Otterburn Resources Corp.

(An Exploration Stage Company)

Financial Statements

For the Years Ended August 31, 2014 and 2013

(Expressed in Canadian Dollars)



October 9, 2014

Independent Auditor's Report

To the Shareholders of Otterburn Resources Corp.

We have audited the accompanying financial statements of Otterburn Resources Corp., which comprise the statements of financial position as at August 31, 2014 and August 31, 2013 and the statements of comprehensive loss, statements of cash flows, and statements of changes in equity for the years then ended, and the related notes, which comprise 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 the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Opinion
In our opinion, the financial statement presents fairly, in all material respects, the financial position of Otterburn Resources Corp. as at August 31, 2014 and August 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

Otterburn Resources Corp.

(An Exploration Stage Company)

Statements of Financial Position

In Canadian Dollars

ASSETS

	Note	August 31, 2014	August 31, 2013
Current			
Cash		$ 21,651	$ 32,297
Accounts receivable		1,267	1,671
Tax credit receivable	4	-	2,714
Prepaid expenses		-	5,958
		22,918	42,640
Mineral Property Interest	4	15,000	15,000
		$ 37,918	$ 57,640
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 72,117	$ 36,813
Loans payable	6	44,996	-
		$ 117,113	$ 36,813
SHAREHOLDERS' EQUITY (DEFCIT)			
Share Capital	5	707,188	707,188
Reserves	5	146,081	146,081
Deficit		(932,464)	(832,442)
		(79,195)	20,827
		$ 37,918	$ 57,640

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 13)

Approved on behalf of the Board of Directors:

"Darryl Cardey", Director

"Darren Devine", Director

– See Accompanying Notes to Financial Statements –

Otterburn Resources Corp.
(An Exploration Stage Company)
Statements of Comprehensive Loss
For the Years Ended August 31, 2014 and 2013
In Canadian Dollars

		2014		2013
Expenses				
Audit and accounting	$	47,350	$	69,840
Exploration and evaluation costs (Note 4b)		-		6,333
Filing and transfer agent fees		15,016		21,818
Insurance		7,963		11,993
Interest on loans (Note 6)		1,496		-
Legal fees		3,346		2,452
Office and administration		12,851		12,804
Rent		12,000		12,000
Comprehensive loss for the year attributable to shareholders	$	100,022	$	137,240
Loss per share – basic and diluted	$	0.01	$	0.01
Weighted average number of common shares outstanding		13,219,334		13,119,476

– See Accompanying Notes to Financial Statements –

Otterburn Resources Corp.
(An Exploration Stage Company)
Statements of Cash Flows
For the Years Ended August 31, 2014 and 2013
In Canadian Dollars

Cash Provided By (Used In):		**2014**		**2013**
Operations:				
Loss for the year	$	(100,022)	$	(137,240)
Item not involving cash:				
Interest on loans		1,496		-
Change in non-cash working capital:				
Accounts receivable		404		4,251
Prepaid expenses		5,958		4,030
Accounts payable and accrued liabilities		35,304		16,713
		(56,860)		(112,246)
Investing:				
Tax credit received		2,714		295
Financing:				
Loans received		43,500		-
Exercise of IPO Agent's options		-		40,200
		43,500		40,200
Net decrease in cash		(10,646)		(71,751)
Cash - beginning of year		32,297		104,048
Cash - end of year	$	21,651	$	32,297

- See Accompanying Notes to Financial Statements -

Otterburn Resources Corp.
(An Exploration Stage Company)
Statements of Changes in Equity
For the Years Ended August 31, 2014 and 2013
In Canadian Dollars

	Share Capital					
	Shares	Amount $	Share Option Reserves $	Warrant And Other Reserves $	Deficit $	Total $
Balance, August 31, 2012	12,951,334	644,133	44,421	124,515	(695,202)	117,867
Exercise of Agent's options	268,000	40,200	-	-	-	40,200
Carrying value of Agent's options exercised	-	22,855	(22,855)	-	-	-
Loss for the year	-	-	-	-	(137,240)	(137,240)
Balance, August 31, 2013	13,219,334	707,188	21,566	124,515	(832,442)	20,827
Loss for the year	-	-	-	-	(100,022)	(100,022)
Balance, August 31, 2014	13,219,334	707,188	21,566	124,515	(932,464)	(79,195)

– See Accompanying Notes to Financial Statements –

1. Nature of Operations and Going Concern

Otterburn Resources Corp. ("the Company" or "Otterburn") was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on March 22, 2010. The Company is in the business of exploration, development and exploitation of mineral resources in Canada.

