

PARA RESOURCES INC.
(Formerly Kensington Court Ventures Inc.)

Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the Years Ended August 31, 2014 and 2013

Independent Auditor's Report

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To the Shareholders of
Para Resources Inc. (formerly Kensington Court Ventures Inc.)

We have audited the accompanying consolidated financial statements of Para Resources Inc. (formerly Kensington Court Ventures Inc.), which comprise the consolidated statements of financial position as at August 31, 2014 and August 31, 2013 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 schedule

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.

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 Para Resources Inc. (formerly Kensington Court Ventures Inc.) as at August 31, 2014 and August 31, 2013 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which indicates that the Company incurred a net loss of \$307,998 during the year ended August 31, 2014, and, as of that date, the Company had an accumulated deficit of \$5,894,554. 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 23, 2014

Chartered Accountants

Para Resources Inc.
(Formerly Kensington Court Ventures Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	August 31, 2014 \$	August 31, 2013 \$
ASSETS			
Current assets			
Cash		83,153	4,652
GST receivable		20,819	59,031
		103,972	63,683
Non-current assets			
Exploration and evaluation assets	5	532,996	62,086
TOTAL ASSETS		636,968	125,769
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		137,806	97,155
Due to related parties	7	253,640	273,187
		391,446	370,342
Non-current liabilities			
Due to related parties	7	-	472,859
TOTAL LIABILITIES		391,446	843,201
EQUITY			
Share capital	6	2,707,511	1,480,908
Share option and warrant reserve		261,867	217,518
Contribution reserve		3,146,108	3,146,108
Deficit		(5,894,554)	(5,510,578)
Other comprehensive income (loss)		24,590	(51,388)
TOTAL EQUITY		245,522	(717,432)
TOTAL LIABILITIES AND EQUITY		636,968	125,769

Para Resources Inc.
(Formerly Kensington Court Ventures Inc.)
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended August 31, 2014 and 2013
(Expressed in Canadian Dollars)

	Notes	2014 \$	2013 \$
Expenses			
Consulting	7	123,148	130,000
Investor relations		-	76,754
Office and miscellaneous	7	69,487	88,859
Other exploration expense		-	36,025
Professional fees	7	88,258	133,275
Regulatory and other filing fees		29,612	19,321
Salaries and wages		-	10,722
Shareholder communication and promotion		-	1,804
Loss before other items		310,505	496,760
Interest expense		73,471	21,542
Impairment of mineral property		-	2,872,339
Net loss for the year		383,976	3,390,641
Other Comprehensive Loss			
(Gain) loss on foreign translation		(75,978)	67,291
Net Loss and Comprehensive Loss for the year		307,998	3,457,932
Basic and Diluted Loss per Common Share		(0.06)	(0.60)
Weighted Average Number of Common Shares Outstanding		6,197,975	5,611,600

Para Resources Inc.
(Formerly Kensington Court Ventures Inc.)
Consolidated Statements of Changes in Equity
For the Years Ended August 31, 2014 and 2013
(Expressed in Canadian Dollars)

	Share Capital		Share Option and Warrant Reserve	Contribution Reserve	Deficit	Other Comprehensive Income	Total Equity
	Number of Shares	Amount					
		\$	\$	\$	\$	\$	\$
Balance as at August 31, 2012	5,611,600	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 for the year	-	-	-	-	-	(67,291)	(67,291)
Balance as at August 31, 2013	5,611,600	1,480,908	217,518	3,146,108	(5,510,578)	(51,388)	(717,432)
Issued during the year:							
For cash pursuant to private placement	4,928,572	345,000	-	-	-	-	345,000
For the settlement of debt	14,528,416	1,016,989	-	-	-	-	1,016,989
Less: issue costs – cash	-	(91,037)	-	-	-	-	(91,037)
– agent options	-	(44,349)	44,349	-	-	-	-
Net loss for the year	-	-	-	-	(383,976)	-	(383,976)
Other comprehensive income for the year	-	-	-	-	-	75,978	75,978
Balance as at August 31, 2014	25,068,588	2,707,511	261,867	3,146,108	(5,894,554)	24,590	245,522

Para Resources Inc.
(Formerly Kensington Court Ventures Inc.)
Consolidated Statements of Cash Flows
For the Years Ended August, 31, 2014 and 2013
(Expressed in Canadian Dollars)

	2014 \$	2013 \$
OPERATING ACTIVITIES		
Net Loss for the year	(383,976)	(3,390,641)
Impairment of mineral property	-	2,872,339
Changes in non-cash working capital items:		
GST Receivable	38,212	(6,435)
Prepaid expenses	-	86,472
Accounts payable and accrued liabilities	32,584	(5,462)
Due from related parties	-	252,336
	(313,180)	(191,391)
FINANCING ACTIVITIES		
Issuance of shares, net of issue costs	253,963	-
Loans from related parties	553,980	472,859
Repayment of loans from related parties	(29,397)	-
	778,546	472,859
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(419,380)	(317,734)
	(419,380)	(317,734)
Foreign exchange effect on cash	32,515	29,020
INCREASE (DECREASE) IN CASH DURING THE YEAR	78,501	(7,246)
CASH, BEGINNING OF THE YEAR	4,652	11,898
CASH, END OF THE YEAR	83,153	4,652
Non-cash financing activities		
14,528,416 units issued for the settlement of debt	1,016,989	-

