athabascauraniuminc.

(An Exploration Stage Company)

Financial Statements

Year Ended August 31, 2013

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Athabasca Uranium Inc.

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

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

Emphasis of Matter

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

December 1, 2013

ATHABASCA URANIUM INC.
(An Exploration Stage Company)
Statements of Financial Position
(Expressed in Canadian dollars)
AS AT

	Notes		August 31, 2013		August 31, 2012
ASSETS					
Current assets					
Cash and equivalents		$	430,536	$	804,703
Receivables	4		22,028		40,281
Prepaids			11,340		11,706
Total current assets			463,904		856,690
Non-current assets					
Exploration and evaluation assets	5		8,918,931		8,252,226
TOTAL ASSETS		$	9,382,835	$	9,108,916
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	33,403	$	33,217
Other liabilities	6		-		71,617
Total current liabilities			33,403		104,834
Non-current liabilities					
Deferred tax liability	15		376,000		508,000
TOTAL LIABILITIES			409,403		612,834
SHAREHOLDERS' EQUITY					
Share capital			10,861,874		10,117,784
Reserves			950,784		869,553
Accumulated deficit			(2,839,226)		(2,491,255)
TOTAL SHAREHOLDERS' EQUITY			8,973,432		8,496,082
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	9,382,835	$	9,108,916

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Gil Schneider" Director *"D. Barry Lee"* Director

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

ATHABASCA URANIUM INC.
(An Exploration Stage Company)
Statements of Loss and Comprehensive Loss
Years Ended August 31
(Expressed in Canadian dollars)

	Notes	2013	2012
EXPENSES			
Bank charges and interest		$ 1,497	$ 4,898
Consulting	10	114,391	168,942
Investor relations		44,392	138,507
Management fees	10	150,000	150,000
Office and miscellaneous		35,129	27,646
Professional fees		53,400	67,539
Rent		38,000	43,500
Regulatory and filing fees		34,691	49,967
Share-based payments	9	60,060	142,979
Travel		20,224	3,800
		551,784	797,778
		(551,784)	(797,778)
Flow-through premium recognized	6	71,617	322,769
Interest income		2,999	22,172
Other expense		(2,803)	(7,608)
		71,813	337,333
Loss for the year before income taxes		(479,971)	(460,445)
Deferred tax (expense) recovery	15	132,000	(508,000)
Net loss and comprehensive loss for the year		$ (347,971)	$ (968,445)
Basic and diluted loss per common share	7	$ (0.01)	$ (0.02)
Basic and diluted weighted average number of common shares outstanding		64,353,385	50,623,033

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

ATHABASCA URANIUM INC.

(An Exploration Stage Company)

Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share Capital								
	Number of Shares		**Amount**		**Reserves**		**Accumulated Deficit**		**Total**
Balance at August 31, 2011	46,706,365	$	8,522,859	$	722,907	$	(1,522,810)	$	7,722,956
Issuance for Volhoffer Lake property	2,500,000		500,000		-		-		500,000
Issuance for McCarthy Lake property	3,000,000		600,000		-		-		600,000
Issuance on private placement	4,500,000		636,000		-		-		636,000
Share issuance costs	-		(41,408)		-		-		(41,408)
Issuance costs for agents' warrants	-		(3,667)		3,667		-		-
Share-based payments	-		-		142,979		-		142,979
Premium on flow through shares	-		(96,000)		-		-		(96,000)
Net loss for the year	-		-		-		(968,445)		(968,445)
Balance at August 31, 2012	56,706,365	$	10,117,784	$	869,553	$	(2,491,255)	$	8,496,082
Issuance for Fisher River property	3,000,000		240,000		-		-		240,000
Issuance for private placement	8,823,214		617,625		-		-		617,625
Share issuance costs	-		(92,364)		-		-		(92,364)
Issuance costs for agents' warrants	-		(21,171)		21,171		-		-
Share-based payments	-		-		60,060		-		60,060
Net loss for the year	-		-		-		(347,971)		(347,971)
Balance at August 31, 2013	**68,529,579**	**$**	**10,861,874**	**$**	**950,784**	**$**	**(2,839,226)**	**$**	**8,973,432**

