Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Financial Statements

(Expressed in Canadian Dollars)

Year Ended July 31, 2012

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(an Exploration Stage Enterprise)
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(Expressed in Canadian Dollars)

Year Ended July 31, 2012

CHARTERED ACCOUNTANTS
MacKay LLP

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Independent Auditor's Report

To the Shareholders of
Zadar Ventures Ltd.

We have audited the accompanying financial statements of Zadar Ventures Ltd., which comprise the statements of financial position as at July 31, 2012, July 31, 2011, and August 1, 2010, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years ended July 31, 2012 and July 31, 2011, 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.

Auditor's 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 audits 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 auditor's 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.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Zadar Ventures Ltd. as at July 31, 2012, July 31, 2011, and August 1, 2010 and its financial performance and its cash flows for the years ended July 31, 2012 and July 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Zadar Ventures Ltd. to continue as a going concern.

"MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
November 28, 2012

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	**July 31 2012**	July 31 2011	August 1 2010
			(Note 10)	(Note 10)
Assets				
Current				
Cash		**$ 226,525**	$ 62,359	$ 11,418
Goods and services tax recoverable		**38,209**	11,910	3,743
Prepaid expenses		**-**	1,200	-
Due from related party	8	**-**	2,400	-
		264,734	77,869	15,161
Deferred financing costs		**-**	22,000	22,000
Exploration and evaluation assets	4	**321,556**	162,056	78,821
		$ 586,290	$ 261,925	$ 115,982
Liabilities				
Current				
Accounts payable and accrued liabilities	8	**$ 96,795**	$ 60,849	$ 24,364
Due to related parties	8	**4,000**	-	60,100
		100,795	60,849	84,464
Shareholders' Equity				
Share capital	5	**794,245**	319,000	11,000
Subscriptions received in advance		**2,500**	-	35,000
Subscriptions receivable		**(22,500)**	(22,500)	(2,501)
Contributed surplus	5	**48,485**	-	-
Deficit		**(337,235)**	(95,424)	(11,981)
		485,495	201,076	31,518
		$ 586,290	$ 261,925	$ 115,982

Nature of Operations and Going Concern (Note 1)

On behalf of the board:

"Mark Tommasi"
___________________________, Director

"Peter Wilson"
___________________________, Director

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

For the Year Ended July 31		2012		2011
				(Note 10)
Administrative expenses				
Accounting and audit	$	48,250	$	21,300
Bank charges and interest		236		468
Consulting		3,500		-
Legal		60,384		982
Listing and filing fees		33,775		-
Management fees (note 8)		30,000		30,000
Office and sundry (note 8)		34,365		26,693
Promotion		10,105		-
Reports		-		4,000
Stock based compensation (note 5 and 8)		21,196		-
		241,811		83,443
Net loss and comprehensive loss	$	(241,811)	$	(83,443)
Basic and diluted loss per share	$	(0.03)	$	(0.02)
Basic and diluted weighted average shares outstanding		7,121,749		5,479,726

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statement of Changes in Equity

(Expressed in Canadian Dollars)

	Shares of common stock		Share capital		Subscriptions received in advance		Subscriptions receivable		Contributed surplus		Deficit		Total
August 1, 2010 (Note 10)	**1,100,000**	**$**	**11,000**	**$**	**35,000**	**$**	**(2,501)**	**$**	**-**	**$**	**(11,981)**	**$**	**31,518**
Issued for cash	5,000,000		295,000		(35,000)		(19,999)		-		-		240,001
Issued for property	200,000		13,000		-		-		-		-		13,000
Net loss	-		-		-		-		-		(83,443)		(83,443)
July 31, 2011 (Note 10)	**6,300,000**		**319,000**		**-**		**(22,500)**		**-**		**(95,424)**		**201,076**
Issued on exercise of warrants	505,000		50,500		2,500		-		-		-		53,000
Issued for cash	2,200,000		550,000		-		-		-		-		550,000
Share issue costs	-		(144,755)		-		-		27,289		-		(117,466)
Issued for property	300,000		19,500		-		-		-		-		19,500
Stock based compensation	-		-		-		-		21,196		-		21,196
Net loss	-		-		-		-		-		(241,811)		(241,811)
July 31, 2012	**9,305,000**	**$**	**794,245**	**$**	**2,500**	**$**	**(22,500)**	**$**	**48,485**	**$**	**(337,235)**	**$**	**485,495**

