GEONOVUS MINERALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2013 and 2012
(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GeoNovus Minerals Corp.

We have audited the accompanying consolidated financial statements of GeoNovus Minerals Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at August 31, 2013 and 2012 and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GeoNovus Minerals Corp. and its subsidiaries as at August 31, 2013 and 2012 and their financial performance and 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 consolidated financial statements which indicates that the Company had a working capital deficiency of $373,920 and an accumulated deficit of $4,336,750 as at August 31, 2013. These conditions along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
December 18, 2013

GEONOVUS MINERALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT

		August 31, 2013		August 31, 2012
ASSETS				
Current				
Cash and cash equivalents (Note 7)	$	17,245	$	142,827
Receivables (Note 8)		141,851		68,053
Prepaid expenses (Note 9)		7,048		26,682
Total current assets		166,144		237,562
Investments (Note 10)		-		8,000
Reclamation bonds (Note 11)		66,825		62,619
Exploration and evaluation expenditures (Note 12)		2,094,986		2,282,471
Total assets	$	2,327,955	$	2,590,652
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 13)	$	527,059	$	94,607
Loan payable (Note 13)		800		-
Flow through liability		12,205		-
Total liabilities		540,064		94,607
Shareholders' equity				
Capital stock (Note 14)		5,711,447		5,296,204
Reserves (Note 14)		413,194		217,020
Deficit		(4,336,750)		(3,017,179)
Total shareholders' equity		1,787,891		2,496,045
Total liabilities and shareholders' equity	$	2,327,955	$	2,590,652

Nature and continuance of operations (Note 1)
Commitments and contingencies (Notes 12 and 18)
Subsequent events (Note 19)

On behalf of the Board:

"Mike England", Director   " Marvin Mitchell", Director

See accompanying notes to the consolidated financial statements.

GEONOVUS MINERALS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED AUGUST 31

	2013	2012 (Note 3)
EXPENSES		
Management fees (Note 13)	$ 65,400	$ 90,857
Office, rent, and miscellaneous (Note 13)	219,213	268,791
Professional fees (Note 13)	212,227	198,286
Consulting fees	60,438	43,565
Property investigation costs	69,635	159,509
Share-based compensation (Note 14)	59,451	158,613
Shareholder communications and promotion	24,009	53,729
Transfer agent and filing fees	23,601	44,389
Travel and accommodation	4,128	13,096
Loss before disposals, write offs and other items	738,102	1,030,835
OTHER ITEMS		
Foreign exchange loss	1,276	2,619
Interest (income)	10,280	(3,452)
Other income	(2,041)	-
Loss on disposition of investments (Note 10)	29,049	-
Write off of exploration and evaluation expenditures (Note 12)	542,905	303,982
Net loss for the year	$ 1,319,571	$ 1,333,984
Other comprehensive loss		
Unrealized loss on available for sale investments	49	10,000
Reclassification of net unrealized loss	(29,049)	-
Total comprehensive loss	$ 1,290,571	$ 1,343,984
Basic and diluted net loss per common share	$ 0.06	$ 0.10
Weighted average number of common shares outstanding – basic and diluted (Note 4)	20,938,862	13,562,128

See accompanying notes to the consolidated financial statements.

GEONOVUS MINERALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED AUGUST 31

	2013	2012 (Note 3)
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the year	$ (1,319,571)	$ (1,333,984)
Items not affecting cash:		
Share-based compensation	59,451	158,613
Write off of exploration and evaluation expenditures	542,905	303,982
Loss on disposition of investment	29,049	-
Recognition of flow through premium	(2,041)	-
Accrued interest	(556)	(28)
Unrealized foreign exchange	(7,123)	(1,478)
	(697,886)	(872,895)
Change in non-cash working capital items:		
Decrease (increase) in receivables	43,741	(68,053)
Decrease (increase) in prepaid expenses	19,634	(26,682)
Increase in accounts payable and accrued liabilities	214,986	69,880
Net cash flows from operating activities	(419,525)	(897,750)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	540,240	1,020,250
Share issue costs	(23,884)	(41,640)
Proceeds from option exercises		2,000
Amounts contributed by Geo Minerals Ltd. (Note 3)	-	252,865
Loan payable	800	-
Net cash flows from financing activities	517,156	1,233,475
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(234,637)	(193,621)
Sale of investment (Note 10)	7,951	-
Net cash flows from investing activities	(226,686)	(193,621)
Effect of foreign exchange rate changes on cash and cash equivalents	3,473	723
(Decrease) increase in cash and cash equivalents	(125,582)	142,827
Cash and cash equivalents, beginning of year	142,827	-
Cash and cash equivalents, end of year	$ 17,245	$ 142,827
Cash paid for taxes during the year	-	-

Supplemental disclosure with respect to cash flows (Note 15)

See accompanying notes to the consolidated financial statements.

GEONOVUS MINERALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

			Reserves					
	Number of Shares	Capital Stock	Equity settled share-based payments reserve	Warrant reserve	Available for sale revaluation reserve	Other reserves	Deficit	Total
Balance, August 31, 2011	-	$ -	$ -	$ -	$ (19,000)	$,072,198	$ (1,700,257)	$ 2,352,941
Expenditures funded by Geo Minerals	-	-	-	-	-	307,865	-	307,865
Issued pursuant to incorporation of GeoNovus	10	1	-	-	-	-	-	1
Cancelled pursuant to Plan of Arrangement	(10)	(1)	-	-	-	-	-	(1)
Issued pursuant to Plan of Arrangement	9,067,719	4,380,063	-	-	-	(4,380,063)	-	-
Issued pursuant to private placements	6,489,933	907,484	-	112,766	-	-	-	1,020,250
Exercise of options	20,000	2,000	-	-	-	-	-	2,000
Value of options exercised	-	2,201	(2,201)	-	-	-	-	-
Issued pursuant to property acquisitions	400,000	40,000	-	-	-	-	-	40,000
Expiry of options	-	-	(17,062)	-	-	-	17,062	-
Share-based compensation	-	-	158,613	-	-	-	-	158,613
Share issue costs-cash	-	(35,544)	-	(6,096)	-	-	-	(41,640)
Net loss and comprehensive loss for the year	-	-	-	-	(10,000)	-	(1,333,984)	(1,343,984)
Balance, August 31, 2012	15,977,652	5,296,204	139,350	106,670	(29,000)	-	(3,017,179)	2,496,045
Issued pursuant to private placements	8,387,250	413,541	-	112,453	-	-	-	525,994
Issued pursuant to acquisition of mineral interests	700,000	29,000	-	-	-	-	-	29,000
Share-based compensation	-	-	59,451	-	-	-	-	59,451
Share issue costs-cash	-	(25,399)	-	(6,629)	-	-	-	(32,028)
Share issue costs-non cash	-	(1,899)	-	1,899	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	29,000	-	(1,319,571)	(1,290,571)
Balance, August 31, 2013	25,064,902	$ 5,711,447	$ 198,801	$ 214,393	$ -	$ -	$ (4,336,750)	$ 1,787,891

