

**Infinity Minerals Corp.**  
**Financial Statements**  
**For the Years Ended August 31, 2012 and 2011**  
**(Expressed in Canadian Dollars)**



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Infinty Minerals Corp.

### Report on the financial statements

We have audited the accompanying financial statements of Infinty Minerals Corp., which comprise the statements of financial position as at August 31, 2012 and August 31, 2011 and the statements of operations and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years ended August 31, 2012 and August 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 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 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 Infinty Minerals Corp. as at August 31, 2012 and August 31, 2011, and its financial performance and its cash flows for the years ended August 31, 2012 and August 31, 2011 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 matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada

*"Morgan & Company"*

October 22, 2012

Chartered Accountants

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**Infinity Minerals Corp.**  
**Statements of Financial Position**  
**(Expressed in Canadian dollars)**

	<b>August 31, 2012</b>	August 31, 2011
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 22,642	\$ 66,674
Term deposit	523,537	301,340
HST recoverable	27,188	7,166
<b>Total current assets</b>	<b>573,367</b>	<b>375,180</b>
<b>Non-current assets</b>		
Equipment (Note 3)	1,809	-
Deferred finance fee (Note 8)	-	27,500
Exploration and evaluation assets (Note 4)	183,694	131,194
<b>Total non-current assets</b>	<b>185,503</b>	<b>158,694</b>
<b>TOTAL ASSETS</b>	<b>\$ 758,870</b>	<b>\$ 533,874</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade payables and other accrued liabilities	\$ 27,609	\$ 16,742
<b>TOTAL LIABILITIES</b>	<b>27,609</b>	<b>16,742</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	1,005,704	582,657
Share-based payment reserve (Note 5)	140,263	-
Deficit	(414,706)	(65,525)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>731,261</b>	<b>517,132</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 758,870</b>	<b>\$ 533,874</b>

These financial statements were approved and authorized for issue by the Board of Directors on October 22, 2012.

**On behalf of the Board of Directors:**

"Ron Shenton" Director
"Brian Roberts" Director

**Infinity Minerals Corp.**  
**Statements of Operations and Comprehensive Loss**  
**(Expressed in Canadian dollars)**

	<b>Year Ended August, 2012</b>	Year Ended August 31, 2011
<b>Expenses</b>		
Legal and audit	\$ 73,130	\$ 39,158
Listing and filing fees	32,021	-
Management fees (Note 6)	95,000	25,000
Office and general	25,278	1,326
Stock based compensation	111,623	-
Transfer agent	11,933	-
Loss before other items	348,985	65,484
<b>Other items</b>		
Interest expense	4,997	1,381
Interest income	(4,801)	(1,340)
<b>Net loss and comprehensive loss for the year</b>	<b>\$ 349,181</b>	<b>\$ 65,525</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>	<b>11,067,613</b>	8,621,703

See accompanying notes to the financial statements

**Infinity Minerals Corp.**  
**Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian dollars)**

	Share capital		Share- based payment reserve	Deficit	Total
	Number of shares	Amount			
Balance at November 12, 2010	-	\$ -	\$ -	\$ -	\$ -
Issue of incorporation share	1				
Return to treasury	(1)	-	-	-	-
Shares issued for cash – private placement	7,500,000	562,500	-	-	562,500
Shares issued for mineral property interests	2,015,700	20,157	-	-	20,157
Net loss for the period	-	-	-	(65,525)	(65,525)
Balance at August 31, 2011	9,515,700	582,657	-	(65,525)	517,132
Shares issued for cash – private placement	4,000,000	600,000	-	-	600,000
Share issue costs	-	(176,953)	-	-	(176,953)
Stock based compensation	-	-	140,263	-	140,263
Net loss for the year	-	-	-	(349,181)	(349,181)
<b>Balance at August 31, 2012</b>	<b>13,515,700</b>	<b>\$ 1,005,704</b>	<b>\$ 140,263</b>	<b>\$ (414,706)</b>	<b>\$ 731,261</b>

