FALCON GOLD CORP.

Consolidated Financial Statements

June 30, 2014 and 2013

(Expressed in Canadian Dollars)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Falcon Gold Corp. and the Management Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors. The financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgment.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial and operating data elsewhere in the Management Discussion and Analysis are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of Falcon Gold Corp. has developed and continues to maintain systems of internal accounting controls, and segregation of duties and responsibilities whenever possible.

Although no cost effective system of internal control will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, consisting of a majority of non-executive directors. The Audit Committee meets periodically with management and with the external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls, and to review and discuss the financial statements and financial reporting matters.

The financial statements have been audited by Grant Thornton LLP, who had full access to the Audit Committee, with and without the presence of management.

(signed)
Jamie Lavigne
President and Chief Executive Officer

(signed)
Brian Crawford
Chief Financial Officer

Burlington, Ontario
August 28, 2014

Grant Thornton

Independent auditor's report

Grant Thornton LLP
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To the Shareholders of Falcon Gold Corp.,

We have audited the accompanying consolidated financial statements of Falcon Gold Corp., which comprise the consolidated statements of financial position as at June 30, 2014 and 2013, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 opinions.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Falcon Gold Corp. as at June 30, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 to the financial statements which describes the status of the Company's operations. These conditions indicate the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern.

Grant Thornton LLP

Toronto, Canada
August 28, 2014

Chartered Accountants
Licensed Public Accountants

(Expressed in Canadian Dollars)

	As at June 30, 2014	As at June 30, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 5,042	$ 48,166
Sales tax receivable	-	6,669
Prepaid expenses	58,515	41,899
	63,557	96,734
Property and equipment (Note 4)	2,528	3,260
Exploration and evaluation assets (Note 5)	2,364,648	2,538,309
	$ 2,430,733	$ 2,638,303
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 379,183	$ 301,686
Loans payable (Note 6)	55,500	-
	434,683	301,686
Shareholders' equity		
Share capital (Note 7)	3,348,283	3,348,283
Contributed surplus (Note 7)	509,162	509,162
Deficit	(1,861,395)	(1,520,828)
	1,996,050	2,336,617
	$ 2,430,733	$ 2,638,303

Nature of Operations and Going Concern (Note 1)
Events after the Reporting Period (Note 12)

Approved by the Board of Directors

"Jamie Lavigne" ______________________ Director

"Brian Crawford" ______________________ Director

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

FALCON GOLD CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

Years ended June 30	2014	2013
Operating expenses		
Filing fees and communication	$ 11,108	$ 17,732
General and administration costs	135,697	347,674
Professional fees	39,497	54,720
Share-based payments	-	186,130
Property investigation	2,074	-
Depreciation	732	2,468
	189,108	608,724
Loss on sale of equipment	-	56,730
Management fees	-	(22,512)
Gain on settlement of accounts payable	(34,000)	-
Write-down of exploration and evaluation assets	185,459	-
Loss before income taxes	340,567	642,942
Income taxes	-	-
Net loss and comprehensive loss	$ 340,567	$ 642,942
Basic and diluted loss per share	$ (0.01)	$ (0.02)
Weighted average number of shares outstanding	25,756,941	25,756,941

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

(Expressed in Canadian Dollars)

	Number of Shares	Common Shares Issued and Fully Paid	Contributed Surplus	Accumulated Deficit	Total
Balance, June 30, 2012	25,731,941	$ 3,344,158	$ 323,032	$ (877,886)	$ 2,789,304
Shares issued for exploration and evaluation assets	25,000	4,125	-	-	4,125
Share-based payments	-	-	186,130	-	186,130
Loss and comprehensive loss	-	-	-	(642,942)	(642,942)
Balance, June 30, 2013	25,756,941	$ 3,348,283	$ 509,162	$ (1,520,828)	$ 2,336,617
Loss and comprehensive loss	-	-	-	(340,567)	(340,567)
Balance, June 30, 2014	25,756,941	$ 3,348,283	$ 509,162	$ (1,861,395)	$ 1,996,050

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

(Expressed in Canadian Dollars)

Years ended June 30	2014	2013
Operating activities		
Net loss and comprehensive loss for the year	$ (340,567)	$ (642,942)
Items not affecting cash and cash equivalents		
Depreciation	732	2,468
Share-based payments	-	186,130
Gain on settlement of accounts payable and accrued liabilities	(34,000)	-
Loss on sale of equipment	-	56,730
Write down of exploration and evaluation assets	185,459	-
Change in non-cash working capital:		
Sundry receivables	6,669	88,255
Prepaid expenses	(16,616)	8,693
Accounts payable and accrued liabilities	111,497	(5,092)
Net cash used in operating activities	(86,826)	(305,758)
Financing activities		
Proceeds from loans payable	55,500	-
Net cash provided by financing activities	55,500	-
Investing activities		
Investment in and expenditures on exploration and evaluation assets	(11,798)	(487,412)
Proceeds from sale of equipment	-	29,500
Net cash used in investing activities	(11,798)	(457,912)
Net change in cash and cash equivalents	(43,124)	(763,670)
Cash and cash equivalents, beginning of year	48,166	811,836
Cash and cash equivalents, end of year	$ 5,042	$ 48,166

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Falcon Gold Corp. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Ontario) on November 24, 2006 and was continued under the Business Corporations Act (British Columbia) on May 2, 2013. The address of the Company's registered office in British Columbia is 439 Helmcken Street, Vancouver, British Columbia V6B 2E6 and the address of the Company's office in Ontario is 855 Brant Street, Burlington, Ontario, L7R 2J6. The Company's shares are listed on the TSX Venture Exchange.

The Company is primarily engaged in the acquisition and exploration of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration and evaluation stage.

The Company needs equity capital and financing for its working capital and for the costs of exploration and development of its properties. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and conversion to International Financial Standards ("IFRS")

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of June 30, 2014. The Board of Directors approved the consolidated financial statements on August 28, 2014.