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)
Statements of Cash Flows
(Expressed in Canadian Dollars)

For the Year Ended July 31	**2012**	2011 (Note 10)
Cash flows from operating activities		
Net loss	**$ (241,811)**	$ (83,443)
Adjustments for:		
Stock based compensation	**21,196**	-
Changes in non-cash working capital		
Goods and services tax recoverable	**(26,299)**	(8,167)
Prepaid expenses	**1,200**	(1,200)
Accounts payable and accrued liabilities	**35,946**	42,882
	(209,768)	(49,928)
Cash flows from investing activities		
Exploration and evaluation expenditures	**(140,000)**	(76,632)
Advances to related parties	**2,400**	(2,400)
	(137,600)	(79,032)
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issue costs	**505,034**	240,001
Advances from related parties	**4,000**	(60,100)
Subscriptions received in advance	**2,500**	-
	511,534	179,901
Increase in cash	**164,166**	50,941
Cash at beginning of the year	**62,359**	11,418
Cash at end of the year	**$ 226,525**	$ 62,359
Supplemental disclosure with respect to cash flows		
Interest paid	**$ -**	$ -
Income taxes paid	**$ -**	$ -
Non cash investing and financing activities		
Shares issued for exploration and evaluation expenditures	**$ 19,500**	$ 13,000
Share issue costs of broker warrants	**$ 27,289**	$ -

1. Nature of Operations and Going Concern

Zadar Ventures Ltd. ("Zadar" or the "Company") was incorporated on August 6, 2008 under the Business Corporations Act of British Columbia and its principal activity is the exploration of mineral properties. Zadar is a public company with shares listed on the TSX Venture Exchange. The head office, principal address and records office of the Company are located at 475 Howe Street, Suite 609, Vancouver, British Columbia, Canada V6C 2B3.

Going concern of operations

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as going-concern depends on its ability to raise adequate financing and to develop profitable operations. This raises substantial doubt about the Company's ability to continue as a going concern.

Management is actively targeting sources of additional financing. Although the Company has been successful in past financings, there is no assurance that future financings will be successful. As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property.

2. Basis of Preparation and First Time Adoption of IFRS

We prepare our financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we have commenced reporting on this basis in the financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The financial statements have been prepared in accordance with IFRS applicable to the preparation of financial statements, and IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"). We have consistently applied the same accounting policies in our opening IFRS statement of financial position as at August 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 10 discloses the impact of the transition to IFRS on our reported statement of financial position, comprehensive loss and cash flows, including the nature and effect of significant changes in accounting policies from those used in our financial statements for the year ended July 31, 2011.

The policies applied in the financial statements are presented in Note 3 and are based on IFRS issued and outstanding as of November 28, 2012, the date the Board of Directors approved the financial statements.

3. Significant Accounting Policies

(a) Significant Accounting Estimates and Judgments

The preparation of the financial statements, in conformity with IFRS 1, requires estimates and assumptions that affect the amounts reported in the financial statements. Significant areas where judgment is applied include the determination of the functional currency and in realization of deferred income taxes.

Significant estimates include the carrying value and recoverability of exploration and evaluation expenditures, inputs used in accounting for stock-based compensation and provisions for site restoration. Actual results could differ from our estimates.

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

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of 90 days or less.

(c) Exploration costs

Pre-exploration costs or property investigation 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 are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

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 expenditures, in excess of estimated recoveries, are written off to income or loss.

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 tested for impairment before the assets are transferred to development properties.

Ownership in mineral properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

3. Significant Accounting Policies (continued)

(d) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivative instruments, including embedded derivatives, are recorded at fair value through profit or loss and accordingly are recorded on the statement of financial position at fair value. Unrealized gains and losses on derivatives are recorded as part of other gains (losses) in earnings. Fair values for derivative instruments are determined using valuation techniques, using assumptions based on market conditions existing at the balance sheet date. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract. The Company does not hold any financial instruments in this category.

