

Condensed Interim Financial Statements of
MAINSTREAM MINERALS CORPORATION
(An Exploration Company)

(Unaudited - Prepared by Management)
For the nine months ended August 31, 2013
Expressed in Canadian dollars

These condensed interim financial statements have not been audited or reviewed
by the company's independent external auditors.

MAINSTREAM MINERALS CORPORATION

Condensed Interim Statements of Financial Position

As at August 31, 2013 (unaudited) and November 30, 2012 (audited)

(Expressed in Canadian dollars)

| | August 31, 2013 | November 30, 2012 |
|--|--------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (Note 4) | 166 | 93,470 |
| Other receivables (Note 5) | 3,606 | 7,569 |
| Prepaid expenses | 6,196 | 1,098 |
| Total current assets | 9,968 | 102,137 |
| Non-current assets: | | |
| Machinery and equipment (Note 6) | 2,312 | 2,984 |
| Exploration and evaluation assets (Note 7) | 2,932,947 | 3,721,551 |
| Total non-current assets | 2,935,259 | 3,724,536 |
| Total assets | 2,945,227 | 3,826,672 |
| Liabilities and Equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade payables | 280,881 | 97,476 |
| Other payables (Note 8) | 11,020 | 55,187 |
| Total current liabilities | 291,901 | 152,663 |
| Non-current liability: | | |
| Deferred income taxes | 781,000 | 781,000 |
| Total liabilities | 1,072,901 | 933,663 |
| Equity: | | |
| Share capital (Note 9) | 7,255,074 | 7,255,074 |
| Share-based payments reserve (Deficit) | 350,349 | 350,349 |
| (Deficit) | (5,733,097) | (4,712,414) |
| Total equity | 1,872,326 | 2,893,009 |
| Going concern of operations (Note 2(b)) | | |
| Commitments (Note 12) | | |
| Total liabilities and equity | 2,945,227 | 3,826,672 |

See accompanying notes to condensed interim financial statements.

MAINSTREAM MINERALS CORPORATION

Condensed Interim Statements of Operations and Comprehensive Loss

Three months ended August 31, 2013 and 2012 and nine months ended August 31, 2013 and 2012

(unaudited)

(Expressed in Canadian dollars)

| | Q3 2013 | Q3 2012 | YTD 2013 | YTD 2012 |
|--|-----------|-----------|-------------|-----------|
| Expenses: | | | | |
| Advertising | - | - | - | 3,150 |
| Consulting fees | 64,682 | 66,123 | 140,260 | 281,387 |
| Depreciation | 224 | 146 | 672 | 439 |
| General meeting | - | 434 | 4,418 | 434 |
| Insurance | 2,889 | - | 8,587 | 11,194 |
| Interest and bank charges | 396 | 174 | 921 | 857 |
| Meals and entertainment | - | 455 | - | 2,042 |
| Office | 3,655 | 1,994 | 11,465 | 29,335 |
| Professional fees | 6,186 | 24,580 | 32,527 | 46,788 |
| Regulatory filings | 6,012 | 9,470 | 25,507 | 32,191 |
| Travel | - | 3,494 | 4 | 4,874 |
| | 84,044 | 106,870 | 224,361 | 412,691 |
| Loss from operations | (84,044) | (106,870) | (224,361) | (412,691) |
| Other income (expense) | | - | - | - |
| Interest income | - | 81 | 6 | 84 |
| Exploration and evaluation assets write- down | (403,678) | - | (796,326) | - |
| Unrealized (loss) gain on marketable securities | - | - | - | 777 |
| | (403,678) | 81 | (796,320) | 861 |
| Net (loss) and comprehensive (loss) for the period | (487,722) | (106,789) | (1,020,681) | (411,830) |
| Basic and diluted loss per share (Note 9 (c)) | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ (0.01) |

See accompanying notes to condensed interim financial statements.

