FAIRMONT RESOURCES INC.

Financial Statements

For the yearsended
October 31, 2013 and 2012

Expressed in Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fairmont Resources Inc.

We have audited the accompanying financial statements of Fairmont Resources Inc., which comprise the statements of financial position as at October 31, 2013 and 2012, and the statements of comprehensive loss, cash flows and changes in equity 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 Fairmont Resources Inc. as at October 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 Fairmont Resources Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

February 27, 2014

FAIRMONT RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	October 31, 2013	October 31, 2012
ASSETS		
CURRENT		
Cash and cash equivalents (Note 4)	$3,567	$ 249,160
Amounts receivable	2,459	31,648
Prepaid expenses	1,198	70,127
TOTAL CURRENT ASSETS	7,224	350,935
Exploration and evaluation assets (Note 5)	845,106	1,783,396
TOTAL ASSETS	$ 852,330	$ 2,134,331
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$73,695	$ 29,361
Due to related parties (Note 8)	103,481	79,217
TOTAL CURRENT LIABILITIES	177,176	108,578
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	3,320,679	3,306,679
Equity reserves (Note 6)	696,935	694,341
Deficit	(3,342,460)	(1,975,267)
TOTAL SHAREHOLDERS' EQUITY	675,154	2,025,753
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 852,330	$ 2,134,331

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

Approved on behalf of the Board on February 27, 2014:

"Greg Ball"	"Michael Dehn"
Director	Director

The accompanying notes are an integral part of these financial statements

FAIRMONT RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Years ended October 31, 2013	2012
EXPENSES		
Administration	$ 30,000	$38,599
Advertising and promotion	85	36,809
Audit and accounting	52,200	75,450
Consulting	30,000	41,250
Exploration Expense	-	10,785
Insurance	-	2,511
Investor relations	143,650	150,500
Legal	12,386	15,494
Management	88,500	92,768
Office and miscellaneous	10,676	14,347
Rent	12,159	22,246
Registration and transfer fees	21,284	23,094
Share-based payments (Note 6)	2,594	121,638
Travel	992	24,479
Wages and benefits	-	22,687
Operating expenses	(404,526)	(692,657)
Interest income	537	5,339
Other income on settlement of flow-through share premium liability (Note 7)	-	55,173
Write-off of exploration and evaluation assets (Note 5)	(963,204)	-
Loss and comprehensive loss for the year	**$ (1,367,193)**	**$(632,145)**
LOSS PER SHARE, basic and diluted	$ (0.27)	$ (0.14)
Weighted average number of shares outstanding	5,054,511	4,629,360

The accompanying notes are an integral part of these financial statements

FAIRMONT RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Years ended October 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,367,193)	$ (632,145)
Adjustments		
Share-based payments	2,594	121,638
Other income on settlement of flow-through share premium liability	-	(55,173)
Interest income	(1,835)	(5,339)
Write-off of exploration and evaluation assets	963,204	-
Changes in non-cash working capital items		
Amounts receivable	29,189	37,062
Prepaid expenses	68,929	(51,805)
Accounts payable and accrued liabilities	43,266	(12,166)
Due to related parties	102,486	(631)
Net cash used in operating activities	(159,360)	(598,559)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	-	516,500
Share issuance cost	-	(50,900)
Net cash from financing activities	-	465,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures	(88,068)	(449,379)
Interest received	1,835	5,339
Net cash used in investing activities	(86,233)	(444,040)
Change in cash and cash equivalents during the year	(245,593)	(576,999)
Cash and cash equivalents, beginning of the year	249,160	826,159
Cash and cash equivalents, end of the year	$3,567	$ 249,160

SUPPLEMENTAL INFORMATION

	2013	2012
NON CASH TRANSACTIONS		
Shares issued for exploration and evaluation asset (Note 6)	$14,000	$ 31,750
Agents units and warrants issued for private placement (Note 6)	$ -	$ 24,579
Exploration and evaluation assets included in due to related parties	$ 626	$ 78,848
Exploration and evaluation assets included in accounts payable and accrued liabilities	$ 9,968	$ 8,900

