Financial Statements of

Mountain Lake Minerals Inc.

For the three months ended August 31, 2012 and the 108 day period from incorporation on May 16, 2012 to August 31, 2012

(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice to this effect.

The accompanying unaudited condensed interim financial statements have been prepared by management of the Company. Management have compiled the condensed interim statement of financial position of Mountain Lake Minerals Inc. as at August 31, 2012, the condensed interim statements of loss and comprehensive loss for the three months ended August 31, 2012 and the 108 day period from incorporation on May 16, 2012 to August 31, 2012, the condensed interim statement of changes in equity as at August 31, 2012, and the condensed interim statement of cash flows for the 108 day period from incorporation on May 16, 2012 to August 31, 2012. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the August 31, 2012 condensed interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

MOUNTAIN LAKE MINERALS INC.
(a newly incorporated business)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)
As at August 31, 2012

	$
ASSETS	
Current assets	
Cash	343,171
Taxes receivable	20,075
Prepaid expenses	12,029
Marketable securities (Notes 1 and 6)	46,863
	422,138
Equipment (Note 1)	44,373
Exploration and evaluation assets (Notes 1 and 7)	4,537,153
Total Assets	5,003,664
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	68,086
Total Liabilities	68,086
SHAREHOLDERS' EQUITY	
Capital stock (Note 8)	4,949,604
Warrants	92,900
Share-based payments reserve	336,322
Deficit	(443,248)
Total Shareholders' Equity	4,935,578
Total Liabilities and Shareholders' Equity	5,003,664

Going concern – Note 2
Subsequent event – Notes 7 and 12

See accompanying notes to unaudited condensed interim financial statements.

MOUNTAIN LAKE MINERALS INC.
(a newly incorporated business)
CONDENSED INTERIM STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
For the three months ended August 31, 2012 and the 108 day period from incorporation on May 16, 2012 to August 31, 2012

	Three months ended August 31, 2012 $	108 days ended August 31, 2012 $
Administration expenses		
Amortization	406	406
Management fees	18,082	18,082
Office and general	4,259	4,259
Professional fees	36,122	36,122
Shareholder information and communications	13,698	13,698
Share transfer, listing and filing fees	8,411	8,411
Travel and business development	2,516	2,516
Share-based payments expense	336,322	336,322
Total Administration Expenses	419,816	419,816
Loss before the following:	(419,816)	(419,816)
Unrealized loss on marketable securities	(23,432)	(23,432)
Net loss and comprehensive loss for the period	(443,248)	(443,248)
Loss per share – basic and diluted (Note 9)	(0.03)	(0.04)

See accompanying notes to unaudited condensed interim financial statements.

MOUNTAIN LAKE MINERALS INC.
(a newly incorporated business)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian dollars)
108 day period from incorporation on May 16, 2012 to August 31, 2012

	Common shares without par value		Warrants	Share-based payments reserve	Deficit	Total Shareholders' Equity
	Number	$	$	$	$	$
Upon incorporation on May 16, 2012	1	-	-	-	-	-
Cancellation of initial share pursuant to the Arrangement (Note 1)	(1)	-	-	-	-	-
Issuance of shares for assets (Note 1)	20,309,586	4,382,341	-	-	-	4,382,341
Issuance of shares for cash:						
Private placement at $0.20 per share	2,500,001	407,100	92,900	-	-	500,000
Share issuance costs	-	(7,919)	-	-	-	(7,919)
Settlement of obligations with equity	840,410	168,082	-	-	-	168,082
Share-based payments	-	-	-	336,322	-	336,322
Net loss and comprehensive loss	-	-	-	-	(443,248)	(443,248)
Balance, August 31, 2012	23,649,997	4,949,604	92,900	336,322	(443,248)	4,935,578

See accompanying notes to unaudited condensed interim financial statements.

MOUNTAIN LAKE MINERALS INC.
(a newly incorporated business)
CONDENSED INTERIM STATEMENT OF CASH FLOWS
(Expressed in Canadian dollars)
108 day period from incorporation on May 16, 2012 to August 31, 2012

CASH PROVIDED BY (USED IN)	$
Operating activities	
Net loss for the period	(443,248)
Adjustments for:	
Amortization	406
Unrealized loss on marketable securities	23,432
Share-based payments expense	336,322
Net change in non-cash working capital balances related to operations	
(Increase) in amounts receivable	(20,075)
(Increase) in prepaid expenses	(12,029)
Increase in accounts payable and accrued liabilities	68,086
	(47,106)
Financing activities	
Proceeds from issuance of capital stock – net of issuance costs	492,081
Investing activities	
Mineral resource property expenditures	(101,804)
Net change in cash for the period	343,171
Cash – beginning of period	-
Cash – end of period	343,171

See Supplemental cash flow information (Note 11)

See accompanying notes to unaudited condensed interim financial statements.

