KENSINGTON COURT VENTURES INC.

Consolidated Financial Statements

For the Years Ended August 31, 2013 and 2012

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
Suite 1600, Grant Thornton Place
333 Seymour Street
Vancouver, BC
V6B 0A4

T +1 604 687 2711
F +1 604 685 6569
www.GrantThornton.ca

To the Shareholders of
Kensington Court Ventures Inc.

We have audited the accompanying consolidated financial statements of Kensington Court Ventures Inc., which comprise the consolidated statements of financial position as at August 31, 2013 and August 31, 2012, and the consolidated statements of 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 audit 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.

Grant Thornton

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kensington Court Ventures Inc. as at August 31, 2013 and August 31, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of $3,457,932 during the year ended August 31, 2013 and, as of that date, the Company had an accumulated deficit of $5,510,578. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Grant Thornton LLP

Vancouver, Canada
December 30, 2013

Chartered Accountants

Kensington Court Ventures Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	August 31, 2013 $	August 31, 2012 $
ASSETS			
Current assets			
Cash		4,652	11,898
GST receivable		59,031	52,596
Prepaid and deposits	5	-	86,472
		63,683	150,966
Non-current asset			
Exploration and evaluation assets	6	62,086	2,713,002
TOTAL ASSETS		125,769	2,863,968
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		97,155	102,617
Due to related parties	8	273,187	20,851
		370,342	123,468
Non-current liabilities			
Due to related parties	8	472,859	-
TOTAL LIABILITIES		843,201	123,468
EQUITY			
Share capital	7	1,480,908	1,480,908
Share option and warrant reserve		217,518	217,518
Contribution reserve		3,146,108	3,146,108
Deficit		(5,510,578)	(2,119,937)
Other comprehensive (loss) income		(51,388)	15,903
TOTAL EQUITY		(717,432)	2,740,500
TOTAL LIABILITIES AND EQUITY		125,769	2,863,968

Kensington Court Ventures Inc.
Statements of Loss and Comprehensive Loss
For the Years Ended August 31, 2013 and 2012
(Expressed in Canadian Dollars)

	Notes	2013 $	2012 $
Expenses			
Consulting	8	130,000	62,875
Investor relations		76,754	39,667
Listing expenses	1	-	785,395
Office and miscellaneous	8	88,859	87,370
Other exploration expense		36,025	57,089
Professional fees	8	133,275	99,159
Regulatory and other filing fees		19,321	7,983
Salaries and wages		10,722	66,440
Share-based payments		-	180,934
Shareholder communication and promotion		1,804	77,611
Loss before other items		496,760	1,464,523
Interest Expense		21,542	-
Impairment of mineral property	6	2,872,339	-
Net loss for the year		3,390,641	1,464,523
Other Comprehensive Loss			
Loss (gain) on foreign translation		67,291	(15,903)
Net Loss and Comprehensive Loss for the year		**3,457,932**	**1,448,620**
Basic and Diluted Loss per Common Share		(0.12)	(0.10)
Weighted Average Number of Common Shares Outstanding		28,058,000	14,040,513

Kensington Court Ventures Inc.
Consolidated Statements of Changes in Equity
For the Years Ended August 31, 2013 and 2012
(Expressed in Canadian Dollars)

	Share Capital							
	Number of Shares	**Amount $**	**Share Subscription Receivable $**	**Share Option and Warrant Reserve $**	**Contribution Reserve $**	**Deficit $**	**Other Comprehensive Income $**	**Total Equity $**
Balance as at August 31, 2011	200,000	119,992	(119,992)	-	2,726,369	(655,414)	-	2,070,955
Eliminate shares of Stronghold Brasil Mineracao Ltda.	(200,000)	-	119,992	-	-	-	-	119,992
Assumption of shares issued from reverse take-over	6,858,000	-	-	-	-	-	-	-
Net loss for the year	-	-	-	-	-	(1,464,523)	-	(1,464,523)
Other comprehensive income	-	-	-	-	-	-	15,903	15,903
Common shares issued for cash	4,000,000	600,000	-	-	-	-	-	600,000
Stock options exercised	600,000	60,000	-	-	-	-	-	60,000
Share issuance costs		(85,460)	-	-	-	-	-	(85,460)
Fair value of agent warrants issued		(36,584)	-	36,584	-	-	-	-
Shares issued for non-cash transactions								
Shares of Stronghold Brasil Mineracao Ltda.	16,300,000	822,960	-	-	-	-	-	822,960
Corporate finance fees	300,000	45,000	-	-	-	-	-	45,000
Share issuance costs	-	(45,000)	-	-	-	-	-	(45,000)
Share-based payments	-	-	-	180,934	-	-	-	180,934
Contribution from Eagle Mountain Gold Corp.	-	-	-	-	419,739	-	-	419,739
Balance as at August 31, 2012	28,058,000	1,480,908	-	217,518	3,146,108	(2,119,937)	15,903	2,740,500
Net loss for the year	-	-	-	-	-	(3,390,641)	-	(3,390,641)
Other comprehensive loss	-	-	-	-	-	-	(67,291)	(67,291)
Balance as at August 31, 2013	28,058,000	1,480,908	-	217,518	3,146,108	(5,510,578)	(51,388)	(717,432)