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional Currency

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar. Subsidiaries whose functional currency differs from that of the parent company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities-at the closing rate as at the reporting date, and income and expenses at the average rate of the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Currency - continued

When the Company disposes of its entire interests in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive loss related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive loss related to the subsidiary are reallocated between controlling and non-controlling interests.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Manhattan Minerals Inc. and 2287991 Ontario Inc.

The consolidated financial statements include the financial statements of subsidiaries subject to control by the Company. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income for the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions and balances are eliminated on consolidation. The financial statements of the subsidiaries are prepared using consistent accounting policies and reporting date as of the Company.

Measurement Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates include the rates of depreciation for property, the valuation of other assets and accruals, the impairment and recoverability of exploration and evaluation assets, and the assumptions used in the determination of the fair value of financial instruments and stock-based compensation. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the acquisition, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in earnings or loss immediately.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

Mineral Exploration and Evaluation Expenditures

Acquisition costs for exploration and evaluation assets are capitalized and include the cash consideration paid and the fair value of common shares issued on acquisition, based on the trading price of the shares on the date of the agreement to issue the shares.

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Mineral Exploration and Evaluation Expenditures - continued

The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

Property and Equipment

Recognition and measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation

Depreciation is recognized in profit or loss on the declining balance basis at the following annual rates:

Equipment	20%
Furniture and fixtures	20%
Computer software	30%

Additions during the year are depreciated at one-half the annual rates.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Impairment of Non-financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Reversal of Impairment

An impairment loss is reversed if there is an indication that 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 depreciation, if no impairment loss had been recognized.

Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as at June 30, 2014 and June 30, 2013 as the disturbance to date is minimal.

Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based Payments

The fair value of share options granted to employees at the date of grant is recognized as an expense over the vesting period with a corresponding increase in contributed surplus. 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 a direct employee, including directors of the Company.

In situations where share options are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identified goods or services received at the grant date.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Stock option expense incorporates an expected forfeiture rate.

All equity settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Share Capital

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

Commissions paid to agents, and other related share issue costs, such as legal, auditing, and printing, on the issue of the Company's shares are charged directly to share capital.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to common shares issued in the private placements at their fair value as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded as warrants in shareholders' equity. Share issue costs are netted against share proceeds on a pro rata basis.

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 the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to the individual investors. On issuance, the Company bifurcates the

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Flow-through Shares - continued

flow-through share into i) a flow-through share premium, equal to the estimated premium if any, which is recognized as a liability, and ii) share capital. Upon qualifying expenditures being incurred, the Company derecognizes the premium liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. Any resulting deferred tax as a result of tax rate differential is recognized as a deferred tax recovery or expense.

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

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company had no material provisions at June 30, 2014 and June 30, 2013.

Financial Instruments

Financial assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments – continued

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities:

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash and cash equivalents	Loans and receivables
Sundry receivables	Loans and receivables

Financial liabilities:	Classification:
Amounts payable and accrued liabilities	Other financial liabilities
Loans payable	Other financial liabilities

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments – continued

The carrying amount of a financial asset is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to income. Changes in the carrying amount of the allowance account are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of income (loss) and comprehensive income (loss) to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2014 and June 30, 2013, none of the Company's financial instruments are recorded at fair value on the consolidated statement of financial position.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after July 1, 2013. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 Financial instruments ("IFRS 9") is a partial replacement of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after July 1, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements – continued

(ii) IAS 32 Financial Instruments: Presentation was amended to address inconsistencies in current practice when applying the offsetting criteria. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and clarify that some gross settlement systems may be considered to net settlement. The amendment is effective for annual periods beginning on or after July 1, 2014. The adoption of this standard will not have a material impact on the Company's financial statements.

(iii) IFRIC 21 Levies is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and establishes criteria for the recognition of a liability to pay levies imposed by governments, other than income taxes. The interpretation clarifies that the obligating event which give rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after July 1, 2014. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

Accounting Pronouncements Adopted

The following accounting pronouncements were adopted by the Company effective July 1, 2013 and had no material impact on the financial statements:

(i) IFRS 10 Consolidated Financial Statements ("IFRS 10") requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under previous IFRS, consolidation was required when an entity had the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

(ii) IFRS 11 Joint Arrangements ("IFRS 11") requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under previous IFRS, entities had the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

(iii) IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") establishes disclosure requirements for interests in other entities, such as joint arrangements, associates special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

(iv) IFRS 13 Fair Value Measurement ("IFRS 13") is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business.

The Company currently has no source of revenues, and therefore is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2014. The Company is not subject to externally imposed capital requirements.

The Company classified its cash and sundry receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities. The carrying values of cash, sundry receivable, accounts payable and accrued liabilities, approximate their fair values due to the expected maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a single major Canadian financial institution.

The Company's concentration of credit risk and maximum exposure is as follows:

	June 30, 2014	June 30, 2013
Cash and cash equivalents	$ 5,042	$ 48,166

The credit risk associated with cash is minimized by ensuring it is placed with a major Canadian financial institution with a strong investment-grade rating issued by a primary ratings agency.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The business of mining and exploration involves a high degree of risk and there can be no assurance that exploration programs will result in profitable mining operations. The Company has insufficient cash to meet its requirements for administrative overhead, to conduct due diligence on mineral property acquisition targets, and to conduct exploration of its mineral properties and mineral properties that may be acquired.

3. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS - continued

The Company does not generate cash flows from operations to fund its activities and therefore relies principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

i. Interest rate risk

The Company's cash and cash equivalents consist primarily of cash held in bank accounts and term deposits with banks. Due to the short-term nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair value as of June 30, 2014. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. Accordingly, the Company is not subject to interest rate risk.

ii. Foreign currency risk

During the year ended June 30, 2014, the Company was not exposed to material foreign currency risk.

iii. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk, foreign currency risk or commodity price risk. The Company has no financial instruments exposed to other price risk.