1. NATURE AND CONTINUANCE OF OPERATIONS

GeoNovus Minerals Corp. (hereafter the "Company" or “GeoNovus”) was incorporated on October 11, 2011 under the laws of the Business Corporation Act (BC) as a wholly owned subsidiary of Geo Minerals Ltd. ("Geo"). The Company’s principal business is the acquisition and exploration of mineral properties. As part of a plan of arrangement (“Arrangement”), GeoNovus acquired assets from Geo in exchange for shares which were distributed to Geo’s shareholders. As shareholders of Geo ultimately continued to hold their respective interests in the transferred net assets, there was no change in control. Accordingly, these consolidated financial statements have been prepared on a continuity-of-interest basis. On December 21, 2011, the Arrangement was completed and GeoNovus became a reporting issuer. The Company began trading on the TSX Venture Exchange under the symbol "GNM" on January 5, 2012.

The Company's head office is located at 789 West Pender Street, Suite 1220, Vancouver, BC, V6C 1H2.

The consolidated financial statements were approved by the Board of Directors on December 18, 2013.

Although the Company has taken steps to verify title to its exploration and evaluation properties, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

As at August 31, 2013, the Company had a working capital deficiency of $373,920 (August 31, 2012 – working capital of $142,955) and an accumulated deficit of $4,336,750 (August 31, 2012 - $3,017,179). These consolidated financial statements have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Continued operations of the Company are dependent on the Company’s ability to receive financial support, complete a public equity financing, or generate profitable operations in the future. Management believes it will be successful in raising the necessary funding to continue operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. (Note 19) There is significant doubt as to whether the Company will be able to continue as a going concern. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on a historical cost basis except for investments classified as available-for-sale or held-for-trading which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company and its wholly owned subsidiaries is the Canadian dollar.

There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. IAS 8 - Accounting policies, changes in accounting estimates and errors ("IAS 8") requires management, if there is no specifically applicable standard of interpretation, to develop a reliable policy that is relevant to the decision making needs of users.

3. BASIS OF PRESENTATION (Continued)

The Company has determined to apply the concept of continuity-of-interest basis of accounting for transactions under common control as detailed under United States generally accepted accounting principles ("US GAAP"). US GAAP requires an acquirer in a combination between entities or businesses under common control to recognize the assets acquired and liabilities assumed in the transaction at their carrying amounts in the accounts of the transferring entity at the date of the transfer.

These annual consolidated financial statements reflect the financial position, statements of loss and comprehensive loss, and cash flows of the business and the properties of Geo prior to the transfer to GeoNovus on December 21, 2011. The consolidated statements of loss and comprehensive loss for the period prior to December 21, 2011 include direct expenses relating to the properties which were transferred and an allocation of Geo's general and administrative expenses incurred. The allocation of general and administrative expenses has been calculated on the basis of the ratio of costs incurred on the properties transferred as compared to the costs incurred on all mineral properties of Geo in each of the years prior to the transfer. Management cautions the readers that the financial results prior to the transfer to GeoNovus have been prepared solely to demonstrate the historical results of operations, financial position, and cash flows for the indicated periods and, accordingly, the allocation of expenses are not necessarily indicative of the costs that would have been incurred if the transferred assets had operated on a stand-alone basis or as an entity independent of Geo.

In the preparation of these annual consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to the periods presented in these consolidated financial statements, unless otherwise stated.

Principles of consolidation
These consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries, Juturna Geothermal Inc. incorporated under the laws of B.C., Geo Minerals (Arizona) Ltd. and Juturna Geothermal (Arizona) Inc. incorporated under the laws of Arizona, and 2009812 Delaware, Inc. incorporated in the state of Delaware. Significant inter-company balances and inter-company transactions have been eliminated upon consolidation. All references to the Company should be treated as references to GeoNovus Minerals Corp. and its subsidiaries. In July 2013, the Company decided to dissolve Juturna Geothermal (Arizona) Inc. and 2009812 Delaware Inc. as these subsidiaries were inactive.

Subsidiaries
Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Cash and cash equivalents
Cash and cash equivalents include balances with banks and short-term investments with original maturities of 90 days or less which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and are available on demand by the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are measured at fair value with subsequent changes in fair value recognized in the statement of loss and comprehensive loss. The Company's cash equivalents are classified as held-for-trading.

Financial assets that have a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and are measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held to maturity financial assets are recognized in the statement of loss and comprehensive loss. Currently, the Company has no held-to-maturity financial assets.

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are recognized in the statement of loss and comprehensive loss. The Company's cash balance and receivables are classified as loans and receivables. The estimated fair values of these financial instruments approximate their carrying values because of the limited terms of these instruments.

Available-for-sale assets are those financial assets that are not classified as held-for-trading, held-to-maturity or loans or receivables, and are carried at fair value. Any gains or losses arising from the change in fair value are recorded as other comprehensive income. Available-for-sale investments are written down to fair value through operations whenever it is necessary to reflect other than temporary impairment. Cumulative gains and losses arising upon the sale of the instrument are included in operations. Regular way purchases and sales of financial assets are accounted for at the trade date. The Company's investments are classified as available-for-sale assets.

Financial liabilities that are not classified as held-to-maturity are classified as other financial liabilities, and are carried at amortized cost using the effective interest method. Any gains or losses arising from the realization of other financial liabilities are recognized in the statement of loss and comprehensive loss. The Company's accounts payable and accrued liabilities and loans payable are classified as other financial liabilities.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The Company's financial instruments that were carried at fair value consisted of investments which have been classified as Level 1 and cash equivalents which are classified as Level 2 within the fair value hierarchy.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the assets have been negatively impacted. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the amount of the impairment and the loss is recognized in the statement of loss and comprehensive loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

If in a subsequent period, the amount of 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 to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the statement of loss and comprehensive loss.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the statement of loss and comprehensive loss.

Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the recoverable amount is less than the carrying amount of the asset, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the statement of loss and comprehensive loss.

Foreign currency translation

The Canadian dollar is the functional and reporting currency of the Company. Under this method, all monetary assets and liabilities are translated at the rate of exchange at the statement of financial position date and non-monetary assets and liabilities are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rates in effect on the statement of financial position date. Income and expenses are translated at the rates approximating those at the transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities are recognized in the statement of loss and comprehensive loss.

Exploration and evaluation expenditures

All of the Company’s property interests are in the exploration and evaluation phase. The Company records its interests in properties and areas of geological interest at cost. Expenditures incurred prior to obtaining the legal right to explore are expensed. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be impairment. These costs will be amortized on the basis of units produced in relation to the reserves available on the related property following commencement of production. The Company classifies the costs between intangibles and property and equipment based on the nature of the costs incurred.

The cost of property interests includes any cash consideration paid and the fair market value of shares issued, if any, on the acquisition of property interests. Acquisition costs of properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition costs and their related exploration and evaluation costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews capitalized costs on its mineral exploration properties on a periodic basis and when events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company will recognize an impairment in value based upon current exploration results and upon management’s assessment of the future probability of revenues from the property or from the sale of the property.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restoration, rehabilitation and environmental obligations
A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using the unit-of-production method. Changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation impact the carrying value of the asset and liability. The related liability is adjusted each period for the unwinding of the discount rate with a corresponding charge to the statement of loss and comprehensive loss. As at August 31, 2013 and August 31, 2012, the Company had no material restoration, rehabilitation or environmental obligations.

Provisions
Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A provision for onerous contacts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at August 31, 2013 and August 31, 2012.

Share-based payment transactions
In situations where equity instruments are issued to non‑employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share‑based payment. Otherwise, share‑based payments are measured at the fair value of goods or services received.

The fair value of stock options granted to employees is recognized as an expense over the vesting period with a corresponding increase in the equity settled share-based payments reserve account. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

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

Where the terms of an equity‑settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share‑based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Unexercised expired stock options and warrants are transferred to deficit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and to the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it is not recognized.

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the period. During the years ended August 31, 2013 and 2012, the outstanding stock options and warrants were anti-dilutive.

Loss per share information in these consolidated financial statements has been presented as if the common shares issued in connection with the closing of the Arrangement had been issued and outstanding from the start of all periods presented.

Comprehensive loss

Other comprehensive loss represents the change in net equity for the period that arises from unrealized gains and losses on available-for-sale financial instruments. Amounts included in other comprehensive loss are shown net of tax. Cumulative changes in other comprehensive loss are presented separately in the statement of changes in equity.

Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Carrying values for assets and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the period have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of operating facilities, operating management expertise and existing permits.

Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

Estimation of decommissioning and restoration costs and the timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting changes

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. At September 1, 2012, the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

Future accounting changes

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after September 1, 2012 or later periods.

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9"), effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning September 1, 2015, and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on September 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its consolidated financial statements.

IFRS 11 Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 *Investments in Associates* and IAS 36 *Impairment of Assets*. Any impairment losses are recognized as an adjustment to opening deficit at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on September 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and effective for years beginning on or after September 1, 2013, replaces the disclosure requirements currently found in IAS 28 Investments in Associates ("IAS 28"). The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows. The Company is currently evaluating the impact the introduction of IFRS 12 will have on its consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future accounting changes (continued)

IFRS 13 Fair Value Measurement ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures ("IAS 28") was issued by the IASB in May 2011 and supersedes IAS 28 Investments in Associates and 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 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IAS 32 Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted. The Company is currently assessing the impact of this standard on its consolidated financial statements.

5. CAPITAL MANAGEMENT

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

The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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

6. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes to the Company's approach to mitigating risk exposures during the year ended August 31, 2013.

Credit risk
The Company's credit risk is primarily attributable to receivables. The receivables relate to sales tax due from the Federal Government of Canada and amounts due from related parties. The Company has no significant concentration of credit risk arising from operations. Management expects that repayment of the receivable from related parties will occur, however, it does anticipate that the repayment term will be longer than desirable.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure it has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and expected exercise of share purchase warrants and options. The Company requires additional equity financing to fund its fiscal 2014 work programs and operating expenditures. Management believes that it will be successful in raising the necessary funds however, given the current market conditions, management believes that the raising of the required funds will take longer than is normal and will be at prices that may be less than desirable. (Note 19)

Interest risk
The Company has cash and cash equivalent balances and no interest-bearing debt therefore, interest rate risk is minimal.

Foreign currency risk
The Company's functional and presentation currency is the Canadian dollar. Certain expenditures are transacted in foreign currencies. As a result, the Company is exposed to fluctuations in these foreign currencies relative to the Canadian dollar.

Commodity price risk
Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price. A decline in the market price of commodities may also require the Company to reduce its mineral resources, which would have a material and adverse effect on the Company's value. As at August 31, 2013, the Company is not in production. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company does not expect any material movements in the underlying market risk variables over the next three months that will result in a material impact to its financial statements.

(EXPRESSED IN CANADIAN DOLLARS)

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Company are comprised of the following items:

	August 31, 2013	August 31, 2012
Cash balances	$ 17,245	$ 110,109
Short term money market instruments	-	32,718
Total	$ 17,245	$ 142,827

The Company's short term money market instruments accrue interest of 0.95% per annum and are redeemable at any time without penalty.

8. RECEIVABLES

The receivables balance is comprised of the following items:

	August 31, 2013	August 31, 2012
Sales tax due from Federal Government	$ 4,712	$ 48,453
Due from related parties (Note 13)	14,700	14,700
Other	4,900	4,900
Due from exploration partner (note 12)	117,539	
Total	$ 141,851	$ 68,053

9. PREPAID EXPENSES

The prepaid expense balance is comprised of the following items:

	August 31, 2013	August 31, 2012
Insurance	$ -	$ 4,959
Shareholder communication	-	3,675
Professional fees	-	5,000
Consultants	-	3,000
Rent (Note 13)	7,048	10,048
Total	$ 7,048	$ 26,682

10. INVESTMENTS

In September 2010, the Company received 200,000 shares of Hawkeye Gold & Diamond Inc. ("Hawkeye") pursuant to the terms of the option agreement for the Scotia Property dated July 2010. The value of the shares on acquisition date, using quoted market prices, was $37,000. The market value of the shares at August 31, 2012 was $8,000. During fiscal 2013, the Company sold its Hawkeye shares for net proceeds of $7,951.

