is limited such that the revised carrying amount of the asset (or cash generating unit) does not exceed the carrying amount that would have been determined had no prior impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Where future net cash flows cannot be estimated, management estimates fair value using best estimates and comparative situations in the marketplace. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

h) **Asset Retirement Obligations**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation and mining activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore its exploration and mine sites in the period in which the obligation is incurred. The nature of rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The restoration provision generally arises when the environmental disturbance is subject to government laws and regulations. The restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-free discount rate. 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 current market discount rates and liability specific risks. Additional environment 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.

i) **Share-based Payments**

The Company may grant stock options to buy common shares of the Company to directors, officers, employees and consultants.

The fair value of the estimated number of stock options awarded to employees, officers and directors that will eventually vest, is recognized as share-based compensation expense over the vesting period of the stock options with a corresponding increase to contributed surplus. The share-based payment cost is recognized in net loss or capitalized in property, plant and equipment and exploration and evaluation assets. The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option-pricing model. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in net loss or capitalized in property, plant and equipment and exploration and evaluation assets such that the accumulated expense reflects the revised estimate, with a corresponding adjustment to the contributed surplus.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

3. Significant Accounting Policies - *Continued*

j) Current and Deferred Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Mineral Exploration Tax Credits (“METC”)

The Company recognizes METC amounts as a reduction in exploration and evaluation assets when the Company's application for tax credits is approved by the Canada Revenue Agency. If tax credits are approved on projects which have previously been written off, the Company recognizes the tax credit as a gain in the statement of loss.

l) Equity Unit Offerings

The Company has adopted a pro-rata basis method for the measurement of shares and warrants issued as units in financing arrangements. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of each component.

The fair value of the common shares is based on the closing price on the closing date of the transaction and the fair value of the warrants is determined on the closing date of the transaction using the Black-Scholes option pricing model. The fair value attributed to the warrants is recorded as contributed surplus. If the warrants are exercised, the value attributable to the warrants is transferred to share capital.

m) Revenue Recognition

Sales are recognized when title transfers and the rights and obligations of ownership pass to the customer. The Company’s metal concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. Revenues are recorded at the time of sale based on estimated prices for the expected date of final settlement. As a result, the values of concentrate receivables change as the underlying commodity market prices vary. This component of the contract is an embedded derivative, which is recorded at fair value with changes in fair value recorded in revenue.

n) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reported period. The Company follows the “treasury stock” method in the calculation of diluted earnings per share.

3. Significant Accounting Policies - *Continued*

This method recognizes the proceeds that could be obtained upon exercise of any options and warrants only when such exercise would have a dilutive effect on earnings per share. It assumes that any proceeds from exercise would be used to purchase common shares at the average market price prevailing during the period. In periods in which the Company incurs losses, the exercise of any outstanding options and warrants would be anti-dilutive, and therefore basic and diluted earnings (loss) per share are the same.

o) **Accounting Standards Adopted in the Current Year**

The following new accounting standards, amendments and interpretations were adopted by the Company as of September 1, 2013. The Company has adopted these new and amended standards without any significant effect on the financial statements.

(i) IFRS 10 Consolidated Financial Statements ("IFRS 10")

IFRS 10, consolidation 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 previous IFRS, consolidation was required when an entity had 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.

(ii) IFRS 11 Joint Arrangements ("IFRS 11")

IFRS 11, Joint Arrangements, 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 previous IFRS, entities had 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—Nonmonetary Contributions by Venturers.

(iii) IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 Disclosures of Interests in Other Entities establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements and associates. The standard carried forward existing disclosures and also introduced significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

(iv) IFRS 13 Fair Value Measurement ("IFRS 13")

IFRS 13 Fair Value Measurement is a comprehensive standard for fair value measurement and disclosure 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. Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and did not always reflect a clear measurement basis or consistent disclosures.

4. Adoption of New or Revised IFRS Standards and IFRS Standards Not Yet Effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC"). The Standards impacted that are applicable to the Company are as follows:

(a) IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 introduces the new requirements for the classification, measurement and derecognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of this new standard on the Company's financial assets and financial liabilities.

(b) IAS 36 Impairment of Assets ("IAS 36")

In May 2013, the IASB issued limited scope amendments to IAS 36 which is applicable on a retrospective basis for years beginning on or after January 1, 2014 with optional early adoption permitted. The effect of these amendments includes the following:

- Removal of the requirement introduced as a consequential amendment of issuance of IFRS 13 to disclose recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment;
- Require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognized or reversed; and
- Require detailed disclosure of how the fair value less cost to dispose has been measured when an impairment loss has been recognized or reversed, including the level of the fair value hierarchy for which the fair value measurement is categorized. The adoption of these amendments is not expected to have a significant impact on the consolidated financial statements.