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

ATHABASCA URANIUM INC.
(An Exploration Stage Company)
Statements of Cash Flows
Years Ended August 31
(Expressed in Canadian dollars)

		2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(347,971)	$	(968,445)
Items not affecting cash				
Share-based payments		60,060		142,979
Deferred income tax expense (recovery)		(132,000)		508,000
Flow-through premium recognized		(71,617)		(322,769)
Changes in non-cash working capital items:				
Decrease in receivables		18,253		107,525
Decrease in prepaids		366		2,919
Increase in accounts payable and accrued liabilities		186		2,737
Net cash used in operating activities		(472,723)		(527,054)
CASH FLOWS FROM INVESTING ACTIVITIES				
Exploration and evaluation assets		(426,705)		(3,477,885)
Net cash used in investing activities		(426,705)		(3,477,885)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares, net of share issuance costs		525,261		594,592
Net cash provided by investing activities		525,261		594,592
Change in cash and equivalents during the year		(374,167)		(3,410,347)
Cash and equivalents, beginning of year		804,703		4,215,050
Cash and equivalents, end of year	$	430,536	$	804,703

Cash and equivalents consist of:

	August 31, 2013		August 31, 2012
Cash on deposit	(19,464)	$	604,703
Guaranteed investment certificate	450,000		200,000
	430,536	$	804,703

Supplemental disclosure with respect to cash flows (Note 14)

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

1. Nature and continuance of operations

The Company was incorporated under the Business Corporations Act (BC) on June 6, 2007 and trades on the TSX Venture Exchange under the symbol 'UAX'. The principal offices of the Company are located at Suite 1200 - 570 Granville Street, Vancouver, BC V6C 3P1.

The Company is in the process of exploring and developing mineral properties in Canada. It has not yet determined whether its current suite of exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising of exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements. The current market conditions and volatility may cast significant doubt upon the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds.

The financial statements were authorized for issue on November 29, 2013 by the Board of Directors of the Company.

2. Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective as of August 31, 2013.

The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The Company's reporting currency and the functional currency is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Significant accounting policies (cont'd)

Critical accounting estimates

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factor and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

The preparation of our financial statements requires us to make judgments regarding the going concern of the Company as discussed in Note 1.

Cash and equivalents

Cash is comprised of cash on hand and demand deposits and funds held in trust by lawyers. Cash equivalents include short-term highly liquid investments with original maturities of three months or less at the date of purchase that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2. Significant accounting policies (cont'd)

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the period.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Mineral exploration and evaluation expenditures

a) Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

b) Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment at each reporting date if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Property option agreements

From time to time, the Company may acquire or dispose of a property pursuant to the terms of a property option agreement. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

2. Significant accounting policies (cont'd)

Decommissioning, restoration and similar liabilities ("Asset Retirement Obligation" or "ARO")

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no rehabilitation obligations as at August 31, 2013 and 2012.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Impairment of assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

Assets that have an indefinite useful life are not subject to amortization and are tested at each reporting period for impairment.

2. Significant accounting policies (cont'd)

Financial instruments

a) Financial assets

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's receivables are classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has not classified any of its financial instruments as held-to-maturity.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. The Company has not classified any of its financial instruments as available-for-sale financial assets.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

b) Financial liabilities

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

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

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

2. Significant accounting policies (cont'd)

Related party transactions

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

Share capital

The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Share-based payments

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

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

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2. Significant accounting policies (cont'd)

Loss per share

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

Income taxes

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

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

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

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss was the same as net loss.

Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

3. New standards, amendments and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of August 31, 2013 and have not been applied in preparing these financial statements. The Company is currently assessing the impact that these standards will have on the consolidated financial statements.

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

IFRS 7, ***Financial Instruments: Disclosures***
Amended to enhance disclosure requirements related to offsetting of financial assets and liabilities.

IFRS 10, ***Consolidated Financial Statements***
IFRS 10 replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control.

3. New standards, amendments and interpretations not yet effective (cont'd)

Effective for annual periods beginning on or after January 1, 2013 (cont'd):

IFRS 11, ***Joint Arrangements***

IFRS 11 replaces IAS 31, Interests in Joint Ventures. IFRS 11 reduces the types of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires the use of equity accounting for interests in joint ventures, eliminating the existing policy choice of proportionate consolidation for jointly controlled entities under IAS 31. Entities that participate in joint operations will follow accounting muck like that for jointly controlled assets and jointly controlled operations under IAS 31.