See accompanying notes to the financial statements

**Infinity Minerals Corp.**  
**Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

	Year Ended August 31, 2012	Year Ended August 31, 2011
<b>Operating activities</b>		
Net loss for the period	\$ (349,181)	\$ (65,525)
Deduct interest income relating to investing activities	(4,801)	(1,340)
Adjustments for non-cash items:		
Accrued interest expense	4,283	-
Depreciation	181	-
Stock based compensation	111,623	-
Changes in non-cash working capital items:		
Recoverable taxes	(20,022)	(7,166)
Trade payables and accrued liabilities	6,584	16,742
<b>Net cash flows used in operating activities</b>	<b>(251,333)</b>	<b>(57,289)</b>
<b>Investing activities</b>		
Term deposit	(219,160)	(301,340)
Purchase of equipment	(1,990)	-
Expenditures on deferred exploration costs	(52,500)	(111,037)
Interest income	1,764	1,340
<b>Net cash flows used in investing activities</b>	<b>(271,886)</b>	<b>(411,037)</b>
<b>Financing activities</b>		
Proceeds on issuance of common shares, net of share issue costs	479,187	562,500
Deferred finance fee	-	(27,500)
<b>Net cash flows from financing activities</b>	<b>479,187</b>	<b>535,000</b>
(Decrease) Increase in cash	(44,032)	66,674
Cash, beginning	66,674	-
<b>Cash, ending</b>	<b>\$ 22,642</b>	<b>\$ 66,674</b>

**Supplemental disclosure with respect to cash flows**

During the year ended August 31, 2012, the Company issued 400,000 agent warrants in connection with a private placement. The two year warrants had a non cash fair value of \$28,640 which was charged to share issue costs and offset against share-based payment reserve.

See accompanying notes to the financial statements

**1. Nature and continuance of operations**

Infinity Minerals Corp. (the "Company") was incorporated on November 12, 2010, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties. The address of the Company's corporate office and principal place of business is Suite 400, 409 Granville Street, Vancouver, British Columbia, Canada

On November 15, 2010, the Company signed a Mineral Property Purchase Agreement ("MMPA") to acquire a 100% interest in the Rainbow Claim Group comprising of 318 hectares located in the Greenwood Mining Division, Midway, British Columbia. The Company issued 2,015,700 common shares in exchange for mineral property interests of \$20,157 to a director of the Company. These shares are subject to an escrow agreement.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception of \$414,706, but has raised \$1,162,500. The Company needs to raise sufficient capital to fund exploration and evaluation costs, administration expenses and future acquisitions. The Company's ability to continue as a going concern is dependent upon its ability to attain future profitable operations and to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. As at August 31, 2012, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its business plan, all of which may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company not be able to continue as a going concern.

**2. Significant accounting policies and basis of preparation**

The financial statements were authorized for issue on October 22, 2012 by the directors of the Company. The directors of the Company have the power to amend and reissue the financial statements.

***Statement of compliance***

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

***Basis of preparation***

These financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's August 31, 2011 annual audited financial statements. The financial statements of the Company have been prepared on an accrual basis accounting, except for cash flow information and are presented in Canadian dollars unless otherwise noted. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value.

2. Significant accounting policies and basis of preparation (cont'd)

***Significant accounting judgments, estimates and assumptions***

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Areas requiring a significant degree of estimation and judgment relate to but are not limited to the recoverability of the carrying value of exploration and evaluation assets and the fair value measurements for financial instruments, the recognition and valuation of provisions for restoration and environmental liabilities, qualifying expenditures for refundable and non-refundable tax credits, timing of receipt of refundable tax credits, the recoverability and measurement of deferred tax assets and liabilities and the fair value estimation of share-based awards. Actual results may differ from those estimates and judgments.