(c) Other Amendments

In addition, there have been 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 – 13. Adoption of these standards is not expected to have a significant impact on the consolidated financial statements.

5. Inventories

Details are as follows:		**August 31, 2014**		August 31, 2013
Consumable parts and supplies	**$**	**83,430**	$	83,430
Total	**$**	**83,430**	$	83,430

6. Exploration and Evaluation Assets

Details are as follows:

	Acquisition	Deferred Exploration & Evaluation	Recovery	**Total August 31, 2014**	Total August 31, 2013
Foremore VMS-Gold Project *(a)*	$ 837,511	$ 6,088,294	$ -	$ **6,925,805**	$ 6,847,434
SeaGold Project *(b)*	156,500	82,501	(196,750)	**42,251**	42,251
	$ 994,011	$ 6,170,795	$ (196,750)	$ **6,968,056**	$ 6,889,685

a) FOREMORE VMS-Gold Project, Liard Mining Division, B.C., Canada

The Company holds a 100% interest in certain properties, known as the Foremore Project located in the Liard Mining Division, B.C. The Foremore Project is subject to a 2.5% NSR, which can be reduced to 1% for payments totalling $2,000,000. The Company is required to make annual advance royalty payments of $50,000, ceasing in the year in which commercial production commences. Advance royalty payments paid until commercial production is reached may be applied as a reduction of future royalty payments. The Company must also issue 200,000 common shares to the vendor upon the commencement of commercial production.

b) SEAGOLD Project, Liard Mining Division, B.C., Canada

The Company holds a 43% joint venture interest in certain properties, known as the SeaGold Project in the Liard Mining Division, B.C., the balance being held by Romios Gold Resources Inc. (“Romios”), subject to Romios issuing 200,000 common shares to the original property vendor upon the commencement of commercial production. The SeaGold Project is subject to a 2.5% NSR, reducible to 1% for payments totalling $2,000,000. Advance annual royalty payments of $30,000 (paid) are payable by the joint venture, ceasing in the year in which commercial production commences. Advance royalty payments paid to commercial production may be applied as a reduction of future royalty payments.

c) Max Molybdenum Mine

The Company’s 65% held subsidiary FortyTwo Metals Inc. holds title in certain properties, known as the MAX molybdenum mine (“MAX”), located in the Revelstoke Mining Division, B.C. MAX is subject to a 2.5% Net Smelter Return (“NSR”). The Company may purchase, at any time, up to 60% of the NSR by paying $1,000,000 for each 30% ($2,000,000 for the full 60% of the 2.5% NSR). FortyTwo Metals Inc. has a 100% interest in certain crown grants, mining leases and mineral claims contiguous to the core MAX mineral claims. The Company granted a 2.5% NSR on the contiguous property, which can be reduced to 1% upon payment of $2,000,000 at any time prior to commencement of commercial production. The Company must also issue 200,000 shares if it commences commercial production from any part of the contiguous property.

As at August 31, 2012, management of the Company determined that impairment indicators existed, and completed an impairment assessment for capitalized exploration and evaluation costs related to the MAX molybdenum mine and surrounding property. In light of a significantly reduced global outlook for future molybdenum and tungsten prices, the Company assessed the fair value of previously capitalized grass roots exploration costs at the MAX project to be nil as of August 31, 2012.

During the year ended August 31, 2014, the Company transferred a 35% interest in FortyTwo Metals Inc. to Discovery Ventures Corp. *(Note 8d).*

7. Property, Plant and Equipment

Details are as follows:

	Mining equipment, property and development costs ($)	Plant and equipment ($)	Buildings and support facilities ($)	Acquisition Max property ($)	Total ($)
At August 31, 2012					
Cost	44,421,596	19,437,723	6,111,476	920,460	70,891,255
Accumulated Write-downs	(15,644,370)	(1,749,702)	(363,153)	(15,141)	(17,772,366)
Accumulated Amortization	(28,342,364)	(16,442,677)	(5,455,929)	(824,249)	(51,065,219)
Net Book Value	434,862	1,245,344	292,394	81,070	2,053,670
Year Ended August 31, 2013					
Additions	-	-	4,464	-	4,464
Disposals	(204,154)	(393,296)	(96,124)	-	(693,574)
Amortization	-	-	(7,023)	-	(7,023)
At August 31, 2013	230,708	852,048	193,711	81,070	1,357,537
At August 31, 2013					
Cost	44,217,442	19,044,427	6,019,816	920,460	70,202,145
Accumulated Write-downs	(15,644,370)	(1,749,702)	(363,153)	(15,141)	(17,772,366)
Accumulated Amortization	(28,342,364)	(16,442,677)	(5,462,952)	(824,249)	(51,072,242)
Net Book Value	230,708	852,048	193,711	81,070	1,357,537
Year Ended August 31, 2014					
Disposals	(15,241)	(6,002)	-	-	(21,243)
Amortization	-	-	(4,855)	-	(4,855)
At August 31, 2014	215,467	846,046	188,856	81,070	1,331,439
At August 31, 2014					
Cost	44,202,201	19,038,425	6,019,816	920,460	70,180,902
Accumulated Write-downs	(15,644,370)	(1,749,702)	(363,153)	(15,141)	(17,772,366)
Accumulated Amortization	(28,342,364)	(16,442,677)	(5,467,807)	(824,249)	(51,077,097)
Net Book Value	215,467	846,046	188,856	81,070	1,331,439

Note: In light of ongoing operational difficulties and lower than targeted grades at the MAX molybdenum mine, the Company determined that the operation's future was in significant doubt and that the MAX mine was impaired. The fair value assessment used a historical cost and market comparison approach to determine the estimated net recoverable amount of mine property, plant and equipment.

Mine Holding Costs

During periods in which the Company's mining and milling activities are considered non-operational, monitoring, security, and all associated mine property costs are expensed in the period in which they are occurred as *Mine Holding Costs* until production resumes.

8. Shareholder's Equity

a) Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value. At August 31, 2014 and 2013 there were 123,864,898 common shares outstanding.

b) Incentive Stock Options

The Company established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. There were no stock options outstanding as of August 31, 2014 and 2013.

c) Warrants

At August 31, 2014 and 2013 there were no warrants outstanding nor were there changes during the year ended August 31, 2014 or 2013.

d) Non-controlling Interest

The Company's subsidiary, FortyTwo Metals Inc. ("FortyTwo"), holds its interest in the MAX molybdenum mine located approximately 60 kilometres southeast of Revelstoke, B.C. The Company placed the operation on temporary shutdown status in October 2011. In November 2013, the Company entered into an agreement dated November 4, 2013 (the "Agreement") with Discovery Ventures Inc. ("Discovery") whereby the Company granted an exclusive option to Discovery to acquire all of the issued and outstanding common shares of FortyTwo. A 16% interest was transferred to Discovery effective November 15, 2013, a 5% interest was transferred effective January 8, 2014, a 1% interest was transferred effective March 7, 2014 and a 13% interest was transferred effective April 1, 2014 for a total 35% interest. Under the terms of the Agreement as amended, Discovery may exercise the option and acquire all of the shares of FortyTwo for total cash payments of $5,050,000 and the issuance of 2,500,000 common shares of Discovery in accordance with the following schedule:

- $50,000 paid to the Company as a non-refundable deposit (paid);
- $750,000 paid to the Company on or prior to November 15, 2013 (paid);
- $250,000 payable to the Company on or prior to January 8, 2014 (paid);
- $50,000 payable to the Company on or prior to March 6, 2014 (paid);
- $650,000 payable to the Company on or prior to March 24, 2014 (paid); and
- $3.3 million payable to the Company and the issuance of 2.5 million shares of Discovery on or before April 5, 2014 (past due).

Subsequent to August 31, 2014, Discovery provided an additional $150,000 to the Company to cover a portion of the Company's operating expenses.

The majority of the purchase price will be used by the Company to maintain the MAX mine in good standing over the option period and to retire the secured and unsecured current liabilities of FortyTwo. FortyTwo shares had a fair value of $5,675,000 in November 2013, per the terms of the Agreement requiring total cash payments of $5,050,000 and issuance of 2,500,000 shares of Discovery valued at $0.25 per share. Based upon this valuation, the amounts recorded in the non-controlling interest ("NCI") held by Discovery and the Company's equity were as follows:

Transfer Date	Interest %	Cash	NCI	Recorded to Equity
November 15, 2013	16%	$ 800,000	$ (427,848)	$ (372,152)
January 8, 2014	5%	250,000	(149,445)	(100,555)
March 7, 2014	1%	50,000	(30,054)	(19,946)
April 1, 2014	13%	650,000	(388,408)	(261,592)
	35%	$ 1,750,000	$ (995,755)	$ (754,245)

During the periods where there was non-controlling interest there was $99,209 allocated to NCI due to due to the change in percentage ownership of FortyTwo.

