DEER HORN METALS INC.

FINANCIAL STATEMENTS

For the years ended July 31, 2013 and 2012

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Deer Horn Metals Inc.

We have audited the accompanying financial statements of Deer Horn Metals Inc., which comprise the statements of financial position as at July 31, 2013 and 2012, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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 the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

NEXIA INTERNATIONAL

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Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Deer Horn Metals Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

November 27, 2013

DEER HORN METALS INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	July 31, 2013	July 31, 2012
Assets			
Current Assets			
Cash		$ 166,583	$ 469,008
Receivables	**3**	823	9,440
Prepaid expense		8,035	24,864
Exploration advances	**4**	4,936	6,568
		180,377	509,880
Equipment	**5**	122	1,210
Reclamation deposit	**6**	82,000	82,000
Exploration and evaluation assets	**4**	8,250	8,250
		$ 270,749	**$ 601,340**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**7**	$ 262,091	$ 66,980
Shareholders' Equity			
Share capital	**8**	11,097,972	10,879,922
Share subscriptions	**16**	171,500	-
Share-based payments reserve	**8**	1,129,648	1,219,763
Deficit		(12,390,462)	(11,565,325)
		8,658	534,360
		$ 270,749	**$ 601,340**

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 16)

On behalf of the Board:

" Tyrone Docherty " **Director** ***"Tony Fogarassy "*** **Director**

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

DEER HORN METALS INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended July 31

	Note	2013	2012
Expenses			
Depreciation		$ 1,088	$ 1,088
Exploration expenses, net	4	326,393	1,236,111
Foreign exchange loss		19	2,402
Investor relations and shareholder information		102,832	198,584
Office		16,761	25,447
Professional fees		34,843	105,528
Property investigation costs		-	5,825
Regulatory and filing fees		24,592	21,151
Rent		14,976	17,070
Salaries and management fees		432,654	723,536
Share-based payments	8	17,051	130,771
Travel		18,094	24,615
Operating loss		(989,303)	(2,492,128)
Gain on settlement of accounts payable	10	-	81,281
Interest income		-	2,513
Settlement of flow-through premium liability	8	30,400	-
Loss and comprehensive loss for the year		$ (958,903)	$ (2,408,334)
Basic and diluted loss per share		$ (0.01)	$ (0.03)
Weighted average shares outstanding		103,213,166	95,951,094

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

DEER HORN METALS INC.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of common shares	Share Capital	Share Subscriptions	Share-based payments reserve	Deficit	Total shareholders' equity
Balance, July 31, 2011	**95,609,166**	**$ 10,707,722**	**$ -**	**$ 1,469,342**	**$ (9,659,101)**	**$ 2,517,963**
Private placement	3,044,000	182,640	-	121,760	-	304,400
Share issuance costs	-	(10,440)	-	-	-	(10,440)
Share-based compensation	-	-	-	130,771	-	130,771
Transfer upon expiration of options and warrants	-	-	-	(502,110)	502,110	-
Loss and comprehensive loss for the year	-	-	-	-	(2,408,334)	(2,408,334)
Balance, July 31, 2012	**98,653,166**	**$ 10,879,922**	**$ -**	**$ 1,219,763**	**$ (11,565,325)**	**$ 534,360**
Private placements	5,700,000	258,400	-	26,600	-	285,000
Flow-through share premium	-	(30,400)	-	-	-	(30,400)
Share issuance cost	-	(9,950)	-	-	-	(9,950)
Share subscriptions	-	-	171,500	-	-	171,500
Share-based compensation	-	-	-	17,051	-	17,051
Transfer upon expiration/ cancellation of options	-	-	-	(133,766)	133,766	-
Loss and comprehensive loss for the year	-	-	-	-	(958,903)	(958,903)
Balance, July 31, 2013	**104,353,166**	**$ 11,097,972**	**$ 171,500**	**$ 1,129,648**	**$ (12,390,462)**	**$ 8,658**

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

DEER HORN METALS INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended July 31,

