New Nadina Explorations Limited

(An Exploration Stage Company)

Financial Statements

For the years ended August 31, 2014 and August 31, 2013

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
New Nadina Explorations Limited

We have audited the accompanying financial statements of New Nadina Explorations Limited, which comprise the statements of financial position as at August 31, 2014 and 2013 and the statements of comprehensive loss, cash flows, and changes in equity for the years then ended, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of New Nadina Explorations Limited as at August 31, 2014 and 2013 and its financial performance and its 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 financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about New Nadina Explorations Limited's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

December 10, 2014

New Nadina Explorations Limited
(An Exploration Stage Company)
Statements of Financial Position
(Expressed in Canadian Dollars)

		August 31, 2014		August 31, 2013
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	**176,887**	**$**	153,456
Receivables and prepaids		**18,878**		27,785
		195,765		181,241
Reclamation deposits (Note 3)		**82,500**		82,500
Property and equipment (Note 4)		**118,048**		147,560
Exploration and evaluation assets (Note 5)		**38,414**		38,414
	$	**434,727**	**$**	449,715
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Payables and accruals	$	**29,329**	**$**	44,820
Due to Kettle River Resources Ltd. (Note 8)		**2,394**		2,509
Due to related parties (Note 8)		**37,925**		19,678
		69,648		67,007
EQUITY				
Share capital (Note 6)		**13,262,912**		13,262,912
Reserves (Note 6 (e))		**2,602,732**		2,602,732
Deficit		**(15,500,565)**		(15,482,936)
		365,079		382,708
	$	**434,727**	$	449,715

Nature and continuance of operations (Note 1)
Approved by the Board of Directors and authorized for issue on December 10, 2014.

On behalf of the Board

"Ellen Clements" — *"John Jewitt"*

Ellen Clements, Director — John Jewitt, Director

See accompanying notes to the financial statements

New Nadina Explorations Limited

(An Exploration Stage Company)

Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

Years Ended August 31

		2014		2013
Exploration expenses				
Staking and maintenance costs	**$**	**2,786**	$	12,638
Assay analysis		**3,086**		60,643
Camp preparation		**9,270**		57,191
Depreciation		**29,512**		34,164
Drilling		**249**		1,044,765
General exploration		**164,359**		257,637
Geochemical / geophysics		**-**		4,713
Geology		**3,203**		71,387
Property, assessment and taxes		**1,218**		1,177
Technical reports		**533**		1,868
		214,216		1,546,183
Less: Government assistance		**(267,949)**		(63,981)
Less: Camp rental, fees and recoveries		**-**		(46,280)
		(267,949)		(110,261)
		(53,733)		1,435,922
Less: Contribution from participants		**(9,145)**		(20,751)
Net exploration expenses (recoveries) (Note 5 (d))		**(62,878)**		1,415,171
Administration expenses				
Insurance		**1,686**		1,888
Legal, audit and accounting		**31,936**		36,860
Licences, fees and other		**9,509**		22,525
Office rent		**7,200**		7,200
Printing, stationery and office		**20,415**		30,293
Share-based compensation expense (Note 7)		**-**		75,131
Telephone		**2,410**		1,499
Transfer agent fees		**8,931**		13,174
Travel and promotion		**1,372**		3,368
Less: Interest income and other		**(2,952)**		(4,953)
		80,507		186,985
Loss and comprehensive loss for the year	**$**	**(17,629)**	$	(1,602,156)
Weighted average number of common shares outstanding		**84,486,568**		81,435,714
Loss per share, basic and diluted	**$**	**(0.00)**	$	(0.02)

See accompanying notes to the financial statements

New Nadina Explorations Limited
(An Exploration Stage Company)
Statements of Cash Flows
(Expressed in Canadian Dollars)
Years Ended August 31