IFRS 12, ***Disclosure of Interests in Other Entities***

IFRS 12 sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28, *Investments in Associates*.

IFRS 13, ***Fair Value Measurement and Disclosure Requirement***

IFRS 13 provides single source guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements.

IAS 28, ***Investments in Associates and Joint Ventures***

IAS 28 outlines how to apply the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those policies).

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

IFRS 10, IFRS 12, IFRS 27, ***Exception from Consolidation for "Investment Entities"***

IFRS 10 is amended to define an "investment entity" and introduce an exception from consolidation for investment entities. IFRS 12 and IAS 27 are amended to introduce disclosures that an entity needs to make.

IAS 32, ***Financial Instruments: Presentation***

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

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

IFRS 9, ***Financial Instruments – Classification and Measurement***

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

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

IFRS 7, ***Financial Instruments - Disclosures***

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

4. Receivables

	August 31, 2013	August 31, 2012
Interest receivable	$ 1,988	$ 1,085
HST/GST receivable	18,560	39,196
Miscellaneous receivable	1,480	-
	$ 22,028	$ 40,281

5. Exploration and evaluation assets

The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests is in good standing. Ownership in exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from difficulties in obtaining conveyance in mineral interests.

The recoverability of the amount shown for exploration and evaluation assets 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 financing to complete development, and future profitable production or disposition thereof.

The Company's exploration and evaluation assets consist of:

	McCarthy Lake	McGregor Lake	Keefe Lake	East Key Lake	Fisher River	Total
Balance, August 31, 2011	$ 672,784	$ 1,004,335	$ 1,566,967	$ 492,755	$ -	$ 3,736,841
Interest in property	621,319	-	555,000	-	-	1,176,319
Assay	-	-	13,454	-	-	13,454
Consulting	2,173	2,173	404,726	1,391	-	410,463
Drilling	-	-	2,913,156	-	-	2,913,156
Geological	-	-	1,993	-	-	1,993
Total additions	623,492	2,173	3,888,329	1,391	-	4,515,385
Balance, August 31, 2012	1,296,276	1,006,508	5,455,296	494,146	-	8,252,226
Interest in property	-	-	-	-	250,000	250,000
Assay	-	-	2,369	-	-	2,369
Consulting	-	33,040	242,186	-	46,610	321,836
Drilling	-	-	92,105	-	-	92,105
Geological	-	-	395	-	-	395
Total additions	-	33,040	337,055	-	296,610	666,705
Balance, August 31, 2013	**$ 1,296,276**	**$ 1,039,548**	**$ 5,792,351**	**$ 494,146**	**$ 296,610**	**$ 8,918,931**

5. Exploration and evaluation assets (cont'd)

McCarthy Lake Project

The Company entered into a mineral property option agreement pursuant to which the Company obtained an option to acquire a 50% interest in and to the mineral rights underlying the prospective uranium property known as the McCarthy Lake Property located in the Athabasca Basin region of northeast Saskatchewan. The Company paid initial consideration of $300,000 to an arm's length vendor, consisting of $100,000 cash and 2,000,000 common shares of the Company issued at a value of $200,000. The Company incurred the minimum of $200,000 in exploration expenditures on the McCarthy Lake Property within the first year of the agreement, satisfying the final condition to exercise the option and thereby acquiring the initial 50% of the McCarthy Lake Property. McCarthy Lake is subject to a 2.5% net smelter return royalty ("NSR"), 80% of which the Company has the option to purchase from the vendor at any time for $500,000.

On March 14, 2012, the Company completed the acquisition of the remaining 50% interest in its McCarthy Lake Project by paying $20,000 in cash and issuing 3,000,000 common shares at a value of $600,000 to the vendor. As a result, the Company owns 100% (subject to a 2.5% NSR) of the McCarthy Lake Project.

