BONAPARTE RESOURCES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

AUGUST 31, 2013 AND 2012

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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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, 2013 and 2012, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

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

We believe that the audit evidence we have obtained 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, 2013 and 2012, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Manning Elliott LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
December 10, 2013

BONAPARTE RESOURCES INC.

STATEMENTS OF FINANCIAL POSITION

AS AT AUGUST 31, 2013 AND 2012

(Expressed in Canadian Dollars)

	2013 $	**2012** $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 5)	136,933	296,140
Goods and services tax receivable	729	7,027
Prepaid expenses	2,786	15,338
	140,448	318,505
Exploration and evaluation assets (Note 6)	-	1,611,309
	140,448	1,929,814
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	14,771	32,547
Due to related parties (Note 7)	89,250	104,901
	104,021	137,448
Deferred tax liability (Note 9)	-	9,806
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8(a))	2,638,431	2,638,431
CONTRIBUTED SURPLUS	215,271	215,271
DEFICIT	(2,817,275)	(1,071,142)
	36,427	1,782,560
	140,448	1,929,814

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)

APPROVED BY THE DIRECTORS ON DECEMBER 10, 2013:

"ROBERT JAMIESON" Director

"T. RANDALL SAUNDERS" Director

BONAPARTE RESOURCES INC.

STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

(Expressed in Canadian Dollars)

	2013 $	2012 $
ADMINISTRATION EXPENSES		
Bank charges and interest	490	2,334
Consulting fees	12,500	31,500
Listing and filing	14,580	14,385
Management fees (Note 7)	72,000	72,000
Office and miscellaneous	3,400	6,265
Professional fees	28,996	26,416
Promotion and travel	2,189	-
Rent (Note 7(a))	6,000	5,600
Share-based payments (Note 8(c))	-	6,046
Telephone	2,687	1,386
OPERATING LOSS	(142,842)	(165,932)
OTHER INCOME (EXPENSE)		
Exploration and evaluation assets written off (Note 6)	(1,613,197)	-
Interest income	100	2,291
	(1,613,097)	2,291
LOSS BEFORE INCOME TAXES	(1,755,939)	(163,641)
DEFERRED INCOME TAX RECOVERY (EXPENSE) (Note 9)	9,806	(9,806)
NET LOSS AND COMPREHENSIVE LOSS	(1,746,133)	(173,447)
BASIC AND DILUTED LOSS PER COMMON SHARE	(0.12)	(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	14,113,987	11,494,628

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

BONAPARTE RESOURCES INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

(Expressed in Canadian Dollars)

	Common Shares	Amount $	Contributed Surplus $	Deficit $	Equity $
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
Net loss for the year	-	-	-	(1,746,133)	(1,746,133)
Balance at August 31, 2013	14,113,987	2,638,431	215,271	(2,817,275)	36,427

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

BONAPARTE RESOURCES INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

(Expressed in Canadian Dollars)

	2013 **$**	**2012** **$**
OPERATING ACTIVITIES		
Net loss for the year	(1,746,133)	(173,447)
Items not involving cash		
Share-based payments	-	6,046
Deferred financing costs written off	-	28,500
Mineral property written-off	1,613,197	-
Deferred income tax (recovery) expense	(9,806)	9,806
	(142,742)	(129,095)
Changes in non-cash working capital items:		
Goods and services tax receivable	6,298	57,755
Prepaid expenses	12,552	(12,540)
Accounts payable and accrued liabilities	(17,776)	3,220
Due to related parties	(15,651)	82,981
CASH USED IN OPERATING ACTIVITIES	(157,319)	2,321
INVESTING ACTIVITIES		
Acquisition and exploration costs (Note 6)	(1,888)	(275,899)
FINANCING ACTIVITIES		
Shares issued - net (Note 8(a))	-	432,977
CHANGE IN CASH AND CASH EQUIVALENTS	(159,207)	159,399
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	296,140	136,741
CASH AND CASH EQUIVALENTS, END OF YEAR	136,933	296,140
SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS		
Interest paid (Note 8(e))	-	2,222
Interest received	100	2,291
Income taxes paid	-	-

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, 2013, the Company has earned no revenues from its operations, has an accumulated deficit of $2,817,275 and a working capital of $36,427. These factors raise significant doubt about the Company's ability to continue as a going concern. 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 that might be necessary if the Company is unable to continue as a going concern.