NOTE 1 – ARRANGEMENT, INCORPORATION AND BASIS OF PRESENTATION

Mountain Lake Minerals Inc. ("Mountain Lake Minerals" or the "Company") was incorporated under the Business Corporations Act (British Columbia) on May 16, 2012, as a wholly-owned subsidiary of Mountain Lake Resources Inc. ("MLR"). The address of the Company's registered office is Suite 1750 – 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

On July 9, 2012, MLR, Mountain Lake Minerals and Marathon Gold Corp. ("Marathon") completed an arrangement (the "Arrangement") whereby Marathon acquired all of the outstanding common shares of MLR. Under the Arrangement, the shareholders of MLR received 0.40 of a Marathon common share for each share held and 0.40 of a Mountain Lake Minerals common share for every share held. As part of the Arrangement, MLM acquired the Glover Island, Little River, Bobby's Pond, Goodwin Lake and Hong Kong exploration projects, related equipment, and investment in Rockwell Diamonds Inc. at a purchase price of $4,382,341 in exchange for the issuance of 20,309,586 common shares to MLR.

MLM does not meet the definition of a business in accordance with IFRS 3: Business Combinations, so the acquisition has been accounted for as an asset acquisition in accordance with IFRS 2: Share-Based Payments. As such, the fair value of the acquired assets, including direct transaction costs, has been provisionally determined to be as follows:

	$
Marketable securities	70,295
Equipment	47,046
Exploration and evaluation assets	4,441,882
	4,559,223

Once the final total transaction costs are determined, the fair value of the assets acquired and the consideration paid will be finalized.

NOTE 2 – NATURE OF OPERATIONS AND GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for at least the next twelve months. There is substantial doubt as to the Company's ability to continue as a going concern.

The Company was incorporated on May 16, 2012 and commenced principal operations on July 9, 2012. The Company has a net loss to date of $443,248 and working capital of $354,052 at August 31, 2012. The recoverability of amounts shown for exploration and evaluation assets and the Company's continued viability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or proceeds from the disposition of its interests. The ability to raise capital is outside of the Company's control. If the Company does not raise sufficient capital, it may not be able to continue as a going concern and therefore realize its assets and discharge its liabilities in the normal course of business.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to reflect these financial statements on a liquidation basis which could differ from accounting principles applicable to a going concern.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards (IFRSs).

The financial statements were authorized for issue by the Audit Committee of the Board of Directors on October 24, 2012.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for cash and marketable securities which are measured at fair value.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars which is the Company's functional currency.

d) Use of estimates

The preparation of the unaudited condensed financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the unaudited condensed financial statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenues and expenses. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The more significant areas are as follows:

Critical accounting estimates

Estimate of recoverability for non-financial assets:

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairments of non-financial assets have been recorded for the three months ended August 31, 2012.

Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for the mineral properties. Once technical feasibility and commercial viability of a property can be demonstrated, exploration costs will be reclassified to mineral properties under exploration and subject to different accounting treatment. As at August 31, 2012 management had determined that no reclassification of exploration expenditures was required.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

e) Exploration and Evaluation Assets

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

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study and a decision to proceed with development, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to resource property and development assets.

An impairment review of exploration and evaluation assets is performed, either individually or at the cash generating unit level, when there are indicators the carrying amount of the assets may exceed their recoverable amounts. To the extent this occurs, the excess is fully provided against the carrying amount, in the period in which this is determined.

Exploration and evaluation assets are reviewed for indicators of impairment on a regular basis and these costs are carried forward provided at least one of the following conditions is met:

- such costs are expected to be recovered through successful exploration and development and of the area of interest or by its sale; or
- exploration and evaluation activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned in the future.

f) Equipment

Items of equipment are recorded at cost less accumulated depreciation and accumulated impairment. 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 loss and comprehensive loss during the financial period in which they are incurred.

