

Copper Reef Mining Corporation

CONDENSED, INTERIM FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED AUGUST 31, 2013 AND 2012

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed, interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor. The accompanying unaudited, condensed interim financial statements of Copper Reef Mining Corp. for the three months ended August 31, 2013 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors. The accompanying unaudited, condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Copper Reef Mining Corporation
Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	August 31, 2013 \$'s	November 30, 2012 \$'s
Assets			
Current assets			
Cash		186,763	387,635
Marketable securities	4	882,000	2,287,000
Amounts receivable	5	5,093	12,750
Total current assets		1,073,856	2,687,385
Non-current assets			
Equipment	6	4,625	5,968
Evaluation and exploration assets	7	8,682,850	8,535,588
Total Assets		9,761,331	11,228,941
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	111,120	114,293
Flow-through premium liability	9(b)	55,000	-
Total current liabilities		166,120	114,293
Deferred income tax liabilities		1,359,000	1,359,000
Total Liabilities		1,525,120	1,473,293
Shareholders' equity			
Share capital	9(a),(b)	13,003,225	12,821,625
Stock option reserve	9(c)	472,212	353,800
Warrant reserve	9(d)	43,400	16,042
Deficit		(5,282,626)	(3,435,819)
Total Shareholders' Equity		8,236,211	9,755,648
Total Liabilities and Shareholders' Equity		9,761,331	11,228,941

Commitments and contingencies (Note 11)

Approved on behalf of the Board of Directors

"Stephen L. Masson"

"Dave Kendall"

Chief Executive Officer & Director

CFO

The accompanying notes are an integral part of these financial statements

Copper Reef Mining Corporation
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	Three Months Ended		Nine Months Ended	
		August 31		August 31	
		2013 \$'s	2012 \$'s	2013 \$'s	2012 \$'s
Expenses					
Amortization	6	448	636	1,343	1,908
General and administrative		39,183	49,651	178,782	218,473
Investor relations		320	2,514	6,089	7,261
Generative exploration		37,054	76,998	153,224	193,168
Share based payment	9(c)	-	-	138,775	-
Total expenses		77,005	129,799	478,213	420,810
Other Income/(loss)					
Unrealized (loss) on marketable securities	4	(382,000)	(280,000)	(1,408,000)	120,000
Proceeds from optioning property	7	-	-	3,000	10,000
Total other (loss)		(382,000)	(280,000)	(1,405,000)	130,000
(Loss) before income taxes		(459,005)	(409,799)	(1,883,213)	(290,810)
Net Income/(loss) and comprehensive (loss) for period		(459,005)	(409,799)	(1,883,213)	(290,810)
Income/(Loss) per share, basic and diluted		(0.004)	(0.004)	(0.017)	(0.003)
Weighted average shares outstanding, basic and diluted		110,471,300	105,262,604	110,047,030	104,535,239

The accompanying notes are an integral part of these financial statements

Copper Reef Mining Corporation
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Notes	Number of Shares	Amount	Stock Option Reserve	Warrant Reserve	Deficit	Total Shareholders' Equity
		#	\$	\$	\$	\$	\$
Balance as at November 30, 2011		99,454,634	12,266,784	353,800	245,562	(3,078,090)	9,788,056
Shares issued for cash, private placement	9(b)	5,166,666	620,000	-	-	-	620,000
Flow through share premium		-	(81,667)	-	-	-	(81,667)
Share issue costs		-	(88,700)	-	-	-	(88,700)
Tax effect of share issue costs		-	28,000	-	-	-	28,000
Broker warrants		-	(16,042)	-	16,042	-	-
Warrants expired		-	-	-	(245,562)	245,562	-
Shares issued for royalty interests	9(b)	2,000,000	85,000	-	-	-	85,000
Shares issued for exploration assets		100,000	8,250	-	-	-	8,250
Net loss and comprehensive loss for the year		-	-	-	-	(603,291)	(603,291)
Balance as at November 30, 2012		106,721,300	12,821,625	353,800	16,042	(3,435,819)	9,755,648
Shares issued for cash, private placement	9(b)	3,750,000	236,600	-	43,400	-	280,000
Flow through share premium		-	(55,000)	-	-	-	(55,000)
Warrants expired		-	-	-	(16,042)	16,042	-
Options cancelled		-	-	(20,363)	-	20,363	-
Options issued		-	-	138,775	-	-	138,775
Net loss and comprehensive loss for the period		-	-	-	-	(1,883,212)	(1,883,212)
Balance as at August 31, 2013		110,471,300	13,003,225	472,212	43,400	(5,282,626)	8,236,211