The accompanying notes are an integral part of these financial statements

FAIRMONT RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Equity Reserves	Deficit	Total equity
Balance at October 31, 2011	4,051,775	$2,833,908	$ 548,124	$(1,343,122)	$ 2,038,910
Shares issued for exploration and evaluation assets	68,750	31,750	-	-	31,750
Private placement	860,833	516,500	-	-	516,500
Share issuance costs	-	(50,900)	-	-	(50,900)
Agent warrants issued as finders' fees	-	(24,579)	24,579	-	-
Share-based payments	-	-	121,638	-	121,638
Loss for the year	-	-	-	(632,145)	(632,145)
Balance at October 31, 2012	4,981,358	3,306,679	694,341	(1,975,267)	2,025,753
Adjustment to shares due to consolidation	2		-	-	-
Shares issued for exploration and evaluation assets	125,000	14,000	-	-	14,000
Share-based payments	-	-	2,594		2,594
Loss for the year	-	-	-	(1,367,193)	(1,367,193)
Balance at October 31, 2013	5,106,360	$ 3,320,679	$ 696,935	$(3,342,460)	$675,154

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Fairmont Resources Inc. (the "Company") was incorporated on May 25, 2007 under the British Columbia Business Corporations Act.The Company's head office address is Suite 810 – 789 West Pender Street, Vancouver, BC V6C1H2, Canada. The registeredand records office address is Suite 704 – 595 Howe Street, Vancouver, BC V6C 2T5, Canada. The Company is listed on the TSX Venture Exchange under the symbol "FMR". During the year ended October 31, 2013, the Company consolidated its share capital, stock options and warrants on a one-new-for-four-old basis. These statements reflect the share consolidation.The Company is primarily engaged in the acquisition, exploration and development of exploration and evaluation assets. At October 31, 2013, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production from the exploration and evaluation assets or proceeds from the disposition of the exploration and evaluation asset.

At October 31, 2013 and 2012, the Company had an accumulated deficit of $3,342,460 and $1,975,267respectively, which has been funded by the issuance of equity. The Company expects to incur further losses in the development of its business, all of which cast significant doubt on the Company's ability to continue as a going concern.The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. 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 therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

	October 31, 2013	October 31, 2012
Working capital (deficiency)	$ (169,952)	$ 242,357
Deficit	$ (3,342,460)	$ (1,975,267)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance and basis of presentation

These financial statements, including comparatives, have been prepared in accordance with International Financial ReportingStandards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Thesefinancial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or 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.

Thesefinancial statements of the Company are presented in Canadian dollars unless otherwise indicated, which is the functional currency of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period.

Significant assumptions about the future and other sources of estimated uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

1) the carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position;

2) the inputs used in the accounting for the deferred tax assets / liabilities; and

3) the inputs used in the accounting for share-based payment expense included in profit or loss.

c) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased, or which are redeemable at the option of the Company, to be cash equivalents.

d) Exploration and evaluation assets

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

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction.” Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

e) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. 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 not recognized for the following temporary differences: 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, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. 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 substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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.

f) Impairment

The carrying amounts of the Company’s non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Provision for closure and reclamation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision required for closure and reclamation as at October 31, 2013 and 2012.

h) Share-based payments

The Company applies the fair value method to share-based payments and all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in equity reserves. When the options are exercised, the exercise price proceeds together with the amount initially recorded in equity reserves are credited to share capital.

i) Income/Loss per share

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

j) 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 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, 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 the premium is recognized as other income.

k) Share issue costs

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 issue 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 operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments

Financial assets:

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

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

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that provide objective evidence of impairment, which are recognized in earnings. The Company’s receivables are classified as loans and receivables.

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

Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

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 or, where appropriate, a shorter period. The Company’s financial liabilities consist of accounts payable, accrued liabilities and due to related parties, which 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 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 profit or loss.

Impairment of financial assets:

Financial assets, other than those at FVTPL, 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 all 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

For certain categories of financial assets, such as receivables, 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 receivables, where the carrying amount is reduced through the use of an allowance account. When a 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.

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 of impairment is reversed does not exceed what the amortized cost would have been had the impairment not be recognized.

m) Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. ACCOUNTING STANDARDS ISSUED FOR ADOPTION IN FUTURE PERIODS

Accounting Standards issued and effective January 1, 2013

IFRS 10 – *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 – Consolidation – Special Purpose Entities and IAS 27 – Consolidated and Separate Financial Statements.

IFRS 11 – *Joint Arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

(Expressed in Canadian Dollars)

3. ACCOUNTING STANDARDS ISSUED FOR ADOPTION IN FUTURE PERIODS (continued)

The Company is currently evaluating the impact of the application of these accounting standards on the Company's financial statements.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents was comprised ofa redeemable guaranteed investment certificate ("GIC") withan interest rate of prime minus 1.8% per annum and expiring on June 21, 2013. At October 31, 2013 and 2012, the fair value of the GICwasnil and$200,000 respectively. At October 31, 2013,there was nil(October 31, 2012- $1,299) in interest receivable that was also included as cash and cash equivalents.

5. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Clay and Powell Properties (Ontario)

On September 14, 2010, the Company entered into a Letter of Intent with Rainy Mountain Royalty Corp. and Mega Uranium Ltd. (the "Optionors") for an option to purchase a 70% undivided interest in certain mineral tenures comprising the Powell property and the Clay property (the "Properties") located near Thunder Bay, Ontario.

The Company may exercise the option by the issuance to the Optionors of 100,000 common shares in the capital stock of the Company, and by incurring a total of $1,000,000 in exploration and development expenditures on the properties as follows:

Date of Completion	Number of Common Shares	Minimum Expenditures
Within 10 days of October 15, 2010 (shares issued at a value of $35,000)	25,000	$ -
Before October 15, 2011 (minimum expenditures of $250,000 incurred; shares issued at a value of $11,000)	25,000	250,000
Before October 15, 2012 (minimum expenditures of $250,000 incurred; shares issued at a value of $6,000)	25,000	250,000
Before October 15, 2013 (expenditures of $229,041incurred)	25,000	500,000
	100,000	$ 1,000,000

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Clay and Powell Properties (Ontario) (continued)

In the event that the Company decides to abandon the Option and the Properties, the Company will provide thirty days prior written notice and will provide payment of rental fees for a period of at least six months from the effective date of such abandonment.

Pursuant to the Letter of Intent, the Clay and Powell properties are subject to a 2% net smelter return ("NSR") royalty of which 1% can be purchased for $500,000 and the other 1% for $1,000,000. The Company and the Optionors will pay the amount in proportion to their respective interest in the Properties. (Note 13)

Marmion South Contact Property (Ontario)

On January 7, 2011, the Company entered into a letter agreement with an arm's length party (the "Optionor") to earn a 100% interest in certain mineral claims known as the Marmion South Contact property. The property is located in the Thunder Bay Mining Division, Ontario. To acquire the 100% interest, the Company agreed to pay $320,000, issue a total of 187,500 common shares and incur a total of $1,500,000 in exploration expenditures.

On January 3, 2013, the original agreement was modified as reflected in the table below. A $60,000 payment that was due January 7, 2013 was postponed to June 7, 2013 and in recompense on January 7, 2013 the Company issued 75,000 common shares at a value of $12,000 (comprising 100% of the sharesdue on January 7, 2013 and 100% of the shares that are due on January 7, 2014).On July 4, 2013, the original agreement was further modified as reflected in the table below. A $60,000 payment that was due June 7, 2013 was postponed to January 7, 2014 and in recompense on July 31, 2013, 25,000 common shares (consisting of 50% of the original 50,000 common shares that were due on January 7, 2015) were issued at a value of $1,000.The amended cash payments were not made as the Company abandoned the property. (Note 13)

Date of Completion	Cash Payments	Number of Common Shares	Exploration Expenditures
By January 7, 2011 (paid)	$ 25,000	-	$ -
On receiving approval from TSX Venture Exchange (issued at a value of $40,000)	-	25,000	-
By January 7, 2012 (cash payment of $40,000 made; minimum expenditures of $150,000 incurred; shares issued at a value of $24,000)	40,000	37,500	150,000
By January 7, 2013 (minimum expenditures of $250,000 made; shares issued at a value of $12,000)	-	75,000	250,000
By July 31, 2013 (shares issued at a value of $1,000)	-	25,000	-
By January 7, 2014 (minimum expenditures of $400,000 made)	135,000	-	400,000
By January 7, 2015 (expenditures of $8,205 made)	120,000	25,000	700,000
	$ 320,000	187,500	$1,500,000

The Company paid $13,000 as a finder's fee for the Marmion South Contact acquisition.

The property is subject to a 2.5% NSR royalty. The Company has the right to acquire 50% of the royalty at any time prior to the commencement of commercial production on the property for $1,000,000.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS(continued)
Houghton Creek Property (Ontario)

On July 25, 2012, the Company entered into a letter agreement with an arm's length party (the "Optionor") to earn a 100% interest in certain mineral claims known as the Houghton Creek property. The property is located in the Patricia Mining Division, Ontario. To acquire the 100% interest, the Company agreed to pay $22,000, issue a total of 56,250 common shares and incur a total of $150,000 in exploration expenditures.