McGregor Lake Project

On October 20, 2010, the Company entered into a mineral property option agreement pursuant to which the Company has an option to acquire a 100% interest (subject to a 1% NSR) in and to the mineral rights underlying the prospective uranium property known as the McGregor Lake Property located in the Athabasca Basin region of northeast Saskatchewan. The Company paid consideration of $510,000 to an arm's length vendor, consisting of $60,000 cash and 1,500,000 common shares at a fair value of $450,000, fulfilling the initial commitment under the McGregor Lake Property option agreement. Additional commitments in order to exercise the McGregor Lake option include the Company making cash payments totalling $750,000 within 42 months and filing $3,500,000 in qualified exploration expenditures on the McGregor Lake Property within four years. The 1% NSR may be purchased by the Company from the vendor for $1,500,000.

As part of the McGregor Lake Project, on April 7, 2011, the Company entered into a mineral property option agreement to acquire a 100% interest (subject to a 1% NSR) in and to the mineral rights underlying the prospective uranium property known as the Hodges Lake Property, adjacent to the McGregor Lake Property. The Company paid consideration of $163,000, consisting of $25,000 cash and 600,000 common shares at a fair value of $138,000, fulfilling the initial commitment under the Hodges Lake Property option agreement. Additional commitments in order to exercise the Hodges Lake option include the Company filing $3,500,000 in qualified exploration expenditures within four years on any properties within the McGregor Lake Project area. The 1% NSR may be purchased by the Company from the vendor for $1,500,000.

Keefe Lake Project

Project Consolidation

As the Volhoffer Lake, Webb River and Hamilton Lake properties are contiguous with the Company's Keefe Lake property, these four properties are considered to be one cash-generating unit, the Keefe Lake Project.

On September 14, 2010, the Company entered into a mineral property option agreement pursuant to which the Company has an option to acquire a 100% interest (subject to a 1% NSR) in and to the mineral rights underlying the prospective uranium property known as the Webb River Property located in the Athabasca Basin region of northeast Saskatchewan. The Company paid consideration of $507,500 to an arm's length vendor, consisting of $50,000 cash and 1,500,000 common shares at a fair value of $475,500, fulfilling the initial commitment under the Webb River Property option agreement. Additional commitments in order to exercise the Webb River option include the Company making cash payments totalling $600,000 within 42 months and filing $2,500,000 in qualified exploration expenditures on the Webb River Property within four years. The 1% NSR may be purchased from the vendor by the Company for $1,500,000.

5. Exploration and evaluation assets (cont'd)

Keefe Lake Project (cont'd)

On May 13, 2011, the Company entered into a mineral property option agreement to acquire a 100% interest (subject to a 1% NSR) in and to the mineral rights underlying the prospective uranium property known as the Hamilton Lake Property, adjacent to the Webb River Property. The Company paid consideration of $121,000, consisting of $25,000 cash and 600,000 common shares at a fair value of $96,000, fulfilling the initial commitment under the Hamilton Lake Property option agreement. Additional commitments in order to exercise the Hamilton Lake option include the Company filing $3,000,000 in qualified exploration expenditures within four years on any properties within the Webb River Project area. The 1% NSR may be purchased by the Company from the vendor for $1,500,000.

On July 27, 2011, the Company entered into an agreement with an arm's-length vendor by which the Company has the option to earn a 100% interest (subject to a 1% NSR) in and to the mineral rights underlying the prospective uranium property known as the Keefe Lake Property, a 12,832-hectare prospective uranium property in the Athabasca Basin region of Saskatchewan. The Company paid consideration of $660,000 to the vendor, consisting of $65,000 cash and 3,500,000 common shares at a fair value of $595,000, fulfilling the initial commitment under the Keefe Lake Property option agreement. Additional commitments in order to exercise the Keefe Lake option include the Company making cash payments totalling $1,500,000 on or before the fifth anniversary of the agreement and filing $5,000,000 in qualified exploration expenditures on the Keefe Lake Property within five years. 1% of the NSR may be purchased by the Company for $1,500,000.