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss and comprehensive loss for the year	$ (958,903)	$ (2,408,334)
Items not involving cash:		
Share-based payments	17,051	130,771
Depreciation	1,088	1,088
Gain on settlement of accounts payable	-	(81,281)
Settlement of flow-through premium liability	(30,400)	-
Changes in non-cash working capital balances:		
Decrease (increase) in receivables	8,617	144,058
Decrease (increase) in prepaid expenses	16,829	37,896
Decrease (increase) in exploration advances	1,632	282,158
Increase (decrease) in accounts payable and accrued liabilities	195,111	(21,832)
Cash flows used in operating activities	(748,975)	(1,915,476)
CASH FLOWS FROM INVESTING ACTIVITIES		
Reclamation deposit	-	34,140
Cash flows provided from investing activities	-	34,140
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	285,000	304,400
Share subscriptions	171,500	-
Share issuance costs	(9,950)	(10,440)
Cash flows provided from financing activities	446,550	293,960
Change in cash during year	(302,425)	(1,587,376)
Cash, beginning of year	469,008	2,056,384
Cash, end of year	$ 166,583	$ 469,008

Supplemental disclosure with respect to cash flows:		
Transfer expired equity options and warrants to deficit	133,766	502,110
Premium on flow-through shares as liability	30,400	-
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Deer Horn Metals Inc. (the "Company") was incorporated under the Laws of the Province of British Columbia. The Company owns interests in exploration and evaluation assets in British Columbia and its principal business is the exploration of those assets. The Company's head office and principal place of business is Suite 140, 1440 Garden Place, Delta, British Columbia, Canada. The Company is a reporting issuer in the provinces of British Columbia and Alberta, Canada and trades on the TSX Venture Exchange under the symbol "DHM".

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing, successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. The Company estimates that additional funding will be required to continue operations over the next 12 months. These material uncertainties may cast significant doubt on the Company`s ability to continue as a going concern.

		July 31, 2013		July 31, 2012
Deficit	$	(12,390,462)	$	(11,565,325)
Working capital (deficiency)	$	(81,714)	$	442,900

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

a) **Statement of compliance:**

These financial statements have been prepared in accordance with IAS 1 "Presentation of Financial Statements" ("IAS 1") using accounting policies consistent with International Financial Reporting Standards "IFRS" issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized by the Audit Committee and Board of Directors of the Company on November 27, 2013.

b) **Basis of presentation:**

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in below. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

c) **Functional and presentation currency:**

These financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency determination was conducted through an analysis of the consideration factors indentified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting periods, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

d) **Equipment:**

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded over the estimated useful lives of the assets on the declining balance basis at the following annual rates:

Computer equipment	20%

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

e) **Exploration and evaluation assets:**

Upon acquiring the legal right to explore an exploration and evaluation asset, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are recognized in profit or loss as incurred.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

f) **Provisions:**

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the year which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized rehabilitation obligations are amortized over the life of the remaining assets. At the end of each period, the liability is increased to reflect the passage of time (interest expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

The Company recognizes rehabilitation obligations on a site-by-site basis when it can be reliably estimated. Rehabilitation expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

g) **Related party transactions:**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

h) **Significant accounting estimates and judgments:**

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected.

Significant accounts that require estimates as the basis for determining the stated amounts include deferred income taxes, evaluating the fair value of exploration and evaluation assets and the valuation of share-based payments.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

i) **Share-based compensation:**

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the year during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based compensation to non-employees, who are not providing similar services to employees, are measured at the grant date by using the fair value of the goods or services when received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured.

j) **Income taxes:**

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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. No deferred tax assets have been recognized for the years presented.

k) **Loss per share:**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

l) **Financial assets:**

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash and reclamation deposit are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. At July 31, 2013 and 2012 the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

m) **Financial liabilities:**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At July 31, 2013 and 2012, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

n) **Impairment:**

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any 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. 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 a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

n) **Impairment (cont'd…):**

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

o) **Flow-through shares:**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

p) **Share capital:**

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

q) **New standards, amendments and interpretations not yet effective:**

A number of new standards, amendments to standards and interpretations are not yet effective as of August 1, 2013 and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

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

IFRS 7, Financial Instruments: Disclosures

Amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities.

IFRS 13, Fair Value Measurement and Disclosure Requirement

Provides single source guidance on how to measure fair value where its use is already required or permitted by others IFRS and enhances disclosure requirements for information about fair value measurements.

Effective for annual periods beginning on or after January 1, 2014

IAS 32, Financial Instruments: Presentation

IAS 32 is amended to clarify requirements for offsetting of financial assets and financial liabilities.

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

IFRS 9, Financial Instruments- Classification and Measurement

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement.*

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

p) **New standards, amendments and interpretations not yet effective (cont'd...):**

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

IFRS 7, Financial Instruments- Disclosure

Amended to require additional disclosures on transition from IAS 39 to IFRS 9.

