FALCO PACIFIC RESOURCE GROUP INC.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED JUNE 30, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Falco Pacific Resources Group Inc.

We have audited the accompanying financial statements of Falco Pacific Resources Group Inc., which comprise the statements of financial position as at June 30, 2013 and 2012, and the statements of loss and comprehensive loss, changes in equity and cash flows 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.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Falco Pacific Resources Group Inc. as at June 30, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVISON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

October 22, 2013

FALCO PACIFIC RESOURCE GROUP INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT JUNE 30

	2013	2012
ASSETS		
Current		
Cash (Note 4)	$ 2,802,127	$ 1,946,039
Receivables (Note 5)	298,320	-
Prepaid expenses	41,155	35,121
	3,141,602	1,981,160
Non-current		
Equipment (Note 6)	70,156	-
Refundable tax credit (Note 5)	378,526	-
Mineral properties (Note 7)	8,164,571	-
	$ 11,754,855	$ 1,981,160
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	$ 350,720	$ 40,735
Flow-through premium (Note 11)	237,967	-
	588,687	40,735
Shareholders' equity		
Capital stock (Note 12)	13,214,253	2,552,438
Share-based payments reserve (Note 12)	335,437	39,487
Deficit	(2,383,522)	(651,500)
	11,166,168	1,940,425
	$ 11,754,855	$ 1,981,160

Nature and continuance of operations (Note 1)
Subsequent events (Note 17)

Approved on behalf of the Board of Directors on October 18, 2013:

" Darin Wagner" Director *"Kelly Klatik"* Director

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

FALCO PACIFIC RESOURCE GROUP INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
YEAR ENDED JUNE 30

	2013	2012
EXPENSES		
Office and miscellaneous	$ 260,602	$ 26,278
Depreciation (Note 6)	24,698	-
Filing fees	40,160	43,544
Foreign exchange (gain) loss	(2,839)	7,493
Professional fees	187,052	122,707
Consulting and compensation	732,899	137,136
Share-based compensation (Note 12)	335,807	-
Investor relations	74,665	-
Travel	108,061	10,110
	(1,761,105)	(347,268)
Write-off of equity investment (Note 9)	-	(150,000)
Other income – flow through premium (Note 11)	29,083	-
Loss and comprehensive loss for the year	(1,732,022)	(497,268)
Basic and diluted loss per common share	$ (0.05)	$ (0.09)
Weighted average number of common shares outstanding – basic and diluted	35,620,259	5,312,350

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

FALCO PACIFIC RESOURCE GROUP INC.
STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)
YEAR ENDED JUNE 30

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,732,022)	$ (497,268)
Adjustments for non-cash items:		
Depreciation (Note 6)	24,698	-
Share-based compensation (Note 11)	335,807	-
Write-off equity investment (Note 9)	-	150,000
Other income – flow-through premium	(29,083)	-
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	232,834	(20,113)
Receivable	(298,320)	-
Prepaid expense	(6,034)	(35,121)
Cash used in operating activities	(1,472,120)	(402,502)
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment	(94,854)	-
Investment in mineral properties	(6,715,946)	-
Cash used in investing activities	(6,810,800)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan to TransAfrican Gold Inc	-	(430,335)
Proceeds from issuance of special warrants	-	2,141,775
Refund to special warrant holders	-	(1,634,029)
Special warrant finance costs	-	(77,411)
Proceeds from issuance of capital stock	9,412,201	673,883
Share issuance costs	(273,193)	(3,603)
Cash provided by financing activities	9,139,008	670,280
Increase in cash during the year	856,088	267,778
Cash, beginning of year	1,946,039	1,678,261
Cash, end of year	$ 2,802,127	$ 1,946,039
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	-	-

Supplemental disclosure with report to cash flows (Note 16)