	2014	2013
Cash provided by (used for):		
Operating Activities:		
Net loss for the year	$ **(17,629)**	$ (1,602,156)
Adjustments for items not involving cash:		
Depreciation	**29,512**	34,164
Share-based compensation expense	**-**	75,131
Change in non-cash working capital:		
Receivables and prepaids	**8,907**	46,953
Payables and accruals	**(15,491)**	(15,569)
Due to related parties	**18,247**	(18,168)
Due to Kettle River Resources Ltd.	**(115)**	(745)
	23,431	(1,480,390)
Investing Activities		
Purchase of equipment	**-**	(21,809)
Reclamation deposits	**-**	(45,000)
	-	(66,809)
Financing Activities		
Issue of units net of issue costs	**-**	1,550,000
	-	1,550,000
Net increase in cash and cash equivalent	**23,431**	2,801
Cash and cash equivalents, beginning of year	**153,456**	150,655
Cash and cash equivalents, end of year	$ **176,887**	$ 153,456
Cash paid for interest	$ **-**	$ -
Cash paid for income tax	$ **-**	$ -
Supplementary Schedule of Transactions:		
Non-Cash:		
Units issued for debt	$ **-**	$ 152,674
Cash and cash equivalents consists of:		
Cash	$ **150,000**	$ 150,655
Cash equivalents	$ **26,887**	$ -

See accompanying notes to the financial statements

New Nadina Explorations Limited

(An Exploration Stage Company)

Statement of Changes in Equity

(Expressed in Canadian Dollars)

Years Ended August 31, 2014 and 2013

	Number of shares	Share capital	Reserves	Shares allotted and unissued	Deficit	Total Equity
August 31, 2012	67,159,828	$11,616,594	$2,426,245	$45,000	$(13,880,780)	$ 207,059
Shares issued – flow through	5,500,000	550,000	-	-	-	550,000
Units issued-private placement	10,000,000	928,338	71,662	-	-	1,000,000
Shares issued	300,000	45,000	-	(45,000)	-	-
Units issued for debt	1,526,740	122,980	29,694	-	-	152,674
Fair value-options granted	-		75,131	-	-	75,131
Loss for the year	-		-	-	(1,602,156)	(1,602,156)
August 31, 2013	84,486,568	$13,262,912	$2,602,732	$ -	$(15,482,936)	$ 382,708
Loss for the year	**-**	**-**	**-**	**-**	**(17,629)**	**(17,629)**
August 31, 2014	**84,486,568**	**$13,262,912**	**$2,602,732**	**$ -**	**$(15,500,565)**	**$ 365,079**

See accompanying notes to the financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

New Nadina Explorations Limited ("the Company") was incorporated April 7, 1964 under the laws of British Columbia and is engaged in the exploration of mineral resources. The address of the Company's corporate office and principal place of business is 1215 Greenwood Street, Greenwood, BC V0H 1J0. The properties of the Company are without a known economically feasible ore body. The exploration programs undertaken and proposed constitute an exploratory search. There is no assurance that the Company will be successful in its search. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site. It is not possible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

Although the Company has taken steps to verify title to resource properties in which it has an interest 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 non-compliance with regulatory requirements.

These financial statements have been prepared on the going concern basis, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Several adverse conditions cast substantial doubt on the validity of this assumption. The Company has incurred operating losses over the past several fiscal years (2014 - $17,629; 2013 - $1,602,156), has limited financial resources, limited operating cash due to government assistance received during the year, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its mineral property projects.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts differing from those reflected in the financial statements.

Management plans to continue to pursue equity or debt financing to support operations. Management believes this plan will be sufficient to meet the Company's liabilities and commitments as they become payable over the next twelve months. There can be no assurance that management's plan will be successful. Failure to maintain the support of creditors and obtain additional external equity financing will cause the Company to curtail operations and the Company's ability to continue as a going concern will be impaired. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation and statement of compliance

The financial statements have been prepared in accordance 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").

These annual financial statements have been prepared on a historical cost basis except for certain financial instruments carried at fair value. In addition these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The financial statements have been presented in Canadian dollars unless otherwise noted, which is also the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

b) Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods if the revision affects both current and future periods.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's financial statements.

Critical judgments in applying accounting policies

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the Company has been determined to be the Canadian dollar.