(EXPRESSED IN CANADIAN DOLLARS)

11. RECLAMATION BONDS

The reclamation bond balance relates to the following mineral exploration properties:

	August 31, 2013	August 31, 2012
Scotia	$ 5,040	$ 5,028
Red Hills	37,183	34,800
Middle Mountain	24,602	22,791
Total	$ 66,825	$ 62,619

12. EXPLORATION AND EVALUATION EXPENDITURES

During the year ended August 31, 2013, expenditures incurred on mineral exploration properties were as follows:

	Scotia Property, BC	Middle Mountain, Arizona	Red Hills, Arizona	Silver Bell West, Arizona	Mink Lake, Ontario	Year ended August 31, 2013
	$	$	$	$	$	$
Acquisition Costs:						
Balance, beginning of the year	297,721	121,244	118,815	203,249	-	741,029
Additions during the year	-	-	-	-	30,725	30,725
	297,721	121,244	118,815	203,249	30,725	771,754
Write-offs during the year	-	(121,244)	-	-	-	(121,244)
Balance, end of year	297,721	-	118,815	203,249	30,725	650,510
Deferred Exploration Costs:						
Balance, beginning of year	629,298	421,460	274,367	216,317	-	1,541,442
Reports and surveys	-	-	-	-	-	-
Assays and lab tests	-	-	-	2,236	-	2,236
Geological consulting	8,400	201	200	61,602	7,700	78,103
Equipment rental	-	-	-	4,761	400	5,161
Field expenses	-	-	-	6,096	-	6,096
Licences, permits and maintenance fees	-	-	-	27,746	-	27,746
Drilling and transportation	-	-	-	183,416	-	183,416
Travel and accommodation	-	-	-	12,336	1,760	14,096
Administration and other	-	-	-	7,841	-	7,841
	637,698	421,661	274,567	522,351	9,860	1,866,137
Write-offs during the year	-	(421,661)	-	-	-	(421,661)
Balance, end of year	637,698	-	274,567	522,351	9,860	1,444,476
Total	935,419	-	393,382	725,600	40,585	2,094,986

(EXPRESSED IN CANADIAN DOLLARS)

12. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

During the year ended August 31, 2012, expenditures incurred on mineral exploration properties were as follows:

	Scotia Property, BC	Middle Mountain, Arizona	Red Hills, Arizona	Silver Bell West, Arizona	Chilcotin, BC	Onstrike, Quebec	Year Ended August 31, 2012
	$	$	$	$	$	$	$
Acquisition Costs:							
Balance, beginning of the year	297,721	73,744	71,315	100,289	89,485	65,100	697,654
Additions during the year	-	147,500	147,500	102,960	-	165	398,125
Option proceeds received	-	(100,000)	(100,000)	-	-	-	(200,000)
	297,721	121,244	118,815	203,249	89,485	65,265	895,779
Write-offs during the year	-	-	-	-	(89,485)	(65,265)	(154,750)
Balance, end of year	297,721	121,244	118,815	203,249	-	-	741,029
Deferred Exploration Costs:							
Balance, beginning of year	572,769	423,226	277,808	170,118	149,232	-	1,593,153
Reports and surveys	15,450	-	-	-	-	-	15,450
Assays and lab tests	-	-	-	446	-	-	446
Geological consulting (recovery)	29,200	(1,766)	(3,441)	16,427	-	-	40,420
Equipment rental	100	-	-	-	-	-	100
Field expenses	-	-	-	205	-	-	205
Licences, permits and maintenance fees	-	-	-	26,399	-	-	26,399
Transportation	9,144	-	-	-	-	-	9,144
Travel and accommodation	2,076	-	-	863	-	-	2,939
Administration and other	559	-	-	1,859	-	-	2,418
	629,298	421,460	274,367	216,317	149,232	-	1,690,674
Write-offs during the year	-	-	-	-	(149,232)	-	(149,232)
Balance, end of year	629,298	421,460	274,367	216,317	-	-	1,541,442
Total	927,019	542,704	393,182	419,566	-	-	2,282,471

12. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Scotia Property

In 2005, the Company acquired an option to earn a 50% interest in a mineral property located in the Scotia River area of the Skeena Mining district of British Columbia through the assignment by Ialta Industries Ltd. (“Ialta”), of an option agreement with Doublestar Resources Limited (“Doublestar”). Certain directors and officers of the Company were also directors and officers of Ialta for the period from incorporation (June 9, 2005) to May 12, 2006. The terms of this agreement required the Company to issue 300,000 shares, and incur $2,000,000 in exploration expenditures over five years. In 2006, the Company issued 100,000 common shares valued at $9,500 pursuant to this property option agreement.

In May 2007, the option agreement was replaced by a purchase agreement entered into by the Company and Doublestar, as amended August 14, 2007, whereby the Company could acquire 100% of Doublestar’s interest in the Scotia Property for $310,000 cash (paid) and 300,000 common shares (issued and valued at $29,500) of the Company. Doublestar would retain a 2% Net Smelter Return of which 1% may be purchased by the Company for $1,000,000. The Company holds a Guaranteed Investment Certificate of $5,000 (2012 - $5,000) bearing interest of 0.95% with the Bank of Montreal with respect to the estimated cost of reclamation work relating to planned future exploration programs. The certificate is reflected in reclamation bonds on the statement of financial position.

On July 9, 2010, the Company entered into an option agreement with Hawkeye Gold & Diamond Inc. ("Hawkeye") whereby Hawkeye could earn up to a 60% interest in the Scotia Property. Hawkeye could earn a 51% interest by paying $210,000, issuing 1,000,000 shares over a three year period and by incurring $1,200,000 in work program expenditures over a four year period. Hawkeye could earn an additional 9% for a total of 60% by incurring $500,000 per year in property expenditures until a positive bankable feasibility study is completed and by issuing 500,000 shares of Hawkeye within 15 days upon completion and delivery of the bankable feasibility study to the Company. In September 2010, the Company received $25,000 cash and 200,000 common shares of Hawkeye valued at $37,000 pursuant to the option agreement.

As at August 31, 2011, Hawkeye was in default of the terms of the option agreement. Hawkeye was not able to rectify the default within the required timeframe and the option agreement was terminated.

