ACADIA RESOURCES CORP.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

YEARS ENDED AUGUST 31, 2012 AND 2011

I. Vellmer Inc.
Chartered Accountant*

721 – 602 W. Hastings Street
Vancouver, B.C., V6B 1P2

Tel: 604-687-3773
Fax: 604-687-3778
E-mail: vellmer@i-vellmer.ca
*denotes an incorporated professional

Independent Auditor's Report

To the shareholders of
Acadia Resources Corp.

Report on the Financial Statements
I have audited the accompanying financial statements of Acadia Resources Corp., which comprise the statements of financial position as at August 31, 2012 and 2011 and September 1, 2010 and the statements of loss and comprehensive loss, the statements of changes in equity and the statements of cash flows for the for the years ended August 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of Acadia Resources Corp. as at August 31, 2012 and 2011 and September 1, 2010, and its financial performance and cash flows for the years August 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

December 18, 2012
Vancouver, Canada

"I Vellmer Inc."
Chartered Accountant

ACADIA RESOURCES CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	August 31, 2012	August 31, 2011 (Note 15)	September 1, 2010 (Note 15)
ASSETS			
Current			
Cash	$ 604,537	$ 819,072	$ 606
Receivables (Note 4)	79,812	41,625	334
	684,349	860,697	940
Exploration advances	-	19,809	-
Exploration and evaluation asset (Note 5)	161,057	103,650	-
	$ 845,406	$ 984,156	$ 940
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities			
Accounts payable and accrued liabilities (Note 6)	$ 16,807	$ 28,733	$ 479,832
Due to related party (Note 12)	-	-	308,306
Short term notes payable (Note 7)	-	-	45,641
	16,807	28,733	833,779
Accrued compensation payable to a director (Note 8)	-	-	135,464
Long-term notes payable to related parties (Note 9)	-	-	1,230,567
	16,807	28,733	2,199,810
Shareholders' equity (deficit)			
Share capital (Note 10)	11,709,901	11,709,901	8,752,127
Reserves (Note 10)	126,302	98,973	-
Deficit	(11,007,604)	(10,853,451)	(10,950,997)
	828,599	955,423	(2,198,870)
	$ 845,406	$ 984,156	$ 940

Nature and continuance of operations (Note 1)
Significant accounting policies and basis of preparation (Note 2)

The accompanying notes are an integral part of these financial statements.

ACADIA RESOURCES CORP.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
YEARS ENDED AUGUST 31,

	2012	2011
		(Note 15)
EXPENSES		
Consulting (Note 12)	$ 54,000	$ 31,070
Interest (Notes 9 and 12)	-	27,608
Management fees (Note 12)	30,000	12,500
Office	2,539	1,501
Professional fees (Note 12)	19,567	56,383
Shareholder communications	1,182	-
Stock-based compensation (Note 10)	27,329	98,973
Transfer agent and filing fees	12,898	27,438
Travel	6,638	-
Loss from operations before other items	(154,153)	(255,473)
OTHER ITEMS		
Gain on write-off of accounts payable and accrued liabilities	-	34,498
Gain on write-off of subsidiary	-	318,521
Net income (loss) and comprehensive net income (loss) for the year	$ (154,153)	$ 97,546
Basic and diluted loss per common share	$ (0.00)	$ 0.01
Weighted average number of common shares outstanding		
Basic	47,738,946	23,295,521
Diluted	47,738,946	24,378,136

The accompanying notes are an integral part of these financial statements.

ACADIA RESOURCES CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEARS ENDED AUGUST 31,

	2012	2011 (Note 15)
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net income (loss) for the year	$ (154,153)	$ 97,546
Less items not affecting cash:		
Stock-based compensation	27,329	98,973
Gain on write-off of accounts payable and accrued liabilities	-	(34,498)
Gain on write-off of subsidiary	-	(318,521)
Changes in non-cash working capital items:		
Increase in receivables	(23,768)	(41,291)
Decrease in accounts payable and accrued liabilities	(11,926)	(98,080)
Net cash used in operating activities	(162,518)	(295,871)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation assets	(52,017)	(103,650)
Exploration advances	-	(19,809)
Net cash used in investing activities	(52,017)	(123,459)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in notes payable	-	(1,276,208)
Decrease in due to related party	-	(308,306)
Decrease in accrued compensation payable to a director	-	(135,464)
Issuance of common shares	-	3,000,000
Share issuance costs	-	(42,226)
Net cash provided by financing activities	-	1,237,796
Change in cash for the year	(214,535)	818,466
Cash, beginning of year	819,072	606
Cash, end of year	$ 604,537	$ 819,072
Cash paid during the year for interest	$ -	$ 27,608
Cash paid during the year for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these financial statements.