(ii) Available-for-sale assets: Available-for-sale assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not hold any available-for-sale assets.

(iii) Held-to-Maturity investments: Held-to-maturity investments are non-derivatives that are designated in this category where the Company's intent is to hold the investment to maturity.

Held-to-maturity investments are initially measured at fair value including transaction costs, and subsequently carried at amortized cost. The Company does not hold any held-to-maturity assets.

(iv) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and amounts due from related parties, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The Company has classified cash and due from related party as loans and receivables.

(v) Financial liabilities at amortized cost: Financial instruments held by the Company and classified in this category include trade payables and accrued liabilities. Trade payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables and accrued liabilities are measured at amortized cost using the effective interest method.

3. Significant Accounting Policies (continued)

(e) 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. Once expenses are incurred, the Company will recognize the deferred income tax liability.

(f) Stock-based Compensation

The Company accounts for stock options granted to directors, officers, employees and nonemployees at fair value. The fair value of stock options granted to non-employees is measured based on the fair value of the goods and services received, unless that fair value cannot be estimated reliably, in which case the fair value is determined with reference to the fair value of the instruments granted, and is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. The fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations using the graded method, with an offsetting credit to contributed surplus, over the vesting periods.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. Charges for options that are forfeited before vesting are reversed from Contributed Surplus.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(g) Loss per Share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of shares outstanding. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact for the reported periods thus fully diluted loss per share is the same as basic loss per share.

3. Significant Accounting Policies (continued)

(h) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

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

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

(i) Share issue costs

Share issue costs that are directly attributable to issuing new shares are deducted from equity.

Costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, are recorded as an expense in the statement of operations and comprehensive loss.

Costs that relate to both share issuance and listing are allocated based on the proportion of new shares issued to the total number of shares listed.

When units are issued, which include shares and warrants, the warrants are valued using the residual value method.

(j) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for July 31, 2012 reporting periods. Management has decided against early adoption of these standards. Management's assessment of the impact of these new standards and interpretations is set out below:

IFRS 1 - 'First-time Adoption of International Financial Reporting Standards'

The amendments relate to the treatment of government loans at below market interest rates as defined in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* when adopting IFRS. This standard is effective for years beginning on or after January 1, 2013.

3. Significant Accounting Policies (continued)

IFRS 7 - 'Financial Instruments: Disclosures'

Amendments to this standard require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. This standard is effective for years beginning on or after January 1, 2013.

IFRS 9 – 'Financial Instruments'

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after January 1, 2015. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

IFRS 10 – 'Consolidated Financial Statements',

This new standard 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. This standard is effective for years beginning on or after January 1, 2013.

IFRS 11 – 'Joint arrangements'

This new standard requires a venture 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 joint operation, the venture will recognize its share of assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionally consolidate or equity account for interest in joint ventures. IFRS 11 supersedes IAS 31 – *Interest in Joint Ventures* and SIC 13 – *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. This standard is effective for years beginning on or after January 1, 2013.

3. Significant Accounting Policies (continued)

IFRS 12 – 'Disclosure of Interests in Other Entities'

This new standard provides the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and consolidated structured entities. This standard is effective for years beginning on or after January 1, 2013.

IFRS 13 - 'Fair Value Measurement'

This new standard is applicable for annual reporting periods beginning on or after January 1, 2013. This standard establishes a single course of guidance for determining the fair value of assets and liabilities. This standard will be adopted on August 1, 2013 but the impact of its adoption is yet to be assessed.

IAS 1 – 'Presentation of Financial Statements'

The standard is amended to revise the way other comprehensive income ("OCI") is presented. The amendments require entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently. i.e. those that might be reclassified and those that will not be reclassified. It also requires tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax). This standard is effective for years beginning on or after July 1, 2012.

IAS 12 – 'Income Taxes' – Amendments Regarding Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after January 1, 2012 and provide a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. These amendments will be adopted on August 1, 2012 but the tax effect, if any, of adopting these amendments is yet to be assessed.