The accompanying notes are an integral part of these financial statements

Copper Reef Mining Corporation
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Notes	Quarters Ended		Nine Months Ended	
		31-Aug		31-Aug	
		2013	2012	2013	2012
		\$'s	\$'s	\$'s	\$'s
Cash Flows from Operating Activities					
Net profit		(459,005)	(409,799)	(1,883,213)	(290,810)
Unrealised (gain)/loss on marketable security		382,000	280,000	1,408,000	(130,000)
Shares received from optioning property		-	-	(3,000)	10,000
Amortisation		448	636	1,343	1,908
Stock Based Compensation		-	-	138,775	-
Decrease/(increase) in GST receivable		5,329	4,377	7,657	23,824
Increase/(decrease) in Ft premium liability		-	-	55,000	-
Increase/(decrease) in amounts payable and accrued liabilities		(16,905)	93,279	(3,173)	9,603
Cash used in operating activities		(88,132)	(31,507)	(278,610)	(375,475)
Cash Flows from Financing Activities					
Proceeds from share and warrant issuance		-	-	225,000	556,864
Share issue costs		-	-	-	-
Cash provided from financing activities		-	-	225,000	556,864
Cash Flows from Investing Activities					
Purchase of equipment		-	-	-	-
Exploration and evaluation expenditures	7	(30,284)	(356,794)	(147,262)	(613,189)
MEAP rebates received		-	138,202	-	155,959
Cash (used in) investing activities		(30,284)	(218,592)	(147,262)	(457,230)
Increase/(Decrease) in cash		(118,416)	(250,099)	(200,872)	(275,841)
Cash, beginning of period		305,179	931,585	387,635	957,327
Cash, end of period		186,763	681,486	186,763	681,486
Supplemental Information					
		2013	2012	2013	2012
		Quarter	Quarter	ytd	YTD
Change in accrued exploration expenditures		(12,991)	(426)	1,870	(72,971)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Copper Reef Mining Corporation (the "Company" or "Copper Reef") was incorporated under the laws of the Province of Manitoba by Letters Patent of Incorporation dated March 27, 1973 as "Copper Reef Mines (1973) Limited", as amended by Articles of Amendment dated January 18, 2005, and Articles of Amendment dated September 8, 2006, changing the corporate name to "Copper Reef Mining Corporation". The registered and head office of the Company is located at 6 Mitchell Road, Flin Flon, Manitoba R8A 1N1.

The shares of the Company are listed on the CDNX Exchange under the symbol "CZC". The Company is engaged in the identification, acquisition and exploration of mineral properties in Canada, with present activities concentrated in the provinces of Manitoba and Saskatchewan.

The financial statements of Copper Reef for the quarter ended August 31, 2013 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on October 26, 2013.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of evaluation and exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title August be subject to unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements. These financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement August be appropriate if the Company is not expected to continue operations for the foreseeable future.

As at August 31, 2013, the Company had not advanced any of its properties to commercial production and is not able to finance day to day activities through operations. The Company incurred losses of \$459,005 during the quarter ended August 31, 2013, and had an accumulated deficit of \$5,282,626 as at August 31, 2013. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with funds currently on hand and through the raising of equity (see Note 16), and expects that its current capital resources will be sufficient to carry out its exploration plans and operations for the coming twelve months.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies followed in these unaudited condensed interim financial statements are the same as those applied in the Company's most recent audited annual financial statements for the year ended November 30, 2012. These unaudited condensed interim financial statements do not include all note disclosures required by IFRS for annual financial statements. Accordingly these unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the year ended November 30, 2012.