Significant Estimates

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's mineral properties.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Fair value of stock options and warrants

Charges for share-based compensation are based on the fair value at the date of the award. Stock options are valued using the Black-Scholes Option Pricing Model, and inputs to the model include assumptions on expected volatility, discount rates and expected term, dividend yield, and expected forfeitures. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity. Expected volatility is a measure for variation of a price of a financial instrument over time. Expected volatility is derived from a time series of past market prices therefore may not be an accurate representation of future volatility.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

c) Exploration and evaluation expenditures

Once a permit to explore an area has been secured, expenditures on exploration and evaluation assets are expensed as incurred and charged to net loss. Costs to acquire the main property are capitalized and costs to acquire claims peripheral to the main property are expensed.

Exploration and evaluation expenditures are those related to the search for and evaluation of mineral resources incurred after the Company has obtained legal rights to explore a specific area and before the technical feasibility and commercial viability of a mineral reserve are demonstrable. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations, a positive construction and production decision, and the securing of appropriate permits and financing, are expensed as incurred.

Exploration expenditures relate to the initial search for mineral deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Such expenditures include any cash consideration and advance earn-in payments and the fair market value of shares issued, if any, related to the mineral property interests.

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.

Cost recoveries, including government assistance, as recorded as a reduction of exploration expense to the extent they are not directly related to capitalized acquisition costs.

d) Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is recorded on the declining balance basis at the rates indicated in Note 4 and is allocated within operations between depreciation expense and exploration costs based on the nature of the asset and the relative percentages of its use. The Company revised its estimate of the remaining useful life of its buildings in the prior year and has adjusted its depreciation rate to 20% accordingly. The effect of the change in this accounting estimate is accounted for prospectively.

e) Impairment of non-financial assets

At each reporting period, management reviews all non-financial assets for indicators of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs 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. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which that asset belongs.

f) Provision for closure and reclamation

Provisions for closure and reclamation obligations are recognized when a legal or constructive obligation arises. The liability is recognized at the present value of management's best estimate of the closure and reclamation obligation. The estimate is discounted to the present value using a discount rate specific to the obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized on the same basis as the related asset. Upon settlement of the liability, the Company may incur a gain or loss.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

g) Income taxes

Deferred tax is recorded using the liability method.

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax paid or payable in respect of previous years.

The Company records deferred tax assets and liabilities when the future tax consequences attributable to 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 substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

h) Flow-through shares

The Company has issued common shares as flow-through shares, whereby the investor may claim the tax deductions arising from the related resource expenditures. When flow-through shares are issued, the Company bifurcates the flow-through share into share capital and a flow-through tax liability. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, the liability is reversed, and a deferred income tax liability is recognized.

Previous unrecognized deferred tax assets may be used to reduce this liability amount, and the Company will recognize a future income tax recovery to this extent. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with the Canadian government.

i) Financial instruments

Financial assets

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

i. Fair value through profit or loss

Financial assets at fair value through profit or loss (“FVTPL”) are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash is included in this category of financial assets.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Loans and receivables comprise receivables and reclamation deposits.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

i) Financial instruments – continued

Financial assets – continued

iii. Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset category. Changes in the fair value of AFS financial assets are recognized as other comprehensive income or loss and classified as a component of equity.

Management assesses the carrying value of AFS financial assets at each reporting period. Any impairment charge is removed from other comprehensive income or loss and recognized in income or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to profit and loss. The Company currently does not have any AFS financial assets.

Financial liabilities

The Company's financial liabilities are classified as borrowings and other financial liabilities.

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include payables and accruals, due to Kettle River Resources Ltd. and due to related parties.

j) Share-based payments

The Company's stock option plan allows employees and consultants to acquire shares of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined 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 fair value of the share-based payments is measured using the Black-Scholes option pricing model. The fair value of the share-based payments is recognized as an expense with a corresponding increase in reserves. Consideration received on the exercise of stock options is recorded as share capital and the related reserves amount is transferred to share capital.