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

FALCO PACIFIC RESOURCE GROUP INC.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
YEAR ENDED JUNE 30

	Capital Stock					
	Shares	Amount	Special Warrants	Share Based Payment Reserve	Deficit	Total Shareholders' Equity
Balance June 30, 2011	8,199,934	$ 1,882,158	$ -	$ 39,487	$ (154,232)	$ 1,767,413
Issuance of special warrants net of finance costs	-	-	2,064,364	-	-	2,064,364
Refund of special warrants	-	-	(2,064,364)	-	-	(2,064,364)
Private placement, net of share issue costs	1,643,617	670,280	-	-	-	670,280
Loss for the year	-	-	-	-	(497,268)	(497,268)
Balance June 30, 2012	9,843,551	$ 2,552,438	$ -	$ 39,487	$ (651,500)	$ 1,940,425
Private placement, net of share issue costs	35,752,500	$ 8,688,458	$ -	$ -	$ -	$ 8,688,458
Shares issued for mineral property	7,000,000	1,750,000	-	-	-	1,750,000
Share issue costs – non cash	440,000	110,000	-	-	-	110,000
Stock options exercised	245,000	113,357	-	(39,857)	-	73,500
Share-based compensation	-	-	-	335,807	-	335,807
Loss for the year	-	-	-	-	(1,732,022)	(1,732,022)
Balance June 30, 2013	53,281,051	$ 13,214,253	$	$ 335,437	$ (2,383,522)	$ 11,166,168

1. NATURE AND CONTINUANCE OF OPERATIONS

Falco Pacific Resource Group Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on March 16, 2010 and wasclassified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4.

The Company has completed the acquisition of the rights, titles, and interests in the Rouyn-Noranda base/precious metals camp. The Company is in the business of exploration and evaluation of these properties and evaluation of other similar assets for base/precious metals.

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations are dependent upon its ability to either secure additional equity capital or generate cash flow from operations in the future, which is not assured. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to secure additional equity capital or generate cash from operations in the future.

2. BASIS OF PRESENTATION

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 the interpretations of the IFRS interpretations committee ("IFRIC"). The financial statements 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. Management believes that the Company has sufficient working capital to maintain its operations for the next year.

3. SIGNIFICANT ACCOUNTING POLICIES

Critical accounting estimates and judgments

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 reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information on significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are noted below:

i) Share based payments

Charges for share based payments 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 share price volatility, discount rates and expected term, dividend yield, and expected forfeitures.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Critical accounting estimates and judgments (cont'd…)

ii) Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by Management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. There are many transactions undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognized liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable an adjustment will be made, the Company records its best estimate of the tax liability or asset including the related interest and penalties in the current tax provision. The Company believes is has adequately provided for the probable outcome of these matters, however, the final outcome may result in a materially different outcome than the amount recognized.

iii) Mineral properties

Mineral property costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make judgments and estimates as to the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit and highly liquid short-term interest bearing variable rate investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Mineral properties

Costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property until the commencement of commercial production. Should the company incur pre-exploration costs, these costs are expensed as incurred. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and depreciated using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, 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 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 current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be 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 the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions for environmental rehabilitation

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation 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 the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company has no known restoration, rehabilitation or environmental costs related to its mineral properties.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

Office furniture	20%
Computer hardware	55%
Computer software	100%
Leasehold improvements	20%

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium , if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) capital stock. Upon expenses being incurred, the Company derecognizes the liability and the premium is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a period of up to two-years.

Warrants

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore its mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are assigned a value based on the residual value of the unit after deducting the fair value of the common shares. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

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

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes (cont'd…)

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

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

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Financial instruments

<u>Financial assets</u>

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 operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets (cont'd…)

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 operations 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 fair value through profit and loss. Receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

New standards and interpretations not yet adopted

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

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, 2015;
ii) IFRS 10: New standard to establish principles for the presentation and preparation of 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
iii) IFRS 12: New standard for the disclosure of interest in other entities not within the scope of IFRS 9/ IAS 39: effective for annual periods on or after January 1, 2013
iv) IFRS 13: New standard on the measurement and disclosure of fair value, effective for annual periods beginning on or after January 1, 2013

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards and interpretations not yet adopted (cont'd...)

v) IAS 1 (Amendment): Presentation of other comprehensive income, 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 11and IFRS 12, IAS 27 has statements.
vii) IAS 28 (Amendment): New standard issued that supersedes IAS 28 (2003) to prescribe the after January 1, 2013
viii) IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014