On September 15, 2011, the Company entered into an agreement with an arm's-length vendor by which the Company has the option to earn a 100% interest (subject to a 2% NSR) in and to the mineral rights underlying the prospective uranium property known as the Volhoffer Lake Property, comprised of two contiguous claims on the eastern margin of the Athabasca Basin. The Company paid consideration of $555,000, consisting of $55,000 cash and 2,500,000 common shares at a fair value of $500,000, fulfilling the initial commitment under the Volhoffer Lake Property option agreement. Additional commitments in order to fully exercise the option include the Company completing $5,000,000 in qualified exploration work on the Property on or before the fifth anniversary of the agreement and by making an additional cash payment of $1,200,000 within five years. One-half of the 2% NSR may be purchased from the vendor by the Company for $1,200,000.

East Key Lake Project

On February 7, 2011, the Company entered into a mineral property option agreement pursuant to which the Company has an option to acquire a 100% interest (subject to a 1% NSR) in and to the mineral rights underlying the prospective uranium property known as the East Key Lake Property located in the Athabasca Basin region of northeast Saskatchewan. The Company paid consideration of $430,000 to an arm's length vendor, consisting of $40,000 cash and 1,000,000 common shares at a fair value of $390,000, fulfilling the initial commitment under the East Key Lake Property option agreement. Additional commitments in order to exercise the East Key Lake option include the Company making cash payments totalling $750,000 within 42 months and filing $3,000,000 in qualified exploration expenditures on the East Key Lake Property within four years. The 1% NSR may be purchased by the Company for $1,500,000.

Fisher River Project

On May 7, 2013, the Company entered into a mineral property option agreement pursuant to which the Company has the option to purchase a 100% interest (subject to a 1% NSR) in the mineral rights underlying the prospective uranium property known as the Fisher River Property located in the Athabasca Basin region of northeast Saskatchewan. The Company paid consideration of $250,000 to an arm's length vendor, consisting of $10,000 cash and 3,000,000 common shares at a fair value of $240,000, fulfilling the initial commitment under the Fisher River option agreement. Additional commitments in order to fully exercise the option to purchase 100% of Fisher River include the Company making an additional cash payment of $500,000 on or before the fourth anniversary of the Agreement. One-half of the 1% NSR may be purchased by the Company for $1,000,000.

6. Other liabilities

Other liabilities include the liability resulting from the premium received for flow-through shares issued. The following is the continuity schedule of this liability:

Flow-through Shares

	Issued on December 7, 2010	Issued on December 22, 2010	Issued on March 14, 2011	Issued on August 24, 2012	Total
Balance, August 31, 2011	$ 87,081	$ 40,461	$ 170,844	$ -	$ 298,386
Liability incurred on flow-through shares issued	-	-	-	96,000	96,000
Settlement of flow-through share liability on incurring expenditures	(87,081)	(40,461)	(170,844)	(24,383)	(322,769)
Balance August 31, 2012	$ -	$ -	$ -	$ 71,617	$ 71,617
Settlement of flow-through share liability on incurring expenditures	-	-	-	(71,617)	(71,617)
Balance, August 31, 2013	$ -	$ -	$ -	$ -	$ _-

On August 24, 2012, the Company completed a private placement consisting of the issue and sale of 3,200,000 flow through shares at a price of $0.15 per flow-through share for aggregate gross proceeds of $480,000.

7. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the years ended August 31, 2013 and 2012 were based on the loss attributable to common shareholders of $347,971 (2012 - $968,445) and the weighted average number of common shares outstanding at August 31, 2013 of 64,353,385 (2012 - 50,623,033).

Diluted loss per share did not include the effect of 4,325,000 stock options and 5,097,464 warrants as the effect would be anti-dilutive.

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

Issued share capital

At August 31, 2013, there were 68,529,579 (2012 - 56,706,365) issued and fully paid common shares.

Please refer to the Statement of Changes in Shareholders' Equity for a summary of changes in share capital and reserves for the year ended August 31, 2013. Reserves relates to stock options, agent's unit options, and compensatory warrants that have been issued by the Company.

Private placements

For the year ended August 31, 2013

On April 19, 2013, the Company completed a private placement of 8,823,214 units at a price of $0.07 per unit for gross proceeds of $617,625. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.13 per share for a period of one year from the date of closing.

In connection with the placement, the Company paid certain finders an aggregate cash commission of $92,364 and issued 685,857 finder's warrants. Each finder's warrant entitles a finder to purchase a common share of the Company at an exercise price of $0.08 per share until April 19, 2014.