***Exploration and evaluation assets***

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits are recorded when there is reasonable certainty that they will be received and when there are no unfulfilled obligations remaining. Government tax credits are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

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

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

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

***Financial instruments***

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.



**2. Significant accounting policies and basis of preparation (cont'd)**

***Financial instruments*** (cont'd)

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost less any provision for impairment. Significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of operations and comprehensive loss. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income (loss), except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

2. Significant accounting policies and basis of preparation (cont'd)

***Impairment of non-financial assets***

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of the value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent that they reverse gains previously recognized in accumulated other comprehensive loss/income. **Cash**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. As at August 31, 2012, the Company had no cash equivalents.

***Short-term investments***

Short-term investments consist of variable rate guaranteed investment certificates ("GICs") with original terms of one year or less but greater than three months. Short-term investments are designated as held-for-trading and are recorded at fair value.

***Income taxes***

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the Canadian taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current tax is recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Income taxes*** (cont'd)

Deferred income tax (cont'd)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares:

Share capital includes flow-through shares which is a unique Canadian tax incentive pursuant to certain provisions of the Canadian Income Tax Act. Proceeds from the issuance of flow-through shares are used to fund qualified Canadian exploration and evaluation projects and the related income tax deductions are renounced to the subscribers of the flow-through shares. The premium paid for flow-through shares in excess of the market value of the shares without flow-through features, at the time of issue, is credited to other liabilities and recognized in income at the time qualifying expenditures are incurred. The Company recognizes a deferred tax liability with a corresponding charge in the statement of operations and comprehensive loss to income when the qualifying exploration and evaluation expenditures are renounced. The portion of the proceeds received but not yet expensed at the end of the Company's fiscal period is disclosed separately as flow-through share commitments in Note 10.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures with a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through expenditure commitments.

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

***Net loss per share***

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. In periods where a net loss is incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and basic and diluted loss per common share is the same. In a profit year, under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average price during the year.

***Restoration and environmental obligations***

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

2. **Significant accounting policies and basis of preparation** (cont'd)

**Restoration and environmental obligations** (cont'd)

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

At August 31, 2012, the Company had no restoration and environmental obligations.

**Equipment**

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Equipment is depreciated over its estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is recognized using the following rates and methods:

	<b>Depreciation rate</b>
Computer equipment	30% declining balance
Office equipment	20% declining balance

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

**Share-based payments**

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purpose (direct employee) or provides services similar to those performed by a direct employee.

The Company accounts for stock options issued to employees at the fair value determined on the grant date using the Black-Scholes option pricing model. The fair value of the options is recognized as an expense using the graded vesting method where the fair value of each tranche is recognized over its respective vesting period. When stock options are forfeited prior to becoming fully vested, any expense previously recorded is reversed.

2. Significant accounting policies and basis of preparation (cont'd)

**Share-based payments** (cont'd)

Share-based payments made to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured. These payments are recorded at the date of the goods and services are received.

Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-monetary transactions other than as consideration for exploration and evaluation assets are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of directors. Proceeds from unit placements are allocated between share and warrants using the residual method.

**Amendments to IFRS 7 "Financial Instruments: Disclosures"**

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011

**New standard IFRS 9 "Financial Instruments"**

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This new standard is effective for annual periods beginning on or after January 1, 2013.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

**IFRS 11 - Joint Arrangements**

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement and supersedes IAS 31: Interests in Joint Ventures and SIC 13: Jointly Controlled Entities - Non-Monetary Contributions by Venturers. This new standard is effective January 1, 2013 with earlier application permitted.

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

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. This new standard is effective January 1, 2013 with earlier application permitted.

**IAS 12 - Income Taxes**

IAS 12 addresses the recovery of underlying assets. This amendment is effective January 1, 2012 with earlier application permitted.

**IAS 27 - Separate Financial Statements**

IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9. This new standard is effective January 1, 2013 with earlier application permitted.