Middle Mountain Property

On March 4, 2008, the Company entered into an agreement to acquire the right to lease 100% of the state mineral exploration permits and federal lode mining claims known as the Middle Mountain property, located in south-central Arizona, granted to Bronco Creek Exploration Inc. ("BCE"). Pursuant to the agreement, the Company would acquire all of BCE’s interests and the exclusive right to mine the Middle Mountain property for a term of 20 years or longer so long as exploration or mining activity is being conducted.

In November 2009, the option agreement was amended to change the date of the required cash payments and share issuance requirements and to decrease the required work commitments. In June 2010 and August 2012, the dates of the required cash payments were amended once again.

(EXPRESSED IN CANADIAN DOLLARS)

12. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Middle Mountain Property (Continued)

The financial requirements, incorporating all the amendments to the agreements are as follows:

	Advance royalty Payments (US$)	Common Shares To be Issued	Work Commitments (Cumulative) US$
Upon signing	30,000 (paid)	50,000 (issued in fiscal 2008 by Geo for value of $10,000)	-
1st anniversary	50,000 (paid)	100,000 (issued in fiscal 2009 by Geo for value of $8,500)	-
On or before March 31, 2012	100,000 (paid)	200,000 (issued in fiscal 2011 by Geo for value of $18,000)	150,000
On or before March 31, 2013	150,000	250,000 (issued in fiscal 2012 by Geo for value of $27,500)	400,000
On or before March 31, 2014	175,000	200,000 (issued in fiscal 2012 for value of $20,000)	800,000
On or before March 31, 2015	200,000	-	2,000,000

After the fifth anniversary of the agreement, the Company would pay US$200,000 per year in advance royalty payments and would incur work expenditures of US$500,000 per year until the commencement of royalty payments. BCE will retain a 2.5% NSR on the property with 0.5% available for buy back for US$1,000,000 before year 7 of the agreement. The Company holds a reclamation bond of $24,602 (US$23,360) (2012 - $22,791 (US$23,000)) bearing interest of 2.96% with the US department of the Interior Bureau of Land Management with respect to the estimated cost of reclamation work relating to its current exploration programs.

In November 2009, the Company entered into an option agreement with First Quantum Minerals Ltd. (“FQM”) to explore the Company’s Middle Mountain porphyry copper project. FQM would have the option to earn a 70% interest in the property by making cumulative cash payments of US$675,000 (US$150,000 received) and exploration expenditures of US$2,000,000 over four years.

Based on the work performed on the property during the year, the Company has a receivable of $5,739 as at August 31, 2013 due from FQM.

In fiscal 2013, based on the drill results at Middle Mountain, the Company decided to drop its interest in this property and the capitalized costs have been written off accordingly.

Red Hills Property

On August 4, 2008, the Company entered into an agreement with BCE to acquire all of BCE’s interests in the Red Hills property, a porphyry copper project located southeast of Florence in Pinal County, Arizona. The land position consists of state mineral leases and unpatented federal mining claims.

In November 2009, the option agreement was amended to change the date of the required cash payments and to decrease the required work commitments. In June 2010 and August 2012, the dates of the required cash payments were amended once again.

(EXPRESSED IN CANADIAN DOLLARS)

12. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Red Hills Property (Continued)

The financial requirements, incorporating all the amendments to the agreements are as follows:

	Advance royalty Payments (US$)	Common Shares To be Issued	Work Commitments (Cumulative) US$
Upon signing	30,000 (paid)	50,000 (issued in fiscal 2009 by Geo for value of $6,000)	-
1st anniversary	50,000 (paid)	100,000 (issued in fiscal 2009 by Geo for value of $9,500)	-
On or before March 31, 2012	100,000 (paid)	200,000 (issued in fiscal 2011 by Geo for value of $18,000)	150,000
On or before March 31, 2013	150,000 (paid)	250,000 (issued in fiscal 2012 by Geo for value of $27,500)	400,000
On or before March 31, 2014	175,000	200,000 (issued in fiscal 2012 for value of $20,000)	800,000
On or before March 31, 2015	200,000	-	2,000,000

Starting March 31, 2016, the Company will pay US$200,000 per year in advance royalty payments and will incur work expenditures of US$500,000 per year until commencement of production royalty payments. BCE will retain a 2.5% NSR with 0.5% available for buy back for US$1,000,000 before year 7 of the agreement. The Company holds a reclamation bond of $37,183 (US$35,305) (2012 - $34,800 (US$35,120)) with the US department of the Interior Bureau of Land Management with respect to the estimated cost of reclamation work relating to its future exploration programs.

In November 2009, the Company entered into an option agreement which was subsequently amended on June 14, 2010, with FQM to explore the Company's Red Hills porphyry copper project. FQM will have the option to earn a 70% interest in the property by making cumulative cash payments of US$675,000 (US$150,000 received) and exploration expenditures of US$2,000,000 over four years.

Based on the work performed on the property during the year, the Company has a receivable of $111,800 as at August 31, 2013 due from FQM. This amount was received subsequent to year end.

Silver Bell West Property

On August 26, 2009, the Company signed a Letter of Intent to enter into a lease-option agreement with BCE to earn a 100% in the Silver Bell West porphyry copper project located in south-central Arizona. The Company would assume 100% control of the mineral rights upon execution and maintenance of the terms of the Letter of Intent. BCE would retain a 2.5% NSR with 0.50% available for buy back for US$1,000,000 by the seventh anniversary of the agreement.

As of August 31, 2010, the Company was in default on the terms of the option agreement. In June 2011, the Company successfully amended the terms of the Letter of Intent with Eurasian Minerals Inc. ("EMX") through EMX's wholly owned subsidiary, BCE, for the Silver Bell West Property.

(EXPRESSED IN CANADIAN DOLLARS)

12. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Silver Bell West Property (Continued)

The terms of the Silver Bell West Agreement were amended such that the monies due and payable to BCE on the first anniversary of the initial Agreement for advanced royalty payments of $50,000 and monies due under the property maintenance clause of the Agreement and reimbursement of completed work programs totaling $86,184 could be paid by the issuance of 1,231,198 common shares in the capital of the Company. The Company elected to pay cash rather than issue shares and on July 26, 2011, the Company paid the outstanding balance.

