BONAPARTE RESOURCES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

AUGUST 31, 2012 & 2011

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Bonaparte Resources Inc.

We have audited the accompanying financial statements of Bonaparte Resources Inc. which comprise the statements of financial position as at August 31, 2012, August 31, 2011 and September 1, 2010, and the statements of comprehensive loss, changes in equity and cash flows for the years ended August 31, 2012 and August 31, 2011, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bonaparte Resources Inc. as at August 31, 2012, August 31, 2011 and September 1, 2010, and its financial performance and cash flows for the years ended August 31, 2012 and August 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

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

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
December 18, 2012

BONAPARTE RESOURCES INC.

STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	August 31, 2012 $	**August 31, 2011** $ (Note 14)	**September 1, 2010** $ (Note 14)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Note 5)	296,140	136,741	466,746
HST receivable	7,027	64,782	29,765
Prepaid expenses (Note 6)	15,338	2,798	2,699
	318,505	204,321	499,210
Advances to contractor for exploration (Note 6)	-	769,858	78,025
Deferred financing costs	-	28,500	-
Exploration and evaluation assets (Note 7)	1,611,309	558,837	401,850
	1,929,814	1,561,516	979,085
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	32,547	22,612	23,579
Note payable to related party (Note 8(e))	-	-	51,729
Due to related parties (Note 8)	104,901	21,920	-
	137,448	44,532	75,308
Deferred tax liability (Note 10)	9,806	-	-
SHAREHOLDERS' EQUITY			
SHARE CAPITAL (Note 9(a))	2,638,431	2,205,454	1,080,534
CONTRIBUTED SURPLUS	215,271	209,225	91,171
DEFICIT	(1,071,142)	(897,695)	(267,928)
	1,782,560	1,516,984	903,777
	1,929,814	1,561,516	979,085

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)
COMMITMENTS (Notes 7 and 13)

APPROVED BY THE DIRECTORS ON DECEMBER 18, 2012:

"ROBERT JAMIESON" Director

“T. RANDALL SAUNDERS" Director

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

BONAPARTE RESOURCES INC.

STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Year Ended August 31, 2012 $	**Year Ended August 31, 2011 $ (Note 14)**
ADMINISTRATION EXPENSES		
Bank charges and interest	2,334	1,259
Consulting fees	31,500	-
Listing and filing	14,385	14,627
Management fees (Note 8)	72,000	48,000
Office and miscellaneous	6,265	8,277
Professional fees	26,416	33,378
Promotion and travel	-	1,551
Rent (Note 8)	5,600	-
Share-based payments (Note 9(c))	6,046	127,956
Telephone	1,386	-
OPERATING LOSS	(165,932)	(235,048)
OTHER INCOME (EXPENSE)		
Mineral property written-off in year (Note 7)	-	(405,236)
Interest income	2,291	10,517
	2,291	(394,719)
LOSS BEFORE INCOME TAXES	(163,641)	(629,767)
DEFERRED INCOME TAX EXPENSE (Note 10)	(9,806)	-
NET AND COMPREHENSIVE LOSS	(173,447)	(629,767)
BASIC AND DILUTED LOSS PER COMMON SHARE	(0.02)	(0.07)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	11,494,628	9,651,933

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

BONAPARTE RESOURCES INC.

STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

	Common Shares	Amount $	Contributed Surplus $	Deficit $	Equity $
Balance at September 1, 2010	7,582,413	1,080,534	91,171	(267,928)	903,777
Exercise of options	86,574	22,888	(9,902)	-	12,986
Share-based payments			127,956	-	127,956
Flow-through shares issued for cash	3,000,000	1,200,000	-	-	1,200,000
Share issuance costs	-	(97,968)	-	-	(97,968)
Net loss for the year	-	-	-	(629,767)	(629,767)
Balance at August 31, 2011	10,668,987	2,205,454	209,225	(897,695)	1,516,984
Shares issued for cash	3,445,000	454,500			454,500
Share issuance costs		(21,523)			(21,523)
Share-based payments			6,046		6,046
Net loss for the year	-	-	-	(173,447)	(173,447)
Balance at August 31, 2012	14,113,987	2,638,431	215,271	(1,071,142)	1,782,560

BONAPARTE RESOURCES INC.

STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	Year Ended August 31, 2012 $	Year Ended August 31, 2011 $ (Note 14)
OPERATING ACTIVITIES		
Net loss for the period	(173,447)	(629,767)
Items not involving cash		
Share-based payments	6,046	127,956
Deferred financing costs written off	28,500	-
Mineral property written-off in year	-	405,236
Deferred income tax expense	9,806	-
	(129,095)	(96,575)
Changes in non-cash working capital items:		
HST recoverable	57,755	(35,017)
Prepaid expenses	(12,540)	(99)
Accounts payable and accrued liabilities	3,220	(967)
Due to related parties	82,981	21,920
CASH USED IN OPERATING ACTIVITIES	2,321	(110,738)
INVESTING ACTIVITIES		
Advances to contractor for exploration work	-	(691,833)
Mineral property and exploration costs (Note 7)	(275,899)	(562,223)
CASH USED IN INVESTING ACTIVITIES	(275,899)	(1,254,056)
FINANCING ACTIVITIES		
Deferred financing costs	-	(28,500)
Note payable to related party (Note 8(e))	-	(51,729)
Shares issued - net (Note 9(a))	432,977	1,115,018
	432,977	1,034,789
CHANGE IN CASH AND CASH EQUIVALENTS	159,399	(330,005)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	136,741	466,746
CASH AND CASH EQUIVALENTS, END OF YEAR	296,140	136,741
SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS		
Interest paid (Note 8(e))	2,222	1,072
Interest received	2,291	10,517
Income taxes paid	-	-
Shares issued for exploration and evaluation assets	-	165,000

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Bonaparte Resources Inc. (the "Company") was incorporated pursuant to the Business Corporations Act (British Columbia) on July 10, 2007. The Company is primarily engaged in the acquisition and exploration of mineral properties and is considered to be in the exploration stage. The head office, address and records office of the Company are located at 5384B Imperial St., Burnaby, British Columbia, Canada, V5J 1E6.

As at August 31, 2012, the Company had not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof.

As at August 31, 2012, the Company has no revenue from its operation, has an accumulated deficit of $1,071,142 and a working capital of $181,057. The Company is not certain it can complete financing to obtain sufficient funds to complete its financial obligations described in Note 7. These factors raise significant doubt about the Company's ability to continue as a going concern. In assessing the appropriateness of the going concern assumption management is required to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. Management has carried out an assessment of the going concern assumption and has concluded that it is appropriate that the financial statements are prepared on a going concern basis based on the Company's history of raising financing and operation budget. Accordingly, these financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on a going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect any adjustments to the carrying value of assets and liabilities, or the impact on the statement of loss and balance sheet classifications that might be necessary if the Company is unable to continue as a going concern and therefore 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 the accompanying financial statements.

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

These financial statements have been prepared in accordance the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are the Company's first publicly issued annual IFRS annual financial statements. Previously, the Company prepared its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 14(d).

The financial statements have been prepared on a historical cost basis except for financial instruments described in Note 3 which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency. The accounting policies set out below have been applied consistently to all years presented in these financial statements as if the policies have always been in effect, subject to certain IFRS transition elections described in Note 14.

The financial statements were authorized for issue by the Board of Directors on December 18, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATION UNCERTAINTY

a) Use of Estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and expenses for the years reported. Significant areas requiring the use of management estimates include the determination of impairment of exploration and evaluation assets and financial instruments, decommissioning liabilities, deferred income tax assets and liabilities, and assumptions used in valuing options in share-based payment calculations. Actual results could differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and further periods if the review affects both current and future periods.

b) Use of Judgment

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments with a significant risk of material adjustment in the next year.

(i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

(ii) Exploration and Evaluation Assets

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If information becomes available after expenditure is capitalized suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

c) Cash and Cash Equivalents

Cash and cash equivalents, include cash on account, demand deposits and money market investments with maturities from the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant changes in value.

d) Financial Instruments

(i) Non-derivative financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATION UNCERTAINTY (continued)

d) Financial Instruments

(i) Non-derivative financial assets (continued)

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

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

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company has classified its cash and cash equivalents as assets designated at fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATION UNCERTAINTY (continued)

d) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Impairment of financial assets

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

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

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

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

(ii) Non-derivative financial liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATION UNCERTAINTY (continued)

d) Financial Instruments (continued)

(ii) Non-derivative financial liabilities (continued)

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

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and amounts due to related parties as other liabilities.

e) Share-based payments

The Company applies the fair value method to stock based payments to all awards that are direct awards of stock, that call for settlement of cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are credited to share capital. Effective September, 2010 the Company adopted the graded vesting method and there was no impact on the financial statements from this adoption.

f) Basic and Diluted Loss Per Share

Basic and diluted loss per share is computed by dividing the net loss for the year available to common shareholders (numerator) by the weighted average number of common shares outstanding during the year (denominator). The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share exclude all dilutive potential common shares if their effect is anti-dilutive. Loss per share information does not include the effect of any potential common shares, as their effect would be anti-dilutive.

g) Share issuance costs

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

i) Exploration and Evaluation Assets

(i) Exploration and evaluation assets

All direct costs relating to the exploration and evaluation of the mineral interests including acquisition costs for interests in mineral claims are capitalized as exploration and evaluation assets. General exploration costs not related to specific mineral properties are expensed as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATION UNCERTAINTY (continued)

i) Exploration and Evaluation Assets (continued)

(i) Exploration and evaluation assets (continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves.