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.

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.

The financial statements were authorized for issue by the Board of Directors on December 10, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATION UNCERTAINTY

a) Use of Estimates and Judgements

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) Cash and Cash Equivalents

Cash and cash equivalents, when applicable, 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.

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

c) 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 excludes 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.

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.

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.

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

d) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

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.

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.

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

d) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

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

(ii) Non-derivative financial liabilities

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

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

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

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, under the graded vesting assumption, using the Black Scholes option pricing model to determine the fair value of stock based payments of 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.

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

f) 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.

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.

h) 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.

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.

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

h) Exploration and Evaluation Assets (continued)

(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.

i) 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.

(Expressed in Canadian Dollars)

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

i) Restoration, Rehabilitation, and Environmental Obligations (continued)

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, 2013.

4. FUTURE CHANGES IN ACCOUNTING STANDARDS

Accounting Standards Issued and Effective

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

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

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 or subsequent to January 1, 2013. Standards and interpretations issued, but not adopted include:

	Effective
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
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

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.

In December 2011, the IASB extended the mandatory effective date to on or after January 1, 2015 with early adoption permitted for IFRS 9, Financial Instruments. 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. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements.

5. CASH EQUIVALENTS

Cash equivalents includes an investment in a redeemable investment account with interest at 1.00 % per annum. At August 31, 2013 the fair value of the investment account was $7,778 (2012 - $7,678), the same as its carrying amount.

6. 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 respectively. 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)

6. EXPLORATION AND EVALUATION ASSETS (continued)

	2013			2012
	Hooch Property	**Hopper Property**	**Total**	**Total**
	$	$	$	$
Acquisition costs				
Opening balance	21,000	201,000	222,000	57,000
Cash payments	-	-	-	165,000
	21,000	201,000	222,000	222,000
Exploration costs				
Opening balance	228,812	1,160,497	1,389,309	501,837
Assays and testing	-	-	-	40,825
Camp costs	-	-	-	16,209
Consulting and engineering	944	944	1,888	119,709
Contract labour	-	-	-	99,004
Drilling and site preparation	-	-	-	159,735
Equipment rental	-	-	-	43,734
Fuel	-	-	-	(297)
Geophysics and Geochemistry	-	-	-	389,092
Legal and regulatory	-	-	-	10,659
Miscellaneous	-	-	-	1,117
Office and overhead	-	-	-	137
Reports, drafting and maps	-	-	-	581
Supplies	-	-	-	1,845
Travel and accommodation	-	-	-	5,122
	229,756	1,161,441	1,391,197	1,389,309
Total	250,756	1,362,441	1,613,197	1,611,309
Written off in the year	(250,756)	(1,362,441)	(1,613,197)	-
Balance, end of year	-	-	-	1,611,309

During the year ended August 31, 2013, following a review by a geological consultant, the Company decided to abandon the Hopper and Hooch properties and wrote off the accumulated investment of $1,613,917.

(Expressed in Canadian Dollars)

7. RELATED PARTIES AND KEY PERSONNEL COMPENSATION

The Company is indebted to directors, officers and other related parties in the amount of $89,250 (2012 - $104,901).