See Note 11 for further disclosures.

k) 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 period. Diluted loss per share is calculated whereby, the weighted average number of common shares outstanding for the calculation of diluted loss per share 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 period. Where the effects of including all outstanding options and warrants would be anti-dilutive, no dilution is calculated and the diluted loss per share is presented as the same as basic loss per share.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

l) New accounting standards, interpretations and amendments to existing standards

Effective September 1, 2013, the following standards were adopted but have had no material impact on the financial statements of the Company:

i) IAS 1 (Amendment): This standard is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future.
ii) IFRS 7 (Amendment): This standard is amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities.
iii) IFRS 11: New standard to account for the rights and obligations in accordance with a joint agreement, effective for annual periods beginning on or after January 1, 2013.
iv) IFRS 12: New standard for the disclosure of interests in other entities not within the scope of IFRS 9 / IAS 39, effective for annual periods beginning on or after January 1, 2013.
v) IFRS 13: New standard on the measurement and disclosure of fair value, effective for annual periods beginning on or after January 1, 2013.
vi) IAS 27 (Amendment): As a result of the issue of IFRS 10, IFRS 11 and IFRS 12. IAS 27 deals solely with separate financial statements, effective for annual periods beginning on or after January 1, 2013.
vii) IAS 28 (Amendment): New standard issued that supersedes IAS 28 (2003) to prescribe the application of the equity method to investments in associates and joint ventures, effective for annual periods beginning on or after January 1, 2013.

Other accounting standards or amendments to existing accounting standards have been issued but are not yet effective. The Company has not early adopted these standards and is currently assessing the impact these standards will have on its financial statements:

i) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018;
ii) IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 2014.
iii) IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.

3. Reclamation Deposits

Included in reclamation deposits of $82,500 (2013 - $82,500) is the following:

Deposits totalling $23,500 (2013 - $23,500) consist of three guaranteed investment certificates pledged of $5,000 each and one guaranteed investment certificate pledged of $4,000 plus a non-interest bearing cash deposit of $4,500 with the Province of British Columbia Department of Energy and Mines to cover proposed mining disturbance for the Silver Queen property.

A security deposit of $59,000 (2013 - $59,000) paid to Mackenzie Valley Land & Water Board as a condition of a Land Use Permit, for work in the Northwest Territories on the Monument Diamond property.

(Expressed in Canadian Dollars)

4. Property and Equipment

	Buildings	Camp Equipment	Total
Depreciation rate	20%	20%	
Cost			
Balance as at August 31, 2012	$ 135,832	$ 65,350	$ 201,182
Additions during the year	12,200	9,609	21,809
Balance as at August 31, 2013	$ 148,032	$ 74,959	$ 222,991
Additions during the year	-	-	-
Balance as at August 31, 2014	**$ 148,032**	**$ 74,959**	**$ 222,991**
Accumulated depreciation			
Balance as at August 31, 2012	$ 13,559	$ 27,708	$ 41,267
Depreciation for the year	25,675	8,489	34,614
Balance as at August 31, 2013	$ 39,234	$ 36,197	$ 75,431
Depreciation for the year	21,760	7,752	29,512
Balance as at August 31, 2014	**$ 60,994**	**$ 43,949**	**$ 104,943**
Net book value			
At August 31, 2013	$ 108,798	$ 38,762	$ 147,560
Balance as at August 31, 2014	**$ 87,038**	**$ 31,010**	**$ 118,048**

5. Exploration and Evaluation Assets

	2014	2013
Saskatchewan property (50% interest) (Note 5a)	**$ -**	$ -
Silver Queen property (100% interest) (Note 5b)	**38,413**	38,413
Monument Diamond property (57.49% interest) (Note 5c)	**1**	1
	$ 38,414	$ 38,414

(a) Saskatchewan property (50%)

The Company holds a 50% interest in a quarry lease that expires in December 2014. Kettle River Resources Ltd. holds the other 50%. Application has been made to the Saskatchewan government to renew this lease.

(b) Silver Queen property, British Columbia (100%)

The Company has a 100% interest in the Silver Queen property near Owen Lake. In December 2012, July and December 2013 and January 2014 the Company acquired additional tenures, all claims contiguous to the existing claim block.