MAINSTREAM MINERALS CORPORATION

Condensed Interim Statements of Changes in Equity
Nine months ending August 31, 2013 and 2012 (unaudited)
(Expressed in Canadian dollars)

| | 2013 | 2012 |
|--|-------------|-------------|
| Share capital | | |
| Balance, beginning of period | 7,255,074 | 6,703,214 |
| Shares issued under land option agreements | - | 38,000 |
| Private placement of shares | - | 513,860 |
| Balance, end of period | 7,255,074 | 7,255,074 |
| Share-based payments reserve | | |
| Balance, beginning and end of period | 350,349 | 350,349 |
| (Deficit) | | |
| Balance, beginning of period | (4,712,414) | (4,081,384) |
| Net (loss) and comprehensive (loss) for the period | (1,020,681) | (411,830) |
| Balance, end of period | (5,733,095) | (4,493,214) |
| Total equity, end of period | 1,872,328 | 3,112,209 |

See accompanying notes to condensed interim financial statements.

MAINSTREAM MINERALS CORPORATION

Condensed Interim Statements of Cash Flows

Three months ended August 31, 2013 and 2012 and nine months ended August 31, 2013 and 2012

(unaudited)

(Expressed in Canadian dollars)

| | Q3 2013 | Q3 2012 | YTD 2013 | YTD 2012 |
|---|------------|--------------|-------------|--------------|
| Operating activities: | | | | |
| Cash paid to suppliers | \$ (4,962) | \$ (228,756) | \$ (89,967) | \$ (428,013) |
| Interest received | - | 81 | 6 | 84 |
| Interest and bank charges paid | (96) | (174) | (621) | (857) |
| | (5,058) | (228,849) | (90,582) | (428,786) |
| Investing activities: | | | | |
| Purchase of machinery and equipment | - | - | | (3,235) |
| Proceeds on disposal of machinery and equipment | - | - | | (13,421) |
| Investment in exploration and evaluation assets | - | (22,294) | (7,722) | (34,294) |
| Proceeds on exploration and evaluation asset option agreements | - | - | | 20,000 |
| Change in marketable securities | - | - | | 10,000 |
| | - | (22,294) | (7,722) | (20,950) |
| Financing activity: | | | | |
| Proceeds from issuance of common shares, net of share issue costs | - | 425,500 | - | 519,500 |
| Proceeds from shareholder loan | 5,000 | | 5,000 | |
| | 5,000 | 425,500 | 5,000 | 519,500 |
| Change in cash | (58) | 174,357 | (93,304) | 69,764 |
| Cash and cash equivalents, beginning of period | 224 | 2,117 | 93,470 | 106,710 |
| Cash and cash equivalents, end of period | \$ 166 | \$ 176,474 | \$ 166 | \$ 176,474 |

Supplementary information:

The company did not pay any income taxes during the above reporting periods.

See accompanying notes to condensed interim financial statements.

MAINSTREAM MINERALS CORPORATION

Notes to Condensed Interim Financial Statements
For the period ended August 31, 2013 (unaudited)
(Expressed in Canadian dollars)

Nature of operations

Mainstream Minerals Corporation is a publicly listed company incorporated in Canada pursuant to the Canada Business Corporations Act on July 19, 2006. The mailing and office address of its executive office is: 365 Bay Street, Suite 400, Toronto, Ontario. The company is a mineral resource company in the development stage that is engaged in the acquisition of interests in, and in the exploration of, mineral resource properties. The company's shares are traded on the TSX Venture Exchange Inc.

1. Statement of compliance

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The statements should be read in conjunction with the company's 2012 annual financial statements.

The condensed interim financial statements of Mainstream Minerals Corporation for the nine months ended August 31, 2013 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on October 29, 2013. Any subsequent changes to IFRS that are given effect in the company's annual financial statements for the year ended November 30, 2013 could result in restatement of these unaudited condensed interim financial statements.

2. Significant accounting policies

(a) Basis of measurement

These condensed interim financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value.

(b) Going concern of operations

The going concern assumption implies that the company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is doubt about the appropriateness of the use of the going concern assumption because the company has experienced significant losses and has experienced negative cash flows from operations over a number of years.

The Company will need to raise additional working capital, as it does not have sufficient working capital to fund the balance of its 2013 operating and expenditures. In the current financial environment, there is a risk that the Company will be unable to raise sufficient funds, thus jeopardizing the Company's ability to continue as a going-concern.