Certain comparative figures have been reclassified for current period presentation purposes.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A new number of IFRS standards, and amendments to standards and interpretations, are not yet effective for the period ended August 31, 2013, and have not been applied in preparing these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the condensed consolidated interim financial statements of the Group.

4. MARKETABLE SECURITIES

The Company's marketable securities consists of the following:

Security Issuer	Number of shares held	August 31, 2013		November 20, 2012	
		Value \$'s	Unrealised gain/(loss) \$'s	Value \$'s	Unrealised gain/(loss) \$'s
Foran Mining	4,000,000	880,000	(1,400,000)	2,280,000	(120,000)
Jaxon Minerals - 2012	100,000			7,000	(7,000)
Jaxon Minerals - 2013 payment	100,000		3,000		
Jaxon May 31 close		2,000	(8,000)		
Jaxon share consolidation - 10:1	20,000				
		882,000	(1,405,000)	2,287,000	(127,000)

On August 23, 2013, the shareholders of Jaxon Minerals Inc. approved a 10:1 rollback. Total capitalization post consolidation was 4,957,155 shares.

5. AMOUNTS RECEIVABLE

The Company's amounts receivable are broken down as follows:

	August 31,	November 30
	2013	2012
	\$	\$
Goods and services tax receivable	5,094	12,750
Total	5,094	12,750

6. EQUIPMENT

		Cost	Accumulated Amortization	August 31, 2013 Net Book Value	November 30, 2012 Net Book Value
		\$'s	\$'s	\$'s	\$'s
Vehicles		10,031	5,406	4,625	5,968

7. EVALUATION AND EXPLORATION ASSETS

The Company holds interests in 40 mineral properties, with 38 held by way of mineral claims and two by mineral leases, all located in Saskatchewan and Manitoba. Twenty-five of the properties are consolidated into eight groups and the remaining fifteen are presently considered individual properties. The properties are held by way of mineral claims and mining leases.

A continuity schedule of the capitalized expenditures allocated to individual major properties and summarized for minor properties is shown overleaf:

		Mink Narrows Group	Gold Rock Group	Smelter Group	Hanson Lake	Alberts Group	Morgan Group	Kiss/ Kississing	Otter Group	Lucille	Others
Balance, Nov 30, 2011	8,011,194	2,387,544	1,443,821	1,616,697	1,587,404	470,979	329,453	65,223	4,924	88,288	16,922
Royalty purchase	270,000	58,552	64,439	61,301	63,975	17,853	-	1,615	-	2,265	
Claim acquisition & holding	46,260	516	469	5,147	224	516	-	5,996	18,104	74	15,214
Assay	15,724	-	-	2,841	-	-	-	9,839	3,044	-	-
Field labour costs	195,377	-	3,888	18,163	24,700	15,900	-	39,088	88,575	-	5,063
Other fields costs	71,255	1,348	578	4,316	2,896	11,714	-	23,231	22,611	-	4,561
Diamond drilling	81,739	-	-	-	144	8,400	-	73,195	-	-	-
Total 2012 expenditures	680,355	60,417	69,373	91,768	91,939	54,383	-	152,964	132,333	2,339	24,837
Subtotal	8,691,547	2,447,958	1,513,195	1,708,464	1,679,343	525,362	329,453	218,187	137,258	90,567	41,760
2012 MEARA Rebates	(155,959)	-	-	(104,909)	-	-	-	(44,800)	-	-	(6,250)
Balance, Nov 30, 2012	8,535,588	2,447,958	1,513,195	1,603,555	1,679,343	525,362	329,453	173,387	137,258	90,567	35,510
Claim acquisition & holding	4,781	36	468	180	-	673	600	12	48	-	2,764
Assay	7,417	-	-	-	-	-	-	-	7,417	-	-
Line Cutting	19,850								19,850		
Field labour costs	65,163	2,138	475	975	-	16,275	1,425	-	42,450	-	1,425
Other fields costs	22,425	-	-	65	-	5,707	-	-	15,153	-	1,500
Diamond drilling	27,627	-	-	-	-	-	-	-	27,627	-	-
Total Q2 YTD 2013 expenditures	147,262	2,174	943	1,220	-	22,655	2,025	12	112,545	-	5,689
Subtotal	8,682,850	2,450,132	1,514,138	1,604,775	1,679,343	548,017	331,478	173,399	249,803	90,567	41,199
MEARA Rebates	-	-	-	-	-	-	-	-	-	-	-
Balance, August 31, 2013	8,682,850	2,450,132	1,514,138	1,604,775	1,679,343	548,017	331,478	173,399	249,803	90,567	41,199