Kensington Court Ventures Inc.
Consolidated Statements of Cash Flows
For the Years Ended August 31, 2013 and 2012
(Expressed in Canadian Dollars)

	2013 $	2012 $
OPERATING ACTIVITES		
Net Loss for the year	(3,390,641)	(1,464,523)
Listing Expenses	-	785,395
General administration costs allocated from eagle mountain	-	273,492
Share-based payments	-	180,934
Impairment of mineral property	2,872,339	-
Changes in non-cash working capital items:		
GST Receivable	(6,435)	(14,866)
Prepaid expenses	86,472	29,949
Accounts payable and accrued liabilities	(5,462)	(93,443)
Due from related parties	252,336	20,581
	(191,391)	(282,211)
FINANCING ACTIVITIES		
Shares issued for cash	-	660,000
Share issuance costs	-	(85,460)
Contribution from Eagle Mountain Gold Corp.	-	79,168
Cash acquired in reverse takeover	-	55,417
Loans from related parties	472,859	-
	472,859	709,125
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(317,734)	(415,016)
	(317,734)	(415,016)
Foreign Exchange effect on cash	29,020	
(DECREASE) INCREASE IN CASH DURING THE YEAR	(7,246)	11,898
CASH, BEGINNING OF THE YEAR	11,898	-
CASH, END OF THE YEAR	4,652	11,898
Supplemental Cash Flow Information:		
Interest paid	-	109
Issue of common shares for corporate finance fees	-	45,000
Exploration and evaluation expenses allocated from Eagle Mountain	-	67,069
Accrued exploration and evaluation expenses	-	39,960

1. NATURE OF OPERATIONS AND GOING CONCERN

Kensington Court Ventures Inc. is the parent company of its consolidated group [the “Company”] and was incorporated on April 13, 2010 under the Business Corporations Act (British Columbia). The Company was a capital pool company pursuant to the policies of the TSX Venture Exchange (“Exchange”). On April 30, 2012 the Company completed its Qualifying Transaction by acquiring all of the issued and outstanding shares of Angra Metals Mineração Ltda. (previously named Stronghold Brasil Mineracao Ltda) [“ANGRA”] from Eagle Mountain Gold Corp. [formerly Stronghold Metals Inc.] after obtaining approval from the Exchange. Effective May 2, 2012 the Company was classified as a Mineral Exploration and Development company and commenced trading as a Tier 2 Issuer under the symbol "KCT".

The Company’s principal business activity is the acquisition, exploration and development of mineral properties.

The registered office of the Company is 1000 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7C 1S8 and its head office is 1200 – 1066 West Hastings Street, Oceanic Plaza, Vancouver, British Columbia, V6E 3X1.

The consolidated financial statements were prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. 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 the necessary financing to complete the exploration and development and to place these properties into production, renewal of underlying titles to the mining properties and/or future proceeds from the disposition thereof.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future which is at least, but not limited to, twelve months from the end of the reporting year. Management is aware in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern, as explained in the following paragraph.

The Company has not yet generated income or cash flows from operations. As at August 31, 2013, the Company had an accumulated deficit of $5,510,578 (August 31, 2012 – $2,119,937). For the year ended August 31, 2013, the Company incurred a loss of $3,390,641 (for the year ended August 31, 2012 - $1,464,523) and negative cash flow from operations amounting to $191,391 (for the year ended August 31, 2012 – $282,211). The Company will require additional financing, through various means including but not limited to equity financing, to continue the exploration program and to meet its future option payment obligations and all of its general and administrative costs. The Company has secured some additional debt financing subsequent to the year end (Note 13) and management intends to raise additional necessary financing through the issuance of common shares. There is no assurance that the Company will be successful in raising the additional required funds.