The ability of the company to continue as a going concern and to be able to realize on its assets and discharge its liabilities is dependent upon the company's ability to obtain sufficient funding for its operations and its current exploration expenditure commitments and is ultimately dependant on the recoverability of the amounts capitalized to exploration and evaluation assets. The company has not yet determined whether its mineral properties contain reserves that are economically recoverable, and accordingly, the success of any further exploration or development prospects cannot be assured. If the company's exploration and development programs are successful, additional funds may be required, and the company may not have sufficient funds to conduct the mineral exploration required. The primary source of future funds available to the company is through the sale of additional equity capital, which may dilute the interests of existing shareholders. There is no assurance that the company will be successful in raising sufficient funds to meet its obligations. In the event where it cannot meet its obligations, it may lose its properties and incur other liabilities relating to flow-through share issuance commitments, if any.

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These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities and the reported amounts of revenues and expenses.

(c) Machinery and equipment

Recognition and measurement

Machinery and equipment are recorded at historical cost less accumulated depreciation and impairment losses. Residual values, depreciation methods and useful economic lives are reviewed and adjusted as necessary at the end of the reporting period.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When components of machinery and equipment have different useful lives, they are accounted for as a separate item of machinery and equipment.

Subsequent costs

The cost of replacing a component of an item of machinery and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the component will flow to the company, and its costs can be reliably measured. The carrying amount of the replaced component is derecognized. The costs of servicing machinery and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation methods and rates are applied consistently within each asset except where significant individual assets have been identified which have different depreciation patterns. Depreciation is recognized in profit or loss. The following rate and method is used:

| | <u>Rate</u> | <u>Method</u> |
|--------------------|-------------|-------------------|
| Computer equipment | 30% | Declining balance |

In the year of acquisition, depreciation is provided at one-half the declining balance rate. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

An item of machinery and equipment is de-recognized 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.

(d) Exploration and evaluation expenditures

Costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are expensed as incurred.

Capitalized costs

Exploration and evaluation expenditures are defined as costs incurred after having obtained the legal right to explore the property and before the technical and commercial viability of extracting resources are demonstrated.

All costs associated with the acquisition, exploration and development of reserves are capitalized into cost centers from the time the company obtains legal right to undertake exploration and evaluation activities on a project. Such costs include land and lease acquisitions, geological and geophysical expenditures, drilling of productive and non-productive mines, production and gathering equipment and facilities, carrying costs directly related to unproven properties and corporate costs directly related to the acquisition. Amounts capitalized to these cost centers represent costs to date and are not intended to represent present or future values. The

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recoverability of the costs is dependent upon the discovery of economically recoverable reserves, confirmation of the company's interests in the underlying claims, the ability to obtain necessary financing to complete development and the development of future profitable production from the properties or realization of sufficient proceeds from the disposition of the properties.

If technical feasibility and commercial viability have been established, the carrying amount of the related exploration and evaluation asset is tested for impairment as discussed below. The carrying value, net of any impairment loss, is then reclassified to property and equipment as mineral exploration properties. If the company decides not to continue the exploration and evaluation activity, then the accumulated costs are expensed as impairment losses in the period in which the event occurs.

Impairment test

Exploration and evaluation assets are reviewed for impairment only when facts and circumstances suggest that the carrying amount may exceed the recoverable amount or when technical feasibility and commercial viability have been established. The recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

When an impairment loss subsequently reverses, excluding impairment losses for exploration and evaluation assets reclassified to property and equipment as mineral properties, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount 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.

(e) Borrowing costs

The company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset when it is probable that these costs will result in future economic benefits and when they can be reliably measured. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed as incurred.

(f) Provisions

General

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Environmental rehabilitation provision

The company recognizes the fair value of a liability for environmental rehabilitation in the period in which the company is legally or constructively required to remediate, if a reasonable estimate of fair value can be made, based on an estimated future cash settlement of the environmental rehabilitation obligation, discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The environmental rehabilitation obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. The environmental rehabilitation cost is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of

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environmental rehabilitation cash flows. The company has assessed each of its exploration and evaluation assets and determined that no material environmental rehabilitations exist.

(g) Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. To account for flow-through shares, the company allocates total proceeds from the issuance of flow-through shares between the offering of shares and the sale of tax benefits.