7. EVALUATION AND EXPLORATION ASSETS (CONT'D)

Royalty repurchases

During the year ended November 30, 2012, the Company negotiated the purchase of three royalties, two of which were against sixteen properties and one against eleven properties. Two of the royalties were Net Smelter Returns ("NSR") and one a Net Profits Interest ("NPI"). The purchases are summarized as follows:

Royalty holder	No. of Properties	Type of Royalty	%	Cash paid	Shares issued	Share hold period
Vista Gold Corp.	16	NSR	2%	\$ 100,000	1,000,000	3 years to June 26, 2015
A.L. Parres Ltd.	15	NSR	1%	50,000	250,000	issued
Thundermin Resources Inc.	16	NPI	6%	35,000	750,000	3 years to August 15, 2015
Totals	20			\$ 185,000	2,000,000	

Mink Narrows Group, Manitoba

The Mink Narrows Group includes the Mink Narrows, Mystic and Payuk mineral properties. The claims are 100% owned by the Company.

Gold Rock Group, Manitoba

The Gold Rock Group includes the Gold Rock, North Star and Star mineral properties, the North Star mining lease and the Gold Rock mining lease. The North Star mineral property and mining lease are subject to 2% NSR payable to Al Basham.

The Gold Rock Mining Lease is 100% owned by the Company, subject to a 2% NSR payable to Dean Smith. In addition Mr. Smith retains a 25% NPI in the first 25 feet below surface of vein material as currently documented.

Also included in the Gold Rock Group is the Murr claim, also owned 100% by the Company, subject to a 1% NSR.

Smelter Property, Manitoba

The Smelter Property is comprised of three contiguous claims covering 276 hectares, which are 100% owned by the Company.

7. EVALUATION AND EXPLORATION ASSETS (CONT'D)

Hanson Lake, Saskatchewan

The Hanson Lake Property consists of a single claim located in the Hanson Lake area of Saskatchewan. It is 100% owned by the Company.

Alberts Lake Group, Manitoba

The Alberts Lake Group includes the Alberts Lake, Lew, Leo Lake, Amulet, Mike, Mur and Hanna mineral properties. With the exception of the Mike 1 (15% Net Profits Interest) and Mur 6 (2% Net Smelter Returns royalty, all claims are 100% owned by the Company.

Morgan Group, Manitoba

The Morgan Group includes the Morgan, Bruce Morgan, Woo and Woosey mineral properties. The Morgan claims are 100% owned, subject to a 10% NPI to Bruce Dunlop with an advance royalty payment of \$150,000 upon the making of a Bruce Morgan Property production decision by the Company. The Woo and Woosey claims are 100% owned with no underlying royalties or charges.

Kississing/Kiss Group, Manitoba

The Kississing/Kiss Group includes the Kississing and Kiss mineral properties. The claims are 100% owned by the Company.

Otter Group, Manitoba

The Otter Group includes the Otter Lake and Twin Lakes mineral properties. The claims are 100% owned by the Company subject to a 1% NSR on the Otter Lake claims.