4. CASH

	June 30, 2013	June 30, 2012
General cash held in bank or trust	$ 2,802,127	$ 1,946,039

5. RECEIVABLES

Receivables are comprised of the following:

	June 30, 2013	June 30, 2012
Current: Goods and services tax receivable	$ 171,297	$ -
QST receivable	127,023	-
	$ 298,320	$ -
Non-Current: Refundable tax credit[(1)]	$ 378,526	$ -

(1) The balance relates to a refundable tax credit amounting to 35% of eligible exploration expenditures incurred in Quebec. The amount has been classified as non-current due to the expectation that it will be received beyond twelve months.

6. EQUIPMENT

	Leasehold Improvements	Office Equipment	Computer Equipment	Total
Balance as at June 30, 2012	$ -	$ -	$ -	$ -
Additions	10,161	25,144	59,549	94,854
Depreciation	-	(2,515)	(22,183)	(24,698)
Balance as at June 30, 2013	$ 10,161	$ 22,629	$ 37,366	$ 70,156

(Expressed in Canadian Dollars)

7. MINERAL PROPERTIES

On September 12, 2012, the Company entered into a purchase agreement (the "agreement") with QMX Gold Corporation ("QMX"). QMX is a company incorporated in Ontario and listed on the Toronto Stock Exchange.

Pursuant to the agreement, the Company acquired the Project by paying QMX $5,000,000 cash consideration less $200,000 held back for post closing working capital adjustments and issuing QMX 7,000,000 common shares of the Company at an issue price of $0.25 per share. An additional $131,761 in legal and other related acquisition costs were capitalized in securing the project. At June 30, 2013 the holdback amount has been reconciled and paid out.

Provided that QMX retains a 10-per-cent equity interest in the Company on an undiluted basis, the Company has also granted QMX a first right to purchase securities of the Company in any future financing completed by the company in which QMX may be legally entitled to participate following the proposed transaction and the right to nominate one person to the Company's board of directors. Should QMX's equity interest in the Company at any time fall below 10 per cent (on an undiluted basis), the foregoing rights shall immediately cease and be of no further force and effect.

The Company has included the following costs on its mineral properties in the Rouyn-Noranda district in Quebec, Canada:

For the year ended		June 30, 2013		June 30, 2012
Acquisition costs	$	6,881,761	$	-
Consulting and salaries		575,265		-
Data compilation and other		256,973		-
Drilling		213,405		-
Geochemistry		46,429		-
Geology		51,114		-
Geophysics		518,150		-
Total expenditures for the year		8,543,097		-
Refundable tax credit		(378,526)		-
Total	**$**	**8,164,571**	**$**	**-**

8. REFUNDABLE DEPOSIT AND LOAN TO TRANSAFRICAN GOLD INC.

Refundable deposit

As part of a letter of intent with TransAfrican Gold Inc. ("TGI"), the Company advanced $150,000 to TGI in April 2011. In October 2011 the Company entered a formal share exchange agreement with TGI. In April 2012, it was the Company's opinion that TGI was in material default of the share exchange agreement, therefore all loan amounts previously advanced to TGI became immediately due and payable.

Loan to TransAfricanGold Inc.

In relation to the proposed acquisition of TGI the Company loaned funds to TGI in the amount of $430,335 ("the Loan") for working capital purposes. The Loan amount was to be repaid upon closing of the proposed acquisition of TGI. If the share exchange agreement did not close, the due date would have been the earliest of 12 months following the date of the first advance, the date TGI completes a financing at least equal to the amount owing, or on any default by TGI at the election of the Company. The loan was secured by the assets of TGI.

(Expressed in Canadian Dollars)

8. REFUNDABLE DEPOSIT AND LOAN TO TRANSAFRICAN GOLD INC. (cont'd...)

Termination of TransAfrican Gold Inc. Share Exchange Agreement

Approval by the TSX-V of the qualifying transaction with TGI did not occur during the 2012 year. As a result of a default in the share exchange agreement, the Loan to TGI and the refundable deposit became immediately due and payable. The special warrant holders received a pro-rata interest in the Loan to TGI and a distribution of the remaining funds held by the Company, which was equal to $2,064,364 ($1,634,029 in cash, $430,335 of the Loan).