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets - continued

(c) Monument Diamond property, Lac de Gras NWT (57.49%)

In May 2002, the Company completed a Letter Agreement whereby they acquired a 57.49% interest in certain mineral claims in the Mackenzie District Mining Division, Northwest Territories. The Letter Agreement provides for a 1% gross overriding royalty payable to each of DHK Diamonds Inc., and Kennecott Canada Explorations Inc. Two other parties hold the remaining participating interest in the mineral claims.

In September 2012, the Company was issued a five-year Type "A" Land Use Permit by the Wek'eezhii Land and Water Board which expires on September 3, 2017.

(d) Exploration expenses by property

	2014			
	Saskatchewan property Note 5(a)	Silver Queen property Note 5(b)	Monument Diamond property Note 5(c)	Total
Assay analysis	$ -	$ 3,086	$ -	$ 3,086
Camp preparation	-	9,270	-	9,270
Depreciation	-	29,512	-	29,512
Drilling	-	249	-	249
General exploration	2,452	141,209	20,698	164,359
Geochemical / Geophysics	-	-	-	-
Geology	-	3,203	-	3,203
Property, assessment and taxes	200	1,018	-	1,218
Staking and maintenance costs	-	2,786	-	2,786
Technical reports	-	320	213	533
	2,652	190,653	20,911	214,216
Less: Government assistance	-	(267,949)	-	(267,949)
Less: Contribution from participants	-	-	(9,145)	(9,145)
Net Exploration	$ 2,652	$ (77,296)	$ 11,766	$ (62,878)

	2013			
	Saskatchewan property Note 5(a)	Silver Queen property Note 5(b)	Monument Diamond property Note 5(c)	Total
Assay analysis	$ -	$ 60,643	$ -	$ 60,643
Camp preparation	-	57,191	-	57,191
Depreciation	-	34,164	-	34,164
Drilling	-	1,044,765	-	1,044,765
General exploration	150	248,877	8,610	257,637
Geochemical / Geophysics	-	4,713	-	4,713
Geology	-	71,387	-	71,387
Property, assessment and taxes	213	964	-	1,177
Staking and maintenance costs	-	12,638	-	12,638
Technical reports	-	1,868	-	1,868
	363	1,537,210	8,610	1,546,183
Less: Government assistance	-	(63,981)	-	(63,981)
Less: Contribution from participants	-	-	(20,751)	(20,751)
Less: Camp rental, fees and recoveries	-	(46,280)	-	(46,280)
Net Exploration	$ 363	$ 1,426,949	$ (12,141)	$ 1,415,171

(Expressed in Canadian Dollars)

6. Share Capital

a) Authorized: unlimited common shares without par value

b) Issued and fully paid:

There were no shares issued during the year ended August 31, 2014.

The following occurred during the year ended August 31, 2013.

On September 10, 2012, a total of 300,000 shares were issued at $0.15 per share, for gross proceeds of $45,000 received during fiscal 2012.

On September 21, 2012, a total of 1,526,670 units were issued at $0.10 per unit, for a debt settlement to one creditor. Each unit consisted of one share and one warrant where each warrant has a term of two years and an exercise price of $0.10 per share for year one and $0.15 per share for year two. A total of $29,694 was allocated to the warrants and recorded in reserves.

On November 6, 2012, a total of 10,000,000 non-flow through units were issued at $0.10 per unit where each unit consists of one share and one warrant, each warrant entitling the holder to purchase one additional common share of the Company for a period of 2 years, with an exercise price of $0.15 per share. Of the proceeds, $71,662 were allocated to the warrants and recorded in reserves.

Also on November 6, 2012, a total of 500,000 flow through common shares were issued at $0.10 per share.

On November 14, 2012, a total of 5,000,000 flow-through shares were issued at $0.10 per share for gross proceeds of $500,000.

The Company renounced the above flow through expenditures of $550,000 to shareholders effective December 31, 2012, and had met all expenditure requirements as of August 31, 2013.

c) Share purchase warrants:

No warrants were granted or exercised during the year ended August 31, 2014.