Lucille Lake

The Lucille Lake property includes three, unpatented mineral claims all of which are owned 100% by the Company with no underlying agreements or royalties.

Other Individual Claims

The Company also holds title to fourteen additional properties, ten of which do not carry any capitalized costs. The remaining properties are the Cook Lake, Hammel Lake, Jewel Box and Radar Properties. The Hammel Lake property is 100% owned subject to a 1% NSR.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

		August 31, 2013	November 30, 2013
		\$	\$
Trade payables and accrued liabilities		105,841	104,293
Due to related parties (Note 10)		5,279	10,000
Flow through premium liability		55,000	-
Total		166,120	114,293

9. SHARE CAPITAL

a) AUTHORISED SHARE CAPITAL

Unlimited number of common shares without par value

b) ISSUED SHARE CAPITAL

As at August 31, 2013, the Company had 110,471,300 issued and fully paid common shares (November 30, 2012 – 106,721,300).

- i) In December 2011, the Company issued 5,166,666 flow-through shares to Manitoba residents at \$0.12 per share for gross proceeds of \$620,000. Pursuant to this issue, 291,667 warrants were issued to brokers, exercisable for one common share per warrant at \$0.12 for 18 months. The Company is committed to incur prior to December 31, 2012, on a best efforts basis, \$620,000 in qualifying exploration expenditures pursuant to this private placement. An officer of the Company purchased 50,000 units for \$6,000. A family member of another officer of the Company purchased 100,000 units for gross proceeds of \$12,000, and a corporation controlled by the same officer purchased 350,000 units for gross proceeds of \$42,000 pursuant to this financing.
- ii) In August, 2012, pursuant to a NSR purchase agreement described in Note 7, the Company issued 1,000,000 shares valued at \$0.035 per share based on the quoted market price of the shares at the time of issue, to Vista Gold Corp.
- iii) In September, 2012, pursuant to a NSR purchase agreement described in Note 7, the Company issued 750,000 shares valued at \$0.075 per share based on the quoted market price of the shares at the time of issue, to Thundermin Resources Inc.
- iv) In September, 2012, pursuant to a NSR purchase agreement described in Note 7, the Company issued 250,000 shares valued at \$0.075 per share based on the quoted market price of the shares at the time of issue, to A.L. Parres Ltd.
- v) In February, 2012, the Company renounced, with an effective date of December 31, 2011, \$3,457,300 of CEE related to proceeds from the issuance of flow-through shares. Consequently, this increased the deferred income tax liability by \$933,000.
- vi) In December, 2012, the Company completed a non-brokered private placement of 3,750,000 units for gross proceeds of \$280,000 of which 1,000,000 units were comprised of one common share and one common share purchase warrant and were sold for \$0.06 per unit. The balance of 2,750,000 units were comprised of one flow-through share and one flow-through common share purchase warrant and were sold for \$0.08 per unit. The Company is committed to incur prior to December 31, 2012, on a best efforts basis, \$220,000 in qualifying exploration expenditures pursuant to this private placement. A director and officer of the Company subscribed for 2,250,000 flow-through units. A family member of the same director and officer subscribed for 500,000 flow-through units. Each whole warrant is exercisable into one flow-through common share of the Company at a price of \$0.15 per flow-through share until December 29, 2013 for the non-flow-through unit warrants and January 1, 2014 for the flow-through unit warrants.

The Company is committed to incur prior to December 31, 2013, on a best efforts basis, \$220,000 in qualifying CEE pursuant to this private placement.

9. SHARE CAPITAL (CONT'D)

c) INCENTIVE STOCK OPTIONS

Pursuant to the Company's stock option plan (the "Plan"), the Company August grant to its employees, officers, directors and consultants, options to purchase common shares of the Company at a fixed price as determined by the board of directors. The options vest in accordance with the terms of their granting and have a maximum term of five years. The common shares reserved for issuance under the Plan will not exceed, in aggregate, 10% of the Company's common shares issued and outstanding at the time of grant.