Although these consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, the above noted conditions raise significant doubt regarding the Company’s ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Reverse Takeover

The Company completed its Qualifying Transaction on April 30, 2012 by acquiring all of the issued and outstanding shares of ANGRA from Eagle Mountain Gold Corp, [“Eagle Mountain”] as per a definitive share purchase agreement dated January 4, 2012. ANGRA holds a 100% interest in the Tucumã gold project [“Tucumã”]. In consideration, the Company issued 16,300,000 common shares to Eagle Mountain representing 58.1% of the total issued and outstanding shares of the Company after taking into account 4,000,000 common shares from private placement, 300,000 common shares issued for corporate finance fees and 600,000 common shares for stock options exercised,. The Company also granted to Eagle Mountain a 2% Net Smelter Royalty [“NSR”] from the production of minerals from the Tucumã property, subject to the Company’s right to purchase the NSR from Eagle Mountain for $1,500,000, which is exercisable at any time.

As a result of the foregoing Qualifying Transaction, the former shareholders of ANGRA, for accounting purposes, were considered to have acquired control of Kensington Court Ventures Inc., the entity prior to the Qualifying Transaction [“Kensington”]. Accordingly, the acquisition of Kensington was accounted for as a reverse takeover (“RTO”) that was not a business combination and effectively was a capital transaction of ANGRA. ANGRA has been treated as the accounting parent company (legal subsidiary) and Kensington has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As ANGRA was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. Kensington’s results of operations have been included from April 30, 2012, the date of the Qualifying Transaction. The legal capital of the entity continues to be that of Kensington, the legal parent.

For purposes of the RTO, the consideration received was the fair value of the net assets of Kensington which on April 30, 2012 was $37,365. The allocation of the consideration paid has been prepared using best estimates and assumptions after taking into account of all relevant information available at the time when these consolidated financial statements are prepared. The consolidated statements of financial position combines the assets and liabilities of KCT prior to the reverse takeover as an acquisition under the purchase method.

The net assets acquired at fair value on April 30, 2012 are as follows:

Cash	$	55,417
HST receivable		37,730
Prepaids and deposits		116,421
Liabilities		(172,203)
Net assets acquired	$	37,365
Fair value of 16,300,000 shares issued	$	822,960
Aggregate fair value of consideration paid	$	822,960
Fair value of consideration paid in excess of net assets acquired	$	785,595
Charge related to public company listing	$	785,595

The fair value of the share issued was based on the closing share price of Kensington at the date of change control being April 30, 2012.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The date of transition to IFRS was September 1, 2010 (the "Transition Date").

These consolidated financial statements have been prepared on the historical cost basis except for selected financial instruments which are classified as fair value through profit and loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these financial statements requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

These consolidated financial statements include the carve-out statement of financial position of a carve-out entity which present the historical financial position of ANGRA on a carve-out basis up to the date of the RTO. These carve-out financial statements of ANGRA are presented in accordance with the continuity of interest basis of accounting with financial position amounts based on the amounts that were recorded by Eagle Mountain. The carve-out financial statements were derived from the accounting records of Eagle Mountain on a carve-out basis.

Up to the date of the RTO, Eagle Mountain provided services and support functions to ANGRA and the costs associated with these services and support functions were allocated to ANGRA using methodologies primarily based on proportionate mineral property expenditures and proportionate time spent on ANGRA, which was considered to be the most meaningful in the circumstances. The allocated costs were primarily related to corporate administrative expenses, employee related costs, rental and usage fees for shared assets for the following functional groups: information systems, finance and other executive oversight, human resources and risk management to ANGRA. These expenses and cost allocations were determined on a basis considered by Eagle Mountain and ANGRA to be a reasonable reflection of the utilization of services provided to or for the benefit received by ANGRA during the periods presented before the RTO. However, these assumptions and allocations are not necessarily indicative of the costs ANGRA would have incurred if it had operated on a standalone basis or as an entity independent of Eagle Mountain.

Eagle Mountain used a centralized approach to cash management and financing of its operations. Central treasury activities included the investment of surplus cash and interest rate management. The financial systems of Eagle Mountain were not designed to track certain balances and transactions at an entity unit level. All funding made to ANGRA before the RTO since inception has been accounted for as a capital contribution from Eagle Mountain and all cash remittances from ANGRA before the RTO have been accounted for as a distribution to Eagle Mountain, including the allocation of expenses and settlement of transactions with Eagle Mountain within the account caption "Contribution Reserve" in equity.

3. SIGNIFICANT ACCOUNTING POLICIES

[i] Basis of Consolidation

These consolidated financial statements include the accounts of the Company and the Company's wholly-owned subsidiary ANGRA and are prepared in accordance with IFRS.

Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. All intercompany transactions and balances are eliminated upon consolidation.

[ii] Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

[iii] Exploration and evaluation assets

Exploration and evaluation ("E&E") assets are comprised of mineral properties and deferred exploration expenditures. Expenditures incurred on activities that precede exploration for and evaluations of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately.