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

IAS 28 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. This amendment is effective January 1, 2013 with earlier application permitted.

**Infinity Minerals Corp.**  
**Notes to the Financial Statements**  
**(Expressed in Canadian dollars)**  
**For the years ended August 31, 2012 and 2011**

**3. Equipment**

<b>Computer equipment</b>	
<b>Cost:</b>	
At August 31, 2011	\$ -
Additions	1,990
At August 31, 2012	1,990
<b>Depreciation:</b>	
At August 31, 2011	-
Charge for the year	181
At August 31, 2012	181
<b>Net book value:</b>	
At August 31, 2011	-
<b>At August 31, 2012</b>	<b>\$ 1,809</b>

**4. Exploration and evaluation assets**

On November 15, 2010, the Company signed a Mineral Property Purchase Agreement ("MMPA") to acquire a 100% interest in the Rainbow Claim Group comprising of 318 hectares located in the Greenwood Mining Division, Midway, British Columbia. The Company issued 2,015,700 common shares in exchange for mineral property interests of \$20,157 to a director of the Company. These shares are subject to an escrow agreement.

The composition of accumulated acquisition and deferred exploration costs is:

	<b>2012</b>	<b>2011</b>
<b>Acquisition costs:</b>		
For the years ended August 31, 2012 and August 31, 2011		
<b>Balance, opening</b>	<b>\$ 20,157</b>	\$ -
Additions	-	20,157
	<u>\$ 20,157</u>	<u>\$ 20,157</u>
<b>Deferred exploration costs:</b>		
For the year ended August 31, 2012:		
Balance, opening	\$ 111,037	\$ -
Assessment Filing Fees with BCMEM	500	1,259
Equipment rental	-	23,225
Geochemical analysis	26,000	19,512
Geological Field Work	26,000	41,235
Geological and GIS mapping services	-	25,806
Balance, beginning and end of year	<u>\$ 163,537</u>	<u>\$ 111,037</u>
<b>Exploration and evaluation assets, ending</b>	<b><u>\$ 183,694</u></b>	<b><u>\$ 131,194</u></b>

**5. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value.

**Infinity Minerals Corp.**  
**Notes to the Financial Statements**  
**(Expressed in Canadian dollars)**  
**For the years ended August 31, 2012 and 2011**

**5. Share capital (cont'd)**

***Issued share capital***

At August 31, 2012 there were 13,515,700 issued and fully paid common shares (August 31, 2011 – 9,515,700).

***Share issuances***

On April 11, 2012 the Company completed its initial public offering of 4,000,000 units at a price of \$0.15 per unit for total gross proceeds of \$600,000. Each unit was comprised of one common share and one half of one tradable common share purchase warrant. Each whole warrant is exercisable into one additional common share of the Company exercisable at \$0.20 until April 11, 2013 or exercisable at \$0.30 until April 11, 2014. In connection with this offering, the Company paid a cash commission equal to 10% of the gross proceeds and issue 400,000 agent warrants with a fair value of \$28,640. These agent warrants are exercisable at \$0.15 per warrant until April 11, 2014.

During the period November 12, 2010 to August 31, 2011 the Company received cash proceeds of \$187,500 for 2,500,000 flow-through common shares and \$375,000 for 5,000,000 non flow-through common shares. At August 31, 2011 there were 9,515,700 issued and fully paid common shares. A total of 2,485,700 of the common shares issued by the Company are subject to an escrow agreement pursuant to which they are to be released in tranches over 36 months from the Company's listing date.

***Basic and diluted loss per share***

The calculation of basic and diluted loss per share for the years ended August 31, 2012 and August 31, 2011 was based on the loss attributable to common shareholders of \$349,181 and \$65,525, respectively, and the weighted average number of common shares outstanding of 11,067,613 and 8,621,703, respectively.

Diluted loss per share did not include the effect of 940,000 stock options as the effect would be anti-dilutive.