NOTE 3 – RECEIVABLES

Receivables are comprised of the following:

	July 31, 2013	July 31, 2012
HST Receivable	$ 823	$ 9,440

NOTE 4 – EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties are in good standing.

Exploration and evaluation assets costs are set out below:

	Deerhorn	Dome South	Total
Balance, July 31, 2013 and 2012	**$ 8,250**	**$ -**	**$ 8,250**

Deerhorn

In August 2009, the Company entered into an option agreement with a company related by virtue of common directors, to acquire an initial 50% interest in the Deerhorn property, located in north western British Columbia.

To acquire its interest, the Company was required to incur $5,000,000 in exploration expenditures.

Guardsmen Resources Inc. (the "Optionor") has acknowledged that the required expenditures have been expended and that the Company has earned its initial 50% interest in the property. It may acquire an additional 25% interest by incurring all costs required to bring the property to commercial production.

As at July 31, 2013 the Company had provided exploration advances of $4,936 (July 31, 2012 - $6,568) on its Deerhorn property.

NOTE 4 – EXPLORATION AND EVALUATION ASSETS (Cont'd...)

Dome South

During the year ended July 31, 2012, the Company elected to terminate its option and wrote-off all acquisition costs on property.

Exploration Expenditures

For the years ended:

	2013	2012
	Deerhorn (Canada)	**Deerhorn (Canada)**
Exploration Expenses		
Assays and sampling	$ 8,256	$ 80,505
Camp and field expense	3,937	14,776
Drilling and field support	68,830	932,793
Equipment rental	59,356	349,832
Geological consulting	131,050	263,351
Reports, drafting and maps	7,829	28,744
Travel and accommodation	16,635	26,535
Other	30,500	46,336
Exploration Expenses	**$ 326,393**	**$ 1,742,872**
Recoverable BC Mining Exploration Tax Credit	-	(506,761)
Total Exploration Expenses	**$ 326,393**	**$ 1,236,111**

NOTE 5 – EQUIPMENT

	$
Cost:	
Balance at July 31, 2013, 2012 and 2011	**17,203**
Accumulated depreciation:	
Balance at July 31, 2011	**14,905**
Depreciation	1,088
Balance at July 31, 2012	**15,993**
Depreciation	1,088
Balance at July 31, 2013	**17,081**
Carrying amounts:	
July 31, 2012	**1,210**
July 31, 2013	**122**

NOTE 6 – RECLAMATION DEPOSIT

The Company provided funding for deposits totalling $82,000 (2012 - $82,000) as security against potential future reclamation work related to the Deerhorn property (Note 4).

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2013	July 31, 2012
Trade payables	$ 237,091	$ 21,980
Accrued liabilities	25,000	45,000
	$ 262,091	$ 66,980

NOTE 8 – SHARE CAPITAL

Fiscal 2013 Transactions

During the year ended July 31, 2013, the Company completed a non-brokered private placement for gross proceeds of $285,000. 3,040,000 flow-through common shares were sold at a price of $0.05 per share for gross proceeds of $152,000 and 2,660,000 units were sold at a price of $0.05 per unit for gross proceeds of $133,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable into one common share at a price of $0.10 for a period of three years following the close of private placement. The warrants were attributed a residual value of $26,600. The flow-through common shares were sold at premium of $30,400 which was initially recorded as a liability.

NOTE 8 – SHARE CAPITAL (Cont'd…)

Fiscal 2012 Transactions

On June 20, 2012, the Company completed a non-brokered private placement of 3,044,000 units at a price of $0.10 per unit for gross proceeds of $304,400. Each unit consisted of one common share and one common share purchase warrant, with each whole warrant exercisable into one common share at a price of $0.14 per common share during the first year following the close of the private placement. The warrants were attributed a value of $121,760.

Share-based payments

A 2012 Stock Option Plan (the "Plan") was approved by the shareholders on January 17, 2012, at the Company's annual general meeting. Under the Plan, the Company is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company, on a rolling basis. Options may be granted at an exercise price of no less than a 25% discount of the market price on the date of the grant, or such higher price as determined by the board of directors. Options can be granted for a maximum term of 5 years. Vesting is not required but may be set on an individual basis as determined by the board of directors.

On March 25, 2013, the Company granted incentive stock options for the purchase of up to 1,000,000 common shares, at a price of $0.10 per share , and exercisable on or before March 25, 2018, to a director of the Company. The total fair value of options granted using the Black-Scholes option pricing model was $17,051. A total of $17,051 was charged to operations, offset to share-based payments reserves. All options vested immediately upon grant.