E&E assets includes rights to explore in mineral properties ("mining rights'), paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost or at fair value in the case of a devaluation caused by an impairment of value. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production.

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

E&E expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E expenditures included overhead expenses directly attributable to related activity.

Cash flows attributable to capitalized E&E costs are classified as investing activities in the statements of cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[iv] Financial instruments

Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired: held-to-maturity, available-for-sale, loans and receivables or fair value through profit or loss ("FVTPL"). All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

- Financial assets classified as FVTPL are measured on initial recognition and subsequently at fair value with unrealized gains and losses recognized through profit or loss. Transaction costs are expensed for assets classified as FVTPL. The Company has no financial assets classified as fair value through profit or loss.

- Financial assets classified as available-for-sale are measured at their fair value on initial recognition plus transaction costs subsequently at fair value with unrealized gains and losses recognized in other comprehensive income (loss), except for financial assets that are considered to be impaired in which case the loss is recognized in profit or loss. The Company has not classified any assets as available for sales for any period presented..

- Financial assets classified as held-to-maturity are measured initially at fair value plus transaction costs and subsequently at amortized cost using the effective interest rate method. The Company has no financial assets classified as held-to-maturity.

- Financial assets classified as loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortized cost using the effective interest rate method. The Company has classified its cash and cash equivalents as loans and receivables.

Financial liabilities

Financial liabilities may be classified as Fair Value through Profit or Loss ("FVTPL") or as other financial liabilities, based on the purpose for which the liability was incurred. Other financial liabilities include accounts payable and accrued liabilities and due to related parties. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense 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, a shorter period.

[vi] Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive income (loss). Current 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 taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the reporting 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

[vii] Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs include commissions, facilitation payments, professional fees, and regulatory fees.

For the unit offerings, the proceeds from the issuance of units are allocated between common shares and common share purchase warrants on a pro-rata basis based on the relative fair values using the market trading price and the Black-Scholes option pricing model for the shares and warrants respectively.

Share purchase warrants that are issued for goods and services are initially accounted for under IFRS 2 as equity instruments (their initial fair value would be recognized as share issuance costs). Subsequent to their issuance, share purchase warrants issued for goods and services are considered as equity for their entire life. The fair value of such share purchase warrants is not re-measured. When these share purchase warrants are exercised, the cash proceeds received and the applicable amounts of share purchase warrants are credited to share capital. Where share purchase warrants expire or are forfeited then these amounts are credited to share capital - warrants reserve within equity.

Funding provided to ANGRA, and expenses related to ANGRA incurred by Eagle Mountain prior to the date of the qualifying transaction, are reflected as a contribution reserve.

[viii] Loss or earnings per common share

Basic loss or earnings per common share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares issued and outstanding for the relevant period.

Diluted loss or earnings per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

[ix] Share-based payments

Employees and directors of the Company receive remuneration in the form of share-based payment transactions, whereby services are rendered as consideration for equity instruments ["equity-settled transactions"]. For equity-settled transactions, the Company measures the fair value of share-based awards using an option pricing model as of the date of grant, and recognizes the cost as an expense over the applicable vesting period with a corresponding increase in share option reserve. The Company estimates the number of equity instruments that will ultimately vest, based on the awards meeting the related service conditions at the vesting date, when calculating the share-based payment expense. When share-based awards are exercised, share option reserve is reduced by the applicable amount and share capital is

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

increased by the same amount. Share-based payments also include warrants that are issued as payment for agency fees or other transaction costs. Share based payments for services are measured at the fair value of the services rendered.

[x] Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars which is also the functional currency of the parent. The functional currency of ANGRA has been determined to be the Brazilian Real based on the currency in which the majority of the entity's expenditures are incurred in. On consolidation, assets and liabilities have been translated in the reporting currency at the closing rate at the reporting date. Income and expenses have been translated into the reporting currency at the average rate over the period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

[xi] Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that a reimbursement will be received and the amount receivable can be measured reliably

[xii] Accounting standards development

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

In the annual period beginning September 1, 2013, the Company will be required to adopt IFRS 10, *Consolidated Financial Statements* ("IFRS10"). IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*. Earlier application of this standard is permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control. Management does not expect the adoption of this standard during the first quarter of fiscal 2014 to have a significant impact on the consolidated financial statements of the Company.

IFRS 11, *Joint arrangements* ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Management does not expect the adoption of this standard during the first quarter of fiscal 2014 to have a significant impact on the consolidated financial statements of the Company.

In the annual period beginning September 1, 2013, the Company will be required to adopt IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"). IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, and associates. The standard carries forward existing disclosures and introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. Management does not expect the adoption of this standard during the first quarter of fiscal 2014 to have a significant impact on the consolidated financial statements of the Company.