IAS 28 – 'Investment in Associates and Joint Ventures'

This reissued standard supersedes IAS 28 *Investments in Associates* and defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. This standard will be adopted on August 1, 2013 but the impact of its adoption is yet to be assessed.

3. Significant Accounting Policies (continued)

IAS 32 – 'Financial Instruments: Presentation

The amendment clarifies some of the requirements for offsetting financial assets and liabilities in the statement of financial position. This standard will be adopted on August 1, 2013 and is not expected to impact the Company's financial statements.

4. Exploration and Evaluation Assets

The Company entered into an option agreement with 1177129 Alberta Ltd., (the "Optionor"), a company controlled by a company having an officer in common with Zadar, in April 2010, subsequently amended May 30, 2011, September 30, 2011 and June 1, 2012, to acquire up to a 75% interest in certain mineral interests located in Alberta, known as the Whiskey Gap Project.

To earn a 60% interest, the Company must pay the Optionor:

a) $12,500 (paid) and issue and allot to the Optionor 100,000 shares of the Company (issued);

b) on or before the first anniversary of the execution of the Agreement, a further $12,500 (paid) and issue and allot to the Optionor a further 200,000 shares (issued);

c) on or before the second anniversary of the execution of the Agreement, a further $25,000 (paid) and issue and allot to the Optionor a further 300,000 shares (issued);

d) on or before the third anniversary of the execution of the Agreement, a further $50,000 and issue and allot to the Optionor a further 500,000 shares;

e) on or before September 30, 2010, the Company shall expend not less than $100,000 on Exploration Expenditures on the Property; (incurred)

f) on or before June 30, 2012, the Company shall pay $100,000 to the Optionor (paid);

g) on or before December 31, 2012, the Company shall pay a further $50,000 and issue and allot to the Optionor a further 500,000 shares.

The Company has a further option to acquire an additional 15% interest in the Property by issuing the Optionor an additional 1,000,000 shares and expending an additional $500,000 for Exploration Expenditures on or before September 30, 2013.

Upon earning either a 60% or 75% interest, the Company and the Optionor will form a joint venture with standard dilution clauses.

(Expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

Details of exploration and evaluation expenditures for the year ended July 31, 2012 are as follows:

	Acquisition Costs 2012	Exploration Costs 2012	Total 2012	Total 2011
Whiskey Gap Project				
Acquisition costs - cash	$ 125,000	$ -	$ 125,000	$ 22,000
Acquisition costs - shares	19,500	-	19,500	13,000
Assaying	-	-	-	5,000
Drilling	-	-	-	1,217
Reports	-	10,000	10,000	12,100
Surface access	-	5,000	5,000	22,000
Geological consulting	-	-	-	3,600
Travel and living costs	-	-	-	4,318
Mineral property costs for the year	144,500	15,000	159,500	83,235
Balance, beginning of year	42,000	120,056	162,056	78,821
Balance, end of year	$ 186,500	$ 135,056	$ 321,556	$ 162,056

5. Share Capital

(a) Authorized share capital

100,000,000 common shares without par value

(b) Share issuances

On August 16, 2010, the Company completed a private placement of 2,000,000 flow-through common shares for aggregate proceeds of $100,000.

On October 10, 2010, the Company completed a private placement of 3,000,000 units for aggregate proceeds of $195,000, with each unit comprising one common share and one share purchase warrant, entitling the holder thereof to acquire one common share of the Company at a price of $0.10 until October 10, 2013.

On April 29, 2011, the Company issued 200,000 shares of common stock valued at $13,000 pursuant to an option agreement (Note 4).

On May 2, 2012, the Company issued 300,000 shares of common stock valued at $19,500 pursuant to an option agreement (Note 4).

On May 25, 2012, the Company completed its initial public offering (the “IPO”) of 2,200,000 common shares in the capital of the Company at a price of $0.25 per common share for gross proceeds of $550,000 (the “Proceeds”). Wolverton Securities Ltd. (the “Agent”), was paid a marketing commission of $38,500, a corporate finance fee of $25,000, and was granted an option to acquire common shares in an amount equal to 8% of the number of shares sold under the Offering, at an exercise price of $0.25 per common share for a period of 36 months commencing May 28, 2012 (the “Broker Warrants”).