If the Company elects to terminate its interest in the Silver Bell West property, the Company will return the property and any additional ground to BCE with a minimum of 3 months (amended from one year) maintenance fees for federal unpatented mining claims.

The Silver Bell West Property agreement was amended on November 16, 2011 and again on December 15, 2011. The financial requirements, incorporating the amendments to the agreement and payments already made, are as follows:

	Advance royalty Payments (US$)	Common Shares To be Issued	Work Commitments (Cumulative) US$
Upon signing	30,000 (paid)	50,000 (issued in fiscal 2010 for value of $5,750)	-
1st anniversary	50,000 (paid)	100,000 (issued in fiscal 2011 for value of $10,000)	-
June 15, 2012	100,000 (paid)	-	-
December 15, 2013	150,000	200,000	450,000
June 15, 2014	175,000	250,000	800,000
June 15, 2015	200,000	-	1,300,000
June 15, 2016	200,000	200,000	2,000,000

Subsequent to June 15, 2016, the Company would pay US$200,000 per year in advance royalty payments and would incur work expenditures of US$500,000 per year until its obligation to pay production royalty payments exceeds its obligation to pay advanced royalty payments.

Mink Lake, Ontario

In May 2013, the Company acquired the Mink Lake property consisting of two claim units located in Chabanel Township, Sault Ste. Marie, Ontario. As consideration for the acquisition, the Company issued 100,000 common shares valued at $5,000 and granted the vendors a 2%NSR of which 1% can be purchased for $1.0 million.

In June 2013, the Company announced that it entered into an option agreement to acquire 7 unpatented mining claims contiguous to the Mink Lake claims acquired in May 2013. As consideration for a 100% earn-in, the Company will issue an aggregate of 2.1 million shares, pay $50,000 and incur $700,000 is expenditures over a three year period. The Company will also grant the vendors a 2% NSR of which 1% can be repurchased for $1.0 million. On June 26, 2013, pursuant to the terms of the agreement, the Company issued 600,000 shares valued at $24,000.

Chilcotin, BC

In September 2010, the Company acquired an option to earn a 100% interest in the Chilcotin region of south central British Columbia, approximately 110 kilometers southwest of Williams Lake, B.C. The terms of the

(EXPRESSED IN CANADIAN DOLLARS)

12. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Chilcotin, BC (Continued)

option agreement for a 100% interest require the Company to pay $10,000 (paid) and issue 750,000 common shares (issued and valued at $30,000) plus a further $20,000 (paid) and 750,000 common shares on or before the first anniversary date. In May 2011, the option agreement was amended to reduce the final share payment from 750,000 to 600,000 shares (issued and valued at $51,000).

In fiscal 2011, the costs associated with six Chilcoltin claims which were due to expire were written off. As at August 31, 2012, management had no plans to explore the Chilcotin property for the foreseeable future so the balance of the exploration and evaluation costs were written off accordingly.

Onstrike Property, Quebec

In November 2010, the Company acquired the Onstrike claims in northwestern Quebec. As consideration for the claims, the Company paid $10,000 and issued 500,000 common shares (issued for value of $55,000). The vendor retained a 2% NSR with 1% available for buy back for $1,000,000.

As at August 31, 2012, management had no plans to explore the Onstrike property and have allowed the claims to lapse and the exploration and evaluation costs were written off accordingly.

13. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them.

Trading Transactions
The Company entered into the following transactions with related parties:

	Nature of transactions	Notes	Year ended August 31, 2013	August 31, 2012
England Communications	Wages, rent and office services	a, b	$ 262,263	$ 309,489
Olga Nikitovic	Professional fees	c	$ 60,000	$ 40,000
Paul Gray Geological	Consulting fees	d	$ 7,013	$ 4,275
David Lajack	Consulting fees	e	-	$ 12,220

a) The Company incurred rent and office expenses of $36,000 (2012 - $36,917) charged by England Communications, a company controlled by a director and officer of the Company. The charges are included in office, rent and miscellaneous expense. As at August 31, 2013, $7,048 of rent was included in prepaids (2012-$10,048) and $12,600 was included in accounts payable.

b) The Company pays wages, including employer contributions, directly to England Communications, a management company controlled by a director and officer of the Company. During the year ended August 31, 2013, the Company incurred $226,263 (2012- $272,572) in salaries of which $65,400 (2012 - $90,857) represents management fees for the CEO and $23,700 (2012 - $27,068) represents salary for the current Corporate Secretary and former CFO of the Company. These charges are recorded as management fees and office, rent and miscellaneous expense, respectively. The remaining balance of $137,163 (2012- $154,647) was included in office, rent and miscellaneous expense. As of August 31, 2013, $61,978 was included in accounts payable (2012-$Nil).

c) The Company incurred $60,000 (2012 - $40,000) charged by the current CFO of the Company. The amount is included in professional fees. Olga Nikitovic began receiving CFO fees in January 2012. As at August 31, 2013, $21,000 was included in accounts payable (2012-$Nil).

(EXPRESSED IN CANADIAN DOLLARS)

13. RELATED PARTY TRANSACTIONS (Continued)

d) The Company incurred $7,013 (2012 - $4,275) of consulting fees from a company controlled by a director. $6,788 of the fees are charged to exploration and evaluation expenditures (2012-$4,275) while $225 is included in consulting expense (2012-$Nil).

e) The Company incurred $Nil (2012 - $12,220) of consulting fees to a former director. The fees are charged to property investigation costs.

In June 2013, the Company obtained a loan from England Communications. The loan is non-interest bearing and is repayable on demand. The loan was repaid subsequent to year end. (Note 19)

England Communication subscribed for 300,000 units of the December 21, 2012 private placement for gross proceeds of $19,500. Certain directors and officers of the Company subscribed for 420,000 units of the December 28, 2011 private placement for gross proceeds of $63,000

In fiscal 2012, the Company paid for the cost of a media campaign which is to be utilized by four other companies, three of which are related by virtue of two common officers and directors. A receivable of $14,700 has been set up to reflect the portion of the cost to be repaid by Alix Resources Corp., Ashburton Ventures Inc., and Caribou King Resources Ltd.

Compensation of key management personnel

	Notes	Years ended August 31, 2013	August 31, 2012
Salaries	a	$ 149,100	$ 157,925
Share-based payments	b	$ 21,574	$ 88,364

a) The Company does not pay any directors' fees nor does the Company pay any health or post employment benefits. The salaries include the fees for the CEO, CFO and Corporate Secretary included in trading transactions above.

b) Share-based payments are the grant date fair value of options granted to key management (CEO, CFO, and Corporate Secretary) and directors.