(Expressed in Canadian Dollars)

4. PROPERTY AND EQUIPMENT

	Drilling Equipment	Furniture and Equipment	Computer Equipment	Total
Cost				
Balance June 30, 2012	$ 80,500	$ 14,294	$ 1,960	$ 96,754
Disposals	(80,500)	(10,050)	-	(90,550)
Balance June 30, 2013	-	4,244	1,960	6,204
Balance June 30, 2014	$ -	$ 4,244	$ 1,960	$ 6,204
Accumulated depreciation				
Balance June 30, 2012	$ -	$ 4,001	$ 795	$ 4,796
Depreciation for the year	-	2,120	348	2,468
Disposals		(4,320)	-	(4,320)
Balance June 30, 2013	-	1,801	1,143	2,944
Depreciation for the year	-	488	244	732
Balance June 30, 2014	$ -	$ 2,289	$ 1,387	$ 3,676
Net book value June 30, 2013	**$ -**	**$ 2,443**	**$ 817**	**$ 3,260**
Net book value June 30, 2014	**$ -**	**$ 1,955**	**$ 573**	**$ 2,528**

5. EXPLORATION AND EVALUATION ASSETS

	Burton Property	Fenton Property	Washington Property	Total
Balance June 30, 2012	$ 1,190,535	$ 181,334	$ 674,903	$ 2,046,772
Acquisition costs	-	4,125	-	4,125
Deferred exploration expenditures	444,607	-	372,955	817,562
Option proceeds	(330,150)	-	-	(330,150)
Balance June 30, 2013	$ 1,304,992	$ 185,459	$1,047,858	$2,538,309
Deferred exploration expenditures	1,487	-	10,311	11,798
Write-down	-	(185,459)	-	(185,459)
Balance June 30, 2014	$ 1,306,479	$ -	$1,058,169	$2,364,648

5. EXPLORATION AND EVALUATION ASSETS - continued

Burton Property

The Burton Property consists of a 100% interest in a claim group located in Esther Township, northwest of Sudbury in Northern Ontario.

The Burton Property is subject to a 2.5% net smelter return and a 10% net profits interest in favour of the previous owner of the claims. The Company may purchase sixty percent of the net smelter return for an aggregate amount of $1,500,000 at any time.

As at June 30, 2013 and 2014, the Burton Property consisted of 16 unpatented mining claims and 6 patented claims covering 356 hectares in a largely contiguous block. The Company is required by the Ministry of Northern Development and Mines to incur annual qualifying exploration and development expenditures in order to maintain its unpatented claims in good standing. As at June 30, 2014 and 2013, the Company believes it has incurred the required amount of expenditures.

During the fiscal year ended June 30, 2012, the Company entered into a Mining Option Agreement (the "Agreement") with Trelawney Mining and Exploration Inc. (now IAMGOLD Corporation)("Trelawney") whereby Trelawney can earn up to a 75% interest in the Burton Property. The terms of the Agreement include a cash payment of $150,000 to the Company and a commitment to incur exploration and evaluation expenditures in the amount of $1,200,000 over a two year period from the date of signing of the Agreement.

The cash payment of $150,000 was received by the Company during the fiscal year ended June 30, 2012.

In addition to the cash payment of $150,000, the Company has received a total amount of $594,720 from Trelawney with respect to exploration and evaluation expenditures, and $27,598 with respect to management fees under the Mining Option Agreement with Trelawney.

Fenton Property

The Fenton Property consists of a 100% interest in two claims covering 512 hectares in Fenton Township, northwest of Timmins in Northern Ontario.

The Company entered into a Property Option Agreement ("Agreement") whereby the Company can earn a 100% interest in the property by making cash payments of $150,000, issue 650,000 common shares and 650,000 common share purchase warrants over a three year period from the date of the Agreement. There is no commitment to incur exploration and evaluation expenditures other than required to maintain the property in good standing.

The Company made a cash payment of $25,000 and issued 150,000 common shares and 150,000 common share purchase warrants upon signing the Agreement.

The Fenton Property is subject to a 2.5% net smelter return in favour of the previous owner of the claims. The Company may purchase fifty percent of the net smelter return for an aggregate amount of $1,000,000 at any time.

During the year, the Company determined that it would not carry out any further exploration and evaluation expenditures on the Fenton Property and allowed the Agreement to lapse and wrote off the carrying amounts related to the Fenton Property.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS – continued

Washington Property

The Washington Property consists of fifty-one unpatented claims and the lease for the formerly producing Silver Bell Mine covering 356 hectares northwest of the town of Republic in Washington State.

The Washington Property is subject to a 2% net smelter return in favour of the previous owner of the claims. The Company may purchase fifty percent of the net smelter return for an aggregate amount of $1,000,000 at any time. A portion of the Washington Property is subject to a 5% production royalty in favour of the State of Washington.

On a quarterly basis, management of the Company review exploration costs to ensure mining property interests include only costs and projects that are eligible for capitalization.

6. LOANS PAYABLE

The loans are non-interest bearing and payable on demand. Subsequent to the year end, the loans were converted to share capital.

7. SHARE CAPITAL

Authorized
Unlimited number of common shares

Issued

	Number of Shares	Share Capital	Contributed Surplus
Balance June 30, 2012	27,731,941	$ 3,344,158	$ 323,032
Shares issued for exploration and evaluation assets	25,000	4,125	
Stock-based payments	-	-	186,130
Balance June 30, 2013	25,756,941	$ 3,348,283	$ 509,162
Stock –based payments	-	-	
Balance June 30, 2014	25,756,941	$ 3,348,283	$ 509,162

Share Issuances

i. During the year ended June 30, 2014

There were no shares issued during the year ended June 30, 2014.

ii. During the year ended June 30, 2013

On September 6, 2013 the Company issued 25,000 common shares with respect to an extension of the purchase agreement for the Fenton property.