In the annual period beginning September 1, 2013, the Company will be required to adopt the amendments to IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"). The amendment requires new disclosures relating to the offset of financial assets and financial liabilities that will enable the users of financial statements better compare financial statements prepared in accordance with IFRS. Management is currently evaluating the impact that this standard will have on the consolidated financial statements. The adoption of the amended standard is not expected to have a material impact on the Company's consolidated financial statements.

In the annual period beginning September 1, 2013, the Company will be required to adopt IFRS 13, *Fair Value Measurement*. This standard establishes a single framework for all fair value measurements where fair value is required or permitted by IFRSs. Management is currently evaluating the impact that this standard will have on the consolidated financial statements. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In the annual period beginning September 1, 2013, the Company will be required to adopt IAS 19 (Amendment), *Employee Benefits*, which revises recognition and measurement of post-employment benefits. This amended standard will modify accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits. The impact, if any, that this amended standard will have on the Company's consolidated financial statements is not determinable at this time.

IAS 32, *Financial Instruments: Presentation* ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted. Management is currently evaluating the impact that this standard will have on the consolidated financial statements.

In the annual period beginning September 1, 2015, the Company will be required to adopt IFRS 9, *Financial Instruments*, which is the result of the first phase of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Management is currently evaluating the impact that this standard will have on the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

Estimates

[i] Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company’s current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

[ii] Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Judgments

[i] Exploration and evaluation assets

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Although the Company has taken steps to ensure the title to mineral property interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

[ii] Impairment of exploration and evaluation assets

The application of the Company’s accounting policy for determining whether it is likely that costs incurred on exploration and evaluation assets will be recovered through successful exploration and development also requires significant judgment. Management evaluates impairment with consideration of the economic and political environments and current mining codes of the countries where they perform exploration.

5. PREPAID EXPENSES

As at August 31, 2013, the Company had no prepaid expenses.

6. EXPLORATION AND EVALUATION ASSETS

Tucumã gold project

The Company owns a 100% interest in the Tucumã copper/gold exploration project, which consists of six mineral concessions covering a total of 11,456 hectares located in the Carajas metallogenic province in the State of Pará, Brazil. The annual fees for the concessions are approximately $13,000. Prior to a concession expiring, the Company must present to the authority a technical report on the concession, which serves a basis for determining a renewal.

	August 31, 2013	August 31, 2012
	$	$
Acquisition Cost		
Balance, beginning of year	818,327	818,327
Addition, during the year	-	-
Impairment charge	(818,326)	-
Balance, end of the year	1	818,837
Deferred Exploration Costs		
Balance, beginning of the year	1,894,675	1,237,850
Addition during the year		
Assays	9,892	51,885
Consulting	91,733	96,134
Drilling	-	1,991
Field supplies	78,060	43,490
Geological consultants	-	8,784
Taxes	-	212,652
Miscellaneous	24,743	8,384
Professional	-	46,376
Project administration	49,805	12,100
Report	31,502	66,500
Rent	25,742	10,203
Sampling and prospecting	-	35,461
Transportation and travelling	4,992	62,415
Vehicle expenses	1,265	-
Foreign exchange on mineral property	(96,311)	-
Total additions during the year	221,423	656,825
	2,116,098	1,894,675
Impairment	(2,054,013)	-
Balance, end of the year	**62,086**	**2,713,002**

The environment for raising exploration capital for junior exploration companies, especially for those exploring for gold, has become very difficult. During the second quarter of the Company's 2013 fiscal period, management determined that these difficult capital markets meant that it was almost impossible to raise the amount of money that would be needed to continue the diamond drilling program that was started on Tucumã.

Although management considered the results of an earlier program to be partially successful in that some mineralized zones were identified, significant targets were not located. Although management considered the Tucumã property to

6. EXPLORATION AND EVALUATION ASSETS (continued)

contain a viable hard rock resource, during the 2013 second interim period, it was determined that the Company could not time implement an appropriate drilling program for hard rock exploration. As such, management at that time did not intend to conduct any further exploration and development on the Tucumã Property and as a result, in accordance with IAS 36 and IFRS 6, the Company wrote down the Exploration and Evaluation Assets for hard rock resource to a nominal value.

During the fourth quarter of 2013, management reassessed this property and prospects and determined that there was a significant zone of mineralized saprolite which has been explored with trenching and auger testing. As such, the Company's changed its development focus with respect to this property and decided to implement a plan that included the establishment of a small scale mining operation targeting the gold in this saprolite.

Given this change in focus, and management's belief that financing for this small scale operation will be available, the Company recommenced capitalizing exploration and evaluation expenditures during the fourth quarter of fiscal 2013.