The Company has agreed to collaborate with the special warrant holders, who have collectively formed a B.C.-incorporated private company, Druk Loan Recovery Corp. ("Druk Recovery"), to enable administration and collection of their Loan and the Company's refundable deposit with TGI. The Company has vended the refundable deposit to TGI into Druk Recovery in exchange for 24.7% of the common shares of Druk Recovery. The special warrant holders also vended the Loan on the same terms for a 75.3% of the common shares of Druk Recovery. The Company accounts for its investment in Druk Recovery as an equity investment (Note 9).

9. INVESTMENTS

		Investments
Balance as June 30, 2011	$	-
Vending of refundable deposit into Druk Recovery (Note 8)		150,000
Write-off of equity investment		(150,000)
Balance as at June 30, 2012 and June 30, 2013	$	-

As stated in Note 8, the Company has a 24.7% ownership in Druk Recovery which has been incorporated for the purpose of pursuing the collection of the refundable deposit. There is currently uncertainty regarding the amount that will ultimately become collectible, as a result, the company wrote the investment down to zero. Any future recovery of the deposit will be recognized through the statements of loss and comprehensive loss.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2013		June 30, 2012
Trade payables	$	211,659	$	16,049
Accrued liabilities		139,061		24,686
	$	350,720	$	40,735

11. FLOW-THROUGH PREMIUM

		June 30, 2013		June 30, 2012
Beginning balance	$	-	$	-
Liability incurred on flow-through shares issued		267,050		-
Settlement of flow-through share liability on expenditures made		(29,083)		-
Ending balance	$	237,967	$	-

(Expressed in Canadian Dollars)

11. FLOW-THROUGH PREMIUM

The Company periodically issues flow-through shares with any resulting flow-through premium recorded as other liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of flow-through premium is recorded as other income.

During the year ended June 30, 2013 the Company issued 2,670,500 flow-through shares for gross proceeds at $1,068,200 (Note 12). The Company is committed to spending the proceeds on exploration and development activities and has incurred $11,633 to date.

12. CAPTIAL STOCK AND RESERVES

Authorized:	Unlimited common shares without par value
Shares held in Escrow:	14,295,000

During the year ended June 30, 2013:

i) On June 14, 2013 the Company issued 6,800,000 shares at a price of $0.25 per share in a non-brokered private placement. There were 3,400,000 share purchase warrants connected to the shares issued and these warrants are exercisable at a price of $0.45 for a period of eighteen months from June 14, 2013 unless a volume-weighted average trading price of greater than $0.60 for 15 consecutive trading days shortening this expiry date of the warrants to 30 days from the date of notice. The gross proceeds total $1,700,000 with net proceeds of $1,624,720 after share issue costs made up of finders fees, legal costs, and filing fees of $75,280.

ii) On May 15, 2013 the Company issued 2,670,500 flow-through shares at a price of $0.40 per share in a non-brokered private placement. The gross proceeds total $1,068,200 with net proceeds of $994,944 after share issue costs made up of finders fees, legal costs, and filing fees of $73,256. Proceeds of $267,050 were allocated to the flow-through share premium (Note 11).

iii) The Company issued 26,282,000 subscription receipts at a price at $ 0.25 each to raise gross proceeds of $6,570,500. The Company incurred cash share issue costs and finders' fees of $124,657 in connection with the subscription receipts. Upon the completion of the acquisition (Note 7), the subscription receipts were converted into common shares of the Company. The Company also issued 440,000 finders' shares at a value of $0.25 per share.

iv) On September 24, 2012, the Company entered into a purchase agreement (the "agreement") with QMX Gold Corporation ("QMX") (Note 7). In relation to the agreement the company issued 7,000,000 common shares ("QMX Interest") at a value of $0.25 per share. Under a pooling and sale agreement, QMX will not without the express written consent of the Company, transfer or sell the QMX Interest or other securities acquired of the Company after the date of the agreement other than as follows: (a) in any given 30 day period an amount equal to 10% of the average trading volume of common shares of the Company for the preceding 30 day period; and (b) in any five day period an amount equal to 5% of the average trading volume of common shares of the Company for the preceding five day period.

v) 245,000 stock options were exercised at a price of $0.30 for cash proceeds of $73,500.