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital Stock

The Company has authorized an unlimited number of common shares without par value. As at August 31, 2013, the Company had 25,064,902 common shares outstanding. The common shares outstanding at August 31, 2012 were 15,977,652.

On December 21, 2012, the Company completed its first tranche of a non-flow through private placement with the issuance of 4,923,000 units at a price of $0.065 per unit for gross proceeds of $319,995 of which $66,442 was allocated to warrants. Each unit consists of one common share and one warrant of the Company. Each warrant entitles the holder to purchase one share for a period of 18 months at an exercise price of $0.10 per share. The Company issued finders a total of 140,000 share purchase warrants valued at $1,346 exercisable at $0.10 per share for twelve months and a cash commission of $9,100. Total share issue costs were $17,527 of which $3,640 was allocated to warrants.

On December 28, 2012, the Company completed a flow through private placement with the issuance of 871,250 units at a price of $0.08 per unit for gross proceeds of $69,700 of which $10,149 was allocated to warrants and $14,246 has been allocated to the flow through premium. Each flow-through unit consists of one flow-through

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

common share and one non-flow-through warrant. Each non-flow-through warrant entitles the holder to purchase one share for a period of 18 months at an exercise price of $0.12 per share. The Company issued finders a total of 72,750 share purchase warrants valued at $685 exercisable at $0.10 per share for twelve months and a cash commission of $5,820. Total share issue costs were $8,909 of which $1,630 was allocated to warrants.

On January 29, 2013, the Company completed the second tranche of a non-flow-through private placement with the issuance of 1,393,000 units at a price of $0.065 per unit for gross proceeds of $90,545 of which $18,808 was allocated to warrants. Each unit consists of one common share and one warrant of the Company. Each warrant entitles the holder to purchase one share for a period of 18 months at an exercise price of $0.10 per share. The Company issued finders a total of 50,000 share purchase warrants valued at $344 exercisable at $0.10 per share for twelve months and a cash commission of $3,250. Total share issue costs were $5,598 of which $1,163 was allocated to warrants.

During May and June 2013, the Company issued a total of 700,000 shares valued at $29,000 pursuant to the acquisition of Mink Lake property claims.

On August 29, 2013, the Company completed the first tranche of a private placement with the issuance of 1,200,000 units at a price of $0.05 per unit for gross proceeds of $60,000 of which $17,054 was allocated to warrants. Each unit consists of one common share and one warrant of the Company. Each warrant entitles the holder to purchase one share at an exercise price of $0.075 per share for the first year after closing and $0.10 for the second year following closing. Total share issue costs were $2,369 of which $673 was allocated to warrants.

In October 2011, the Company issued, on incorporation, 10 shares for aggregate consideration of $1 to Geo. The shares were cancelled upon completion of the Arrangement.

On December 21, 2011, New Gold acquired through the Arrangement, all the outstanding common shares of Geo for $0.16 per share. New Gold retained Geo's interest in the West Blackwater properties and cash and the remainder of Geo's portfolio of exploration properties were transferred to GeoNovus at book value in consideration for the issuance of 9,067,719 GeoNovus shares which were distributed to Geo shareholders on the basis of one share of GeoNovus for every 15 Geo common shares held.

On December 23, 2011, as part of the Arrangement, the Company completed a non brokered private placement with New Gold in which the Company issued 1,354,933 shares for gross proceeds of $250,000.

On December 28, 2011, the Company completed a non brokered private placement in which it issued 5,135,000 units at a price of $0.15 per unit for gross proceeds of $770,250 of which $112,766 is allocated to warrants. Each unit consisted of one common share and one half share purchase warrant. Each whole warrant is exercisable at $0.20 for a period of two years. Finders’ fees of $30,600 were paid. Total issue costs were $41,640 of which $6,096 was allocated to warrants. Certain officers and directors of the Company subscribed for 420,000 units of the private placement for gross proceeds of $63,000.

(EXPRESSED IN CANADIAN DOLLARS)

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Share purchase warrants

At August 31, 2013, warrants were outstanding enabling holders to acquire shares as follows:

Expiry Date	Exercise Price $	Number of warrants	Remaining contractual life (years)	Currently exercisable	Remaining contractual life (years)
December 21, 2013	0.10	140,000	0.31	140,000	0.31
December 28, 2013	0.10	72,750	0.33	72,750	0.33
December 28, 2013	0.20	2,567,500	0.33	2,567,500	0.33
January 29, 2014	0.10	50,000	0.41	50,000	0.41
June 21, 2014	0.10	4,923,000	0.81	4,923,000	0.81
June 28, 2014	0.12	871,250	0.83	871,250	0.83
July 29, 2014	0.10	1,393,000	0.91	1,393,000	0.91
August 29, 2014	0.075 then	1,200,000	-	-	-
August 29, 2015	0.10				
		11,217,500	0.83	10,017,500	0.69

The following is a summary of the warrant transactions during the year ended August 31, 2013 and the year ended August 31, 2012.

	Year ended August 31, 2013		Year ended August 31, 2012	
	Number Of Warrants	Weighted Average Exercise Price $	Number Of Warrants	Weighted Average Exercise Price $
Balance, beginning of the year	2,567,500	0.20	-	-
Warrants issued pursuant to private placements	8,650,000	0.10	2,567,500	0.20
Balance, end of year	11,217,500	0.12	2,567,500	0.20

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of warrants issued in the years ended August 31, 2013 and 2012:

	Year ended August 31, 2013	Year ended August 31, 2012
Risk-free interest rate	1.14%	0.93%
Expected life of warrants	1.55 years	2.0 years
Expected annualized volatility	96%	86%
Expected dividend rate	0%	0%

(EXPRESSED IN CANADIAN DOLLARS)

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Stock options

The Company may grant stock options pursuant to a stock option plan which was established in accordance with the policies of the TSX Venture Exchange. The Board of Directors administers the Plan, pursuant to which the Board of Directors may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants and advisors. The options can be granted for a maximum of five years.

As at August 31, 2013, the following incentive stock options were outstanding:

		Options Outstanding and Exercisable	
Expiry Date	Exercise Price $	Number of Options Outstanding	Weighted average remaining contractual life (years)
January 7, 2014	0.10	100,000	0.35
January 10, 2017	0.10	1,075,000	3.36
June 19, 2017	0.10	250,000	3.80
October 5, 2017	0.10	200,000	4.10
December 27, 2017	0.10	250,000	4.32
January 31, 2018	0.10	425,000	4.42
		2,300,000	3.64

The following is a summary of the option transactions during the years ended August 31, 2013 and 2012.