The Company has not established any National Instrument 43-101 compliant proven or probable reserves on any of its mineral properties which have been determined to be economically viable.

(ii) Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carry amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. 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 asset belongs. 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 pre-tax 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 the profit or loss for the period.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure or further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

Where 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATION UNCERTAINTY (continued)

j) Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arise from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss. The Company has no restoration, rehabilitation and environmental obligations as at August 31, 2012.

k) Provisions

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 amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

l) Flow-through shares

The Company provides certain share subscribers with a flow-through component for tax benefits available on qualifying Canadian exploration expenditures. In accordance with IAS 12 - Income Taxes, a deferred tax liability is recognized, with certain specific exceptions, for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base. At the time flow-through shares are issued, there is a potential premium paid on the flow-through shares calculated based on the share issuance price and the market price at the time of closing. This premium is recorded as other liabilities on the statement of financial position reducing share capital and is drawn down proportionately as the flow-through exploration spending occurs and recorded to either other income or deferred tax expense. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing qualifying expenditures, the realization of the deductible temporary differences will be shown as a recovery in operations in the period of renunciation.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATION UNCERTAINTY (continued)

m) Deferred Income Taxes

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

n) Functional Currency

The Company’s mineral properties are in Canada and the majority of transactions are in Canadian dollars and therefore the reporting and functional currency of the Company is the Canadian dollar.

4. FUTURE CHANGES IN ACCOUNTING STANDARDS

Accounting Standards Issued and Effective

IFRS 7 - Financial Instruments: Disclosures - In October, 2010 the IASB issued amendments to IFRS 7 that improve the disclosure requirements in relation to transferred financial assets.

The amendments are effective to annual periods beginning on or after September 1, 2011, with early adoption permitted. The Company has adopted this amendment and it is expected to have no significant impact on the annual financial statements.

Standards Issued But Not Yet Adopted

For the purposes of preparing and presenting the Company's annual financial statements, the Company has adopted all standards and interpretations issued other than those discussed in this note. These standards have not been adopted because they are not effective until subsequent to January 1, 2012. Standards and interpretations issued, but not adopted include:

	Effective
Amendments to IFRS 7 - Disclosures, Offsetting Financial Assets and Financial Liabilities	January 1, 2013
IFRS 9 - Financial Instruments	January 1, 2015
IFRS 10 - Consolidated Financial Statements	January 1, 2013
IFRS 11 - Joint Arrangements	January 1, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13 - Fair Value Measurement	January 1, 2013
Amendments to IAS 1, Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendment to IAS 12 - Income Taxes	January 1, 2012
IAS 27 - Separate Financial Statements	January 1, 2013
IAS 28 - Investments in Associates and Joint Ventures	January 1, 2013
Amendment to IAS 32, Offsetting Financial Assets and Financial Liabilities	January 1, 2014

(Expressed in Canadian Dollars)

4. FUTURE CHANGES IN ACCOUNTING STANDARDS (continued)

Standards Issued But Not Yet Adopted (continued)

The Company believes that, with the exception of IFRS 9, Financial Instruments, the adoption of these revised standards will have no material impact on the financial statements of the Company. For standards that become effective January 1, 2012 and later, the Company will have to begin mandatory adoption of the standards in fiscal periods ending August 31, 2013 and subsequent.

For standards that become effective after January 1, 2013, the Company has not yet begun the process of assessing the impact that the new and amended standards will have on its condensed interim and annual financial statements. In December 2011, the IASB extended the mandatory effective date to on or after January 1, 2015 with early adoption permitted. As a result, there were amendments to IAS 32 Financial Instruments - Presentation to clarify the offsetting between financial assets and liabilities, which are mandatory effective on or after January 1, 2014.

IFRS 9, Financial Instruments, proposes to replace IAS 39 Financial Instruments; Recognition and Measurement. The replacement standard has three main phases, the first of which provides new guidance for the classification and measurement of financial assets and liabilities. The second part, which is currently an exposure draft, provides guidance for amortized cost and methodology for financial assets. The third part, which is also currently an exposure draft, proposes a revised general hedge accounting model. The Company will evaluate the impact of the change to its financial statements based upon the characteristics of the financial instruments anticipated to be outstanding at the time of adoption.