(Expressed in Canadian Dollars)

5. Share Capital (continued)

The fair value of the Broker Warrants was estimated to be $27,289 using the Black-Scholes option pricing model, with the following assumptions:

Expected dividend yield	0.00%
Exected stock price volatility	100.00%
Risk-free interest rate	1.16%
Expected life of warrants	3 years

(c) Share purchase options

The Company has an incentive stock option plan (the "Plan"), whereby the Company may grant stock options to directors, officers, employees or consultants. Under the Plan, options are exercisable up to a maximum of 10 years as determined by the Board of Directors and are required to have an exercise price no less than the closing market price of the Company's shares on the trading day immediately preceeding the day on which the Company announces the grant of options. The Plan provides for the issuance of up to 10% of the Company's issued common shares at the date of the grant.

	Number of options	Weighted average exercise price $
Options outstanding at August 1, 2010	-	-
Granted	450,000	0.25
Options outstanding at July 31, 2011	450,000	0.25
Granted	150,000	0.25
Options outstanding at July 31, 2012	600,000	0.25

On October 14, 2010, the Company granted to employees, consultants, directors and officers of the Company options to purchase up to 450,000 common shares of the Company at an exercise price of $0.25 per share. On September 1, 2011 the Company granted an additional 150,000 options with the same terms. The options are exercisable for a period of five years commencing on the date that the Company's stock is listed on the TSX Venture Exchange and therefore, no stock based compensation was recorded prior to the date of listing (May 28, 2012).The expiry date of the options is May 28, 2017.

The fair value of the stock options was estimated to be $21,196 using the Black-Scholes option pricing model, with the following assumptions:

Expected dividend yield	0.00%
Exected stock price volatility	100.00%
Risk-free interest rate	1.31%
Expected life of options	5 years

(Expressed in Canadian Dollars)

5. Share Capital (continued)

Option pricing models require the input of highly subjective assumptions, particularly the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(d) Share purchase warrants

As of July 31, 2012, the Company has 2,495,000 share purchase warrants outstanding, which are exercisable at a price of $0.10 per share and which expire on October 10, 2013, and 176,000 Broker Warrants outstanding, which are exercisable at a price of $0.25 per share, and which expire on May 28, 2015.

	Number of warrants	Weighted average exercise price $
Warrants outstanding at August 1, 2010	-	-
Warrants Issued in private placement	3,000,000	0.10
Warrants outstanding at July 31, 2011	3,000,000	0.10
Broker Warrants issued in IPO	176,000	0.25
Exercised	(505,000)	0.10
Warrants outstanding at July 31, 2012	2,671,000	0.11

6. Financial Instruments and Risk Management

Fair Values
Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 – Inputs other than quoted prices that are directly or indirectly observable for the asset or liability; and

Level 3 – Inputs that are not based on observable market data.

The carrying values of cash, due from/to related parties, accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments.

Credit risk
Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. The Company's only significant financial asset is cash which is on deposit at a high credit-worthy financial institution.

(Expressed in Canadian Dollars)

6. Financial Instruments and Risk Management (continued)

Market risk
Market risk includes currency risk, interest rate risk and price risk. The Company's activities expose it primarily to the financial risks of changes in the price of resources. The Company does not currently hold any financial instruments that mitigate this risk.

Liquidity risk
Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company expects to satisfy obligations under accounts payable and accrued liabilities. Management intends to continue to finance its activities by raising funds by private equity investments. Even if it has succeeded in financing its activities in the past, management cannot comment on the success of its future fund raising and believes that liquidity risk is high.

7. Capital Management

The Company includes cash and equity, comprising issued common shares, contributed surplus, accumulated other comprehensive income (loss) and deficit, in the definition of capital.

The Company manages its capital to ensure it will be able to continue as a going concern largely through equity financing. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record, and the experience of management. The Company is not exposed to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended July 31, 2012.

8. Related Party Transactions

Certain of the Company's officers and directors render services to the Company through companies in which they are an officer or director.

Key Management	Transactions
622738 BC Ltd.	Management fees
Bua Capital Management Ltd.	Management fees
Bua Group Holdings Ltd.	Office and administration fees

The Company incurred the following fees and expenses in the normal course of operations in connection with related parties.