Depreciation is recognized using the declining balance method at the following rates:

Computer hardware	30%
Office and exploration equipment	20%
Vehicles	30%

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

g) Impairment

Financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for objective evidence of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against accounts receivable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. Impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

Non-financial assets
The Company's tangible assets, excluding exploration and evaluation assets, are reviewed for indicators of impairment annually. If indication of impairment exists, the asset's recoverable amount is estimated. Long-lived assets that are not amortized are subject to an annual impairment assessment.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.
The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

h) Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the date of grant. Fair value is measured using the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no-true-up for differences between expected and actual outcomes.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

i) Income Taxes

Income tax on profit or loss consists of current and deferred tax. Income tax expense 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 assets and liabilities are recognized for differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

j) Loss per Share

Loss per share is computed by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised

and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

k) Financial Instruments

(i) All financial assets are classified into one of the following four categories: fair value through profit or loss ("FVTPL"), held to maturity ("HTM"), available for sale ("AFS") and loans and receivables.

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value and changes are recognized in profit or loss. HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. AFS financial assets subsequent to initial recognition are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company's cash and marketable securities have been classified as FVTPL financial assets. The Company does not presently have any financial assets designated as AFS. The carrying value of the Company's cash approximates its fair value due to its nature. The carrying value of the marketable securities approximates its fair value as its carrying value is adjusted to fair value at each reporting period.

The Company has the following non-derivative financial liabilities: amounts payable and accrued liabilities. The carrying value of financial liabilities approximates their fair value due to their short-term nature. Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Common shares of the Company are classified as equity. Incremental costs directly attributable to the issue of common shares, share options and warrants are recognized as a deduction from equity, net of any tax effects.

(ii) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

i. Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
ii. Level 2: Inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts, volatility measurements used to value option contracts and observable credit default swap spreads to adjust for credit risk where appropriate), or inputs that are derived principally from or corroborated by observable market data or other means.
iii. Level 3: Inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company's financial assets measured at fair value, which include cash and marketable securities, are classified as a Level 1 measurement.

l) Flow-through Shares

The Company finances a portion of its exploration activities through the issuance of flow-through common shares. The tax deductibility of qualifying expenditures is transferred to the investor purchasing the shares. Consideration for the transferred deductibility of the qualifying expenditures is often paid through a premium price over the market price of the Company's shares. The Company reports this premium as a liability on the statement of financial position and the balance is reported as share capital. At each reporting period, and as qualifying expenditures have been incurred, the liability is reduced on a proportionate basis and income is recognized on the statement of operations.

m) Jointly Controlled Assets

A portion of the Company's exploration activities is conducted jointly with others wherein the Company enters into agreements that provide for a specified percentage interest in mineral properties. The Company's share of expenditures on these properties is capitalized to mineral properties.

n) New and revised IFRSs in issue but not effective:

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ending November 30, 2012, and have not been applied in preparing these condensed interim consolidated financial statements. The Company is currently evaluating the impact of these new standards, but they are not anticipated to have a significant impact on the Company.

a) Financial instruments

The IASB has issued a new standard, IFRS 9 (2010), Financial Instruments, which will ultimately replace IAS 39, Financial Instruments – Recognition and Measurement and augments the previously issued IFRS 9 (2009). The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. This standard becomes effective on January 1, 2015.

b) Consolidated financial statements

The IASB issued IFRS 10, Consolidated Financial Statements on May 12, 2011 to replace the current IAS 27, Consolidated and Separate Financial Statements. The new standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This new standard is effective for fiscal years beginning January 1, 2013.

c) Joint arrangements

The IASB issued IFRS 11, Joint Arrangements on May 12, 2011 to replace the current IAS 31, Interests in Joint Ventures. The new standard classifies joint arrangements as either joint ventures or joint operations. Interests in joint ventures will be accounted for using equity accounting, eliminating the proportionate consolidation option currently available under IAS 31. This new standard is effective for fiscal years beginning January 1, 2013.

d) Disclosure of interest in other entities

On May 12, 2011 the IASB issued IFRS 12, Disclosure of Interest in Other Entities. This standard establishes disclosure requirements for interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet entities. This new standard is effective for fiscal years beginning January 1, 2013.

e) Fair value measurement

The IASB issued IFRS 13, Fair Value Measurement on May 12, 2011. This is a comprehensive standard for fair value measurement and disclosure of fair value measurements across various IFRS standards. IFRS 13 provides a definition of fair value, sets out a single IFRS framework for measuring fair value, and outlines requirements for disclosure of fair value measurements. The new standard is effective for fiscal years beginning January 1, 2013.

f) Other standards

The IASB amended IAS 1, Presentation of Financial Statements with changes effective July 1, 2012 and IAS 19, Employee Benefits with changes effective January 1, 2013.