The Company's registered address is: Suite 800 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company's common shares are publicly listed on the Toronto Stock Exchange's Venture Exchange (the "TSXV").

The recoverability of amounts shown as mineral property interests is dependent upon the conversion of mineral resources to economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year.

At August 31, 2014, the Company had not achieved profitable operations, had a working capital deficiency of $94,195 and had an accumulated deficit of $932,464 since inception. In addition, the Company currently has insufficient cash to meet its obligation to incur $85,678 in exploration expenditures by December 31, 2014 in respect of its Adams Plateau mineral property interest (note 4). These conditions are material uncertainties which cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent its ability to obtain the necessary financing to develop its mineral property interest and to meet its corporate overhead needs, keep its property in good standing and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Should the Company not be able to continue as a going concern, realization values may be substantially different from carrying values as recorded in these financial statements. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Basis of Presentation

a) Statement of Compliance

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

b) Approval of the Financial Statements

These financial statements were approved and authorized for issue by the Board of Directors on October 9, 2014.

c) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

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

3. Significant Accounting Policies

a) Cash

The Company considers cash to include amounts held in banks. The Company places its cash with major financial institutions in Canada.

b) Mineral Property

i) Exploration and Evaluation

Staking costs, property option payments, and other costs associated with acquiring exploration and evaluation assets are capitalized and classified as intangible assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred during the period. Exploration and evaluation expenditures include costs of equipment rental, geochemical analysis and geological consulting services.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all non-recoverable costs associated with the project net of any impairment provisions are written off.

3. Significant Accounting Policies – *Continued*

b) Mineral Property – *Continued*

ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property acquisition and development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development expenditure is net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

iii) Impairment

The carrying value of all categories of mineral property are reviewed at least annually by management for indicators that the recoverable amount may be less than the carrying value. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, 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.

Fair value less costs to sell is determined by assessing the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

3. Significant Accounting Policies – *Continued*

b) Mineral Property – *Continued*

iii) Impairment – *Continued*

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Impairment losses are recognized in other expenses. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

c) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

3. Significant Accounting Policies – *Continued*

d) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination or items recognized either in other comprehensive income or directly in equity.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

3. Significant Accounting Policies – *Continued*

e) Share Capital

i) The proceeds from the exercise of stock options, common share purchase warrants and purchase of common shares are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a common share in the Company.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair value of these common shares.

iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis using relative fair values of common shares and warrants. The fair value of the common share purchase warrants are determined using the Black-Scholes option pricing model.

All costs related to issuances of share capital are charged against the proceeds received from the related share capital.

f) Loss per Share

Basic loss per share is calculated using the weighted average number of common shares issued and outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings per share. Diluted and basic loss per share are the same because the effects of potential issuances of common shares under stock options and common share purchase warrants would be anti-dilutive.

g) Comprehensive Income (Loss)

Comprehensive income (loss) includes net income or loss and other comprehensive income or loss. Other comprehensive income or loss may include holding gains and losses on available-for-sale securities, gains and losses on certain derivative instruments and foreign gains and losses from self-sustaining foreign operations. During the current year, the Company did not have any other comprehensive income or loss components.

3. Significant Accounting Policies – *Continued*

h) Financial Instruments

The Company accounts for its financial instruments as follows:

Cash, accounts receivable and tax credit receivable	Loans and receivables
Accounts payable and accrued liabilities and loans payable	Financial liabilities measured at amortized cost

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

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 included in current assets, except for those with maturities of greater than twelve months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company's loans and receivables consist of cash, accounts receivable, and tax credit receivable.

Financial Liabilities

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified as fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit and loss are expensed as incurred. The Company's financial liabilities consists of accounts payable and accrued liabilities and loans payable.

3. Significant Accounting Policies – *Continued*

h) Financial Instruments – *Continued*

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets valued through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

3. Significant Accounting Policies – *Continued*

i) Critical Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The most significant accounts that require estimates as the basis for determining the stated amounts include: impairment of mineral property; inputs used in the valuation of share-based payments; and provision for deferred income tax, including the effects of flow-through shares.

Significant estimates that have the most significant effect on the amounts recognized in the financial statements are as follows:

Recoverability of capitalized mineral property costs

The Company capitalizes mining property acquisition costs that are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. The carrying value of the Company's capitalized mineral property costs is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at fair value less costs to sell.