7. SHARE CAPITAL

Authorized

Unlimited common shares without par value

Issued and fully paid

During the year ended August 31, 2013 no shares were issued.

There was a change in control event that took place during the year ended August 31, 2013.

On April 16, 2013, the Company and Eagle Mountain Gold Corp. announced that Lake Forest Development Corp. a company wholly owned by the Company's CEO, agreed to acquire 14.8 million shares of the Company owned by Eagle Mountain in consideration of:

- A cash payment to Eagle Mountain in the amount of $50,000.
- An assignment by Lake Forest to Eagle Mountain of a loan in the amount of $150,000 (the "Assigned Loan") owed by the Company to Lake Forest. The Company agreed that in the event it sells, joint ventures or farms out its Tucumã mineral property located in Para State, Brazil (the "Property"), whether by option, sale or other disposition of either the Property or the quotas of ANGRA, (collectively the "Disposition"), then it shall pay out the Assigned Loan from any proceeds of Disposition in preference to and priority over and exclusion of any other debt.
- The parties have also agreed that in the event the proceeds of Disposition are in excess of the sum of $250,000 in cash, shares or other consideration (the "Additional Consideration"), the Company and Eagle Mountain shall be entitled to share 50% of such Additional Consideration, provided however that in the event the Company spends funds on exploration and development of the Property, then any such funds shall be deducted from the Additional Consideration and repaid to the Company prior to the joint payout of the Additional Consideration.

7. SHARE CAPITAL (continued)

The total number of Kensington shares purchased by Lake Forest represents approximately 52.75% of Kensington's current issued and outstanding shares. The Kensington shares transferred to Lake Forest are made up of 4,075,000 free trading shares and 10,725,000 shares to be transferred in escrow. Lake Forest's CEO is also a director of Eagle Mountain Gold Corp. The effect of the above transaction is that Lake Forest took over as the Company's control person from Eagle Mountain.

During the year ended August 31, 2012:

In connection with its Qualifying Transaction (Note 1), the Company completed a brokered private placement of 4,000,000 units at a purchase price of $0.15 per unit for gross proceeds of $600,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share of the Company at an exercise price of $0.20 per common share exercisable at any time until April 30, 2015. Share issue costs related to the brokered private placement include the issuance of 300,000 common shares to the broker with a fair value of $45,000 as a corporate finance fee as well as the issuance of 395,000 agent warrants exercisable at a price of $0.15 per share expiring on April 30, 2015. The agent warrants were valued at $36,584 using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.44%, an expected life of 3 years, annualized volatility of 99.06% and a dividend rate of 0%. In addition, the Company incurred $85,460 in share issuance costs associated with this private placement.

Also during the year ended August 31, 2012, 600,000 stock options were exercised for proceeds of $60,000 and 1,975,000 stock options were granted to directors and officers of the Company.

Stock options

The Board of Directors of the Company may, from time to time, at its discretion, grant to directors, officers, and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent of the issued and outstanding common shares exercisable for a period not to exceed five years from the Company's listing date. The options may be cancelled after the Company has entered into a Qualifying Transaction at the later of 12 months after the Qualifying Transaction and 90 days after the optionee ceases to be a director, officer, or technical consultant. The following is a continuity schedule of outstanding options for the reporting period.

The changes in stock options during the years ended August 31, 2013 and 2012 are as follows:

	Number of options		Weighted Average Exercise Price
Balance, August 31, 2011	654,000	$	0.10
Granted	1,975,000		0.15
Exercised	(600,000)	$	0.10
Balance, August 31, 2012	2,029,000	$	0.15
Granted	-		-
Exercised	-		-
Balance, August 31, 2013	2,029,000	$	0.15

7. SHARE CAPITAL (continued)

Stock options

Stock options outstanding and exercisable at August 31, 2013 are as follows:

Number of Options		Exercise Price	Expirt Date
54,000	$	0.10	December 24, 2015
1,975,000		0.15	July 10, 2017
2,029,000			

Weighted average remaining contractual life is 3.82 years.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Volatility is based on the historical trend of the share prices of the Company. Changes in the subjective 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.

The fair value of stock options granted during the years ended August 31, 2013 and 2012 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2013	2012
Risk-free interest rate	-	1.18%
Expected dividend yield	-	-
Expected stock price volatility	-	85%
Expected life of options	-	5
Weighted average exercisable price of options granted	-	$0.15

The total calculated fair value of share-based payments for the years ended August 31, 2013 and 2012 would be allocated in the respective statements of operations as follows:

		2013		2012
Management and administration	$	-	$	180,934

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Volatility is based on the historical trend of the share prices of the Company. Changes in the subjective 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.