The total amount allocated to the offering of shares is based on the quoted price of the underlying shares. The remaining amount, which is allocated to the sale of tax benefits, is recorded as a liability and is reversed proportionately and recognized as after-tax income when the tax benefits are renounced. In situations where there is an absence of compelling evidence supporting a comparable value of the underlying shares, the company allocates management's estimate of the prevailing flow-through premium in market conditions at the time of issuance to the sale of tax benefits. The tax effect of the renunciation is recorded at the time the company makes the renunciation, which may differ from the effective date of renunciation and on renunciation the value of the tax assets renounced is recorded as a deferred tax expense.

(h) Jointly controlled operations

A portion of the company's exploration activities is conducted jointly with others whereby the company enters into agreements that provide for a specified percentage interest in mineral exploration properties. The company accounts for its investment in joint ventures using the proportionate consolidation method.

(i) Loss per share

Diluted loss per share is calculated using the treasury stock method which assumes all common share equivalents, such as options and warrants, had been exercised at the beginning of the reporting period of issue and that the funds obtained therefrom were used to purchase common shares of the company at the estimated average trading price of the common shares during the period.

(j) Revenue recognition

Revenue from sales of precious metals will be recognized when title passes to the buyer, which will generally coincide with the delivery and acceptance of goods, and when collectibility is reasonably assured.

Interest income is recognized as accrued.

(k) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that the tax relates to items recognized directly in equity or in other comprehensive income.

(i) Current income tax

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

(ii) Deferred income tax

Deferred tax is recognized in respect of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax is measured at the enacted or substantively enacted tax rates expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates

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is recognized in earnings in the period that includes the date of enactment or substantive enactment.

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.

(l) Share-based payments

The company has implemented a stock option plan to allow the company to grant options to directors, officers, employees and service providers. 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, including directors and officers of the company. The maximum number of common shares which may be issued pursuant to those granted under the stock option plan are limited to 10% of the issued and outstanding common shares. In addition, the number of common shares which may be reserved for issuance to any one individual may not exceed 5% of the issued common shares on a yearly basis.

The company uses the fair value-based approach to account for share-based payments under their stock option plan. Compensation expense is recognized for these stock options over their vesting period based on their estimated fair values on the date of grant as determined by the Black-Scholes option-pricing model.

The fair values of the options issued, if any, are credited to share-based payments reserve in the period they vest. Upon exercise of the share purchase options, consideration paid together with the amount previously recognized in share-based payments reserve is recorded as an increase in share capital. Charges to share purchase options that are forfeited before vesting are reversed from share-based payments reserve. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to retained earnings or deficit.

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the share-based payment.

(m) Financial instruments

(i) Non-derivative financial assets

All financial assets are recognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss which are initially measured at fair value. Financial assets are classified into the following categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss

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are measured at fair value, and changes therein are recognized in profit or loss.

Held-to-maturity

A financial asset is classified as held-to-maturity if the asset has fixed or determinable payments and fixed maturities that the company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. Any changes to the carrying amount of the asset, including impairment losses, are recognized in other comprehensive income or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified as loans and receivables, held-to-maturity or financial assets at fair value through profit or loss. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income or loss and presented within equity in the fair value reserve. Equity instruments that do not have an active market are recorded at cost. When an investment is derecognized, the cumulative gain or loss in other comprehensive income or loss is transferred to profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effect of discounting on these financial instruments is not considered to be material.

De-recognition of financial assets

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(ii) Non-derivative financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

A financial liability is classified at fair value through profit or loss if it is either held-for-trading or is designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Other financial liabilities

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

De-recognition of financial liabilities

The company derecognizes financial liabilities when, the company's obligations are discharged, cancelled or they expire.

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(iii) The company's financial instruments consist of the following:

| Financial instrument | Classification | Measurement |
|---------------------------|-----------------------------|----------------|
| Cash and cash equivalents | FVTPL | Fair value |
| Other receivables | Loans and receivables | Amortized cost |
| Trade payables | Other financial liabilities | Amortized cost |
| Other payables | Other financial liabilities | Amortized cost |

(m) Impairment of long-lived assets

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on estimated future cash flows.

Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Financial assets carried at cost

An impairment loss of a financial asset carried at cost, where its fair value cannot be reliably measured, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of similar financial assets. Such impairment losses are not reversed.