(Expressed in Canadian Dollars)

8. WARRANTS

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrants transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 1, 2012	10,532,500	$ 0.26
Expired during the year	(5,125,000)	$ (0.33)
Balance, June 30, 2013	**5,407,500**	$ 0.17
Expired during the year	(5,407,500)	0.17
Balance June 30, 2014	**-**	$ 0.00

9. SHARE-BASED PAYMENTS

The Company has a formal stock option plan in accordance with the policies of the TSX Venture Exchange (the "Exchange") under which it is authorized to grant options to directors, officers, employees and consultants to purchase common shares of the Company. The stock option plan is a rolling plan and the maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Each stock option granted is for a term not exceeding five years unless otherwise specified. Outstanding options vest immediately at date of grant. Options granted to investor relations personnel vest in accordance with Exchange regulations.

A summary of the status of the stock option plan and changes for the year ended June 30, 2014 are presented below:

Grant date	Expiry date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance	Vested and Exercisable
2014								
May 4, 2011	May 4, 2016	$0.20	575,000	-	-	-	575,000	575,000
July 13, 2011	July 13, 2016	$0.20	150,000	-	-	(150,000)	-	-
July 17, 2012	July 17, 2017	$0.15	1,500,000	-	-	(50,000)	1,450,000	1,450,000
			2,225,000	-	-	(200,000)	2,025,000	2,025,000
Weighted average exercise price			$0.20	$0.00	$0.00	$0.19	$0.16	$0.16

A summary of the status of the stock option plan and changes for the year ended June 30, 2013 are presented below:

Grant date	Expiry date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance	Vested and Exercisable
2013								
Dec. 12, 2007	Dec. 12, 2012	$0.20	246,500	-	-	(246,500)	-	-
May 4, 2011	May 4, 2016	$0.20	575,000	-	-	-	575,000	575,000
July 13, 2011	July 13, 2016	$0.20	150,000		-	-	150,000	150,000
July 17,2012	July 17, 2017	$0.15	-	1,500,000			1,500,000	1,500,000
			971,500	1,500,000	-	(246,500)	2,225,000	2,225,000
Weighted average exercise price			$0.20	$0.15	$0.00	$0.20	$0.17	$0.17

(Expressed in Canadian Dollars)

9. SHARE-BASED PAYMENTS - continued

The weighted average remaining contractual life of options outstanding at June 30, 2014 was 2.71 years.

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, expected forfeitures and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The model inputs for options granted during the years ended June 30, 2014 and 2013 include:

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
July 17, 2012	July 17, 2017	$0.14	$0.15	1.20%	5 years	142%	0%
May 4, 2011	May 4, 2016	$0.20	$0.20	2.00%	5 years	100%	0%

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate of return is the yield on a zero-coupon Canadian Treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these 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.

Total expenses arising from the share-based payment transactions recognized during the year as part of share-based compensation expense was $nil (2013 - $186,130).

As at June 30, 2014 there was no amount (2013 - $nil) of unrecognized compensation cost related to unvested share-based compensation.

Total expenses arising from the share-based payment transactions that were capitalized during the year as part of exploration and evaluation asset acquisition costs were $nil (2013 - $4,125).

(Expressed in Canadian Dollars)

10. INCOME TAXES

(a) Provision for Income Taxes

The following table reconciles the expected income tax provision at the statutory income tax rate of 26.5% (2013 - 26.5%) to the amounts recognized in the statements of loss and comprehensive loss:

	June 30, 2014	June 30, 2013
Loss before income taxes	$ (340,567)	$ (642,942)
Expected income tax recovery at the statutory tax rate	(90,250)	(170,380)
Share-based compensation	-	49,324
Other	40,331	(24,638)
Benefit of tax losses not recognized	49,919	145,694
	-	
Income tax recovery	$ -	$ -

The following temporary differences have not been recognized in the financial statements.

	June 30, 2014	June 30, 2013
Non capital losses-Canada	$ 1,106,027	$ 882,183
Non capital losses-United States	104,004	102,807
Share issuance costs	39,793	70,562
Intangible assets	70,184	75,467
Tangible capital assets	(218)	45
Resource related assets	105,914	105,030
Investment tax credits carried forward	10,547	10,503
	$ 1,436,251	$ 1,246,597

(Expressed in Canadian Dollars)

10. INCOME TAXES - continued

(b) Tax loss carry-forwards

As at June 30, 2014, the Company had approximately $1,894,056 (2013 - $1,669,015) of non-capital losses which can be used to reduce taxable income in future years. The non-capital losses expire at dates as described below:

2027	$ 845
2028	59,667
2029	68,988
2030	84,118
2031	353,272
2032	608,723
2033	493,402
2034	225,041
	$ 1,894,056

11. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

The Company had the following transactions in the normal course of operations with related parties:

	Year Ended	
Names	June 30, 2014	June 30, 2013
Management fees (i)	$ 61,000	$ 171,700
Office rent and supplies (ii)	36,000	57,283
Consulting (iii)	1,094	13,500
Share- based payments	-	158,211

(i) The Company paid or accrued $25,000 (2013 - $72,000) in management fees to the President of the Company; $36,000 (2013 - $36,000) to the CFO of the Company; and $nil (2013 - $63,700) in mineral property exploration consulting costs to the VP of Exploration.

(ii) The Company paid or accrued $36,000 (2013 - $57,283) for rent, supplies and administrative expenses to a public company of which a director of the Company is the CEO and a private company controlled by the CFO of the Company.

(iii) The Company paid or accrued consulting fees to a director in the amount of $1,094 (2013 - $13,500).