5. CASH EQUIVALENTS

Cash equivalents consist of cash held with financial institutions and an investment in a redeemable investment account with interest at 1.00 % per annum. At August 31, 2012 the fair value of the investment account was $7,678 (2011 - $7,759), the same as its carrying amount.

6. PREPAID EXPENSES AND DEPOSITS

	2012	2011
Advances to contractor for exploration work	$ -	$ 769,858
Other prepaid expenses	15,338	2,798
	$ 15,338	$ 772,656

7. EXPLORATION AND EVALUATION ASSETS

a) Hopper Property

During 2011, the Company entered into an Option Agreement ("the Option") with Strategic Metals Inc., ("Strategic") whereby the Company acquired the option to acquire up to a 100% interest in 192 claims, comprising approximately 4,000 hectares located in the Whitehorse Mining District, Yukon Territory, known as the Hopper Property. The Hopper Property is located southwest of Whitehorse and is accessible from the Alaska Highway along the access to the Aishihik hydroelectric facility.

The Company can earn its 100% interest as part of a three (3) phase programme as follows:

Phase 1 - the Company will earn a 50% interest in the Hopper Property by: paying $50,000 (paid) within 10 days of the acceptance of the Option by the TSX - Venture Exchange and by paying $150,000 (paid), $300,000 and $500,000 on or before December 31, 2011, 2012 and 2013. In addition, the Company will be required to incur exploration expenditures of $700,000 (incurred), $1,300,000 and $2,000,000 on or before December 31, 2011, 2012 and 2013 respectively;

Phase 2 - the Company will earn a further 30% (80% total) interest in the Hopper Property by paying Strategic $1,000,000 each on or before December 31, 2014 and 2015 and by incurring further exploration expenditures of $3,000,000 and $7,000,000 on or before December 21, 2014 and 2015 respectively: and,

Phase 3 - Upon completion of Phase 2, the Company shall have the option to acquire the remaining 20% of the Hopper Property by paying $5,000,000 to Strategic on or before March 31, 2016. Strategic retains the right, but not the obligation, to accept all or part of the final payment in shares of the Company and Strategic shall retain a 2% net smelter returns royalty.

b) Hooch property

During 2011, the Company entered into an agreement with Strategic Metals Ltd. ("Strategic") to acquire an option to earn a 50% interest in 12 mineral claims located in the Whitehorse Mining District, Yukon Territory, know as the "Hooch" claims for the following consideration:

i) paying $5,000 (paid) on the execution of the agreement and $15,000 (paid), $30,000 and $50,000 on or before December 31, 2011, 2012 and 2013 respectively;
ii) incurring exploration expenditures totalling $30,000 (incurred), $70,000 (incurred) and $100,000 (incurred) on or before December 31, 2011, 2012 and 2013 respectively.

On completion of the first option, the Company has the option to earn a further 50% (100% total) interest in the Hooch claims for the payment of a further $875,000 in the increments of $125,000 on or before January 31, 2014 and $250,000 and $500,000 or before December 31, 2014 and 2015 respectively. In addition, the Company will be required to make further exploration expenditures in the amounts of $500,000 and $600,000 on or before December 31, 2014 and 2015 respectively. Strategic will retain a 2% Net Smelter returns Royalty on the property.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

	2012		
	Hooch Property $	**Hopper Property** $	**Total** $
Acquisition costs			
Balance, September 1, 2011	6,000	51,000	57,000
Cash payments	15,000	150,000	165,000
Balance, August 31, 2012	21,000	201,000	222,000
Exploration costs			
Balance, September 1, 2011	-	501,837	501,837
Assays and testing	3,363	37,462	40,825
Camp costs	1,095	15,114	16,209
Consulting and engineering	28,459	91,250	119,709
Contract labour	3,159	95,845	99,004
Drilling and site preparation	-	159,735	159,735
Equipment rental	2,102	41,632	43,734
Fuel	100	(397)	(297)
Geophysics and Geochemistry	188,189	200,903	389,092
Legal and regulatory	2,316	8,343	10,659
Miscellaneous	-	1,117	1,117
Office and overhead	12	125	137
Reports, drafting and maps	-	581	581
Supplies	17	1,828	1,845
Travel and accommodation	-	5,122	5,122
Balance, August 31, 2012	228,812	1,160,496	1,389,309
Total			
Balance, September 1, 2011	6,000	552,837	558,837
Balance, August 31, 2012	249,812	1,361,496	1,611,309