Available-for-sale financial assets

An impairment loss of an available-for-sale investment security is recognized by transferring the cumulative loss that has been recognized in other comprehensive income or loss, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income or loss and recognized in profit or loss is the difference between acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. If, however, the fair value of an impaired available-for-sale equity security increases, the amount of reversal is recognized in other comprehensive income or loss.

(ii) Non-financial assets

At each reporting date, the company assesses whether there is any indication that its tangible and intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the assets belong.

Exploration and evaluation assets, however, are reviewed for impairment only when facts and circumstances suggest that the carrying amount may exceed the recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit)

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is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount 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.

(n) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make accounting estimates and assumptions requiring judgment in applying the company's accounting policies. These estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of exploration and evaluation assets, determination of valuation allowances for deferred income tax liabilities and assumptions used in determining the fair value of non-cash share-based payments. Actual amounts may differ from such estimates.

(o) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid short-term investments with a maturity date of three months or less when acquired.

(p) Recent accounting announcements

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing is of the standards and interpretations issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective. The company does not expect the impact of such changes on its financial statements to be material.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the company's financial assets.

IFRS 10 Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 Consolidation - *Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. The standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or a 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. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. The standard is effective for annual periods beginning on or after January 1, 2013.

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IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. This standard is effective for annual period beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosure about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurement, except in specified circumstances. The standard is effective for annual periods beginning on or after January 1, 2013.

IAS 1 Presentation of Financial Statements (Amended)

The amendments retain the option to present profit or loss and other comprehensive income either in one continuous statement or in two separate but consecutive statements. Items of other comprehensive income are required to be grouped into those that will and will not be subsequently classified to profit or loss. Tax on items of other comprehensive income is required to be allocated on the same basis. The measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendments. The amendment is effective for annual periods beginning on or after July 1, 2012.

IAS 19 Employee Benefits (Amended)

The amendments require the recognition of changes in the defined benefit obligation and in plan assets when those changes occur, eliminating the corridor approach and accelerating the recognition of past service costs. The amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 27 Separate Financial Statements (Amended)

IAS 27 was re-issued by the IASB on May 12, 2011 in order to conform to changes as a result of the issuance of IFRS 10, IFRS 11, and IFRS 12. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements as the consolidation guidance will now be included in IFRS 10. The amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 28 Investment in Associates and Joint Ventures (Amended)

IAS 28 was re-issued by the IASB on May 12, 2011 in order to conform to changes as a result of the issuance of IFRS 10, IFRS 11, and IFRS 12. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. The amendment is effective for annual periods beginning on or after January 1, 2013.

3. Evaluation and exploration expenses

During the period ending August 31, 2013, the company has directly expensed evaluation and exploration costs in the amount of \$Nil (2012 - \$Nil).

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4. Cash and cash equivalents

| | August 31, 2013 | November 30, 2012 |
|------|--------------------|----------------------|
| Cash | \$ 166 | \$ 93,470 |

Cash is deposited at an established Canadian financial institution.

5. Other receivables

| | August 31, 2013 | November 30, 2012 |
|-----------------|--------------------|----------------------|
| HST recoverable | \$ 3,606 | \$ 7,569 |

6. Machinery and equipment

The company's machinery and equipment consists of the following:

| | Computer equipment |
|---------------------------------|-----------------------|
| Cost | |
| Balance November 30, 2012 | \$ 4,863 |
| Additions | - |
| Balance August 31, 2013 | \$ 4,863 |
| Accumulated depreciation | |
| Balance November 30, 2012 | \$ 1,879 |
| Depreciation for the period | 672 |
| Balance August 31, 2013 | \$ 2,551 |
| Carrying value | |
| As at November 30, 2012 | \$ 2,984 |
| As at August 31, 2013 | \$ 2,312 |

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7. Exploration and evaluation assets

a. The company has capitalized the following amounts:

| | August 31, 2013 | November 30, 2012 |
|--|---------------------|----------------------|
| Acquisition, exploration and development costs | | |
| Bobjo Mine | \$ 2,932,947 | \$ 2,932,947 |
| West Keefer Claims | - | 161,840 |
| Slate Lake | - | 184,848 |
| Casa Berardi Claims | - | 170,530 |
| Fly Lake Claims | - | 66,195 |
| Rowan Lake Claims | - | 154,823 |
| Birch Lake Claims | - | 50,368 |
| | <u>\$ 2,932,947</u> | <u>\$ 3,721,551</u> |

b. A summary of the exploration and evaluation asset activity for the period is as follows:

c.