NOTE 4 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. The Company's definition of capital is shareholders' equity, which as at August 31, 2012 was $4,935,578.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing, primarily equity financing, to fund its activities. There can be no assurance that the Company will be able to continue to raise capital in this manner. To carry out the planned exploration and fund administrative costs, the Company will utilize 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 believes there is sufficient geologic and economic potential and if it has adequate financial resources to do so.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid financial instruments, such as cashable guaranteed investment certificates, held with a major Canadian financial institution.

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

NOTE 5 – FINANCIAL INSTRUMENTS

The Company's financial instruments consist principally of cash, marketable securities, and accounts payable and accrued liabilities. Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. Cash is designated as held-for-trading and measured at fair value. Marketable securities are carried at fair value as it is comprised of common shares in a publicly-traded company which have a quoted market price in an active market. Accounts payable and accrued liabilities are designated as other financial liabilities and measured at amortized cost. The recorded values of all financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk

The Company has no significant credit risk arising from operations. The Company does not engage in any sales activities, so is not exposed to major credit risks attributable to customers. The Company's credit risk is primarily attributable to cash. The Company holds its cash with Canadian chartered banks and the risk of default is considered to be remote.

Liquidity risk

Liquidity risk is the risk that the Company will be able to meet its financial obligations as they fall due (Note 1). The Company's accounts payable and accrued liabilities are due within one year. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of stock market conditions generally or as a result of conditions specific to the Company. The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. As at August 31, 2012, the Company has cash of $343,171 to settle current liabilities of $68,086.

Interest rate risk

Interest rate risk is the risk that future cash flows of the Company's assets and liabilities can change due to a change in interest rates. The company is not exposed to interest rate risk as no financial instruments are interest-bearing. It is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from the financial statements.

NOTE 6 – MARKETABLE SECURITIES

Marketable securities are comprised of 167,368 common shares of Rockwell Diamonds Inc. (RDI), a publicly-traded company. The fair value of the Company's RDI shares is based on the market price of RDI shares at the reporting date.

NOTE 7 – EXPLORATION AND EVALUATION ASSETS

Property Description	Balance, May 16, 2012	Acquisitions during the period	Expenditures during the period	Balance, August 31, 2012
Glover Island	-	3,012,566	93,417	3,105,983
Little River	-	744,604	1,854	746,458
Bobby's Pond	-	684,712	-	684,712
	-	4,441,882	95,271	4,537,153

On July 9, 2012, the Company and Mountain Lake Resources completed the Arrangement described in Note 1, which resulted in the Company acquiring the Glover Island, Bobby's Pond and Little River exploration assets. The acquired assets have been recorded at fair value as noted in Note 1.

Glover Island, Newfoundland and Labrador, Canada

The Company has an undivided 100% interest in the Glover Island Property, a gold exploration property in Newfoundland and Labrador consisting of mineral licenses and a mining lease. New Island Resources Inc. retains a net smelter returns royalty of 1% of commercial production, which reduces to 0.5% after the payment of the first $1.0 million.

Little River, Newfoundland and Labrador, Canada

The Company has an option agreement to acquire a 100% interest in 448 mineral claims in Newfoundland and Labrador. The Company's final option obligation of a cash payment of $61,000 to the Optionors was completed on October 14, 2012, giving the Company a 100% interest in the Little River property.

The Optionors retain a 2% net smelter return royalty and the Company has the exclusive right and option to acquire 1% of the net smelter return royalty for $1.5 million.

Bobby's Pond, Newfoundland and Labrador, Canada

The Company owns a 100% interest in a mining lease known as the Bobby's Pond property located in Central Newfoundland and Labrador. The property is subject to a 2% net smelter royalty.

Other Properties

Goodwin Claims, New Brunswick, Canada

The Company holds a 100% interest in mineral claims, subject to a 2% net smelter return royalty. Management has no current plans to further explore the property and accordingly, any claim costs and exploration expenses incurred on the property are charged to operations in the period incurred.

Hong Kong Claims, Ontario, Canada

The Company has a 41.8% interest in a mineral property known as Hong Kong Claims in Ontario. At this time the Company and the other owner have decided not to carry out further exploration. Ongoing maintenance costs are expensed as incurred.