The fair value of warrants issued as part of a unit during the year was estimated on the date of grant using the Black-Scholes Option Pricing model with the following weighted-average assumptions: risk-free interest rate of 1.56%, expected warrant life of 2 years, stock volatility of 72.94% and no expectation of dividends. The weighted average fair value of warrants granted in the year ended August 31, 2014was $ Nil (2013 - $0.02). The weighted average share price for warrants exercised during the year ended August 31, 2014 was $ Nil (2013 - $ Nil).

The continuity of share purchase warrants is as follows:

	2014		2013	
	Number of Warrants	**Weighted Price $**	Number of warrants	Weighted Price $
Opening balance	**6,526,740**	**0.14**	1,100,000	0.15
Granted	**-**		6,526,740	0.14
Expired	**-**		(1,100,000)	0.15
Closing balance	**6,526,740**	**0.14**	6,526,740	0.14
Weighted average years to expiry	**0.15**		1.15	

(Expressed in Canadian Dollars)

6. Share Capital – continued

c) Share purchase warrants: **–** continued

A summary of the Company's warrants outstanding as at August 31, 2014 is as follows:

Expiry Date	Exercise price	Warrants Outstanding	Remaining Life of Warrants (years)
September 22, 2014 (i)	$0.10	1,526,740	0.06
November 6, 2014 (i)	$0.15	5,000,000	0.18
		6,526,740	0.15

(i) These warrants expired unexercised subsequent to year end.

d) Share purchase options:

The Company has established a share purchase option plan whereby the Board of Directors may from time to time grant options to directors, officers, employees or consultants. Options granted must be exercised no later than ten years from date of grant or such lesser period as determined by the Company's Board of Directors. The exercise price of options is determined by the Board of Directors and shall not be lower than the allowable discounted closing market price of the shares on the business day immediately prior to the grant date. The options granted to Employees or Consultants conducting investor relations activities must vest in stages over twelve months with no more than one quarter of the options vesting in any three month period. All other options granted vest at the discretion of the directors.

The continuity of share purchase options is as follows:

	2014		2013	
	Number of Options	**Weighted Price $**	Number of Options	Weighted Price $
Opening balance	**6,250,000**	**0.14**	4,450,000	0.14
Granted	**-**		2,500,000	0.10
Expired / cancelled	**(1,400,000)**	**0.14**	(700,000)	0.10
Closing balance	**4,850,000**	**0.121**	6,250,000	0.125
Weighted average years to expiry	**2.63**		3.24	

A summary of the Company's options outstanding as at August 31, 2014 is as follows:

Expiry Date	Exercise price	Options Outstanding	Weighted Average Remaining Life of Options (years)	Options Exercisable
November 16, 2014 (ii)	$0.10	200,000	0.21	200,000
July 21, 2016	$0.15	2,150,000	1.89	2,150,000
February 14, 2018	$0.10	2,500,000	3.46	2,500,000
		4,850,000	2.63	4,850,000

(ii) These options expired unexercised subsequent to year end.

(Expressed in Canadian Dollars)

6. Share Capital – continued

e) Reserves

Reserve includes items recognized as stock-based compensation expense and the fair value of warrants issued until such time that the stock options and warrants are exercised, at which time the corresponding amount will be transferred to share capital.

7. Share-based Compensation Expense

The Company recognized $ Nil during the year ended August 31, 2014 (2013 – $75,131) for the grant of stock options. Such amount has been expensed and offset to reserves.

The fair value of options granted during the year ended August 31, 2013 was $0.03 per option, estimated using the Black Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.32%, expected option life of 5 years, stock volatility of 74.28% and no expectation of dividends.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option and warrant grants.

8. Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Years ended August 31	
	2014	2013
Share-based compensation	**$ -**	$ 75,131
Charged by the President's private company for exploration management services and equipment rental	**60,325**	155,125
Charged by directors for consulting services	**4,800**	3,800

Other related party transactions:

From time to time, the Company engages the services of Kettle River, a company with two directors in common; to manage exploration projects being carried out on the Company's properties, to perform office-related duties and for use of office space, office equipment and exploration equipment. During the year ended August 31, 2014 Kettle River Resources Ltd. charged the Company $45,345 for these services (2013 - $52,920). Amounts due to Kettle River do not bear interest, are unsecured and are due on demand. At August 31, 2014 $2,394 (2013 - $2,509) was owed to Kettle River.