Accounts payable and accrued liabilities include $198,804 (2013 - $105,853) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. During the year, the Company settled certain amounts owing to a related party resulting in a reduction in accounts payable and accrued liabilities in the amount of $90,100.

12. EVENTS AFTER THE REPORTING PERIOD

On July 24, 2014, the Company completed the first tranche of a non-brokered private placement financing by issuing 7,680,000 units at $0.05 per unit, with each unit consisting of one common share and one common share purchase warrant exercisable at $0.10 for a period of twelve months from the date of issue, and exercisable at $0.12 for a period from twelve to twenty-four months from the date of issue. The Company received gross proceeds of $384,000 and incurred finder's fees in the amount of $16,800. In addition 70,000 broker warrants and 60,000 broker options, exercisable at $0.10 for a period of twelve months from the date of issue and $0.12 for a period from twelve to twenty-four months from the date of issue, were issued in connection with the transaction. The financing included the conversion of loans payable in the amount of $55,500.

On August 8, 2014, the Company closed on an Option and Joint Venture Agreement with Canyon Copper Corp. whereby the Company can acquire up to an 80% interest in the New York Canyon Property located in Santa Fe Mining District, Mineral County, Nevada. In consideration the Company will pay a total of $150,000 cash, will issue a total of 2,500,000 shares and 500,000 warrants in stages and carry out exploration and evaluation expenditures of $2,000,000 in stages. (All figures are in U.S. dollars). On August 14, 2014 the Company issued 250,000 common shares, and issued 500,000 warrants to purchase common shares of the Company at $0.10 per share for a period of twenty-four months from the date of issue, to Canyon Copper Corp. and made a cash payment of $20,000. In addition the Company issued 330,000 common shares as finders' fees with respect to the transaction.

On August 18, 2014, the Company completed the second and final tranche of a non-brokered private placement financing by issuing 2,320,000 units at $0.05 per unit, with each unit consisting of one common share and one common share purchase warrant exercisable at $0.10 for a period of twelve months from the date of issue, and exercisable at $0.12 for a period from twelve to twenty-four months from the date of issue. In addition the Company issued 2,298,889 units at $0.09 per unit, with each unit consisting of one common share and one common share purchase warrant exercisable at $0.13 for a period of twenty-four months from the date of issue. The Company received gross proceeds of $322,900 and incurred cash commissions and finders' fees of $19,732, and the issuance of 20,000 Agent's Options in conjunction with the financing.

On August 18, 2014, the Company realized a gain on settlement of accounts payable in the amount of $6,000.

FALCON GOLD CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2014

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Falcon Gold Corp. ("Falcon Gold" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended June 30, 2014. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of the Company for the years ended June 30, 2014 and 2013, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the period presented are not necessarily indicative of the results may be expected for any future period.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Falcon Gold's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The effective date of this report is August 28, 2014.

Forward Looking Information

Certain information regarding the Company within the MD&A may include "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such thing as future business strategy, goals, expansion and growth of the Company's business, plans and other such matters are forward-looking statements. When used in this MD&A the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Such statements by their nature involve certain risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of management, may ultimately prove to be incorrect. The reader should not rely solely on these forward-looking statements.

Nature of the Business and Corporate Overview

The Company was incorporated on November 24, 2006 under the Business Corporations Act (Ontario) and was continued under the Business Corporations Act (British Columbia) on May 2, 2013. The Company trades on the TSX Venture Exchange under the symbol "FG".

Financing

The Company completed no financing transactions during the year, but did complete financing transactions subsequent to the year end. See "Subsequent Events".

Selected Quarterly Financial Information

	Three Months Ended June 30, 2014	Three Months Ended Mar 31, 2014	Three Months Ended Dec 31, 2013	Three Months Ended Sept 30, 2013
Total assets	$ 2,430,733	$ 2,588,857	$ 2,600,933	$ 2,622,805
Working capital (deficiency)	$ (315,626)	$ (394,485)	$ (316,313)	$ (266,263)
Net loss for the period	$ 181,843	$ 58,193	$ 49,349	$ 51,182
Loss per share	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)

	Three Months Ended June 30, 2013	Three Months Ended Mar 31, 2013	Three Months Ended Dec 31, 2012	Three Months Ended Sep 30, 2012
Total assets	$ 2,638,303	$ 2,711,121	$ 2,802,446	$ 2,865,315
Working capital	$ (204,951)	$ (191,642)	$ (69,271)	$ 76,955
Net loss for the period	$ 121,999	$ 85,300	$ 121,694	$ 313,949
Loss per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)

Falcon Gold reported no discontinued operations and declared no dividends for any period presented.

Results of Operations

Years ended June 30, 2014 and 2013

The Company incurred a net loss of $340,567 for the year ended June 30, 2014, compared to a net loss of $642,942 for the year ended June 30, 2013. Details of the more significant changes over last year are as follows:

- A decrease in general and administration to $135,697 (2013- $347,674),
- A decrease in share-based compensation to $nil (2013 - $186,130), and

- A decrease in professional fees to $39,497 (2013 - $54,720).
- Write-down of exploration and evaluation assets of $185,459 (2013-$nil).
- Gain on settlement of accounts payable and accrued liabilities of $34,000 (2013-$nil).
- Loss on sale of equipment of $nil (2013-$56,730).

The decreases in general and administrative expenses are due primarily to a decrease in consulting fees of $55,000, decrease in travel expense of $15,000, a decrease in trade show expense of $19,000 a decrease in office and administration costs of $38,000, a decrease in management expense of $47,000, a decrease in shareholder meeting costs of $27,000, and a decrease in rent expense of $12,000.

The decrease in share-based compensation reflects the fact that no options were granted during the year and 1,500,000 options were granted during 2013.

The decrease in professional fees includes a reduction in bookkeeping and accounting fees of $9,000 and a reduction in legal fees of $6,000.