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

	2011			
	Hooch Property $	**Hopper Property** $	**Rosy Property** $	**Total** $
Acquisition costs				
Balance, September 1, 2010	-	-	180,000	180,000
Cash payments	5,000	50,000	-	55,000
Regulatory payments	1,000	1,000	-	2,000
Written-off in the year	-	-	(180,000)	(180,000)
Balance, August 31, 2011	6,000	51,000	-	57,000
Exploration costs				
Balance, September 1, 2010	-	-	221,850	221,850
Assays and testing	-	30,045	313	30,358
Camp costs	-	27,728	150	27,878
Consulting and engineering	-	22,697	1,275	23,972
Contract labour	-	157,974	-	157,974
Drilling and site preparation	-	130,722	-	130,722
Equipment rental	-	73,669	-	73,669
Fuel	-	37,774	(671)	37,103
Legal and regulatory	-	-	-	-
Miscellaneous	-	13	32	45
Office and overhead	-	1,757	2,287	4,044
Reports, drafting and maps	-	3,863	-	3,863
Travel and accommodation	-	15,595	-	15,595
Written-off in the year	-	-	(225,236)	(225,236)
Balance, August 31, 2011	-	501,837	-	501,837
Total				
Balance, September 1, 2010	-	-	401,850	401,850
Balance, August 31, 2011	6,000	552,837	-	558,837

(Expressed in Canadian Dollars)

8. RELATED PARTIES AND KEY PERSONNEL COMPENSATION

The Company is indebted to directors, officers and other related parties in the amount of $104,901 (2011 - $21,920).

The Company incurred the following amounts to related parties during the respective years.

	2012 **$**	**2011** **$**
Office, rent and services - paid to a private company owned by the Chief Executive Officer (“CEO”) of the Company	53,600	32,000
Management services - paid to the Chief Financial Officer “(CFO”) of the Company	24,000	16,000
Interest on promissory note - paid to the CEO of the Company	2,222	1,072
	79,822	49,072

During the years ended August 31, 2012 and 2011, the Company was involved in the following related party transactions:

a) The Company incurred amounts of $48,000 (2011 - $32,000) and $5,600 (2011 - $NIL) to a private company owned by the CEO of the Company for management fees and rent respectively

b) The Company incurred $24,000 (2011 - $16,000) to the CFO of the Company for management fees;

c) As at August 31, 2012, the amount of $76,901 (2011 - $17,920) was due to a private company owned by the CEO of the Company. This amount is non-interest bearing, unsecured and due on demand;

d) As at August 31, 2012, the amount of $28,000 (2011 - $4,000) was owed the CFO of the Company. This amount was non-interest bearing, unsecured and due on demand;

e) During the year, the company was loaned $65,000 by the CEO of the Company. The loaned amount, with interest at bank prime plus 3 % was fully repaid with interest during the year. During the year, the Company incurred interest expense of $2,222 (2011 - $1,072) on the loan.

9. SHARE CAPITAL

Authorized: An unlimited number of common shares without par value.

a) Share Capital

On August 30, 2012, the Company completed a private placement of 2,345,000 units at $0.10 per unit for gross proceeds of $234,500. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share of the Company at $0.15 per share for a period of 24 months. In connection with the private placement, the Company incurred share issuance costs of $17,673

On December 16, 2011, the Company completed a non-brokered private placement of 1,100,000 shares at $0.20 per share for gross proceeds of $220,000. In connection with the private placement, the Company incurred share issuance costs of $3,850.

On December 30, 2010, the Company completed a private placement of 3,000,000 flow-through units at $0.40 per unit for gross proceeds of $1,200,000. Each unit consists of one flow-through common share and ½ non-flow-through common share purchase warrant.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

a) Share Capital (continued)

One warrant is exercisable into one common share of the Company at $0.50 per share for a period of one year. In connection with the private placement, the Company incurred share issuance costs of $97,968.

In connection with the flow-through private placement, the Company was committed to spend $1,200,000 of qualifying Canadian Exploration Expenditures ("CEE") and renounce this amount to the shareholders. Of this amount, the Company had a remaining balance of $NIL (2011 - $623,677) to renounce as at August 31, 2012.