9. Reclamation Bonds

At August 31, 2014 and 2013, reclamation bonds totalling $730,000 and $752,900 respectively were held with the British Columbia Ministry of Energy and Mines as summarized below:

		August 31, 2014		August 31, 2013
MAX Molybdenum Project	$	**730,000**	$	730,000
Foremore Project		**-**		22,900
Total	$	**730,900**	$	752,900

10. Asset Retirement Obligations

For each property, management has estimated the costs of reclaiming any disturbances to its projects in accordance with the Company's accounting policies. Details of management's estimates of reclamation and mine closure costs are as follows:

		August 31, 2014		August 31, 2013
Balance – Beginning of Period	$	**1,313,402**	$	1,335,002
Transferred to short term portion		**-**		(21,600)
Balance – End of Period	$	**1,313,402**	$	1,313,402

The Company has estimated its MAX Molybdenum mine future site restoration costs to be $1,313,402 as of August 31, 2014. All amounts are now recorded undiscounted due to the uncertainty in forecasting ultimate closure dates.

Other property retirement obligations of $21,600 were estimated by management. During the year ended August 31, 2014 the Company completed reclamation at its Foremore project at a cost of $22,323 and management believes it has retired the asset retirement obligation in full.

It is possible the Company's estimate of its ultimate reclamation, site restoration and closure liability could materially change due to possible changes in laws and regulations or changes in cost estimates.

11. Related Party Transactions

a) During the year ended August 31, 2014, the Company recorded rent and office expense recoveries totalling $82,914 (2013 - $42,071) by companies with common management. At August 31, 2014, there was $56,902 (2013 - $Nil) owing from these related parties.

b) During the year ended August 31, 2012, Directors of the Company provided various short–term, non-interest bearing loans without fixed repayment terms to the Company which at August 31, 2014 stood at $175,000 (2013 - $252,500).

c) At August 31, 2014, current liabilities include $997,809 (2013 - $1,021,332) payable to Directors of the Company. These liabilities are non-interest bearing, and without specific repayment terms.

Key management includes the Chief Executive Officer, Chief Financial Officer and members of the Company's Board of Directors. Other than as disclosed above, compensation accrued to key management for services during the years ended August 31, 2014 and August 31, 2013 is as follows:

		2014		2012
Salaries and benefits	**$**	**213,535**	$	316,819
	$	**213,535**	$	316,819

These transactions were incurred in the ordinary course of business (except as noted in 11b).

12. Income Taxes

a) Income tax expense differs from the amount that would result from applying the Canadian and federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

		Year Ended August 31, 2014		Year Ended August 31, 2013
Income (Loss) before income taxes	**$**	**(1,010,118)**	$	(1,279,720)
Canadian federal and provincial income tax rate		**26.00%**		25.42%
Income tax recovery based on above rates		**(262,631)**		(325,305)
Increase (decrease) due to:				
Losses for which no tax benefit was recorded		**261,062**		332,114
Non-deductible expenses for tax purposes		**1,569**		613
Statutory tax rate change and other		**-**		(7,422)
Income tax expense	**$**	**-**	$	-

b) The significant components of unrecognized deferred income tax assets and BC mineral tax assets are as follows:

		August 31, 2014		August 31, 2013
Deferred income and mineral tax assets				
Non-capital loss carry forwards	**$**	5,814,074	$	3,228,632
Share issue costs		14,173		28,661
Resource property costs		1,259,130		3,576,226
Property, plant and equipment		15,135,931		15,175,203
Other		445,482		451,606
Asset retirement obligation		467,834		473,449
Total unrecognized deferred and BC mineral tax assets	**$**	23,136,624	$	22,933,777

c) The Company has non-capital losses for tax purposes of $22,358,733 that may be available to offset future taxable income. These loss carry-forwards are all in respect of Canadian and Mexican operations and expire as follows:

Year		Canada		Mexico		Total
2020	$	-	$	40,198	$	40,198
2026		218,077		-		218,077
2027		784,187		-		784,187
2028		1,408,816		-		1,408,816
2029		763,210		-		763,210
2030		877,285		-		877,285
2031		5,281,843		-		5,281,843
2032		6,037,228		-		6,037,228
2033		4,047,416		-		4,047,416
2034		2,900,473		-		2,900,473
	$	22,318,535	$	40,198	$	22,358,733

The Company also has tax basis $11,800,000 (2013 - $20,600,000) in respect of exploration and evaluation assets which has no expiry date. In addition, the Company has a tax basis of $32,700,000 (2013 - $33,100,000) in respect of property, plant and equipment which has no expiry date.