During the year ended June 30, 2012:

i) In February 2012 the Company issued 1,643,617 shares at a price of $0.41 per share in a private placement with certain former special warrant holders for gross proceeds of $673,883. Share issue costs of $3,603 were incurred.

(Expressed in Canadian Dollars)

12. CAPTIAL STOCK AND RESERVES (cont'd...)

Special warrants

Pursuant to the letter of intent with TGI, the Company issued 3,894,136 special warrants at $0.55 each to raise gross proceeds of $2,141,775. Finder's fees of $77,411 were paid in relation to the offering. These special warrants were convertible into common shares of the Company on a 1:1 basis subject to certain conditions being met. As the transaction with TGI was not completed, the Company cancelled all issued and outstanding special warrants and refunded all remaining proceeds received from the special warrants net of the loan advanced to TGI (Note 8).

Stock options

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2011 and June 30, 2012	250,000	$ 0.10
Granted	2,390,000	0.34
Exercised	(245,000)	0.30
Forfeited	(190,000)	$ 0.30
Balance, June 30, 2013	2,205,000	$ 0.32
Options exercisable, June 30, 2013	1,691,250	$ 0.29

Stock options outstanding and exercisable at June 30, 2013 are as follows:

Number of Options Outstanding	Number Of Options Exercisable	Exercise Price	Expiry Date
250,000	250,000	$ 0.10	August 30, 2015
1,660,000	1,351,250	$ 0.30	September 24, 2017
95,000	40,000	$ 0.50	December 5, 2017
200,000	50,000	$ 0.73	January 6, 2018

Share-based compensation

The Company adopted an incentive stock option plan (the "Option Plan"), which provides that the board of directors may from time to time, in its discretion, and in accordance with TSX-V Policies, grant to the directors, officers and technical consultants, non-transferable options to purchase Shares, provided that the number of Shares reserved for issuance will not exceed 10% of the Shares issued and outstanding. The maximum term of stock options is 10 years and terms of vesting are at the discretion of the Board of Directors.

(Expressed in Canadian Dollars)

12. CAPTIAL STOCK AND RESERVES (cont'd...)

Share-based compensation (cont'd…)

The following assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	June 30, 2013	June 30, 2012
Weighted average fair value per option	$ 0.20	$ -
Risk-free interest rate	1.36%	-
Expected life of options	5 years	-
Annualized volatility	100%	-
Dividend rate	-	-

Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2011 and June 30, 2012	178,997	$ 0.30
Expired during the year	(178,997)	0.30
Issued during the year	3,400,000	0.45
Balance at June 30, 2013	3,400,000	$ 0.45

Warrants outstanding at June 30, 2013 are as follows:

Number of Warrants	Exercise Price	Expiry Date
3,400,000	$ 0.45	December 14, 2013

13. RELATED PARTY TRANSACTIONS

The Company transacts with key individuals from management and with its directors who have authority and responsibility to plan, direct and control the activities of the Company. The nature of these transactions were for management services rendered. Key management personnel are defined as officers and directors of the Company.

Management services and compensation during the period consist of consulting fees paid and stock options granted to directors and officers.

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS (cont'd...)

The following summarizes key management compensation:

	June 30, 2013	June 30, 2012
Consulting fees	$ 299,078	$ -
Share based compensation	97,800	-
	$ 396,878	$ -

Included in accounts payable was $20,736 (2012 - $Nil) owing to related parties. There were no other transactions between the Company and related parties.

14. FINANCIAL INSTRUMENTS

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 receivables, accounts payable and accrued liabilities, approximate carrying value, which is the amount presented on the statements of financial position. The Company's other financial instrument, cash, under the fair value hierarchy, is based on level one quoted prices in active markets for identical assets or liabilities.