The fair value of the finders' warrants, being $21,171 was determined using the Black Scholes option pricing model weighted average assumptions with a volatility of 76.3%, average risk free interest rate of 0.97%, expected life of 1 year and a dividend rate of 0%.

For the year ended August 31, 2012

On August 24, 2012, the Company issued 3,200,000 flow through common shares ("FT Shares") at a price of $0.15 per FT Share and 1,300,000 non-flow through units ("NFT Units") consisting of one common share and one-half of one share purchase warrant (the "NFT Warrant") at a price of $0.12 per NFT Unit for aggregate gross proceeds of $636,000. Each whole NFT Warrant issued entitles the holder thereof to purchase one common share at a price of $0.25 per share until August 24, 2013.

In connection with the placement, the Company paid certain finders an aggregate cash commission of $41,408 and issued 289,387 finder's warrants. Each finder's warrant entitles a finder to purchase a common share of the Company at an exercise price of $0.25 per share until August 24, 2013.

The fair value of the finders' warrants, being $3,667 was determined using the Black Scholes option pricing model weighted average assumptions with a volatility of 65.7%, average risk free interest rate of 1.15%, expected life of 1 year and a dividend rate of 0%.

8. Share capital (cont'd)

Escrow shares

The Company had 4,000,000 common shares which are subject to escrow agreements, 10% of which were released from escrow upon completion of the Company's Qualifying Transaction on July 8, 2010. An additional 15% were released from escrow every six months thereafter.

As at August 31, 2013, nil common shares (2012 - 1,200,000) are held in escrow.

Warrants

The warrants outstanding and transactions are as follows:

	Number of warrants	Weighted Average Exercise Price
Balance, August 31, 2011	23,952,366	$ 0.38
Granted	939,389	0.24
Expired	(21,910,652)	(0.37)
Balance, August 31, 2012	2,981,103	$ 0.39
Granted	5,097,464	0.12
Expired	(2,981,103)	(0.39)
Balance, August 31, 2013	5,097,464	$ 0.12

The share purchase warrants outstanding at August 31, 2013 are as follows:

Number of Warrants	Exercise Price	Expiry Date
4,411,607	$0.13	April 19, 2014
685,857	$0.08	April 19, 2014
5,097,464		

9. Share-based payments

Stock options

The Company has adopted a "rolling" stock option plan (the "Plan"), pursuant to which a maximum of 10% of the issued and outstanding common shares of the Company, less any outstanding stock options previously granted, will be reserved for issuance as options and will be granted at the discretion of the Board of Directors to eligible optionees under the Plan. While the Plan is in effect there can never be more than 10% of the Company's issued and outstanding common shares reserved for issuance. Stock options granted vest at the discretion of the Board of Directors. The options can be granted for a maximum term of 5 years.

The stock options outstanding and transactions are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, August 31, 2011	3,325,000	$ 0.23
Granted	1,200,000	0.19
Cancelled	(200,000)	(0.23)
Balance, August 31, 2012	4,325,000	$ 0.22
Granted	1,250,000	0.10
Expired	(400,000)	(0.10)
Cancelled	(850,000)	(0.24)
Balance, August 31, 2013	4,325,000	$ 0.20

The stock options outstanding and exercisable at August 31, 2013 are as follows:

Number of Options – outstanding	Number of Options - exercisable	Exercise Price	Expiry Date
600,000	600,000	0.25	August 4, 2015
975,000	975,000	0.26	January 20, 2016
550,000	550,000	0.20	August 22, 2016
250,000	250,000	0.24	November 23, 2016
200,000	200,000	0.20	May 2, 2017
500,000	500,000	0.15	July 10, 2017
1,250,000	1,250,000	0.10	May 28, 2018
4,325,000	4,325,000		

Share-based payments

The total share-based payments recognized and expensed during the year ended August 31, 2013 under the Black-Scholes option pricing model was $60,060 (2012 - $142,979).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the years ended August 31, 2013 and 2012.