***Shares held in escrow***

The escrow agreement provides share release equal to 10% upon completion of the IPO and listing on the TSX Venture Exchange, the remaining shares will be released in 6 equal tranches (15%) every six months. As of August 31, 2012, a total of 248,570 shares have now been released and a total of 2,237,130 shares remain in the escrow pool.

***Stock option plan and stock options***

The Company has a 10% rolling stock option plan for its directors, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. During the year ended August 31, 2012, the company granted 940,000 stock options fully vested with a fair value of \$111,623. The options granted during the year expire on September 15, 2016. The Company's stock option plan provides for immediate vesting or vesting at the discretion of the Board at the time of the option grant. Stock options granted to investor relations' consultants vest over a twelve month period, with one quarter of such options vesting in each three month period.

The changes in options during the year period ended August 31, 2012 were as follows:

	August 31, 2012		August 31, 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	-	\$ -	-	\$ -
Options granted	940,000	0.15	-	-
Options outstanding, end of period	940,000	\$ 0.15	-	\$ -
Options exercisable, end of period	940,000	\$ 0.15	-	\$ -

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**5. Share capital (cont'd)**

***Stock option plan and stock options*** (cont'd)

Details of options outstanding are as follows:

	<b>Weighted average exercise price</b>	<b>Weighted average contractual life</b>	<b>Number of options outstanding</b>
August 31, 2012	\$0.15	4.04 years	940,000

The weighted average grant date fair value of options granted during the year ended August 31, 2012 was approximately \$0.12. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

Expected life of options	5 years
Annualized volatility	110%
Risk-free interest rate	1.56%
Dividend rate	0%

***Share purchase warrants***

The changes in share purchase warrants during the year ended August 31, 2012 were as follows:

	<b>August 31, 2012</b>		<b>August 31, 2011</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of period	-	\$ -	-	\$ -
Granted	2,400,000	0.19	-	-
Outstanding, end of period	2,400,000	\$ 0.19	-	\$ -

Details of share purchase warrants outstanding are as follows:

	<b>Weighted average exercise price</b>	<b>Weighted average contractual life</b>	<b>Number of options outstanding</b>
August 31, 2012	\$0.19	1.61 years	2,400,000

As at August 31, 2012 the following share purchase warrants were outstanding:

<b>Total number of warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>
2,000,000	\$0.20/\$0.30	April 11, 2013/April 11, 2014
400,000	\$0.15	April 11, 2014
2,400,000		

Expected life of warrants	2 years
Annualized volatility	89%
Risk-free interest rate	1.21%
Dividend rate	0%

**6. Related party transactions**

The Company incurred the following transactions with directors, officers and companies that are controlled by directors of the Company.



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**6. Related party transactions (cont'd)**

***Key management personnel compensation***

	<b>Year Ended August 31, 2012</b>	Year Ended August 31, 2011
Management fees	\$ 95,000	\$ 25,000
Stock based compensation	111,623	-
	<b>\$ 206,623</b>	<b>\$ 25,000</b>

**7. Income taxes**

The actual income tax provision differs from the expected amounts calculated by applying the Canadian combined statutory federal and provincial corporate income tax rates to the Company's loss before income taxes. The components are as follows for the period ended August 31, 2012.

	<u>2012</u>	<u>2011</u>
Statutory income tax rate	<u>26%</u>	<u>27%</u>
Expected tax recovery	\$ (89,000)	\$ (18,000)
Decrease resulting from:		
Non-deductible permanent differences	29,000	2,000
Share issue costs	(30,000)	(6,000)
Other permanent differences – flow-through shares renounced	27,000	-
Changes in tax rates	1,000	1,000
Deferred tax benefits not recognized and other	<u>62,000</u>	<u>21,000</u>
Income tax expense (recovery)	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's future income tax assets and liabilities, at substantially enacted tax rates are as follows:

Exploration and evaluation assets	\$ (27,000)	\$ (2,000)
Cumulative eligible capital	2,000	2,000
Non-capital losses	78,000	15,000
Share issue costs	<u>28,000</u>	<u>6,000</u>
Net deferred tax asset (liability) before valuation allowance	81,000	21,000
Increase in valuation allowance	<u>(81,000)</u>	<u>(21,000)</u>
Net deferred tax liability	<u>\$ -</u>	<u>\$ -</u>

The Company has non-capital losses carried forward for income tax purposes of approximately \$329,233,000 which can be applied against future years' taxable income. These losses will expire through to 2032. In addition, the Company has cumulative exploration and development expenses in the amount of approximately \$74,000, which can be carried forward indefinitely. Deferred tax benefits which may arise as a result of the utilization of the non-capital losses and cumulative exploration and development expenses have been offset by a valuation allowance and have not been recognized in these financial statements.

**8. Financial risk management**

The Company is exposed in varying degrees to a variety of financial instrument related risks as follows:

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**8. Financial risk management (cont'd)**

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with a major bank in Canada. As all of the Company's cash and cash equivalents are held by one bank in Canada, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company is not exposed to credit risk on recoverable taxes, as these are due from the Government of Canada.

***Liquidity risk***

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and banking facilities.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at August 31, 2012:

	<b>Within one year</b>	<b>Between one and five years</b>	<b>More than five years</b>
Trade payables and accrued liabilities	\$ 27,609	\$ -	\$ -
	\$ 27,609	\$ -	\$ -

***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

***Foreign currency exchange rate risk and commodity price risk***

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Commodity price risk is the risk that market values and future incomes will fluctuate because of changes in commodity prices. The Company does not have any direct exposure to foreign currency exchange rate risk or commodity price risk. The Company had no forward exchange rate contracts or commodity price contracts in place as at August 31, 2012.

***Interest rate risk***

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at August 31, 2012, the Company did not have any significant interest rate risk.

The Company had no interest rate swap or financial contracts in place as at August 31, 2012.

***Capital Management***

The Company defines capital that it manages as shareholders' equity that is expected to be realized in cash. The Company raises capital through private and public share offerings and related party loans and advances. Capital is managed in a manner consistent with the risk criteria and policies provided by the board of directors and followed by management. All sources of financing and major expenditures are analyzed by management and approved by the board of directors.

The Company's primary objectives when managing capital is to safeguard and maintain the Company's financial resources for continued operations and to fund expenditure programs to further advance mineral property interests.

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**8. Financial risk management (cont'd)**

**Capital Management (cont'd)**

The Company is meeting its objective of managing capital through detailed review and due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to maintain sufficient resources.

The Company is able to scale its expenditure programs and the use of capital to address market conditions by reducing expenditures and the scope of operations during periods of commodity pricing decline and economic downturn.

There were no changes in the Company's approach to capital management during the period from June 1, 2012 to August 31, 2012. The Company is not subject to any externally imposed capital requirements.

**Classification of financial instruments**

The following is an analysis of the Company's financial assets measured at fair value as at August 31, 2012:

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 22,642	\$ -	\$ -
Term deposits	\$ 523,537	\$ -	\$ -

  

	Level 1	Level 2	Level 3
Trade payables and accrued liabilities	\$ 27,609	\$ -	\$ -

**Fair value**

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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 or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

**9. Segmented information**

**Operating segments**

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

**Geographic segments**

The Company's non-current assets are located in Canada.

**10. Commitments**

**Flow-through**

In December 2010, the Company received cash proceeds of \$187,500 for the issue of 2,500,000 flow-through common shares. The Company is committed to expending these funds on qualifying exploration and renouncing the explorational expenditures in accordance with the provisions of the Canadian Income Tax Act. As at August 31, 2012, the Company has an obligation to spend approximately \$26,000 within 24 months of the signed subscription agreement date of the flow-through shares, on a best efforts basis in connection with tax benefits renounced.