On July 31, 2013, the original agreement was modified as per the table below. The $3,500 payment that was due July 25, 2013was postponed to July 25, 2014 and in recompense a payment of 25,000 common shares (consisting of 100% of the original common shares, that were due on the first and second anniversary of the agreement)were issued on August 16, 2013 at a value of $1,000.

Date of Completion	Cash Payments	Number of Common Shares	Exploration Expenditures
By July 25, 2012 (paid)	$ 3,500	-	$ -
By August 7, 2012 (issued at a value of $1,750)	-	6,250	-
By August 16, 2013(issued at a value of $1,000)	-	25,000	-
By July 25, 2014 (expenditures of $50,000 incurred)	8,500	-	50,000
By July 25, 2015 (expenditures of $1,028 incurred)	10,000	25,000	100,000
	$ 22,000	56,250	$ 150,000

The property is subject to a 2% NSR royalty. The Company has the right to acquire 50% of the royalty at any time prior to the commencement of commercial production on the property for $1,000,000.

The following acquisition and deferred exploration costs were incurred on the Company's exploration and evaluation assets:

Current year	Clay and Powell	Marmion South Contact	Houghton Creek	Total
Acquisition costs, October 31, 2012	$ 52,000	$ 142,000	$ 12,036	$ 206,036
Additions during the year	-	13,000	1,000	14,000
Write-off acquisition of properties	-	(155,000)	-	(155,000)
Acquisition costs, October 31, 2013	52,000	-	13,036	65,036
Deferred exploration costs, October 31, 2012	727,357	801,366	48,637	1,577,360
Additions during the year				
Administration	-	3,575	1,788	5,363
Assays	-	343	-	343
Field personnel and expenses	-	60	-	60
Geological consulting	585	2,716	603	3,904
Mapping	1,100	144	-	1,244
Write-off exploration of properties	-	(808,204)	-	(808,204)
Deferred exploration costs, October 31, 2013	729,042	-	51,028	780,070
Total exploration and evaluation assets, October 31, 2013	$ 781,042	$-	$ 64,064	$845,106

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS(continued)

Prior year	Clay and Powell	Marmion South Contact	Houghton Creek	Total
Acquisition costs, October 31, 2011	$ 46,000	$ 78,000	$ -	$ 124,000
Additions during the year	6,000	64,000	12,036	82,036
Acquisition costs, October 31, 2012	52,000	142,000	12,036	206,036
Deferred exploration costs, October 31, 2011	712,930	377,589	-	1,090,519
Additions during the year				
Administration	-	8,773	1,223	9,996
Assays	-	17,548	3,152	20,700
Core cutting	-	7,575	-	7,575
Drilling	-	163,875	-	163,875
Equipment rental	-	15,161	6,619	21,780
Field personnel and expenses	1,068	36,218	7,826	45,112
Geological consulting	9,688	147,972	29,817	187,477
Geophysical	3,220	26,655	-	29,875
Mapping	451	-	-	451
Additions during the year	14,427	423,777	48,637	486,841
Deferred exploration costs, October 31, 2012	727,357	801,366	48,637	1,577,360
Total exploration and evaluation assets, October 31, 2012	$ 779,357	$ 943,366	$ 60,673	$ 1,783,396

6. SHARE CAPITAL

The authorized share capital consists of an unlimited number of common shares without par value.

Private Placements

Year endedOctober 31, 2013

The Company did not complete any private placements during fiscal 2013.

Year Ended October 31, 2012

On March 15, 2012, the Company completed a Private Placement and issued a total of 860,833 units at a price of $0.60per unit, for gross proceeds of approximately $516,500 (the "Private Placement"). Each unit under the Private Placement is comprised of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of $0.80per share until March 15, 2014. In connection with the Private Placement, the Companypaid finders cash commissions totaling $50,900 and issued finders a total of 84,833 share purchase warrants valued at $24,579. Each finder's warrant is exercisable on the same terms described above and expires on March 15, 2014.The fair value of the finder's warrants was determined using the Black Scholes option pricing model with a volatility of 100%, risk free interest rate of 1.73%, expected life of 2 years, and a dividend rate of 0%.