On December 4, 2010, the Company issued 86,574 common shares pursuant to the exercise of stock options at $0.15 per share for gross proceeds of $12,986.

b) Escrowed Shares

Pursuant to an escrow agreement dated August 27, 2007 the 3,733,339 shares then issued and outstanding were to be held in escrow and are to be released on a staged basis, with 10% to be released on the issuance of a final exchange bulletin by the TSX-V and 15% to be released every six months thereafter for a period of 36 months. Upon approval of the Qualifying Transaction and the issue of the exchange bulletin 10% or 373,331 shares were released from escrow in February, 2010 and a further 15% or 560,000 shares were released in August, 2010, February and August, 2011 as well as February and August, 2012. As of August 31, 2012 a total of shares 560,008 (2011 - 1,680,008) remained in escrow.

c) Stock Options

The Company grants incentive stock options as permitted to the Company's Stock Option plan ("the Plan") approved by the shareholders of the Company. The Plan has been structured to comply with the rules of the TSX-V. The aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of five years. If the optionee ceases to be qualified to receive options from the Company those options expire immediately. All options vest when granted unless otherwise specified by the Board of Directors. No further options were granted during the year.

The following table summarizes the continuity of stock options:

	Number of options	Weighted average exercise price
Balance, September 1, 2010	673,334	$ 0.17
Exercised	(86,574)	0.15
Granted	315,000	0.45
Cancelled	(80,000)	0.45
Granted	150,000	0.30
Balance, August 31, 2011	971,760	0.26
Expired	(150,000)	0.30
Expired	(200,000)	0.45
Balance, August 31, 2012	621,760	$ 0.19

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

c) Stock Options (continued)

On July 20, 2011, the Company granted 150,000 options to consultants at a price of $0.30 exercisable until July 30, 2012. The options vested over a period of one year, with 37,500 options vesting on four dates: October 20, 2011, January 20, 2012, April 20, 2012 and July 20, 2012. These options expired unexercised at July 30, 2012.

On February 8, 2011, the Company granted 315,000 options to directors and officers exercisable at a price of $0.45 per share until February 8, 2016. Of the 315,000 options granted, 78,750 vested immediately, 78,750 vested on May 8, 2011, 78,750 vested on August 8, 2011, and 78,750 vested on November 8, 2011. In July 2011, the Company's CEO and CFO relinquished a total of 80,000 options that had been granted on February 28, 2011. During the year ended August 31, 2012, 150,000 of these options were forfeited unexercised upon the resignation of certain directors.

On June 22, 2010, the Company granted 50,000 stock options to a director of the Company vesting upon grant and exercisable at $0.45 per share on or before June 22, 2015. During the year ended August 31, 2012, these options were forfeited unexercised upon the resignation of the director.

The fair value of stock options granted and cancelled during the years ended August 31, 2012 and 2011 has been estimated using the Black-Scholes model to be $6,046 (2011 - $127,956), and has been recorded as an expense and included in contributed surplus. For purposes of the calculation, the following weighted average assumptions were used under the Black-Scholes option pricing model:

	2012	2011
Risk free interest rate	1.45%	1.98%
Expected dividend yield	0%	0%
Expected stock price volatility	104%	114%
Expected life of options	1.68 years	2.98 years
Share price on grant date	$ 0.26	$ 0.40

The weighted average grant date fair value of the stock options granted during the year ended August 31, 2012 was $NIL (2011 - $0.27) per option.

Details of stock options outstanding and exercisable as at June 30, 2012 are:

The following table summarizes stock options outstanding and exercisable at August 31, 2012:

Options Outstanding				Options Exercisable	
Exercise Price $	Weighted Average Life Remaining	Number of Shares	Weighted Average Price $	Number Exercisable	Weighted Average Price $
0.15	0.26	536,760	0.15	536,760	0.15
0.45	3.44	85,000	0.45	85,000	0.45
	0.70	621,760	0.19	621,760	0.19

At August 31, 2012, the weighted average remaining contractual life of these options was 0.70 years (2011 - 1.94).

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

d) Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price	Expiry Date
Warrants outstanding, September 1, 2010	406,167	$ 0.55	
Private placement of 3,000,000 units	1,500,000	0.50	December 30, 2011
Warrants expired	(406,167)	0.55	June 24, 2011
Warrants outstanding, August 31, 2011	1,500,000	0.50	
Warrants expired	(1,500,000)	0.50	December 30, 2011
Private placement of 2,345,000 units	2,345,000	0.15	August 31, 2014
Warrants outstanding, August 31, 2012	2,345,000	$ 0.15	

On August 30, 2012, the Company issued 2,345,000 share purchase warrants exercisable at $0.15 per common share expiring on August 31, 2014 for the private placement closed on August 30, 2012 (See note 9a).

On December 30, 2010, the Company issued 1,500,000 share purchase warrants exercisable at $0.50 per common share expiring on December 30, 2011 for the flow-through private placement closed on December 30, 2010 (See note 9a). These warrants expired unexercised during the year.