ACADIA RESOURCES CORP.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share Capital				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Balance at September 1, 2010	3,788,946	$ 8,752,127	$ -	$ (10,950,997)	$ (2,198,870)
Net income for the year	-	-	-	97,546	97,546
Shares issued for cash	40,000,000	3,000,000	-	-	3,000,000
Share issuance costs	3,950,000	(42,226)	-	-	(42,226)
Stock-based compensation	-	-	98,973	-	98,973
Balance at August 31, 2011	47,738,946	$ 11,709,901	$ 98,973	$ (10,853,451)	$ 955,423
Loss for the year	-	-	-	(154,153)	(154,153)
Stock-based compensation	-	-	27,329	-	27,329
Balance at August 31, 2012	47,738,946	$ 11,709,901	$ 126,302	$ (11,007,604)	$ 828,599

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Acadia Resources Corp. (the “Company”) is incorporated under the Business Corporations Act, British Columbia and is considered to be in the exploration stage with respect to its mineral properties. Based on the information available to date, the Company has not yet determined whether its mineral properties contain ore reserves.

The Company’s head office, principal address and registered records office is 408 – 837 West Hastings Street, Vancouver, British Columbia, Canada, V6C 3N6.

The recovery of the amounts comprising mineral properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

These financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company estimates it has sufficient working capital to continue operations for the next fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on December 18, 2012 by the directors of the Company.

Basis of preparation

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS`) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles (“GAAP”). The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing an opening IFRS statement of financial position at September 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 15.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd…)

Critical accounting estimates, judgments and assumptions

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both current and future periods.

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

Judgments:

i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

Assumptions:

ii) The inputs used in calculating the fair value for share-based payments expense included in profit or loss and stock-based share issuance costs included in shareholders' equity. The share-based payments expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

iii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

iv) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined to be the Canadian dollar for the Company. Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in a currency other than the Canadian dollar are translated at the exchange rate at the reporting date, while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss in the year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd…)

Exploration and evaluation expenditures

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. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of loss and comprehensive loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property, on a property by property basis, and will be charged to operations on the same basis as the acquisition, exploration and evaluation expenditures. The exploration tax credits are accrued in the year when the exploration expenditures are incurred and the tax credit is applied for provided there is reasonable assurance that the tax credits will be realized.

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

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

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

The amounts shown for exploration assets represent net costs incurred to the date of the financial statements and do not necessarily reflect present or future values.

Stock-based compensation

The Company operates an employee stock option plan. Stock-based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Stock-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When the options are exercised, the applicable amounts of option reserves are transferred to capital stock.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the year. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. In calculating the diluted loss per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd…)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities: This category includes amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash as other receivables. The Company's accounts payable and accrued liabilities and amounts due to related parties are classified as other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd…)

Financial instruments (cont'd…)

Financial liabilities (cont'd…)

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

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

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

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

See Note 12 for relevant disclosures.

Impairment of assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd…)

Income taxes (cont'd…)

Current income tax: (cont'd…)

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

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

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

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

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

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets, when those obligations result from the acquisition, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of loss and comprehensive loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd…)

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

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

3. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Company is currently assessing the impact of the following standards:

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

IFRS 11, "Joint Arrangements"

IFRS 11, "Joint Arrangements", requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

IFRS 12, "Disclosure of Interests in Other Entities"

IFRS 12, "Disclosure of Interests in Other Entities", establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

3. ACCOUNTING STANDARDS NOT YET EFFECTIVE (cont'd…)

IFRS 13, "Fair Value Measurement"

IFRS 13, "Fair Value Measurement", is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that 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. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The new converged fair value framework is effective for annual periods beginning on or after January 1, 2013.

4. RECEIVABLES

The Company's receivables are as follows:

	August 31, 2012	August 31, 2011	September 1, 2010
HST receivable	$ 46,416	$ 22,648	$ 334
BC Mining tax credit receivable	33,396	18,977	-
	$ 79,812	$ 41,625	$ 334

5. EXPLORATION AND EVALUATION ASSET

During the year ended August 31, 2011, the Company entered into an option agreement with Garibaldi Resources Corp. ("Garibaldi") to acquire up to a 70% interest in two blocks comprised of 1,720 hectares located in the Iskut River District of northern British Columbia (the "King property"). In order to exercise its initial option to acquire a 50% interest in the King property, the Company is required to make the following cash payments and incur exploration expenditures as follows:

Subsequent to August 31, 2012, the Company amended the agreement with Garibaldi to extend the exploration expenditure commitment to December 31, 2013.