| | |
|--|---------------------|
| Balance November 30, 2012 | \$ 3,721,551 |
| Development costs incurred during the period including share-based payments | 7,722 |
| Impairment charges | (796,326) |
| Balance August 31, 2013 | <u>\$ 2,932,947</u> |

8. Other payables

The company's other payables are as follows:

| | August 31, 2013 | November 30, 2012 |
|---------------------|--------------------|----------------------|
| Accrued liabilities | \$ 6,020 | \$ 55,187 |
| Shareholder loan | 5,000 | - |
| Total | <u>\$ 11,020</u> | <u>\$ 55,187</u> |

9. Capital stock

a. Authorized

Authorized share capital consists of an unlimited number of common shares.

| | Number of common shares | Amount |
|---|----------------------------|--------------|
| Balance August 31, 2013 and November 30, 2012 | 65,102,130 | \$ 7,255,074 |

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b. Changes in issued common shares are summarized below:

| | Number of common shares | Amount |
|--|----------------------------|--------------|
| Balance, November 30, 2011 | 54,122,130 | \$ 6,703,214 |
| Shares issued for land options (i) | 100,000 | 9,000 |
| Shares issued for land options (ii) | 100,000 | 9,000 |
| Shares issued for land options (iii) | 100,000 | 10,000 |
| Shares issued for land options (iv) | 100,000 | 10,000 |
| Private placement of shares (v) | 1,880,000 | 88,360 |
| Private placement of shares (vi) | 5,900,000 | 290,500 |
| Private placement of shares (vii) | 2,800,000 | 135,000 |
| Balance, August 31, 2013 and November 30, 2012 | 65,102,130 | \$ 7,255,074 |

- i. On March 27, 2012 the company closed the first tranche of a non-brokered private placement initially announced on February 6, 2012. A total of 1,880,000 units were issued at a price of \$0.05 per unit for gross proceeds of \$94,000. Each Class A unit consists of one non-flow-through common share and one half of one non-flow-through common share purchase warrant. Each whole non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of \$0.10 for a period of 12 months following the date of issuance. A cash finder's fee equal to 6% of the subscription proceeds totaling \$5,640 was paid to registered dealers for services rendered in introducing certain subscribers to the offering. In addition, 112,800 brokers warrants equivalent to 6% of the number of units subscribed for in this non-brokered private placement were issued to finders. Each broker warrant can be exercised to purchase one non-flow-through common share of the company at a price of \$0.10 for a period of 12 months following the date of issuance. The amount recorded to share capital in the amount of \$88,360 represents gross proceeds of \$94,000 less share issue costs of \$5,640.
- ii. On June 8, 2012 the company closed the first tranche of a non-brokered private placement initially announced on May 22, 2012. A total of 5,900,000 units were issued at a price of \$0.05 per unit for gross proceeds of \$295,000. Each unit consists of one non-flow-through common share and one half of one non-flow-through common share purchase warrant. Each whole non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of \$0.10 for a period of 12 months following the date of issuance. A cash finder's fee of \$4,500 was paid to registered dealers for services rendered in introducing certain subscribers to the offering. In addition, 90,000 brokers warrants were issued to finders. Each broker warrant can be exercised to purchase one non-flow-through common share of the company at a price of \$0.10 for a period of 12 months following the date of issuance. The amount recorded to share capital in the amount of \$290,500 represents gross proceeds of \$295,000 less share issue costs of \$4,500.
- iii. On June 29, 2012 the company closed the second and final tranche of a non-brokered private placement initially announced on May 22, 2012. A total of 2,800,000 units were issued at a price of \$0.05 per unit for gross proceeds of \$140,000. Each unit consists of one non-flow-through common share and one half of one non-flow-through common share purchase warrant. Each whole non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of \$0.10 for a period of 12 months following the date of issuance. The amount recorded to share capital in the amount of \$135,000 represents gross proceeds of \$140,000 less share issue costs of \$5,000.