Share-based payments

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value stock options and of common share purchase warrants issued. The model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and common share purchase warrants. The assumptions and models used for estimating fair value of stock options and common share purchase warrants are disclosed in Note 5.

3. Significant Accounting Policies – *Continued*

i) Critical Accounting Judgments and Estimates – *Continued*

Critical judgments in applying the Company's accounting policies include the determination of the Company's ability to continue as a going concern (note 1).

j) Recent Accounting Pronouncements

The nature and the impact of each standard are described below:

IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. There was no impact on the Company's financial statements upon adoption of this standard on September 1, 2013.

IFRS 13 Fair Value Measurement ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. There was no impact on the Company's financial statements upon adoption of this standard on September 1, 2013.

Recent Accounting Pronouncements not yet applied:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for future accounting periods. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IFRS 9 Financial Instruments ("IFRS 9") partially replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39.The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective on or after January 1, 2018.

4. Mineral Property Interest

The Company is actively investigating, evaluating, and conducting exploration activities in Canada.

a) Acquisition Costs

Details of capitalized acquisition costs as at August 31, 2014 and 2013 are as follows:

Adams Plateau Property, BC, Canada		August 31, 2014		August 31, 2013
Acquisition costs	$	15,000	$	15,000

The Company did not incur any new acquisition costs during the years ended August 31, 2014 and 2013.

b) Exploration and Evaluation Costs

Details of activities for the years ended August 31, 2014 and 2013 are as follows:

Adams Plateau Property, BC, Canada		2014		2013
Mineral exploration costs:				
Equipment rental	$	-	$	2,502
Geological		-		6,545
Total mineral exploration costs - expensed		-		9,047
BC METC *		-		(2,714)
Net mineral exploration costs - expensed		-		6,333
Cumulative balance – beginning of year		195,305		188,972
Cumulative balance – end of year	$	195,305	$	195,305

*The Company's exploration and evaluation costs incurred in British Columbia are eligible for a British Columbia Mining Exploration Tax Credit ("BC METC"). The Company estimated that the BC METC for the exploration and evaluation costs incurred during the year ended August 31, 2013 to be $2,714 which has been received in the year ended August 31, 2014.

4. Mineral Property – *Continued*

c) Adams Plateau Property, BC, Canada

By option agreement dated April 1, 2010, and amended on June 8, 2010, June 1, 2012 and October 31, 2013, the Company has an option to acquire a 100% interest in several claim groups called the Adams Plateau Property located northeast of Kamloops in south central British Columbia by making cash payments, issuing common shares and incurring exploration costs as follows:

	Option Payments	Share Issuances	Exploration Expenditures*
On execution of the option agreement (paid)	$ 15,000	-	$ -
On or before December 31, 2010**	-	-	100,000
On or before December 31, 2014	-	-	200,000
On or before December 31, 2015	85,000	100,000	250,000
On or before December 31, 2016	100,000	100,000	350,000
Total	$ 200,000	200,000	$ 900,000

* Not cumulative
** Achieved

The Adam's Plateau Property is subject to a 2% net smelter return royalty ("NSR royalty"). The Company can purchase one-half of the NSR royalty, being 1%, for $1,000,000.

In order to keep the Adams Plateau property option agreement in good standing, the Company needs to incur $85,678 of additional exploration expenditures by December 31, 2014 (accumulated exploration costs of $195,305 are net of $19,017 of BC METC).

5. Shareholders' Equity

The Company's authorized share capital consists of an unlimited number of common shares without par value.

a) Share Capital Transactions

During the year ended August 31, 2013, 268,000 Agent's options were exercised for 268,000 common shares at $0.15 per share for total cash proceeds of $40,200.

5. Shareholders' Equity – *Continued*

a) Share Capital Transactions – *Continued*

The Company did not have any share capital transactions during the year ended August 31, 2014.

b) Reserves

The following is a summary of the reserves components relating to stock options and common share purchase warrants for years ended August 31, 2014 and 2013:

	2014	2013
Options	$ 21,566	$ 21,566
Warrants	124,515	124,515
Total	$ 146,081	$ 146,081

c) Warrants

Details of common share purchase warrants activity for the years ended August 31, 2014 and 2013 are as follows:

August 31, 2012	Issued	Exercised	August 31, 2013 and 2014	Exercise Price	Expiry Date
2,870,000	-	-	2,870,000	$0.15	June 10, 2015
4,480,000	-	-	4,480,000	0.15	June 15, 2015
7,350,000	-	-	7,350,000	$0.15	

d) Options

On June 16, 2010, the Company adopted a rolling stock option plan, which authorizes the Board of Directors to grant stock options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each stock option may not be less than market price of the Company's common shares calculated on the date of the grant less the applicable discount. The stock options can be granted for a maximum term of 10 years. The Company's stock option plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion.