7. SHARE CAPITAL (continued)

Warrants

The changes in warrants during the years ended August 31, 2013 and 2012 are as follows:

	Number of warrants		Weighted Average Exercise Price
Balance, August 31, 2011	292,000	$	0.10
Issued	4,395,000		0.20
Exercised	-		-
Balance, August 31, 2012	4,687,000	$	0.20
Issued	-		-
Expired	(292,000)		0.10
Balance, August 31, 2013	4,395,000	$	0.20

Warrants outstanding at August 31, 2013 were as follows:

Outstanding Warrants		Exercise Price	Expiry Date
4,000,000	$	0.20	April 30, 2015
395,000	$	0.15	April 30, 2015
4,395,000			

Weighted average remaining contractual life is 1.67 years.

Escrowed shares

The 16,300,000 common shares originally issued by the Company to Eagle Mountain Gold Corp. are held in escrow. Under the terms of the escrow agreement, 10% of the escrowed common shares were be released from escrow following issuance of the final exchange bulletin upon completion of the Qualifying Transaction, and 15% will be released every six months thereafter over a period of thirty six months. As at August 31, 2013, 9,780,000 common shares remained in escrow.

8. RELATED PARTY TRANSACTIONS

All amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment. The Company paid or accrued remunerations to its directors and officers during the years ended August 31, 2013 and 2012 are as follows:

		2013		2012
Accounting fees paid to company controlled by an officer	$	35,280	$	15,975
Accounting fees paid to a company controlled by common directors		750		6,000
Rent paid to company controlled by common directors		12,677		11,425
Consulting fees paid to a director		70,000		20,000
Consulting fees paid to a company controlled by a director		60,000		20,000
Stock-based compensation to five directors		-		155,741
Stock-based compensation to an officer		-		4,581

During the period, the Company paid exploration and evaluation expenses in Brazil totalling $317,734 through a director and his private company.

As at August 31, 2013, $53,005 (August 31, 2012 - $13,658) was owing to a company controlled by an officer of the Company, $150,968 (August 31, 2012 - $ 473) was owing to a director and a private company controlled by him, and $19,199 (August 31, 2012 - $6,720) to was owing to Eagle Mountain Gold Corp., a company with common directors and officers.

As at August 31, 2013, loans totaling $358,433 were due to a director, a private company which he is a director of, and a private company controlled by him, and $164,441 was due to Eagle Mountain Gold. Loans amounting to $50,014 are unsecured and non-interest bearing and loans amounting to $472,859 bear an interest rate of 1% per month compounded monthly all with a due date December 31, 2014.

9. CAPITAL MANAGEMENT

The Company's primary objective with respect to its capital management is to safeguard the Company's ability to continue as a going concern, and to ensure sufficient cash resources are available to fund the acquisition, exploration and evaluation of mineral properties. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity.

The Company includes equity, comprising of capital stock, contributed surplus and deficit, in the definition of capital.

The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the period.

10. FINANCIAL RISK MANAGEMENT

Categories of financial assets and financial liabilities

The carrying values of the Company's financial instruments are classified into the categories below. Fair values are determined either directly by reference to published price quotations in an active market, or from valuation techniques using observable inputs.

	August 31, 2013	August 31, 2012
	$	$
Loans and Receivables:		
Cash	4,652	11,898
GST receivable	59,031	52,596
Other financial liabilities		
Accounts payable and accrued liabilities	97,155	102,617
Due to related parties	746,046	20,851

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. These financial instruments are short-term in nature and therefore carrying values approximate their fair values.

Fair value measurements

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The fair value of the Company's financial instruments recognized and measured at amortized cost approximates their fair value. The fair value of financial instruments that are measured subsequent to initial recognition at their fair value is measured within a 'fair value hierarchy' which has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: valuation techniques using 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).

The Company had no financial instruments that are carried and measured at fair value at August 31, 2013 and 2012.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of risks including interest rate risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by the officers of the Company as discussed with the Board of Directors. The officers of the Company are charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the expectations of the Board of Directors.

10. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk with respect to its cash and cash equivalents; however, the risk is minimal because of their short-term maturity.

Credit risk

Credit risk is the risk of a loss if a customer or third party to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk arises from cash and cash equivalents. The Company mitigates this risk by placing its cash and cash equivalents in large reputable Canadian financial institutions; management believes the risk of loss is remote.

Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they fall due. To mitigate this risk, the Company has a planning and budgeting process to determine funds required to support its ongoing operations and capital expenditures. The Company's cash and cash equivalents are immediately available on demand to cover immediate obligations. At August 31, 2013, the Company had a working capital deficit of $306,659 compared to a surplus of $27,498 at August 31, 2012.