Date	Cash Payment	Exploration expenditures
August 1, 2011	$ 20,000 (paid)	$ -
December 31, 2013	70,000	500,000
Total	$ 90,000	$ 500,000

5. EXPLORATION AND EVALUATION ASSET (cont'd…)

If this first option is exercised, the Company will have a second option to increase its interest to 70% by spending an aggregate $1,500,000 on the King property by December 31, 2014 and by issuing 3,000,000 common shares to Garibaldi. The original property owner has retained a 2% NSR on the King property which may be purchased for $1,000,000. One of the Company's directors owns the King Property mineral claims and has optioned the King Property to Garibaldi Resources Corp.

During the year ended August 31, 2011, the Company paid $20,000 in a cash payment on the King property and incurred $7,744 of legal costs towards the acquisition of the property.

During the year ended August 31, 2011, the Company incurred $94,883 of exploration costs on the King property. These exploration costs consisted of $18,585 of trenching, $25,263 of geological consulting, $9,273 of mapping $41,762 of field expenses. The Company also accrued $18,977 as a recovery of mining tax credits relating to the 2011 fiscal year.

During the year ended August 31, 2012, the Company incurred $71,826 on the King property. These exploration costs consisted of $22,422 of trenching, $23,546 of geological consulting, $5,805 of assays and $20,053 of field expenses. The Company also accrued $14,419 as a recovery of mining tax credits relating to the 2012 fiscal year.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are as follows:

	August 31, 2012	August 31, 2011	September 1, 2010
Accounts payable	$ 4,807	$ 5,333	$ 464,832
Due to related parties	-	7,400	-
Accrued liabilities	12,000	16,000	15,000
	$ 16,807	$ 28,733	$ 479,832

7. SHORT-TERM NOTES PAYABLE

The short-term notes payable bore interest at the rate of 10% per annum, were unsecured and were due December 31, 2006. The Company accrued interest on the short-term notes payable for the year ended August 31, 2010, in the amount of $4,150. During the year ended August 31, 2011, these notes payable and accrued interest were repaid in full.

8. ACCRUED COMPENSATION PAYABLE TO A DIRECTOR

Accrued compensation payable to a director of the Company and to a Company controlled by that director were non-interest bearing and unsecured. During the year ended August 31, 2010, that director agreed to extend the due date from December 31, 2010 to December 31, 2012. During the year ended August 31, 2011, this accrued compensation payable was paid in full.

9. LONG-TERM NOTES PAYABLE TO RELATED PARTIES

	August 31, 2012	August 31, 2011	September 1, 2010
Due to a company controlled by a director of the Company	$ -	$ -	$ 527,851
Due to a director of the Company and to the spouse of that director	-	-	702,716
	$ -	$ -	$ 1,230,567

Long-term notes payable to related parties bore interest at the rate of 10% per annum, and are unsecured. During the year ended August 31, 2010, the related parties agreed to extend the due date from December 31, 2010 to December 31, 2012. During the year ended August 31, 2011, these notes payable were repaid in full.

The Company recognized $Nil (2011 - $27,608) of interest expense on these notes payable for the year ended August 31, 2012.

10. SHARE CAPITAL AND RESERVES

a) Authorized share capital

As at August 31, 2012, the authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value, all issued shares, consisting only of common shares that are fully paid.

b) Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of ten years with vesting provisions determined by the Board of Directors.

As at August 31, 2012, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Options	Exercise Price	Expiry Date
600,000	$0.105	April 8, 2013

10. SHARE CAPITAL AND RESERVES (cont'd…)

b) Stock options (cont'd…)

Stock option transactions are summarized as follows:

	Number Of Options		Weighted Average Exercise Price
Balance, September 1, 2010	-	$	-
Granted	600,000		0.46
Balance, August 31, 2011	600,000		0.46
Granted	600,000		0.105
Expired	(600,000)		0.46
Balance, August 31, 2012	600,000	$	0.105
Number of options currently exercisable	600,000	$	0.105

Stock-based compensation

During the year ended August 31, 2012, the Company granted 600,000 (2011 – 600,000) stock options to directors and consultants with a fair value calculated using the Black-Scholes options pricing model, of $27,329 (2011 - $98,973) which is recognized as stock-based compensation expense for the current year. These options vested immediately.

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in underlying assumptions can materially affect the fair value estimates. The following assumptions were used for the Black-Scholes valuation of options granted during the year.