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c. Loss per share

The calculation of basic and diluted loss per share, for the three months ended August 31, 2013 and 2012 and nine months ended August 31, 2013 and 2012 is based on the following losses and number of shares:

| | Q3 2013 | Q3 2012 | YTD 2013 | YTD 2012 |
|----------------------------------|--------------|--------------|----------------|--------------|
| (Loss) for the period | \$ (487,722) | \$ (106,789) | \$ (1,020,681) | \$ (411,830) |
| Weighted average number of share | 65,102,130 | 63,801,045 | 65,102,130 | 58,001,187 |

All of the outstanding stock options and warrants were anti-dilutive for the relevant period.

10. Share purchase warrants

- (a) In the quarter 4,440,000 warrants expired leaving no warrants outstanding as at August 31, 2013.
- (b) A summary of the warrant activity for the nine month periods ended August 31, 2013 and 2012 is as follows:

| | 2013 | 2012 |
|------------------------------------|-------------|-------------|
| Outstanding at beginning of period | 9,535,855 | 8,952,143 |
| Granted | - | 1,052,800 |
| Expired | (9,535,855) | (4,909,088) |
| Outstanding at end of period | - | 5,095,855 |

11. Share-based payments

(c) Outstanding options

The following table summarizes the 2,095,000 outstanding options as at August 31, 2013:

| | Number outstanding | Exercise price | Expiry date |
|--------------------|-----------------------|----------------|-------------------|
| Directors' options | 195,000 | \$ 0.10 | February 18, 2014 |
| Directors' options | 100,000 | \$ 0.10 | September 2, 2014 |
| Directors' options | 1,800,000 | \$ 0.10 | June 29, 2015 |

(d) Changes in stock options

A summary of the changes in stock option activity for nine month periods ended August 31, 2013 and 2012 is as follows;

| | 2013 | | 2012 | |
|---|------------------------------------|-------------------|------------------------------------|-------------------|
| | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options |
| Outstanding at beginning of period | \$ 0.18 | 3,035,000 | \$ 0.19 | 3,215,000 |
| Expired | 0.36 | (940,000) | 0.27 | (180,000) |
| Outstanding and exercisable end of period | \$ 0.10 | 2,095,000.00 | \$ 0.18 | 3,035,000.00 |

The options outstanding at the end of the period have an exercise price of \$0.10 per share and a weighted average remaining contractual life of 1.65 years

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(c) Effects on profit or loss

The total estimated fair value of the options granted and recognized as an expense for the period ending August 31, 2013 is \$Nil (2012 - \$Nil).

12. Joint operations, land option agreements and commitments

The company has entered into land option agreements and jointly controlled operations. The joint operations have no liabilities or revenues and the assets are limited to exploration and evaluation assets. Expenditures are limited to exploration activities which are deferred in the accounts of the company. The cash flows of the joint operations are limited to the expenditures on exploration activities and are equal to the amounts of these expenditures. The joint operations are subject to certain commitments relating to net smelter rights.

The company currently holds a 100% interest in the Bobjo Mine Property;

The company entered into an agreement to acquire an option for the nine patented claims identified as Bobjo Mine. The vendor has retained a 2% production royalty in the property of which the company has the right to purchase 50% of the production royalty for \$1,000,000 at any time.

The company then entered into a joint venture agreement with King's Bay Gold Corporation. Both companies had two directors in common at that time. King's Bay Gold Corporation has earned a 50% interest related to nine patented claim units of the property after funding earn-in expenditures in the amount of \$125,000.

On June 14, 2010, the company entered into a property interests exchange agreement with King's Bay Gold Corporation whereby King's Bay Gold Corporation has sold its remaining interests in the Bobjo Mine project to the company. King's Bay Gold Corporation further agreed to cancel the advance receivable related to the project in the amount of \$141,572 from the company. In consideration for the Property Interests Exchange Agreement the company agreed to assign to King's Bay Gold Corporation its 100% interest in the Raleigh Lake Property, grant 250,000 common shares to King's Bay Gold Corporation valued at \$15,000 and transfer title and ownership on various pieces of equipment valued at approximately \$16,000. The company issued the 250,000 common shares to King's Bay Gold Corporation on May 3, 2011.