At August 31, 2014 $37,925 (2013 - $19,678) was owed for management services and expense reimbursements. Of this amount $35,932 (2013 - $11,358) was payable to a company controlled by the president of the Company and $1,994 (2013 - $8,320) was payable to directors of the Company. The amounts are unsecured, do not bear interest, and are due on demand.

(Expressed in Canadian Dollars)

9. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2014	2013
Net loss for the year before income taxes	**$ (17,629)**	$ (1,602,156)
Expected income tax recovery	**(5,000)**	(409,000)
Change in statutory tax rates and other	**(3,000)**	(91,000)
Permanent Difference	**-**	19,000
Impact of flow through shares issued	**-**	140,000
Change in unrecognized deductible temporary differences	**8,000**	341,000
Total income tax recovery	**$ -**	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2014	**Expiry Date Range**	**2013**	**Expiry Date Range**
Temporary Differences				
Exploration and evaluation assets	**$6,883,000**	No expiry date	$6,872,000	No expiry date
Investment tax credit	**493,000**	2025 to 2034	469,000	2020 to 2033
Equipment	**94,000**	No expiry date	54,000	No expiry date
Share issue costs	**8,000**	2034 to 2035	22,000	2034 to 2037
Non-capital loss available for future period	**908,000**	2015 to 2033	977,000	2014 to 2033

10. Capital Management

The Company's objectives for the management of capital are to safeguard the Company's ability to continue as a going concern, including the preservation of capital, and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its equity to be its manageable capital. The Company's policy is to maintain sufficient cash and deposit balances to cover operating and exploration costs over a reasonable future period. The Company accesses capital markets as necessary and may also acquire additional funds where advantageous circumstances arise.

The Company currently has no externally-imposed capital requirements. There have been no changes to the Company's approach to capital management during the year ended August 31, 2014.

11. Financial Instruments

The Company's financial instruments are exposed to the following risks:

Credit Risk
The Company's primary exposure to credit risk is the risk of liquidity of cash and cash equivalents amounting to $176,887 at August 31, 2014 and reclamation deposits amounting to $82,500 at August 31, 2014. As the Company's policy is to limit cash holdings to instruments issued by major Canadian banks, or investments of equivalent or better quality, the credit risk is considered by management to be negligible.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to pay its financial liabilities as they come due. The Company's liquidity risk from financial instruments is its need to meet accounts payable and accrued liabilities and related party balance obligations. As at August 31, 2014, the Company has working capital of $126,117. To continue to be able to meet its obligations as they become due, the Company will depend on management's

11. Financial Instruments - continued

Liquidity Risk **-** continued
ability to raise the funds required through future equity financing. If such funds cannot be raised, the Company would be required to postpone or curtail its operating and investing activities.

Interest Rate Risk
The Company is exposed to interest rate risk on its cash and cash equivalents. The majority of cash deposits have been in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases. At August 31, 2014 the Company maintained all of its cash balance on deposit in chequing accounts with two major Canadian banks. Interest risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company invests cash in guaranteed investment certificates at fixed interest rates in order to maintain liquidity. The nature of it financial instruments does not lead to any material risk that their fair values or future cash flows will fluctuate because of changes in market interest rates.

Price Risk
The Company is not exposed to significant price risk.

Foreign currency risk
The Company conducts its business in Canada and is therefore not exposed to significant foreign currency risk.

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

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

All of the Company's financial instruments, excluding cash and reclamation deposits, have a fair value approximating their carrying value due to their short term nature. Cash is carried at fair value and is measured using level 1 inputs and reclamation deposits are carried at amortized cost.

12. Segment Information
The Company operates in one reportable segment, being the acquisition and exploration of exploration and evaluation assets in Canada.