Year Ended December 31	**2012**	2011
Management fees	**$ 30,000**	$ 30,000
Office and administration fees	**33,000**	26,135
Stock based compensation	**10,598**	-
	$ 73,598	$ 56,135

(Expressed in Canadian Dollars)

8. Related Party Transactions (continued)

Accounts payable and accrued liabilities as of July 31, 2012 include $5,718 (July 31, 2011 - $35,641) owing to companies controlled by officers of the Company for services rendered.

Amounts due to related parties comprise $4,000 in advances from companies controlled by officers and directors. Such amounts are unsecured, non-interest bearing and without specific repayment terms.

During the year ended July 31, 2011, the Company advanced $2,400 to a company controlled by an officer of the Company, which was repaid to the company during the year ended July 31, 2012. The advance was unsecured, non-interest bearing and due on demand

9. Income Taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

Year Ended July 31		2012		2011
Loss before income taxes	**$**	**(241,811)**	$	(83,443)
Basic statutory tax rate		**25.63%**		27.33%
Income tax recovery based on statutory rate	**$**	**(61,976)**	$	(22,805)
Effect of changes in tax rates		**1,521**		1,944
Expenses not deductible for tax purposes		**6,063**		-
Unrecognized tax assets		**54,392**		20,861
	$	**-**	$	-

The components of deferred income taxes are as follows:

July 31		2012		2011
Deferred income tax assets:				
Non-capital losses	**$**	**84,269**	$	23,856
Resource property costs		**(25,000)**		(25,000)
Share issuance costs		**23,493**		-
Unrecognized tax assets		**(82,762)**		1,144
	$	**-**	$	-

(Expressed in Canadian Dollars)

9. Income Taxes (continued)

The Company has non-capital losses carried forward of $337,074 that may be available for tax purposes. The losses expire as follows:

2029	$	71
2030		11,910
2031		83,443
2032		241,650
	$	337,074

The deferred income tax assets associated with the losses carried forward and certain other deductible temporary differences have not been recognized as their utilization is not considered more likely than not at this time.

10. First Time Adoption of IFRS

As stated in Note 2, these are the Company's first annual financial statements prepared in accordance with IFRS. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended July 31, 2011, the comparative information presented in these financial statements for the year ended July 31, 2011 and in the preparation of the opening IFRS Balance Sheet at August 1, 2010 (the Company's date of transition).

The Company has adopted IFRS on August 1, 2011 with a transition date of August 1, 2010. Under IFRS 1 *First time adoption of International Financial Reporting Standards* (IFRS 1), the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit, with IFRS 1 providing for certain optional and mandatory exemptions to this principle. The Company elected to take the following IFRS 1 optional exemptions:

a) to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date;

b) to apply the requirements of IFRS 2, Share-based payment, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date

The change to comprehensive loss outlined below has resulted in the reclassifications of certain amounts in the statements of changes in equity and of cash flows. However, as there has been no impact on total equity or on net cash flows, no reconciliation of the statements of changes in equity and of cash flows have been provided.

(Expressed in Canadian Dollars)

10. First Time Adoption of IFRS (continued)

Reconciliation of Comprehensive Loss

		Year ended July 31 2011
Comprehensive loss under GAAP	**$**	**(58,443)**
Future income tax recovery - flow through shares		**(25,000)**
Comprehensive loss under IFRS	**$**	**(83,443)**

Under Canadian GAAP, the proceeds from the issuance of flow-through shares were recognized in share capital less the tax effects of the renunciation. Under IFRS, upon issuance of flow-through shares, the Company records the value of the flow-through shares issued, less an estimated premium that the investor paid for the flow-through feature to be recognized as a liability. Any estimated premium would be recorded as other income and the related deferred tax recognized as a tax provision.

The Company determined that no premium existed for the flow-through feature upon issuance of the flow-through shares on August 16, 2010; therefore a future income tax recovery of $25,000 for the year-ended July 31, 2011 has been reversed. This results in an increase to comprehensive loss and deficit of $25,000 and a corresponding increase to share capital.