During the year ended July 31, 2013, 1,175,000 options previously issued with a fair value of $133,766 as share-based compensation expired or were cancelled. The previously recorded historical fair value of these options was reallocated to deficit.

During the year ended July 31, 2012, the Company granted 1,000,000 stock options. The total fair value of options granted using the Black-Scholes option pricing model was $118,259. A total of $118,259 was charged to operations, offset to share-based payments reserves. All options vested immediately upon grant.

During the year ended July 31, 2012, 295,000 options previously issued with a fair value of $70,210 as share-based compensation expired without being exercised. The previously recorded historical fair value of these options was reallocated to deficit.

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2013	2012
Dividend yield	Nil	Nil
Expected volatility	100%	103%
Risk free rate of return	1.36%	1.45%
Expected life	5 years	5 years

NOTE 8 – SHARE CAPITAL (Cont'd…)

Share-based payments (Cont'd...)

As at July 31, 2013 the Company had outstanding stock options as follows:

Number outstanding July 31, 2012	Granted	Exercised	Expired/ Cancelled	Number outstanding July 31, 2013	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
175,000	-	-	(175,000)	-	$0.10	May 29, 2013	-
500,000	-	-	-	500,000	$0.10	Mar. 9, 2014	0.61 yrs
500,000	-	-	-	500,000	$0.22	July 14, 2014	0.95 yrs
850,000	-	-	-	850,000	$0.22	Aug. 28, 2014	1.08 yrs
2,500,000	-	-	-	2,500,000	$0.10	May 21, 2015	1.81 yrs
300,000	-	-	-	300,000	$0.10	Oct. 8, 2015	2.19 yrs
2,750,000	-	-	-	2,750,000	$0.25	Mar. 11, 2016	2.61 yrs
500,000	-	-	-	500,000	$0.25	June 24, 2016	2.90 yrs
1,000,000	-	-	(1,000,000)	-	$0.18	Oct. 6 2016	-
-	1,000,000	-	-	1,000,000	$0.10	Mar. 25, 2018	4.65 yrs
9,075,000	1,000,000	-	1,175,000	8,900,000	$0.17	(weighted average)	2.26 yrs
			Exercisable	8,900,000	$0.17	(weighted average)	2.26 yrs

The weighted average fair value per option granted during the year ended July 31, 2013 was $0.02 (2012 - $0.12).

As at July 31, 2012 the Company had outstanding stock options as follows:

Number outstanding July 30, 2011	Granted	Exercised	Expired/ Cancelled	Number outstanding July 30, 2012	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
20,000	-	-	20,000	-	$0.30	Jan. 2, 2012	-
150,000	-	-	150,000	-	$0.39	Jan. 2, 2012	-
125,000	-	-	125,000	-	$0.27	Apr. 27, 2012	-
175,000	-	-	-	175,000	$0.10	May 29, 2013	0.83 yrs
500,000	-	-	-	500,000	$0.10	Mar. 9, 2014	1.61 yrs
500,000	-	-	-	500,000	$0.22	July 14, 2014	1.95 yrs
850,000	-	-		850,000	$0.22	Aug. 28, 2014	2.08 yrs
2,500,000	-	-	-	2500,000	$0.10	May 21, 2015	2.81 yrs
300,000	-	-	-	300,000	$0.10	Oct. 8, 2015	3.19 yrs
2,750,000	-	-	-	2,750,000	$0.25	Mar. 11, 2016	3.61 yrs
500,000	-	-	-	500,000	$0.25	June 24, 2016	3.90 yrs
-	1,000,000	-	-	1,000,000	$0.18	Oct. 6, 2016	4.19 yrs
8,370,000	1,000,000	-	295,000	9,075,000	$0.18	(weighted average)	3.06 yrs
			Exercisable	9,075,000	$0.18	(weighted average)	3.06 yrs

NOTE 8 – SHARE CAPITAL (Cont'd…)

Warrants

The exercise price and expiry dates of the warrants outstanding as at July 31, 2013 are set out below:

Exercise price	Number outstanding	Expiry date	Weighted average remaining contractual life
$0.10	14,060,000	September 28, 2013[1]	0.16 yrs
$0.14 - $0.17	3,044,000	June 20, 2014	0.88 yrs
$0.10	2,660,000	October 12, 2015	2.20 yrs
	19,764,000		0.55 yrs

[1] The expiry date of these warrants were extended during the year to September 28, 2013. These warrants expired subsequent to year end.