The following table summarizes the share purchase warrants outstanding and exercisable as at August 31, 2012:

Warrants outstanding	Exercise price	Remaining contractual life (years)	Expiry date
2,345,000	$0.15	2.00	August 31, 2014

10. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2012	2011
Combined statutory tax rate	25.67%	27.17%
Income tax recovery at statutory rate	$ 42,001	$ 171,098
Non-deductible expenses and other items	3,972	(8,147)
Flow-through shares renounced	(160,077)	(137,261)
Reduction in income tax rates	2,964	(2,050)
Deferred income tax assets recognized (unrecognized)	101,334	(23,640)
Deferred income tax expense	$ (9,806)	$ -

(Expressed in Canadian Dollars)

10. INCOME TAXES (continued)

Significant components of the Company's deferred income tax assets and liabilities are shown below:

	2012		2011		2010	
	Temporary Difference $	Tax Effect $	Temporary Difference $	Tax Effect $	Temporary Difference $	Tax Effect $
Non-capital loss carry forward	664,150	166,038	475,180	118,795	256,161	64,040
Incorporation costs	516	129	555	139	597	149
Share issuance costs	90,874	22,718	124,958	31,239	41,108	10,277
Exploration and evaluation assets	(794,764)	(198,691)	(171,087)	(42,772)	-	-
Net deferred income tax (liabilities) assets not recognized	(39,224)	(9,806)	429,606	107,401	297,866	74,466

As at August 31, 2012, the Company has non-capital losses carried forward of approximately $664,150 which are available to offset future years' taxable income. These losses expire as follows:

	$
2027	8,787
2028	37,534
2029	51,466
2030	158,374
2031	219,019
2032	188,970
	664,150

In assessing the likelihood of realization of deferred tax assets, management considers whether it is probable that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the deferred tax asset considered realizable could change materially in the near term based on future taxable income the carry forward period.

(Expressed in Canadian Dollars)

11. CAPITAL MANAGEMENT

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements and safeguard its ability to continue as a going concern. There are no externally imposed capital requirements on the Company. The Company seeks to manage its capital to provide adequate funding for its operations while minimizing dilution for its existing shareholders. The Company's principal source of funds is advances from related parties. Management considers its shareholders' equity, note payable to related party and payable to related parties as capital, which consists of the following:

	August 31, 2012 $	August 31, 2011 $	September 1, 2010 $
Due to related parties	104,901	21,920	-
Note payable to related party	-	-	51,729
Shareholders' equity	1,782,560	1,516,984	903,777
	1,887,461	1,538,904	955,506

12. FINANCIAL INSTRUMENTS AND RISK

Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with high credit quality financial institutions.

Liquidity Risk - The Company ensures its holding of cash and cash equivalents is sufficient to meet its short-term obligations and general and administrative expenditures. The company does not have investments in any asset backed deposits.

Foreign Exchange Risk - The Company does not have any foreign exchange currency denominated financial instruments and is not exposed to foreign exchange risk.

Interest Rate Risk - The Company manages its interest rate risk by obtaining the best available commercial deposit interest rates by major Canadian financial institutions.

Market Risk - market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices.

Financial assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as of August 31, 2012 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Observable Instruments (Level 1)	Significant Other Unobservable Inputs (Level 2)	Significant Inputs (Level 3)	Balance as of August 31, 2012
	$	$	$	$
Cash and cash equivalents	296,140	-	-	296,140

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK (continued)

At August 31, 2012, there are no financial liabilities measured at fair value on a recurring basis presented on the Company's statement of financial position.

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 significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

As at August 31, 2012, the fair value of the Company's financial instruments approximate their carrying values because of the short-term nature of those instruments.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2012	2011
	$	$
Assets at FVTPL (i)	296,140	136,741
Other financial liabilities (ii)	137,448	44,532

(i) Cash and cash equivalents
(ii) Accounts payable, amounts due to related party and note payable

13. COMMITMENT

The Company is obligated to make certain payments and issue shares as described in Note 7 in connection with its exploration and evaluation assets.

14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) Transition to IFRS

Effective September 1, 2011, the Company adopted IFRS that were issued by the IASB, with a transition date of September 1, 2010. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP.

The comparative information presented in these annual financial statements for the year ended August 31, 2011 and the opening financial position as at September 1, 2010 (the “Transition Date”) have been prepared in accordance with the accounting policies referenced in Note 3 and IFRS 1, *First-Time Adoption of International Financial Reporting Standards (“IFRS 1”).*

b) Initial elections upon adoption

The Company adopted IFRS in accordance with IFRS 1, which requires the retrospective application of IFRS at the Transition Date with all adjustments to assets and liabilities taken to deficit, subject to mandatory exceptions and the application of optional exemptions. The IFRS 1 optional exemptions applied in the conversion from Canadian GAAP to IFRS by the Company are explained as follows:

14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

b) Initial elections upon adoption (continued)

Share based payments

IFRS 1 allows that full retrospective application may be avoided for certain share-based instruments depending on the grant date, vesting terms and settlement of any real liabilities. A first-time adopter can elect not to apply IFRS 2 to share-based payments granted after November 7, 2002. The Company has elected this exemption and will apply IFRS 2 to stock-based payments as at September 1, 2011, the transition date. There is no impact on the financial statements due to this election.