5. Shareholders' Equity – *Continued*

d) Options – *Continued*

Details of activity in stock options for the year ended August 31, 2014 and 2013 are as follows:

August 31, 2012	Issued	Exercised	August 31, 2013 and 2014	Exercise Price	Expiry Date
900,000	-	-	900,000	$0.15	June 16, 2015
268,000	-	(268,000)	-	0.15	January 10, 2013
1,168,000	-	(268,000)	900,000	$0.15	

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

e) Escrow Shares

Pursuant to an escrow agreement dated October 1, 2010, 3,850,001 common shares and 2,000,000 common share purchase warrants were placed in escrow. 10% of the escrowed common shares (385,000 common shares) and warrants (200,000 common share purchase warrants) were released from escrow upon completion of the IPO on January 5, 2011, and 15% of the common shares (577,500 common shares) and common share purchase warrants (300,000 common share purchase warrants) are released from escrow every 6 months thereafter. As at August 31, 2014, all the common shares and common share purchase warrants were released from escrow.

6. Loans Payable

During the year ended August 31, 2014, the Company entered into three loan agreements to borrow $14,500 from each lender, totaling $43,500. The loans are unsecured, bear simple interest of 8% per annum and are due and payable on March 31, 2015. Out of $43,500 of loan advances received, $14,500 was borrowed from a company partially owned and controlled by two directors of the Company. As at August 31, 2014, the total accrued interest payable to the three lenders is $1,496.

7. Income Taxes

a) The Company's effective tax rate differs from the amount obtained by applying the statutory rate due to the following:

	2014	2013
Statutory tax rate	26.00%	25.42%
Recovery of income taxes based on statutory tax rate	$ (26,000)	$ (34,900)
Change in benefit not recognized	26,000	41,800
Change in future income tax rate	-	(4,300)
Other	-	(2,600)
Recovery of income taxes	$ -	$ -

b) Deferred tax assets have not been recognized as at August 31, 2014 and 2013 in respect of the following items:

	2014	2013
Non-capital losses carried forward	$ 773,200	$ 649,500
Mineral properties	51,800	51,800
Financing costs	21,200	44,900
Other	700	700
	$ 846,900	$ 746,900

The operating losses in Canada expire at various dates to 2034.

No deferred tax asset has been recognized in respect of the above as the Company does not have any sources of taxable income and there is uncertainty as to whether the Company will earn taxable income in the future. As a result, it is not currently probably that the benefits of such amounts will be recognized.

8. Segmented Information

The Company has only one reportable operating segment, being mineral property exploration in Canada.

9. Related Party Transactions

The Company's related parties and key management personnel consist of companies owned by the executive officer and directors as follows:

	Relationship	Nature of Transactions
CDM Capital Corp.	Owned and controlled by two directors of the Company	Accounting, Office and Administration, Rent and Loans Payable
ArkOrion Enterprises Inc.	Owned and controlled by the CFO of the Company	Accounting

Total compensation paid to CDM Capital Corp. during the current year was $42,000 (2013 - $42,000) and total compensation paid or accrued as payable to ArkOrion Enterprises Inc. was $7,500 (2013 - $30,000). Details of related party transactions and compensation of key management personnel are as follows:

(a) During the year ended August 31, 2014, the Company paid $18,000 (2013 - $18,000) for accounting fees to CDM Capital Corp.

(b) During the year ended August 31, 2014, the Company paid or accrued $7,500 (2013 - $30,000) for accounting and CFO services to ArkOrion Enterprises Inc.

(c) During the year ended August 31, 2014, the Company paid $12,000 (2013 - $12,000) for office and administration fees to CDM Capital Corp.

(d) During the year ended August 31, 2014, the Company paid $12,000 (2013 - $12,000) for office rent to CDM Capital Corp.

(e) On March 24, 2014, the Company received $14,500 (2013 - $Nil) of loan from CDM Capital Corp. The loan is unsecured, bears interest of 8% per annum and is due and payable on March 31, 2015. As at August 31, 2014, a total of $508 of interest is owing to CDM Capital Corp.