As at June 30, 2014, the Company has cash and cash equivalents of $5,042 (2013 - $48,116), sales tax receivable of $nil (2013 - $6,669), prepaid expenses of $58,515 (2013 - $41,899), accounts payable and accrued liabilities of $379,183 (2013 - $301,686), loans payable of $55,500 (2013-$nil) for total working capital deficiency of $315,626 (2013 - $204,951).

Fourth Quarter Fiscal 2014 and 2013

General and administrative expenses for the fourth quarter of fiscal 2014 were lower by $13,000 than for the fourth quarter of fiscal 2013. The more significant reductions were for consultants $6,000, management expense $18,000 and office expense $6,200 offset by increases in professional fees of $12,000 and administration costs of $6,000.

Liquidity and Capital Resources

This section should be read in conjunction with the audited consolidated statement of financial position for the year ended June 30, 2013, and the corresponding notes thereto.

The Company has total assets of $2,412,733 (2013 - $2,638,303). The primary assets of the Company are cash and cash equivalents of $5,042 (2013 - $48,166), sales tax receivable of $nil (2013 - $6,669), prepaid expenses of $58,515 (2013 - $41,899), property and equipment of $2,528 (2013 - $3,260), and exploration and evaluation assets $2,364,648 (2013 - $2,538,309). The Company has no long-term liabilities and has a working capital deficiency of $315,626 (2013 - $204,951).

The Company currently has no revenue to finance its operations. It is therefore required to fund its activities through the issuance of equity securities and other financing alternatives. The Company's ability to continue its exploration mandate is therefore dependent upon its ability to raise funds.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of $1,861,395. As at June 30, 2014, the Company had cash and cash equivalents of $5,042 to settle current liabilities of $434,683.

To continue operations and to fund future obligations, the Company will be required to raise funds through equity or other financing alternatives. Recent global economic conditions and market uncertainty may have an impact on the Company's ability to raise funds through the equity markets. Management believes that there are sources of financing available; however there can be no assurance that the Company will be successful in its future fund-raising activities.

The Company relies on issuance of equity securities and alternative sources of financing, if required, to maintain adequate liquidity to support its ongoing working capital commitments. The following table is a summary of quantitative data about what the Company manages as capital:

		June 30, 2014		June 30, 2013		Change
Cash and cash equivalents	$	5,042	$	48,166	$	(43,124)
Share capital	$	3,348,283	$	3,348,283	$	-
Contributed surplus	$	509,162	$	509,162	$	-
Deficit	$	(1,861,395)	$	(1,520,828)	$	(340,567)

The Company monitors these items to assess its ability to fulfill its ongoing financial obligations, including its flow-through obligations, and its exploration program.

Mineral Property Interests

Year ended June 30, 2014	Opening Balance	Expenditures (Write-down)	Ending Balance
Burton Property	$ 1,304,992	$ 1,487	$ 1,306,479
Fenton Property	185,459	(185,459)	-
Washington Property	1,047,858	10,311	1,058,169
Total	$ 2,538,309	$ (173,661)	$ 2,364,648

Year ended June 30, 2013			
Burton Property	$ 1,190,535	$ 114,457	$ 1,304,992
Fenton Property	181,334	4,125	185,459
Washington Property	674,902	372,956	1,047,858
Total	$ 2,046,771	$ 491,538	$ 2,538,309

Burton Property

The Burton Property is situated in Esther Township, Porcupine Mining District, Ontario approximately 200 km north-northwest of Sudbury and approximately 150 km southwest of Timmins. Burton is located in a jurisdiction with a long established mining history and is comprised of 6 patented claims and 16 unpatented claims totaling approx. 356 ha. All unpatented claims are in good standing to the summer/fall of 2016.

The Burton Property lies within the Archean Swayze Greenstone Belt and has recently been correlated with and interpreted to be part of the Abitibi Greenstone Belt which hosts the world class Timmins and Kirkland Lake lode gold mining camps. The Burton Property occurs near the southern margin of the Swayze greenstone belt where the belt consists dominantly of mafic to intermediate metavolcanic rocks and Timiskaming-type metasedimentary rocks. The volcanic rocks are locally intruded by ultramafic intrusive rocks. Felsic to intermediate volcanic rocks occur to the north of the mafic volcanic rocks and sedimentary rocks. Bedding and foliations in the area strike dominantly east-southeast parallel to the trend of the southern contact of the Swayze belt and dip steeply to the southeast.

The Company has completed a phase 1 diamond drilling program of 3000 meters in 21 holes on the Burton Property. For results of this program please see the news releases of July 27, 2011 and September 12, 2011 on the company's website at www.falcongold.ca.

During fiscal 2012, the Company entered into a Mining Option Agreement (the "Agreement") with Trelawney Mining and Exploration Inc. (now IAMGOLD Corporation) ("Trelawney") whereby Trelawney can earn up to a 75% interest in the Burton Property. The terms of the Agreement include a cash payment of $150,000 to the Company and a commitment to incur exploration and evaluation expenditures in the amount of $1,200,000 over a two year period from the date of signing of the Agreement.

In addition to the cash payment of $150,000, the Company received an amount of $622,318 as advances for exploration and evaluation expenditures to be incurred as part of the Trelawney Agreement. As of June 30, 2014, sufficient amounts have been expended with respect to the Trelawney Agreement to enable Trelawney to earn a 51% interest in the Burton Property.

Fenton Property

The Fenton Property is located in Fenton Township, within the Porcupine Mining Division, Ontario, and consists of 2 unpatented claims (32 claim units). The Fenton Property is accessible by road, and is situated near the town of Kapuskasing on the Trans-Canada Highway (Highway 11).

Exploration history in the area has seen episodic exploration efforts dominantly for base metals and for diamonds. A major phase of exploration was conducted following the 1998 release of an overburden sampling program for kimberlite and base metal indicator minerals completed by the Ontario Geological Survey.