	2012	2011
Risk-fee interest rate	1.07%	1.44%
Expected life of options	14 months	12 months
Annualized volatility	105%	90%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

10. SHARE CAPITAL AND RESERVES (cont'd…)

c) Warrants

As at August 31, 2012, the Company had outstanding share purchase warrants entitling the holders to acquire additional common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
43,950,000	$0.15	March 23, 2013

Share purchase warrant transactions activity is summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, September 1, 2010	-	$	-
Issued	43,950,000		0.15
Balance, August 31, 2011 and August 31, 2012	43,950,000	$	0.15

11. SUPPLEMENTARY DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended August 31, 2012, the Company transferred $19,809 from exploration advances to exploration and evaluation assets.

During the year ended August 31, 2011, significant non-cash financing activities included issuing 3,950,000 finders' units valued at $0.075 per unit, totaling $296,250.

12. RELATED PARTY TRANSACTIONS

Key management includes directors, executive officers and officers of the Company. The Company paid or accrued fees to key management or companies controlled by key management as follows:

		2012		2011
Management fees	$	30,000	$	12,500
Consulting fees		54,000		31,070
Exploration consulting fees		3,600		5,000
Total	$	87,600	$	48,570

12. RELATED PARTY TRANSACTIONS (cont'd…)

During the years ended August 31, 2012 and 2011, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

	2012	2011
Management fees to an officer/director of the Company	$ 30,000	$ 12,500
Consulting fees to a company controlled by an officer and to a company associated with a director of the Company	54,000	31,070
Professional fees to a law firm in which an officer is a partner	6,755	54,440
Exploration consulting fees to a director of the Company	3,600	5,000
Interest charged by a company controlled by a former director, the spouse of a director and the law firm in which a former director was a partner	-	27,608

As at August 31, 2012, included in accounts payable and accrued liabilities is $Nil (August 31, 2011 - $7,400; September 1, 2010 - $Nil) owing to related parties. These amounts are non-interest bearing, unsecured with no stated terms of repayment

As at August 31, 2012, the Company owed $Nil (August 31, 2011 - $Nil; September 1, 2010 - $308,306) to a law firm of which a partner is a former director fo the Company. The debt was unsecured, with no stated terms of repayment. The Company repaid this debt in fiscal 2011.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

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

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

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

The fair value of the Company's cash and accounts payable and accrued liabilities, and due to related party approximate their carrying values due to their short term nature. As at August 31, 2012, the Company did not have any other financial instruments.

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

13. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd…)

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Such fluctuations may be significant.

(a) Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company is not exposed to foreign currency risk on fluctuations in exchange rates. The Company does not hedge its currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company does not hedge its currency risk.

Capital management

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, reserves and deficit.

The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

13. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd…)

Capital management (cont'd...)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and investments.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments payable on demand. This strategy is unchanged from fiscal 2011.

The Company is not subject to externally imposed capital restrictions.

14. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax presented in the accompanying consolidated statements of comprehensive loss is provided below:

	2012	2011
Accounting Profit (Loss) before income taxes	$ (154,153)	$ 97,546
Expected income tax expense (recovery) at statutory rates	$ (39,309)	$ 26,500
Non-deductible expenditures and other	(251,325)	(279,673)
Impact of future income tax rates applied versus current statutory rate	634	2,644
Share issue costs	-	(11,472)
Change in unrecognized deductible temporary differences	290,000	262,000
Income tax expense (recovery)	$ -	$ -

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

Significant components of deferred tax assets (liabilities) that have not been set up are as follows:

	2012	2011
Share issue costs	$ 6,000	$ 8,000
Non-Capital losses	704,000	670,000
Mineral Properties	(1,000)	(3,000)
	$ 709,000	$ 675,000

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

14. INCOME TAXES

Significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statements of financial position are as follows:

	2012	2011	Expiry dates
Share issue costs	$ 25,336	$ 33,781	2013-2015
Non-Capital losses	2,817,721	2,682,452	2013-2032
Mineral Properties	(15,197)	(19,809)	Not applicable
Income tax credits	3,765	10,365	Not applicable
	$ 2,831,625	$ 2,706,789	

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

15. TRANSITION TO IFRS

As stated in Note 2, these financial statements are for the years covered by the Company's first financial statements prepared in accordance with IFRS. The accounting policies in Note 2 have been applied in preparing the financial statements for the years ended August 31, 2012 and 2011 and the opening IFRS statement of financial position on September 1, 2010, the "Transition Date".

An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out below. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS.

Optional exemptions upon first-time adoption of IFRS

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

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

c) to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arose on adoption of IFRS.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of September 1, 2010 are consistent with its GAAP estimates for the same date.

There are no differences between IFRS and GAAP in connection with the Company's statements of loss and comprehensive loss, statements of cash flows and statement of changes in equity for the year ended August 31, 2012 or the year ended August 31, 2011.