Number outstanding July 31, 2012	Granted	Exercised	Expired/ Cancelled	Number outstanding July 31, 2013	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
14,060,000	-	-	-	14,060,000	$0.10	Sept. 28, 2013	0.16 yrs
3,044,000	-	-	-	3,044,000	$0.14-0.17	June 20, 2014	0.88 yrs
-	2,660,000	-	-	2,660,000	$0.10	October 12, 2015	2.20 yrs
17,104,000	2,660,000	-	-	19,764,000	$0.11	(weighted average)	0.55 yrs

NOTE 9 – RELATED PARTY TRANSACTIONS

The Company's related parties consist of key management and personnel, which include executive officers and directors of the Company.

The Company incurred the following fees and expenses in connection with compensation of key management personnel:

Year ended July 31,		**2013**		**2012**
Management fees paid or accrued to a company controlled by the President and CEO	$	210,000	$	282,500
Management fees paid or accrued to the CFO or a company controlled by the CFO	$	30,000	$	30,000
Management fees paid or accrued to a company controlled by a Director	$	60,000	$	60,000
Exploration costs paid or accrued to a private company controlled by a former director	$	-	$	1,777,581

Included in accounts payable and accrued liabilities is $93,821 (2012-$15,601) due to key management personnel or companies controlled by key management personnel.

NOTE 10 – DISSOLUTION OF SUBSIDIARY

The comparable figures found within these financial statements include Golden Odyssey Exploration Inc., a former subsidiary up to July 27, 2012, the date of dissolution. The Company recorded a gain on the write off of accounts payable as a result of the dissolution.

NOTE 11 – SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets in Canada as disclosed in Note 4. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets located in Canada and reclamation deposit receivable posted in Canada.

NOTE 12 – BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended July 31, 2013 is based on the loss attributable to common shareholders of $958,903 (2012 - $2,408,334) and a weighted average number of common shares outstanding of 103,213,166 (2012 – 95,951,094).

NOTE 13 – DEFERRED INCOME TAXES

A reconciliation of current income taxes at statutory rates with reported taxes is as follows:

		2013		2012
Loss for the year	$	(958,903)	$	(2,408,334)
Expected income tax (recovery)		(243,000)		(617,000)
Change in statutory rates, impact of investment tax credit and other		27,000		(184,000)
Permanent difference		12,000		(466,000)
Impact of flow-through shares		39,000		-
Share issue cost		(3,000)		(3,000)
Change in unrecognized deductible temporary differences		168,000		1,270,000
Deferred income tax recovery	$	-	$	-

		2013		2012
Share issue costs	$	29,000	$	40,000
Allowable capital losses		480,000		461,000
Non-capital losses		1,344,000		1,132,000
Equipment		1,000		1,000
Exploration and evaluation assets		1,096,000		1,148,000
Unrecognized deferred tax assets	$	2,950,000	$	2,782,000

The Company has non-capital losses of approximately $5,167,000 available for deduction against future taxable income. These losses, if not utilized, will expire through to 2033. The Company has resource expenditures of approximately $3,322,000 available for deduction against future taxable income. Deferred tax benefits which may arise as a result of these tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

Related to the dissolution of the subsidiary discussed in Note 10, the tax attributes of the dissolved subsidiary are not included the 2012 tax attributes.

NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Classification of financial instruments

Financial instruments measured at fair value are classified into one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value (``FV``) hierarchy has the following levels:

Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices); and

Level 3- inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company`s financial instruments consist of cash and accounts payable and accrued liabilities.

Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of accounts payable and accrued liabilities approximate their fair value because of the short term nature of these instruments.

Financial instrument risk exposure and risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance. The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont`d…)

Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment grade short-term demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is marginally exposed to interest rate risk.

Foreign currency risk

The Company is not exposed to foreign currency risk.

Commodity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

NOTE 15 – CAPITAL MANAGEMENT

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consist of cash on hand, balances with banks and investments in highly liquid instruments. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents as the fair value approximates carrying value. There have been no changes to the Company's approach to capital management during the year ended July 31, 2013. The Company is not subject to externally imposed capital requirements.

NOTE 16 – SUBSEQUENT EVENT

Subsequent to July 31, 2013, the Company closed a non-brokered private placement of 50,000,000 shares for gross proceeds of $250,000 at a price of $0.005 per share, of which $171,500 was received during fiscal 2013.