Previous drilling on the Fenton Property included the intersection of 0.52% Cu over a core length of 47.5m completed in 2001. Higher grade intervals include 0.96% Cu over 3.7 metres, 1.09 % Cu over 4.4 metres, and 1.07% Cu over 4.4 metres.

On September 6, 2011 Falcon Gold entered into an agreement whereby Falcon Gold can acquire a 100% interest in the Fenton Property. The Agreement to acquire a 100% interest in the Fenton Property is subject to a 2.5% NSR of which the Company may purchase 50% or 1.25% at any time for $1,000,000.

The Company carried out no work on the Fenton Property during the year ended June 30, 2014, and determined that it would not incur further exploration and evaluation expenditures on the Fenton Property and allowed the Agreement to lapse and wrote off the carrying amounts related to the Fenton Property totalling $185,459.

Washington Property

The Washington Property consists of fifty-one unpatented claims and the lease for the formerly producing Silver Bell Mine covering 356 hectares northwest of the town of Republic in Washington State.

The Washington Property is subject to a 2% net smelter return in favour of the previous owner of the claims. The Company may purchase fifty percent of the net smelter return for an aggregate amount of $1,000,000 at any time. A portion of the Washington Property is subject to a 5% production royalty in favour of the State of Washington.

A first phase exploration program was completed and results of the diamond drilling program were reported in news releases of October 24, 2012 and November 15, 2012 and can be viewed on the Company's website at www.falcongold.ca.

The Company did not carry out any exploration work on the Washington Property during the year ended June 30, 2014.

The Company is required by the various government agencies to incur annual qualifying exploration and development expenditures and/or to make annual payments in order to maintain its claims in good standing. As at June 30, 2014, the Company believes it has incurred the required amount of expenditures and believes that all claims are in good standing.

Qualified Person and QA/QC

James Lavigne P.Geo, a qualified person as defined by NI 43-101, has reviewed the scientific and technical information that forms the basis for the disclosure regarding the Company's properties in this MD&A and has approved the disclosure herein. Mr. Lavigne is not independent of the Company, as he is the CEO and holds common shares and incentive stock options.

Critical Accounting Estimates

The preparation of the consolidated 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 consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and 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.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of sales tax receivable that are included in the consolidated statements of financial position;

- the recoverability of exploration and evaluation expenditures incurred on the Company's property interests; and

- the inputs used in accounting for share based payment transactions and in valuation of warrants included in financial assets at fair value through profit or loss.

Changes in Accounting Policies

New accounting Standards and Interpretations

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after July 1, 2013. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company:

(i) IFRS 9 Financial instruments ("IFRS 9") is a partial replacement of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after July 1, 2015.

(ii) IAS 32 Financial Instruments: Presentation was amended to address inconsistencies in current practice when applying the offsetting criteria. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and clarify that some gross settlement systems may be considered to net settlement. The amendment is effective for annual periods beginning on or after July 1, 2014. The adoption of this standard will not have a material impact on the Company's financial statements.

(iii) IFRIC 21 Levies is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and establishes criteria for the recognition of a liability to pay levies imposed by governments, other than income taxes. The interpretation clarifies that the obligating event which give rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after July 1, 2014. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following accounting pronouncements were adopted by the Company effective July 1, 2013 and had no material effect on the consolidated financial statements:

(i) IFRS 10 Consolidated Financial Statements ("IFRS 10") requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under previous IFRS, consolidation wass required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

(ii) IFRS 11 Joint Arrangements ("IFRS 11") requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under previous IFRS, entities had the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

(iii) IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") establishes disclosure requirements for interests in other entities, such as joint arrangements, associates special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

(iv) IFRS 13 Fair Value Measurement ("IFRS 13") is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Financial Instruments

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with a Canadian Schedule A bank, from which management believes the risk of loss to be minimal.

Amounts receivable consists of sales tax receivable from government authorities in Canada. Amounts receivable are in good standing as at June 30, 2014 and have been received subsequent to the year end. Management believes that the credit risk with respect to financial instruments included in amounts receivable is minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2014, the Company had cash of $5,042 (June 30, 2013 - $48,166) to settle current liabilities of $434,683 (June 30, 2013 - $301,685). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

(c) 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.

(i) Interest rate risk

Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would not have a material impact on the reported consolidated net loss and comprehensive consolidated net loss for the year ended June 30, 2014.

(ii) Foreign currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal. The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

(iii) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices. 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, as they relate to precious and base metals and other minerals, and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and other minerals. Precious and base metals and other mineral prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals and other minerals are produced in the future, a profitable market will exist for them. As of June 30, 2012, the Company was not a precious mineral, base metals and other minerals producer. Even so, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Related Party Transactions

During the year and three months ended June 30, 2014, the Company entered into the following transactions with related parties and paid or accrued the following amounts, excluding share-based payment charges in connection therewith:

Name	Relationship	Purpose of Transaction	Three Months Ended	Year Ended
Francis Mineral Ltd.	Company controlled by the CEO of the Company	Consulting/technical services	$6,000	$25,000
Brant Capital Partners Inc.	Company controlled by the CFO of the Company	Consulting services	$9,000	$36,000
Centurion Minerals Ltd.	Company of which a director of Falcon Gold is the CEO	Rent	$4,500	$18,000
Brant Capital Partners Inc.	Company controlled by the CFO of the Company	Rent, office supplies, administrative expenses	$4,500	$18,000

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity, capital expenditures and capital resources that would be material to investors.