NOTE 8 – SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares without par value. Upon incorporation on May 16, 2012, the Company issued one common share at a price of $0.01.

On July 9, 2012, the Company issued 20,309,586 common shares under the Arrangement with Marathon to acquire certain assets of MLR (Note 1), 840,410 common shares to settle certain obligations of $168,082, and 2,500,001 Units for gross cash proceeds of $500,000. Each Unit consists of one common share and one-half of one share purchase warrant ("Warrant"). Each whole Warrant is exercisable for one common share of the Company at a price of $0.30, expiring on July 9, 2014. Using the Black-Scholes model, a fair value of $92,900 was assigned to the warrants and recorded to warrants. The assumptions used to fair value the warrants

were a risk free rate of 1.53%, expected volatility of 83%, expected life of 2 years and a dividend yield of 0%. Also charged to share issue costs was $7,919 for legal fees incurred by the Company in connection with the financing.

Stock Options

A Stock Option Plan (the "Plan) was approved by shareholders on June 29, 2012, which provides that the number of options granted may not exceed 10% of the issued and outstanding shares. Options granted under the Plan generally have a five-year term and are granted at a price no lower than the market price of the common shares at the time of the grant.

During the three months ended August 31, 2012 and the 108 days from incorporation to August 31, 2012, 2,165,000 share purchase options were granted to employees, consultants and directors and $336,322 in share-based payments expense was charged to loss for the fair value of the share purchase options vested during the period.

Details of the outstanding share purchase options at August 31, 2012 are as follows:

Expiry Date	Weighted Average Exercise Price	Number of Shares
March 17, 2014	$0.31	140,000
5 years from date of listing on a stock exchange	$0.20	2,025,000
	$0.21	2,165,000

Warrants

The change in warrants during the three months ended August 31, 2012 and the 108 day period from incorporation on May 16, 2012 to August 31, 2012 was as follows:

	2012	
	Number of Shares	Weighted Average Exercise Price
Warrants outstanding, beginning of period	-	-
Granted	1,250,000	0.30
Warrants outstanding, end of period	1,250,000	0.30

Details of the outstanding share purchase warrants at August 31, 2012 are as follows:

Expiry Date	Exercise price per share	Number of Shares
July 9, 2014	$0.30	1,250,000

Pursuant to the Arrangement, there are Arrangement Warrants outstanding at August 31, 2012 as follows:

Expiry Date	Exercise price per share	Number of Shares
October 8, 2012	$0.30	200,000
September 13, 2013	$0.30	620,000
June 22, 2013	$0.32	689,655
		1,509,655

NOTE 9 – EARNINGS PER SHARE

Basic earnings per share is calculated based on the weighted average number of shares outstanding during the three months ended August 31, 2011 of 13,881,520 and for the 108 days ended August 31, 2012 of 11,824,999. Diluted earnings per share is based on the assumption that dilutive options under the stock option plan have been exercised on the later of the beginning of the period and the date granted. Basic and diluted loss per share are equal for the periods presented as all outstanding warrants were anti-dilutive.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Company has an employment agreement with a director that expires in 2016. The director provides strategic planning advice; identification, negotiations and acquisitions of mineral properties; and liaising with staff and auditors for the preparation and delivery of continuous disclosure documents.

During the three months ended August 31, 2012 and the 108 days from the period of incorporation on May 16, 2012 to August 31, 2012, the Company paid or accrued $45,127 for professional services to a law firm in which a partner is a director of the Company and to a corporation controlled by an officer, of which $28,408 was charged to the statement of loss, $8,800 was charged to exploration assets and $7,919 was charged to share issuance costs.

Included in accounts payable and accrued liabilities are amounts owing to related parties totalling $52,275. Included in prepaid expenses is an amount of $3,000 representing a retainer on a services contract with an officer of the Company.

Transactions with related parties are measured at the exchange amount of consideration established by the related parties.

NOTE 11 – SUPPLEMENTAL CASH FLOW INFORMATION

The following is the supplementary disclosure of non-cash activities during the three months ended August 31, 2012 and the108 days ended August 31, 2012:

	$
Shares issued for mineral properties	4,265,000
Shares issued for equipment	47,046
Shares issued for marketable securities	70,295
Shares issued for settlement of obligations	168,082
Fair value of warrants issued	92,900
Amortization charged to mineral properties	2,267

NOTE 12 – SUBSEQUENT EVENT

On October 8, 2012, 200,000 Arrangement Warrants expired unexercised.