Escrow Shares

On April 15, 2013, 84,470 shares wereReleased from escrow.At October 31, 2013 and October 31, 2012, pursuant to an escrow agreement dated December 10, 2009, Nil and84,470 of the common shares issued and outstanding were held in escrow.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

Stock options

The Company has a rolling stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding shares. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

The following table summarizes the stock option activity:

	Number of Stock Options	Weighted Average ExercisePrice
Balance at October 31, 2011	412,500	$ 1.07
Granted	300,000	.60
Expired	(325,000)	1.24
Balance at October 31, 2012	387,500	.60
Expired	(25,000)	.60
Balance atOctober 31, 2013	362,500	$ 0.60
Exercisable at October 31, 2013	362,500	$ 0.60

As at October 31, 2013, the following incentive stock options are outstanding:

Numberof Stock Options	Exercise Price	Expiry Date
25,000	$ 0.60	December 9, 2014
12,500	1.24	November 3, 2015
50,000	0.46	October 24, 2016
262,500	0.60	February 8, 2017
12,500	0.60	February 14, 2017
362,500		

Share-based payments

For the year endedOctober 31, 2013, the total share-based payments calculated for stock options granted under the fair value method was $Nil(2012- $123,928). For the year endedOctober 31, 2013, the Company expensed $2,594 (2012- $121,638) for the vesting portion of the stock options to operations.

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the year.

	2013	2012
Risk free interest rate	-	1.41%
Expected life of options	-	4.67 years
Expected annualized volatility	-	100%
Expected dividend rate	-	0%

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

Warrants

The following table summarizes the warrants and agent warrants activity.

	Number of Warrants	Weighted Average ExercisePrice
Balance at October 31, 2011	989,975	$ 1.80
Agents warrants	84,833	0.80
Private placement warrants	860,833	0.80
Expired warrants	(56,725)	0.80
Balance at October 31, 2012	1,878,916	1.33
Expired warrants	(933,250)	1.80
Balance at October 31, 2013	945,666	$ 0.80

As at October 31, 2013, there are a total of 945,666 warrants outstanding at an exercise price of $0.80 and they expire on March 15, 2014.

Agent warrants

As at October 31, 2013, there are 84,833 agent warrants outstanding (included in the above total) at an exercise price of $0.80 and they expire on March 15, 2014.

7. FLOW-THROUGH SHARE PREMIUM LIABILITY

	Amount
Balance at October 31, 2011	$ 55,173
Settlement of flow-through share liability upon expenditures being incurred	(55,173)
Balance at October 31, 2012 and 2013	$ -

7. FLOW-THROUGH SHARE PREMIUM LIABILITY (continued)

On March 4, 2011, the Company completed the first tranche of a private placementwhich was comprised of 818,750 Flow-Through Units (“FT Unit”) at $1.60 per FT Unit for gross proceeds of $1,210,000. The premium received on the shares issued was determined to be $163,750 and was recorded as a share capital reduction. An equivalent premium liability was recorded and reduced when the required exploration expenditures were incurred.

8. RELATED PARTY TRANSACTIONS

In the years endedOctober 31, 2013 and 2012 the following amounts were paid or accrued to related parties:

a) Paid or accrued $12,000(2012– $12,000) in management fees to adirector of the Company.

b) Paid or accrued $76,500(2012– $65,767) in management fees to acompany controlled by two directors of the Company.

c) Paid or accrued $nil (2012- $15,000) in management fees to a director of the Company.

d) Paid or accrued $8,645 (2012 - $457,430) in deferred exploration expenses to a company controlled by two directors of the Company. The 2012 amount includes $163,875 paid to a subcontractor for drilling and $61,852 in other reimbursable expenses.

(Expressed in Canadian Dollars)

e) Share-based payments to directors in the year ended October 31, 2013 was nil (2012 - $55,936),

At October 31, 2013, $94,111(October 31, 2012 - $78,848) in due to related parties was outstanding to a company controlled by two directors of the Company and $370 (October 31, 2012 - $369) in due to related parties was outstanding to an officer of the Company.At October 31, 2013, $9,000 (October 31, 2012 - $Nil) in due to related parties was outstanding to a director of the Company. The amounts owing are unsecured, non-interest bearing and with no stated payment date.

The total remuneration fordirectors fees and to other key management personnel during theyears endedOctober 31, 2013 and 2012were $88,500 and $92,767 respectively.