13. Commitments

a) The Company has signed a lease agreement for the rental of office space that now ends on November 30, 2015. The future minimum lease obligations are $102,513 as of August 31, 2014.

14. Financial Instruments

a) Fair Values

There are three levels of fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with level 1 inputs having the highest priority. The levels and the valuation techniques used to value the Company's financial assets and liabilities are described below:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 – Unobservable (supported by little or no market activity) prices.

The carrying amounts of financial instruments approximate fair value as of August 31, 2014 and 2013 as shown below:

Financial Assets	**Fair Value Hierarchy Level**		**Carrying and Fair Values**		
			August 31, 2014		August 31, 2013
Cash and cash equivalents	N/A	$	**65,849**	$	-
Reclamation bonds	N/A	$	**730,000**	$	752,900

The fair value of accounts payable and accrued liabilities and due to related parties may be less than the carrying value as a result of the Company's credit and liquidity risk.

b) Capital Management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and to have sufficient funds on hand for business opportunities as they arise. Total equity is the equity attributable to shareholders of the Company in the consolidated statement of financial position. The Company considers the components of shareholders' equity, as well as its cash and equivalents as capital. The Company manages its 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 equity, sell assets, or return capital to shareholders as well as issue or repay debt. The Company is not subject to externally-imposed capital requirements.

The Company invests its cash with commercial banks in short-term interest-bearing investments, having maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash. During the year ended August 31, 2014, due to the Company's liquidity position, no short term investments were undertaken. As at August 31, 2014, the Company had no foreign currency hedges or commodity hedges in place, and consequently, hedge accounting is not used.

Additional information regarding capital risk is disclosed in Note 1.

14. Financial Instruments – *Continued*

c) Financial Risk Management

The Company is exposed to potential loss from various risks including credit risk, foreign exchange risk, interest rate risk, liquidity risk, market risk and commodity price risk.

i) Credit Risk

The Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents which was $65,849 at August 31, 2014.

ii) Foreign Exchange Risk

The Company's revenues from the sale of molybdenum concentrates were denominated in US dollars however the Company's operating expenses are incurred primarily in Canadian dollars and its liabilities are denominated primarily in Canadian dollars and to a minor extent US dollars and Mexican pesos. Consequently, the Company's operations are subject to currency translation risk. The operating results and the financial position of the Company are reported in Canadian dollars.

The fluctuation of the US dollar and Mexican peso in relation to the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

At August 31, 2014, the Company's financial assets held in US dollars and Mexican pesos were.

		stated in $US		**stated in $MX**
Cash and cash equivalents	$	124	$	294
Total	$	124	$	294

At August 31, 2014, the Company's financial liabilities held in US dollars and Mexican pesos were:

		stated in $US		**stated in $MX**
Accounts payable and accrued liabilities	$	101,638	$	727
Total	$	101,638	$	727

With other variables unchanged, each $0.10 strengthening (weakening) of the US dollar against the Canadian dollar would result in a decrease (increase) of approximately $(10,000) in net income respectively for year ended August 31, 2014. Variations in the Mexican peso would result in an insignificant change in net income for year ended August 31, 2014.

iii) Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents and reclamation bonds. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher yielding cash equivalents and investments mature and the proceeds are invested at lower interest rates. A 1% change in interest rates would have an insignificant impact on the Company's net income for the year ended August 31, 2014.

iv) Liquidity Risk

The Company is exposed to significant liquidity risk. The Company seeks to manage liquidity risk by maintaining sufficient cash and short-term investment balances for settlement of its obligations. The Company seeks to manage liquidity requirements based on expected cash flow to try to ensure there is sufficient capital in order to meet short-term obligations. Additional information regarding liquidity risk is disclosed in Note 1.

14. Financial Instruments – *Continued*

v) Pledged Financial Assets

The Corporation has financial assets that are pledged for reclamation obligations. Reclamation deposits are maintained to satisfy the Corporation's obligation for future reclamation expenditures at its MAX mine site and historically its various exploration properties.

vi) Market and Commodity Price Risk

The Company is exposed to market risk and commodity price risk. Declines in the market price of commodities, most significantly molybdenum, can not only adversely affect operating results, but may also affect the Company's ability to raise capital to fund its ongoing exploration, development or recommence mining activities. The Company does not currently enter into forward contracts for any of its production.