	2013	2012
Risk-free interest rate	1.47%	1.18%
Expected life of options	5 years	5 years
Annualized volatility	80.0%	73.1%
Dividend rate	0.00%	0.00%

10. Related party transactions

The Company entered into the following transactions with related parties:

	Year ended	
	August 31, 2013	**August 31, 2012**
Management fees paid to a company controlled by the CEO	$ 60,000	$ 60,000
Management fees paid to a company controlled by the CFO	90,000	90,000
Consulting fees paid to a company controlled by an officer of the Company	16,500	24,800
Fees paid to a director of the Company	15,000	9,000
Consulting fees paid to a company controlled by an officer of the Company which have been capitalized to exploration costs	1,500	1,600
Share-based payments to officers[(i)]	21,622	19,290
Share-based payments to directors[(i)]	19,219	32,150
	$ 223,841	$ 236,840

The remuneration of key management personnel, being those persons determined as having authority and responsibility for planning, directing and controlling the activities of the Company during the years ended August 31, 2013 and 2012 is as follows:

	2013	**2012**
Management fees paid to companies controlled by the CEO and CFO	150,000	150,000
Fees paid to a director	15,000	9,000
Share-based payments to the CEO and CFO[(i)]	19,219	12,860
Share-based payments to directors[(i)]	19,219	32,150
	$ 203,438	$ 204,010

[(i)] Share-based payments are the fair value of options granted.

11. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended August 31, 2013. The Company is not subject to externally imposed capital requirements.

12. Financial risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

Cash and equivalents are classified as Level 1.

As at August 31, 2013, the carrying values of cash and equivalents, receivables and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Company's credit risk is primarily attributable to cash and equivalents and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with a high quality financial institution. At August 31, 2013, the Company’s exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company’s normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at August 31, 2013, the Company had a cash balance of $430,536 (2012 - $804,703) to settle accounts payable and accrued liabilities of $33,403 (2012 - $33,217). All of the Company’s financial liabilities have contracted maturities of less than 30 days and are subject to normal trade terms.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company’s access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

12. Financial risk management (cont'd)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of August 31, 2013, the Company has $450,000 (2012 - $200,000) in investment-grade short-term deposit certificates.

b) Foreign currency risk

Foreign currency risk is the risk that variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operating and financial results. The Company does not have any balances or transactions denominated in a foreign currency.

c) Price risk

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

13. Segment information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. The Company conducts all of its operations in Canada, and the Company's property is located in Canada.

14. Supplemental disclosure with respect to cash flows

	Year ended	
	August 31, 2013	**August 31, 2012**
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

The significant non-cash transactions during the year ended August 31, 2013 were as follows:

a) Issued 3,000,000 shares with a fair value of $240,000 for the acquisition of an interest in exploration and evaluation assets.

b) Granted 685,857 finders' warrants with a fair value of $21,171 which was recorded as share issuance costs.

The significant non-cash transactions during the year ended August 31, 2012 were as follows:

a) Issued 5,500,000 shares with a fair value of $1,100,000 for the acquisition of an interest in exploration and evaluation assets.

b) Granted 289,387 finders' warrants with a fair value of $3,667 which was recorded as share issuance costs.

15. Income taxes

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

	2013	2012
Loss for the year	$ (479,971)	$ (460,445)
Expected income tax recovery	$ (122,000)	$ (117,000)
Change in statutory tax rates and other	13,000	39,000
Permanent Difference	(3,000)	-
Impact of flow through shares	87,000	1,325,000
Share issue costs	(23,000)	(11,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(84,000)	-
Change in unrecognized deductible temporary differences and other	-	(728,000)
Total deferred tax expense (recovery)	$ (132,000)	$ 508,000

The Canadian income tax rate declined during the year due to changes in the law that reduced federal corporate income tax rates in Canada.

The future Canadian income tax rate increased during the year due to changes in the law that increased provincial corporate tax rates in British Columbia.

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2013	2012
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	$ (1,146,000)	$ (1,019,000)
Share issue costs	76,000	80,000
Non-capital losses	694,000	431,000
Total deferred tax recovery	$ (376,000)	$ (508,000)

For 2013, the Company has Canadian non-capital losses available to offset future income of $2,668,000 expiring between 2027-2033. In 2012 the Canadian non-capital losses available are $1,726,000 expiring between 2027-2032.

Tax attributes are subject to review, and potential adjustment, by tax authorities.