9. CAPITAL MANAGEMENT

The Company considers its capital to be acomponent of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through debt and equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

10. FINANCIAL INSTRUMENTS

a) Fair Values

The Company's financial instruments consist of cash and cash equivalents, amounts receivable,accounts payable and accrued liabilities and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

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

	October 31, 2013	October 31, 2012
Fair value through profit or loss (i)	$ 3,567	$ 249,160
Loans and receivables (ii)	$2,459	$ 31,648
Other financial liabilities (iii)	$ 177,176	$ 108,578

(i) Cash and cash equivalents
(ii) Amounts receivable
(iii) Accounts payable and accrued liabilities and amounts due to related parties

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices 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 that are not based on observable market data.

10. FINANCIAL INSTRUMENTS (continued)

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,567	-	-	$ 3,567

b) Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. 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 a high credit quality financial institution.

c) 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 manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuances when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

d) Foreign Exchange Risk

The Company does not have significant foreign exchange risk as most of its transactions are in Canadian dollars.

e) Interest Rate Risk

The Company is not exposed to significant interest rate risk.

f) Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

11. SEGMENT INFORMATION

The Company conducts all of its business activities in Canada, in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets.

(Expressed in Canadian Dollars)

12. INCOME TAX

During the year ended October 31, 2013, the Company decided to terminate the letter agreement; accordingly all related costs were written off to operations.

The following table reconciles the amount of income tax recoverable on application of the combinedstatutory Canadian federal and provincial income tax rates; with the amount reported:

	2013	2012
Loss before income taxes	$ (1,367,193)	$ (632,145)
Expected income tax benefit based on statutory rate	$ (350,000)	$ (159,617)
Change in statutory, foreign tax, foreighn exchange rates and other	(6,000)	95,092
Permanent difference	1,000	17,525
Impact of flow through share	-	-
Share issue cost	-	-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(82,000)	-
Change in unrecognized deductible temporary differences	437,000	47,000
Total income tax expense (recovery)	-	-

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

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

	2013	2012	Expiry Date
Deferred tax assets (liabilities)			
Exploration and evaluation assets	$ (55,000)	$ (372,000)	Not applicable
Share issue costs	40,000	$ 63,000	2014 - 2017
Non-capital losses	530,000	387,000	2029 - 2033
Unused deferred tax assets	$515,000	$78,000	

The Company has non-capital losses for Canadian income tax purposes of approximately $2,050,000 which may be carried forward and applied against taxable income in future years. No net deferred tax asset has been recognized in respect of the above for the years ended October 31, 2013 and 2012 because the amount of future taxable profit that will be available to realize such assets is not probable.

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

13. SUBSEQUENT EVENTS

a) On November 21, 2013 5,290,000 common shares were issued at a price of $0.05 per common share for gross proceeds of $264,500. In conjunction with the private placement 295,000 shares at a price of $0.05 per common shares were issued as a finders fee.

b) On November 26, 2013, the Company entered into a letter agreement with an arm's length party (the "Optionor") to earn a 40% interest in certain mineral claims known as the Lac Elan property in the province of Quebec. To acquire the 40% interest, the Company issued a total of 1,000,000 common shares on December 6, 2013 and agreed to incur a total of $100,000 in exploration expenditures before the second anniversary of the agreement, with $25,000 of that being spent before the first anniversary. In conjunction with the purchase agreement 100,000 shares at a fair value price of $0.05 per common share were issued on December 13, 3013 as a finders fee.

c) On December 7, 2013 the Company entered into a letter of intent with an arm's length party (the "Vendor") to earn a 100% interest in certain mineral claims known as the Buttercup property in the province of Quebec. To acquire the 100% interest, the Company issued a total of 1,000,000 common shares on January 28, 2014,paid $50,000 to certain suppliers of the Vendor, and agreed to pay a total of $100,000 to the Vendor. Further, the net profits from production will be split 80% to the Vendor and 20% to the Company until the Vendor has received a total payment of $3,000,000. Thereafter the Vendor will receive 5% of the net profits and the Company will receive 95%.

d) On January 10, 2014 the Company staked 96 mineral claims next to its Buttercup and Lac Elanproperties.

e) OnJanuary 29, 2014 the Company abandoned its Marmion South Contact group of claims so that it could focus on those properties that showed more promising results.In order to abandon the property with no further obligations the Company agreed to issue the optionors 100,000 commons shares at a fair value of $0.06 per share.

f) On February 13, 2014 the Company agreed to terms with the optionors of the Clay Powell property to extend the option until December 13, 2014.The Company agreed to issue25,000 common shares to cover past obligations and to issue100,000 common shares for the extension to December 13, 2014. Minimum expenditure obligations for the year ended October 31, 2013 were waived by the optionors.