Proposed Transactions

As of the date of this MD&A the Company has no proposed transactions.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, cash equivalents, sundry receivables, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

Outstanding Share Data

As of the date of this MD&A, the Company has 38,635,830 common shares issued and outstanding as well as: (a) stock options to purchase an aggregate of 3,625,000 common shares expiring at various date between May 2016 and July 2017 and exercisable at prices ranging from $0.15 to $0.20 per common share and, (b) share purchase warrants to purchase an aggregate of 12,948,889 common shares expiring July 2016 and August 2016 exercisable at prices ranging from $0.10 to $0.13 per common share for the first twelve months from the date of issue and exercisable at prices ranging from $0.12 to $0.13 per common share for the period from twelve months to twenty-four months from the date of issue. Included in the warrants outstanding are 80,000 broker warrants. For additional details of share data, please refer to Notes 7, 8, 9 and 12 of the June 30, 2014 audited consolidated financial statements.

Capital Management

The Company's objectives when managing capital are as follows:

- i) To safeguard the Company's ability to continue as a going concern;
- ii) To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties;
- iii) To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short term working capital requirements, and its planned exploration and development program expenditure requirements. The capital structure of the Company is comprised of shareholders' equity which includes share capital, warrants, contributed surplus and deficit. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

There were no changes in the Company's approach to managing capital during the period.

Risks and Uncertainties

Liquidity and Additional Financing

The Company has limited financial resources and no current revenues. There can be no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could cause the Company to reduce or terminate its operations.

Regulatory Requirements

Even if the Company's properties are proven to host economic reserves of gold or other precious or non-precious metals, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits. Exploration and mining activities may be affected in varying degrees by government policies and regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

Nature of Mineral Exploration and Mining

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to discover, develop, exploit and generate revenue out of mineral deposits. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, if any, which may be affected by a number of factors beyond the Company's control. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of diamond, precious and non-precious metals, any of which could result in work stoppages, damage to the property, and possible environmental damage. Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fires, power outages, labor disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labor are involved in mineral exploration, development and operation. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the financial position of the Company.

The Company will continue to rely upon consultants and others for exploration and development expertise. Substantial expenditures are required to determine if mineralization reserves exist through drilling, to develop processes to extract the precious and non-precious metals from the mineralization and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis or at all. The economics of developing mineral properties are affected by many factors including the cost of operations, variations in the grade of mineralization mined, fluctuations in markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The remoteness and restrictions on access to any properties in which the Company has or may have an interest may have an adverse effect on profitability in that infrastructure costs will be higher.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and cause insolvency and/or a decline in the value of the securities of the Company.

No Assurance of Title to Properties

The acquisition of title to mineral projects is a very detailed and time consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in the name of the Company where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interest of the Company in any of its properties may not be challenged or impugned.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. The company believes that it presently holds all necessary licences and permits to carry on with activities which it is currently conducting under applicable laws and regulations and the Company believes it is currently complying in all material respects with the terms of such laws and regulations. However, such laws and regulations are subject to change. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Competition

The mineral exploitation industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral properties, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that even if commercial quantities of minerals are discovered, a ready market will exist for their sale. Factors beyond the control of the Company may affect the marketability of any minerals discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing its invested capital.

Environmental Regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important requirements, which affect capital and operating costs. Unusual or infrequent weather, phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations.

Fluctuating Prices

Factors beyond the control of the Company may affect the marketability of any copper, nickel, gold, platinum or any other minerals discovered. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, consumption patterns, speculative activities and increased production due to new mine developments and improved mining and production methods.

The effect of these factors on the price of gold, base and precious metals and therefore the economic viability of any of the Company's projects cannot be accurately predicted.

Reliance on Key Personnel

The Company is dependent on a relatively small number of key people, the loss of any of whom could have an adverse effect on its operations. The Company does not carry any key man insurance.

Internal Control over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited consolidated financial statements, and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Subsequent Events

On July 24, 2014, the Company completed the first tranche of a non-brokered private placement financing by issuing 7,680,000 units at $0.05 per unit, with each unit consisting of one common share and one common share purchase warrant exercisable at $0.10 for a period of twelve months from the date of issue, and exercisable at $0.12 for a period from twelve to twenty-four months from the date of issue. The Company received gross proceeds of $384,000 and incurred finder's fees in the amount of $16,800. In addition 70,000 broker warrants and 60,000 broker options, exercisable at $0.10 for a period of twelve months from the date of issue and $0.12 for a period from twelve to twenty-four months from the date of issue, were issued in connection with the transaction. The financing included the conversion of loans payable in the amount of $55,500.

On August 8, 2014, the Company closed on an Option and Joint Venture Agreement with Canyon Copper Corp. whereby the Company can acquire up to an 80% interest in the New York Canyon Property located in Santa Fe Mining District, Mineral County, Nevada. In consideration the Company will pay a total of $150,000 cash, will issue a total of 2,500,000 shares and 500,000 warrants in stages and carry out exploration and evaluation expenditures of $2,000,000 in stages. On August 14, 2014 the Company issued 250,000 common shares, and issued 500,000 warrants to purchase common shares of the Company at $0.10 per share for a period of twenty-four months from the date of issue, to Canyon Copper Corp. and made a cash payment of $20,000. In addition the Company issued 330,000 common shares as finders' fees with respect to the transaction.

On August 18, 2014, the Company completed the second and final tranche of a non-brokered private placement financing by issuing 2,320,000 units at $0.05 per unit, with each unit consisting of one common share and one common share purchase warrant exercisable at $0.10 for a period of twelve months from the date of issue, and exercisable at $0.12 for a period from twelve to twenty-four months from the date of issue. In addition the Company issued 2,298,889 units at $0.09 per unit, with each unit consisting of one common share and one common share purchase warrant exercisable at $0.13 for a period of twenty-four months from the date of issue. The Company received gross proceeds of $322,900 and incurred cash commissions and finders' fees of $19,732, and the issuance of 20,000 Agent's Options in conjunction with the financing.

On August 18, 2014, the Company realized a gain on settlement of accounts payable in the amount of $ 6,000.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.