No stock options were granted during the year ended November 30, 2012. The following tables summarize the Company's stock option transactions during the years ended November 30, 2011 and 2012:

Grant date	Number of options	Expiry Date	Weighted average exercise price \$'s	Weighted average contractual life Years	Estimated Grant Date Fair Value \$'s
Balance, December 1, 2010	3,520,000	May 25, 2015	0.10	2.2	220,600
Exercised	(200,000)		0.10		(12,500)
Granted, April, 2011	200,000	Apr 27, 2016	0.11	3.2	17,000
Granted, June, 2011	1,575,000	June 15, 2016	0.10	3.3	128,700
Balance, November 30, 2011 and 2012	5,095,000		0.10	2.9	353,800
Granted January 25, 2013	2,275,000	Jan 24, 2018	0.10	-	138,775
Cancelled, August 31, 2013	(300,000)		0.10		(20,363)
Balance August 31, 2013	7,070,000		0.10	20.5	472,212

All options vest immediately and their fair values are expensed to stock-based compensation and reflected as contributed surplus. Fair values are estimated using the Black-Scholes valuation model with the following assumptions:

- i) 3,520,000 options granted during the year ended November 30, 2010 had a grant date fair value of \$220,600 based on risk-free interest rate – 2.52%; expected volatility – 113%; expected dividend yield – 0%; and expected life – 5 years. 200,000 of these options were exercised during the year ended November 30, 2011.
- ii) 200,000 options granted during the quarter ended August 31, 2011 had a grant date fair value of \$17,000 based on a risk-free interest rate – 2.61%; expected volatility – 105%; expected dividend yield – 0%; and expected life – 5 years.
- iii) 1,575,000 options granted during the quarter ended August 31, 2011 had a grant date fair value of \$128,700 based on a risk-free interest rate – 2.15%; expected volatility – 105%; expected dividend yield – 0%; and expected life – 5 years.
- iv) 2,275,000 options granted during the period ended August 31, 2013 had a grant date fair value of \$138,775 based on risk-free interest rate – 1.14%; expected volatility – 108%; expected dividend yield – 0%; and expected life – 5 years.

- v) Of these options, 2,000,000 were issued to Directors and Officers with a total Fair Value of \$122,000.

9) SHARE CAPITAL (CONTINUED)

d) WARRANTS

The following table summarizes a continuity of outstanding warrants:

	Issued	Expiry date	Exercise Price	Remaining Life (Years)	Estimated Grant Date Fair Value \$'s
Balance, November 30, 2012	261,655		0.20		16,042
Expired	(261,655)	9-Jun-13			(16,042)
Issued - Non Flow Through	1,000,000	Dec. 29, 2013	0.15	0.3	9,300
Issued - Flow Through	2,750,000	Jan. 1, 2014	0.15	0.3	34,100
Balance August 31, 2013	3,750,000		0.15	0.3	43,400

	2013	2012
Expected dividend yield	0%	0%
Expected volatility	110%	115%
Risk free interest rate	1.14%	0.92%
Expected life (years)	1.0	1.5

10. RELATED PARTY TRANSACTIONS AND BALANCES

a) RELATED PARTY BALANCES

Related party	Purpose	August 31, 2013		August 31, 2012	
		Amounts charged	Accounts payable or accrued at Quarter-end	Amount Charged	Accounts payable or accrued at quarter-end
Corporation controlled by a director	Management Fees	6,000	-	10,500	-
	expenses	650	-	-	-
Corporation controlled by an officer	Filing fees	5,400	-	7,500	-
	expenses	-	-	-	-
Corporation controlled by a director	Chief Financial officer	-	-	7,500	-
Accounting firm of which an Officer of the Company is a partner	Professional fees	8,431	-	5,636	9,000
Corporation controlled by a Director and significant shareholder	Management fees, Related	24,000	-	36,000	-
	Exploration	50,567	5,279	134,140	54,238
	Office, Rent and General	9,493	-	20,842	-
		104,541	5,279	222,118	63,238

During the period ended August 31, 2013, the Company recorded director's fees of \$nil (2011 - \$nil).