(f) As at August 31, 2014, there are $17,783 (August 31, 2013 - $Nil) of fees owing to the CDM Capital Corp. and $18,375 (August 31, 2013 - $10,500) of fees owing to ArkOrion Enterprises Inc., which are included in accounts payable and accrued liabilities. The amount owing is interest free, unsecured, current, and without fixed terms of repayment.

10. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its mineral properties to commercial production.

10. Capital Management - *Continued*

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares and share purchase warrants. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash, with major financial institutions.

11. Proposed Acquisition

On August 25, 2014, the Company signed a Share Exchange Agreement ("SEA") with K92 Holdings International Limited ("K92"), a company incorporated under the laws of the Territory of the British Virgin Islands, and the shareholders of K92, whereby the Company agreed to acquire all outstanding shares of K92 in exchange for common shares of the Company on the basis of one K92 share for one common share of the Company. Assuming completion of this share exchange, K92 will become a wholly-owned subsidiary of the Company. The completion of the transaction is, amongst other matters, conditional upon the completion of the acquisition by a wholly-owned subsidiary of K92 acquiring 100% of the issued shares of Barrick Kainantu Limited which owns 100% of the rights and interests in certain mining leases and licenses in Papua New Guinea, including the Kainantu Gold-Copper mine currently owned by a subsidiary of Barrick Gold Corporation ("Barrick"), as set out below.

K92 owns all the outstanding shares of K92 Holdings (PNG) Limited ("K92PNG"). K92PNG is party to a Share Sale Agreement dated June 11, 2014 ("BLK Purchase Agreement") whereby K92PNG has agreed to acquire all the outstanding shares of Barrick (Kainantu) Limited ("BKL") from Barrick. BLK is being purchased from Barrick by K92PNG for a purchase price of US $62 million comprising of a US $2 million initial cash payment and up to US $60 million in contingent cash payments. These contingent payments are subject to a term of ten years and are based upon additional reserves booked to the Kainantu Mine.

The completion of the transaction will be subject to the satisfaction of certain conditions prior to closing, including the following:

- Completion of the acquisition by K92PNG of BLK;
- Completion of a minimum $10,000,000 private placement, through the issuance of 20,000,000 common shares of the Company a price of $0.50 per share;
- Receipt of all necessary shareholder and regulatory approvals including TSX Venture Exchange acceptance;
- Completion of a satisfactory NI43-101 compliant independent technical report on the Kainantu Mine; and
- Receipt of acceptable corporate and title opinions on K92, K92PNG, BLK and BLK's assets in Papua New Guinea.

11. Proposed Acquisition – *Continued*

As at August 31, 2014, the transaction has not been completed. The transactions are anticipated to complete on or about November 30, 2014

12. Financial Instruments

The classification of the financial instruments as well as their carrying values is shown in the table below:

Loans and receivables	$	22,918
Other financial liabilities	$	117,113

a) Fair Value of Financial Instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties.

The fair value of cash, accounts receivable, tax credit receivable, accounts payables and accrued liabilities, and loans payable approximates their carrying value due to their short term maturity.

b) Management of Risks Arising From Financial Instruments

The Company is exposed to various types of market risks including credit risk, liquidity risk, interest rate risk and commodity price risk. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed.

(i) Credit Risk – Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's credit risk consists primarily of cash and accounts receivable. The credit risk is minimized by placing cash with major Canadian financial institutions. The Company does not invest in asset–backed commercial paper.

(ii) Liquidity Risk – Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company will try to ensure that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and expected exercise of share purchase warrants. The Company's cash is held in business accounts which are available on demand for the Company's programs and are not invested in any asset-backed deposits or investments. The Company has been able to raise funds from short term loans from related parties to fund its operations. See note 1, 4c) and 13 for further information.

(iii) Interest Rate Risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate smaller interest revenue. Presently the Company is not at risk of realizing a loss as a result of a decline in the fair value of its financial instruments because of the short-term nature of the investments.

12. Financial Instruments – *Continued*

b) Management of Risks Arising From Financial Instruments – *Continued*

(iv) Commodity Price Risk – The Company's future success is linked to the price of minerals, because the value of mineral resources and the Company's future revenues are tied to prices of minerals. Worldwide production levels also affect the prices. The prices of minerals are occasionally subject to rapid short-term changes due to speculative activities.

13. Subsequent Event

On September 22, 2014, the Company entered into a loan agreement to borrow $25,000 from a company partially owned by two directors of the Company. This loan is unsecured, bears simple interest of a rate of 8% per annum and is due and payable on March 31, 2015.