	Year ended August 31, 2013		Year ended August 31, 2012	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Balance, beginning of the year	1,325,000	0.10	-	-
Options granted	975,000	0.10	1,500,000	0.10
Options expired	-	-	(155,000)	0.10
Options exercised	-	-	(20,000)	0.10
Balance, end of the year	2,300,000	0.10	1,325,000	0.10

(EXPRESSED IN CANADIAN DOLLARS)

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Stock options (Continued)

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted for the years ended August 31, 2013 and 2012:

	Year ended August 31, 2013	Year ended August 31, 2012
Risk-free interest rate	1.40%	1.28%
Expected life of options	4.6 years	5.0 years
Expected annualized volatility	121%	124%
Expected dividend rate	0%	0%

Share based compensation

For the year ended August 31, 2013, the Company granted 975,000 options (2012: 1,500,000). The options were exercisable at $0.10 for a period of one to five years. The options vested immediately. Accordingly, share-based compensation expense for the year ended August 31, 2013 was $59,451 (2012: $158,613).

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions for the year ended August 31, 2013 consisted of:

a) An increase in accrued exploration and evaluation expenditures of $91,783.
b) An increase in accrued share issue costs of $8,144
c) Issuance of 600,000 shares valued at $29,000 pursuant to the Mink Lake property claims acquisitions.

Significant non-cash investing and financing transactions for the year ended August 31, 2012 consisted of:

a) An increase in accrued exploration and evaluation expenditures of $7,025 and receivable from exploration partner $117,539.
b) Parent (Geo) issuance of shares valued at $55,000 pursuant to property option agreements.
c) Issuance of 400,000 shares valued at $40,000 pursuant to property option agreements.

(EXPRESSED IN CANADIAN DOLLARS)

16. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective tax rate to differ from the combined Canadian and US statutory rate of 28% (2012 - 26%) were as follows:

	2013 $	2012 $
(Loss) before income taxes	(1,290,571)	(1,333,984)
Expected income tax (recovery)	(361,000)	(340,000)
Adjustment to expected income tax benefit:		
Share-based compensation	15,000	40,000
Loss on disposition of capital property	4,000	-
Flow-through renunciation	2,000	-
Write-down of exploration and evaluation expenditures	-	78,000
Change in tax rates	5,000	-
Difference in tax rates	(6,000)	-
Other	(1,000)	(2,000)
Change in Benefit of tax assets not recognized	342,000	224,000
Deferred income tax provision (recovery)	-	-

The 2013 blended Canadian and US statutory tax rate of 28% differs from the 2012 statutory tax rate of 26% because of the changes in federal and Ontario substantively enacted tax rates and write-down of US property.

b) Deferred Income Tax

Unrecognized Deferred Tax Assets

	2013 $	2012 $
Exploration and evaluation expenditures	304,000	92,000
Capital and Non-capital loss carry-forwards	311,000	178,000
Share issue costs	13,000	9,000
Total	628,000	279,000

No deferred tax assets have been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

As at August 31, 2013, the Company had approximately $30,890, $342,490 and $454,732 of Canadian development, Canadian exploration and foreign development and exploration expenditures respectively which, under certain circumstances, may be used to reduce taxable income of future years. The Company had approximately $1,228,072 of non-capital losses in Canada, which expire as to $697,623 in 2032 and $530,449 in 2033 and can be used to reduce taxable income in future years.

(EXPRESSED IN CANADIAN DOLLARS)

17. SEGMENTED INFORMATION

The Company primarily operates in one reportable segment, being the acquisition and exploration of resource properties in Canada and the United States. Segmented information on a geographic basis is as follows:

	August 31, 2013 $	August 31, 2012 $
Canadian exploration expenditures and reclamation bonds	981,044	932,047
US exploration and evaluation expenditures and reclamation bonds	1,180,767	1,413,043
	2,161,811	2,345,090

Substantially all of the other assets and operating expenditures are in Canada.

18. COMMITMENTS AND CONTINGENCIES

The Company's exploration and evaluation activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company is obligated to spend $68,829 by December 31, 2013 as part of the flow through funding agreement for shares issued in December 2012. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to flow through participants. The Company indemnified the subscribers for any related tax amounts that become payable by the subscribers as a result of the Company not meeting its expenditure commitments. In February 2013, the Company renounced exploration expenditures in the amount of $68,829 with an effective date of December 31, 2012. As at August 31, 2013, the Company had incurred $9,860 flow-through eligible expenditures.

19. SUBSEQUENT EVENTS

i) On September 23, 2013, the Company completed the second tranche of a private placement with the issuance of 5,150,000 units at a price of $0.05 per unit for gross proceeds of $257,500. Each unit consists of one common share and one warrant of the Company. Each warrant entitles the holder to purchase one share at an exercise price of $0.075 per share for the first year after closing and $0.10 for the second year following closing.

ii) On October 1, 2013, the Company granted 700,000 options exercisable at $0.05 per share for a period of five years to directors, officers, and consultants.

iii) In October 2013, the Company repaid the loan of $800 to England Communications.

iv) Subsequent to year end, the Company entered into an option agreement to acquire the Corona Project mining claims which include the historic Shakespeare Gold Mine, located northeast of Webbwood, Ontario. The Corona Project consist of 95 contiguous claims. As consideration for the acquisition, the Company will issue 1,500,000 shares and incur $300,000 in exploration expenditures over a period of two years. The vendor retains a 2% NSR of which 1% can be purchased for $2.0 million.

v) Subsequent to year end, 100,000 options were exercised for gross proceeds of $5,000.

19. SUBSEQUENT EVENTS (Continued)

vi) On December 11, 2013, the Company announced that it has arranged a non-brokered private placement of up to 4,000,000 flow-through units at a price of $0.05 per unit for aggregate gross proceeds of $200,000 and up to 2,000,000 non-flow-through units at a price of $0.05 per unit for aggregate gross proceeds of $100,000. Each unit will be comprised of one common share and one share purchase warrant of the Company. Each Warrant will entitle the holder to purchase one share for a period of 24 months from the closing date at an exercise price of $0.075 per share.