Foreign currency risk

Foreign exchange risk is the risk due to fluctuation in foreign currencies. The functional currencies at the Company and its subsidiary are the Canadian dollar and Brazilian Real respectively. The Company is primarily exposed to currency fluctuations related to cash balances, receivables, and payables held in Brazilian Real.

11. SEGMENTED DISCLOSURE

Operating segment

The Company has one operating segment, being the acquisition, exploration and evaluation of mineral properties.

Geographic segment

The Company's assets, liabilities, expenses by geographic area as at and for the years ended August 31, 2013 are as follows:

	August 31, 2013		
	Brazil	Canada	Total
	$	$	$
Current (liabilities) assets	(1,175)	64,858	63,683
Exploration and evaluation asset	62,086	-	62,086
Total assets	60,911	64,858	125,769
Current liabilities	(1,386)	371,727	370,341
Non-current liabilities	-	472,860	472,860
Total liabilities	(1,386)	844,587	843,201
Expenses	36,025	460,735	496,760
Other expenses	-	2,893,881	2,893,881
Net loss	36,025	3,354,616	3,390,641

The Company's assets, liabilities, expenses by geographic area as at and for the years ended August 31, 2012 were as follows:

	August 31, 2012		
	Brazil	Canada	Total
Current assets	$ 14,928	$ 136,038	$ 150,966
Exploration and evaluation asset	2,713,002	-	2,713,002
Total assets	$ 2,727,930	$ 136,038	$ 2,863,968
Current liabilities	$ 39,966	$ 83,502	$ 123,468
Non-current liabilities	-	-	-
Total liabilities	$ 39,966	$ 83,502	$ 123,468
Expenses	$ 236,197	$ 1,212,423	$ 1,448,620
Other expenses	-	-	-
Net loss and comprehensive loss	$ 236,197	$ 1,212,423	$ 1,448,620

12. INCOME TAXES

The Company has Canadian losses carried forward of approximately $1,086,487 (August 31, 2012: $558,205), expiring in various years to 2033 that may be available to offset future income taxable income.

The tax losses are as follows:

Year Ended		31-Aug-13		31-Aug-12
31-Mar-31	$	96,082	$	96,082
31-Mar-32		199,944		199,944
30-Apr-32		23,677		23,677
31-Aug-32		238,502		238,502
31-Aug-33		528,282		-
	$	1,086,487	$	558,205

Reconciliation of income tax computed at statutory rates to the reported income tax provision is as follows:

		Year Ended 31-Aug-13		Year Ended 31-Aug-12
Canadian statutory rate		25.4%		26.7%
Net loss	$	(3,390,641)	$	(1,464,523)
Income tax recovery at Canadian statutory rates		(861,788)		(391,028)
Adjustment due to permanent difference		287		328,951
Change due to difference in tax rates		5,752		-
Change in unrecognized deductible temporary difference		1,120,401		89,146
Change due to foreign translation and other		(264,652)		(27,069)
	$	-	$	-

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Deferred tax assets have not been recognized for the temporary differences noted below as the Company does not presently have sufficient evidence to establish that it is probable that the respective entities to which they relate will generate future taxable income against which to utilize the temporary differences.

		August 31, 2013		August 31, 2012
Unrecognized deferred income tax assets				
Income tax losses carried forward		282,487		177,545
Unrecognized deferred income tax assets	$	282,487	$	177,545
Deferred income tax liabilities	$	-	$	-

13. SUBSEQUENT EVENTS

(a) Subsequent to August 31, 2013 an additional 2,445,000 common shares were released from escrow according to the terms of the escrow agreement.

(b) Subsequent to August 31, 2013, on November 5, November 6, November 19, and December 2, 2013 the Company obtained loans in the aggregate amount of $123,446 from a private company controlled by a director. The loans are unsecured, bear an interest rate of 1% per month compounded monthly all with a due date December 31, 2014.

(c) Pursuant to the Annual General Meeting of the Company held November 25, 2013, the shareholders approved a special resolution approving the consolidation of all of the common shares in the capital of the Company on a basis of one (1) post-consolidation common share for five (5) pre-consolidation common shares currently issued, or on such other basis as may be approved by the Board of Directors and applicable regulatory authorities.

(d) Pursuant to the Annual General Meeting of the Company held November 25, 2013, the shareholders elected James Taylor to serve as a director of the Company.

(e) Pursuant to the Annual General Meeting of the Company held November 25, 2013, the shareholders approved of the Company's rolling stock option plan reserving a maximum of 10% of the issued and outstanding share capital of the Company at the time of the stock option grant.