On September 23, 2010, the company entered into an option agreement to acquire a 100% interest in 28 mineral claims adjacent to and included with the Bobjo Mine Claims. Upon signing of the agreement the company paid \$10,000 and was required to issue 100,000 common shares. The company issued the 100,000 common shares on December 9, 2010.

The vendor has retained a 2.0% Net Smelter Return (the "NSR") interest in the properties. The company can buy back 1.0% of the NSR for \$1,000,000 at any time.

On February 11, 2011 the company entered into an option agreement with Premier Gold Mines Limited ("Premier") with respect to the Bobjo Mine property. On May 16, 2011, Premier provided notice to the company of their decision to terminate its option on the Bobjo Mine property.

13. Financial instruments

(a) Risk management and hedging activities

In the normal course of operations the company is exposed to various financial risks. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The company does not meaningfully participate in the use of financial instruments to control these risks. The company has no designated hedging transactions. The financial risks and management's risk management objectives and policies are

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as follows:

(i) Currency risk

The company does not hold any assets or liabilities denominated in a foreign currency.

(ii) Price risk

The company is exposed to price risk with respect to commodity prices. As the company is not a producing entity, this risk does not currently affect earnings; however, the risk could affect the completion of future equity transactions. The company monitors commodity prices of precious metals and the stock market to determine the timing, nature and extent of equity transactions.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the entity. The company is exposed to credit risk on cash and other receivables. Cash is held with an established Canadian bank and the company's other receivables are from Canadian government entities, from which management believes the risk of loss to be remote. The company does not have any derivatives or similar instruments that mitigate the maximum exposure to credit risk.

The carrying amount of financial assets recorded in the financial statements in the amount of \$4,577 represents the maximum exposure to credit risk at the reporting date.

(iv) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. Management monitors the company's liquidity by assessing forecast and actual cash flows and by maintaining adequate cash on hand. It is management's opinion that it is unlikely that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. As at May 31, 2013, the company has a working capital deficiency in the amount of \$198,110.

The contractual maturities of financial liabilities at May 31, 2013, based on the earliest date on which payment can be required, were as follows:

| | Total amount | | Six month or less | More than six months |
|----------------|---------------------|---------|--------------------------|-----------------------------|
| Trade payables | \$ | 208,258 | \$ 208,258 | NIL |
| Other payables | | 6,020 | 6,020 | NIL |
| | \$ | 214,278 | \$ 214,278 | NIL |

(v) Interest rate risk

The company is not exposed to any meaningful interest rate risk due to the short term nature of its interest generating asset.

(b) Sensitivity analysis

The company has cash and cash equivalents subject to interest rate risk of approximately \$166. A 1% change in the primary interest rate would affect the reported net income, on an annualized basis, by an immaterial amount.

(c) Fair values, carrying amounts and changes in fair value

The fair values of the company's financial instruments approximate their carrying value due to their short-term nature. Fair value amounts represent point-in-time estimates and may not reflect

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fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of financial position, have been prioritized into the following three levels:

Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level two includes inputs that are observable other than quoted prices included in level one.

Level three includes inputs that are not based on observable market data.

The company's financial instruments within the fair value hierarchy as at August 31, 2013 is as follows:

| | Level 1 | Level 2 | Level 3 |
|---------------------------|---------|---------|---------|
| Cash and cash equivalents | \$ 166 | | |

The company's financial instruments within the fair value hierarchy as at November 30, 2012 is as follows:

| | Level 1 | Level 2 | Level 3 |
|---------------------------|-----------|---------|---------|
| Cash and cash equivalents | \$ 93,470 | \$ - | \$ - |

(d) Collateral

The carrying value of financial assets the company has pledged as collateral is \$Nil (2012 - \$Nil).

14. Capital management

As the company is in the exploration stage, its principal source of capital is from the issuance of common shares. The company's capital management objective is to obtain sufficient capital to maintain its exploration programs for the benefit of its stakeholders. To meet the objectives, management monitors the company's ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements on specific exploration properties on a case by case basis. The company is not subject to externally imposed capital requirements. Management is of the opinion that the amounts and changes in the company's capital is readily determinable in these financial statements.