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

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at large Canadian financial institutions with a portion in interest bearing accounts. The Company has no investment in asset backed commercial paper. The Company is not exposed to any significant credit risk.

14. FINANCIAL INSTRUMENTS (cont'd…)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2013, the Company had a cash balance of $2,802,127 (June 30, 2012 - $1,946,039) to settle current liabilities of $588,687 (June 30, 2012 - $40,735). Management believes that it has sufficient funds to meet its currentliabilities as they become due.

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.

a) Interest rate risk

The Company has cash balances and interest-bearing investments. The interest earned on the investments approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its financial institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at June 30, 2013, the Company had a total of $ Nil in investment-grade short-term deposit certificates.The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash is minimal because of the short-term nature of these investments.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to financial instruments that are denominated in United States dollars ("U.S.$") the impact on net loss for the year was not significant.

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 copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its mineral properties, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity.

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 debt, acquire or dispose of assets or adjust the amount of cash and investments. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

(Expressed in Canadian Dollars)

15. INCOME TAXES

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

		Year ended June 30, 2013		Year ended June 30, 2012
Loss before income taxes	$	(1,732,022)	$	(497,268)
Expected income tax recovery		(430,000)		(128,000)
Change in statutory tax rates and other		(74,000)		4,000
Permanent difference		85,000		
Impact of flow through share		29,000		-
Share issue costs		(69,000)		(1,000)
Adjustment to prior year provision versus statutory tax return		-		87,000
Change in unrecognized deductible temporary differences		459,000		38,000
Total	$	-	$	-

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

		June 30, 2013	Expiry date range		June 30, 2012	Expiry date range
Exploration and evaluation assets	$	(116,000)	No expiry	$	-	n/a
Investment tax and credit	$	77,000	2020 to 2033	$	-	n/a
Equipment	$	25,000	No expiry	$	-	n/a
Share issue costs	$	258,000	2034 to 2037	$	58,000	2018
Non-capital losses	$	1,937,000	2030 to 2033	$	520,000	2031 to 2032

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The following non-cash transactions were not included in the statement of cash flows for the yearended June 30, 2013:

a) The inclusion of $77,151 in mineral property costs in accounts payable.

b) Reallocated $39,857 from reserves to capital stock upon the exercise of 245,000 stock options at a price of $0.30.

c) The issuance of 7,000,000 common shares at a price of $0.25 per share for the acquisition of mineral properties having a value of 1,750,000

d) The issuance of 440,000 common shares to finders at a price of $0.25 per share having a value of $110,000.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)

The following non-cash transactions were not included in the statement of cash flows for the year ended June 30, 2012:

a) None

17. SUBSEQUENT EVENTS

a) Subsequent to the end of the year 85,000 stock options at a price of $0.30 were expired or forfeited.

b) On August 15, 2013, the Company finalized an Option Agreement to acquire a 100% interest in the Beauchastel Gold property. The property is an interlying property to the Company's Rouyn-Noranda Camp.

Under the terms of the Option Agreement the Company:

- Paid $25,000
- Issued 50,000 common shares, subject to a four month hold period

To complete the exercise of the Option, the Company is required to:

- Incur $50,000 in expenditures on the property within 18 months of TSX acceptance
- Pay an additional $25,000 within 18 months of TSX acceptance
- Issue 125,000 common shares within 18 months of TSX acceptances, subject to certain re-sale restrictions.

c) On October 21, 2012 the Company announced that it has arranged a non-brokered private placement of units ("Units") and flow-through commons shares ("Flow-Through Shares") to raise aggregate gross proceeds of up to $5,000,000 (the "Offering"). The Offering will be comprised of Units at an issue price of $0.30 per Unit and/or Flow-Through Shares at an issue price of $0.36 per Flow-Through Share, subject to a maximum of $1,500,000 in gross proceeds from the issuance of Flow-Through Shares.

Each Unit shall consist of one non-flow-through common share in the capital of the Company (a "Common Share") and one half of one transferable common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant shall be exercisable into one additional Common Share of the Company for 24 months from the closing date of the Offering at an exercise price of $0.60 per Common Share.