All of the above transactions are in the normal course of business and are measured at the exchange amounts established and agreed to by the related parties.

b) SHARE SUBSCRIPTIONS

See Note 9(b) for a description of related party share subscriptions.

11. COMMITMENTS AND CONTINGENCIES

a) COMMITMENTS

Consulting Agreement

The Company entered into an exploration management services agreement dated December 31, 2010 with M'Ore and the President of M'Ore, who is an officer and director of the Company. Pursuant to the agreement, M'Ore provides consulting and management services to the Company and incurs various administrative expenses, including administrative salaries and office and vehicle rentals on behalf of the Company. The term of the agreement is for a period of two years ended December 31, 2012 and can be renewed thereafter at the end of every 12 months. Pursuant to this agreement, management fees and salaries incurred by M'Ore are capped at \$200,000 per annum. Additionally the Company entered into a lease with M'Ore whereby they will pay \$30,000, plus operating expenses, per annum for rental of office and storage space. The lease also specifies rates to be charged for the use of various equipment if utilized by the Company. In the event the exploration management services agreement is terminated by the Company, the Company is required to pay an amount equal to \$72,000.

b) CONTINGENCIES

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

c) FLOW-THROUGH EXPENDITURES

During the year ended November 30, 2012, the Company renounced Canadian exploration expenditures in the aggregate amount of \$3,469,300 (2011 -\$666,500) related to proceeds from the issuance of flow-through shares pursuant to the financings described in Note 9(b) and has incurred these qualifying Canadian exploration expenditures as at November 30, 2012. If the Company does not incur the required qualifying expenditures, it will be required to indemnify the holders of the flow-through shares for any tax and other costs payable by them as a result of the Company not making the required expenditures.

12. SEGMENTED INFORMATION

All of the Company's assets, liabilities and operations are domiciled in Canada.

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the evaluation and exploration of its mineral exploration properties 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 the components of share capital as well as cash and cash equivalents. There were no changes to the Company policy for capital management during the three months ended August 31, 2013. The Company manages

13) CAPITAL MANAGEMENT (CONTINUED)

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 its capital structure, the Company August issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and short-term investments. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company is not subject to any externally imposed capital requirements. The Company's investment policy is to invest its excess cash in highly liquid investments that are readily convertible into cash with maturities of three months or less from the original date of acquisition or when it is needed, selected with regards to the expected timing of expenditures from continuing operations. The Company expects that its current capital resources will be sufficient to fund its present operational commitments and working capital needs for the coming twelve months. However, additional funding will be required to meet any new operational commitments if further drilling programs are to be carried out.

14. SUBSEQUENT EVENTS

- On September 27, 2013, 1,000,000 share purchase options were granted to a director. The options are exercisable at \$0.10 per share and expire September 26, 2018. A fair value of \$30,000 is ascribed to these options.
- On October 4, 2013, the Company announced a non-brokered private placement financing of Flow Through Shares and Class A Units (as defined herein) at a price of \$0.05 per Class A Unit and \$0.05 per Flow Through Share, for aggregate gross proceeds of up to \$500,000 (the "Offering"). The Issuer will determine the number of Class A Units and Flow Through Shares comprising this Offering.

The Offering is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory approvals. All securities to be issued under the Offering will be subject to a four-month statutory hold period in Canada.

The Class A Units shall consist of, and separate immediately upon closing, into one common share of the Issuer (a "Common Share") and one whole Warrant. Each whole Warrant shall exercisable at Ten Cents per share (\$0.10/share) and entitle the holder to purchase one Common Share. The warrants will be exercisable for two years from date of issue.

The Flow Through Shares shall consist of one Common, Flow Through Share of the Issuer, (the "Flow Through Shares") within the meaning of the Income Tax Act (Canada).