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

	2013	**2012**
	$	**$**
Office, rent and services - paid or accrued to a private company owned by the Chief Executive Officer ("CEO") of the Company	54,000	53,600
Management services - paid or accrued to the Chief Financial Officer "(CFO") of the Company and to a private company owned by the CFO	24,000	24,000
Interest on promissory note - paid to the CEO of the Company	-	2,222
	78,000	79,822

During the years ended August 31, 2013 and 2012, the Company was involved in the following related party transactions:

a) The Company incurred amounts of $48,000 (2012 - $48,000) and $6,000 (2012 - $5,600) to a private company owned by the CEO of the Company for management fees and rent respectively

b) The Company incurred $24,000 (2012 - $24,000) to the CFO of the Company and a private company owned by the CFO for management fees;

c) As at August 31, 2013, the amount of $51,030 (2012 - $76,901) 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, 2013, the amount of $21,000 (2012 - $28,000) was owed to the CFO of the Company, and a further $17,220 (2012 - $Nil) to a private company owned by the CFO for unpaid management fees. These amounts are non-interest bearing, unsecured and due on demand;

e) During the year ended August 31, 2012, the Company incurred interest expense of $2,222 on a loan from the CEO of the Company which was fully repaid during the year ended August 31, 2012. The CEO loaned the Company $65,000 in 2011, with interest at bank prime plus 3%.

8. SHARE CAPITAL

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

a) Share Capital

The Company did not issue any common shares during the year ended August 31, 2013.

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.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

b) Escrowed Shares

Pursuant to an escrow agreement dated August 27, 2007 the 3,733,339 shares then issued 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. The final escrow release was made in February 2013, and accordingly, no more shares remain in escrow as at August 31, 2013 (2012 – 560,008 shares).

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, 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
Expired	(536,760)	0.15
Balance, August 31, 2013	85,000	$ 0.45

The Company did not grant any stock options during the year ended August 31, 2013. The fair value of stock based compensation during the year ended August 31, 2012 was estimated using the Black-Scholes model to be $6,046, 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
Risk free interest rate	1.45%
Expected dividend yield	0%
Expected stock price volatility	104%
Expected life of options	1.68 years
Share price on grant date	$ 0.26

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

c) Stock Options (continued)

The following table summarizes stock options outstanding and exercisable at August 31, 2013:

Options Outstanding and Exercisable			
Exercise Price $	Weighted Average Life Remaining	Number of Shares	Weighted Average Price $
0.45	2.44	85,000	0.45

At August 31, 2013, the weighted average remaining contractual life of these options was 2.44 years (2012 – 0.70).

d) Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price	Expiry Date
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 and 2013	2,345,000	$ 0.15	

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	1.00	August 31, 2014

9. 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:

	2013	2012
Combined statutory tax rate	25.42%	25.67%
Income tax recovery at statutory rate	$ 446,297	$ 42,001
Non-deductible expenses and other items	-	3,972
Flow-through shares renounced	-	(160,077)
Changes in income tax rates	10,248	2,964
Deferred income tax assets recognized (unrecognized)	(446,739)	101,334
Deferred income tax recovery (expense)	$ 9,806	$ (9,806)

(Expressed in Canadian Dollars)

9. INCOME TAXES (continued)

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

	2013		2012	
	Temporary Difference $	Tax Effect $	Temporary Difference $	Tax Effect $
Non-capital loss carry forward	838,264	217,949	664,150	166,038
Incorporation costs	480	125	516	129
Share issuance costs	59,538	15,480	90,874	22,718
Exploration and evaluation assets	818,433	212,793	(794,764)	(198,691)
Net deferred income tax (liabilities) assets not recognized	(1,716,715)	(446,347)	-	-
Deferred income tax benefit	-	-	39,224	9,806

As at August 31, 2013, the Company has non-capital losses carried forward of approximately $838,264 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
2033	174,114
	838,264

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)

10. 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, amounts payable to related parties as capital, which consists of the following:

	2013 $	2012 $
Due to related parties	89,250	104,901
Shareholders' equity	36,427	1,782,560
	125,677	1,887,461

11. 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 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, 2013 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, 2013
	$	$	$	$
Cash and cash equivalents	136,933	-	-	136,933

At August 31, 2013, there are no financial liabilities measured at fair value on a recurring basis presented on the Company's statement of financial position.

11. FINANCIAL INSTRUMENTS AND RISK (continued)

Fair value estimates for 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, 2013, 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:

	2013	2012
	$	$
Assets at FVTPL (i)	136,933	296,140
Other financial liabilities (ii)	94,021	127,448

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