Business Combinations

IFRS 1 allows that a first-time adopter may elect not to apply IFRS 3 Business Combinations (IFRS 3) retrospectively to business combinations prior to the date of transition thereby avoiding the requirement to restate prior business combinations. The Company has elected to apply IFRS 3 to business combinations that occur on or after September 1, 2010. There is no impact on the financial statements due to this election.

Fair Value as Deemed Cost

The Company may elect among two options when measuring the value of its assets under IFRS. It may elect, on an asset by asset basis, to use either historical cost as measured under retrospective application of IFRS or fair value of an asset at the opening balance sheet. The Company has elected to use historical cost for its assets. There is no impact on the financial statements due to this election.

c) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error. The Company's IFRS estimates as of September 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

d) Reconciliation between Canadian GAAP Equity, Comprehensive Income and Cash Flows to IFRS

In preparing the Company’s IFRS statements of financial position as at August 31, 2011 and September 1, 2010 and the statements of comprehensive loss for the year ended August 31, 2011, management noted the following adjustments to be made by the Company in its previously reported financial statements prepared in accordance with Canadian GAAP:

Under Canadian GAAP, when flow-through shares are issued, they are initially recorded in share capital at their issue price less the deferred tax liability related to the renounced expenditures. Under IFRS, flow-through shares are recognized based on the quoted price of the existing shares on the date the Company and the investors agree to the transaction. The difference (“premium”) between the amount recognized in common shares and the amount the investors pay for the shares is recognized as flow-through share related liabilities which are reversed into the statement of comprehensive loss within deferred tax expense when the eligible expenditures are incurred. The amount recognized as flow-through share premium related liabilities represented the difference between the fair value of the common shares and the amount the investor pays for the flow-through shares.

(Expressed in Canadian Dollars)

14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Under Canadian GAAP, the Company issued 3,000,000 flow-through shares and recognized deferred income tax recovery of $330,120 in 2011, and a corresponding decrease in share capital totalling $330,120. On transition to IFRS, the Company reversed tax benefits sold of $330,120.

Under IFRS, there was no premium to be recognized on these flow-through issuances as the fair value of the flow-through shares were less than non flow-through shares issued and as a result there were no further transition adjustments.

As of transition date of September 1, 2010, no adjustments were required to reconcile Canadian GAAP to IFRS.

Reconciliation of Statement of Financial Position as at August 31, 2011:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
		$	$	$
Total Assets		1,561,516	-	1,561,516
Accounts payable and accrued liabilities		22,612	-	22,612
Due to related parties		21,920	-	21,920
Total Liabilities		44,532	-	44,532
Share capital	14 (d)	1,875,334	330,120	2,205,454
Contributed surplus		209,225	-	209,225
Deficit	14 (d)	(567,575)	(330,120)	(897,695)
		1,516,984	-	1,516,984
Total Liabilities and Shareholders' Equity		1,561,516	-	1,561,516

Reconciliation of Statement of Comprehensive Loss for the year ended August 31, 2011:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
		$	$	$
Loss before income taxes		(629,767)	-	(629,767)
Deferred income tax recovery	14 (d)	330,120	(330,120)	-
Net and Comprehensive loss		(299,647)	(330,120)	(629,767)

(Expressed in Canadian Dollars)

14. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Reconciliation of Statement of Cash Flows for the year ended August 31, 2011:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
		$	$	$
Operating Activities				
Net loss for the year	14 (d)	(299,647)	(330,120)	(629,767)
Items not involving cash				
Share-based payments		127,956	-	127,956
Deferred income tax recovery	14 (d)	(330,120)	330,120	-
Mineral property written off in year		405,236	-	405,236
		(96,575)	-	(96,575)
Changes in non-cash working capital items		(14,163)	-	(14,163)
		(110,738)	-	(110,738)
Investing Activities		(1,254,056)	-	(1,254,056)
Financing Activities		1,034,789	-	1,034,789
Change in Cash and Cash Equivalents		(330,005)	-	(330,005)
Cash and Cash Equivalents - beginning		466,746	-	466,746
Cash and Cash Equivalents - ending		136,741	-	136,741