Para Resources Inc.
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Notes to the Consolidated Financial Statements
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1. NATURE OF OPERATIONS AND GOING CONCERN

Para Resources Inc. (formerly Kensington Court Ventures Inc.) (the “Company” or “Para”) is the parent company of its consolidated group 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. (“ANGRA”) from Goldsource Mines Inc. (formerly Eagle Mountain Gold Corp.) (“Goldsource”) after obtaining approval from the Exchange. Effective May 2, 2012 the Company was classified as a Mineral Exploration and Development company and is currently listed on the Exchange under the trading symbol “PBR”

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 654-999 Canada Place, Vancouver, British Columbia, V6C 3E1.

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, 2014, the Company had an accumulated deficit of \$5,894,554 (August 31, 2013 – \$5,510,578). For the year ended August 31, 2014, the Company incurred a loss of \$383,976 (2013 - \$3,390,641) and negative cash flow from operations amounting to \$313,180 (2013 – \$191,391). 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. 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.

2. BASIS OF PRESENTATION

The Company’s consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee, effective for the Company’s reporting for the year ended August 31, 2014.

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These consolidated financial statements were approved by the board of directors for use on December 23, 2014.

The consolidated financial statements have been prepared under the historical cost convention except for certain current assets which are measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

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Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered a significant or prolonged decline in the fair value of that investment below its cost.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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.

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 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.

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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 using the residual method, allocating fair value first to the common shares and then share purchase warrants.

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 Goldsource prior to the date of the qualifying transaction, are reflected as a contribution reserve.

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.

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 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.

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.

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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

Accounting standards development

The following revised standards and amendments became effective on September 1, 2013 for the Company. The new and amended standards did not have a significant impact on the financial statements. The following is a brief summary of the principal new standards.

- 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 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.
- 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 venturer 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 interest in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC- 13, Jointly Controlled Entities – Non-monetary Contributions by Venturers.
- IFRS 12, Disclosure of Interests in Other Entities
IFRS 12 establishes disclosure requirements for interest 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 interest in other entities.
- IFRS 7, Financial Instruments: Disclosure
IFRS 7 requires new disclosures relating to the offset of financial assets and financial liabilities that will enable users of the financial statements to better compare financial statements prepared in accordance with IFRS.
- 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

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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.

- IAS 19, *Employee Benefits*
IAS 19 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.
- IAS 32, *Financial Instruments: Presentation*
The amendment focuses 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 the realize the asset and settle the liability simultaneously.

The following standards have been issued but not yet applied:

- In the annual period beginning September 1, 2018, 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 JUDGEMENTS

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

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.

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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.

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

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.

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.

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. 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.

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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, 2014	August 31, 2013
	\$	\$
Acquisition Cost		
Balance, beginning of year	1	818,327
Addition, during the year	-	-
Impairment charge	-	(818,326)
Balance, end of the year	1	1
Deferred Exploration Costs		
Balance, beginning of the year	62,085	1,894,675
Addition during the year		
Assays	14,318	9,892
Consulting	189,587	91,733
Field supplies	79,578	78,060
Miscellaneous	25,772	24,743
Project administration	62,055	49,805
Report	-	31,502
Rent	-	25,742
Transportation and travelling	-	4,992
Vehicle expenses	56,137	1,265
Foreign exchange on mineral property	43,463	(96,311)
Total additions during the year	470,910	221,423
	532,995	2,116,098
Impairment	-	(2,054,013)
Balance, end of the year	532,996	62,086

The environment for raising exploration capital for junior exploration companies, especially for those exploring for gold, has become very difficult. While the Company believed that there was a viable resource at Tucuma it could not implement an appropriate drilling program for hard rock exploration. As at February 28, 2013 Management had made the decision not to conduct any further exploration and development on the Tucuma 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. 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 the 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 2013, and have continued to do so during the year ended August 31, 2014.

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6. SHARE CAPITAL

Authorized

Unlimited common shares without par value

Issued and fully paid

During the year ended August 31, 2014 the Company closed a brokered private placement issuing 4,928,572 units at \$0.07 for gross proceeds of \$345,000. Each unit consists of one common share of the Company and one half of one transferable share purchase warrant, each whole warrant is exercisable to acquire one additional common share of the Company for a period of two years at a price of \$0.10 per common share. The warrants will have an acceleration provision pursuant to which the term of the warrants shall automatically be reduced to 30 business days in the event the closing weighted average price of the Company's common shares is \$0.75 or more for 10 consecutive trading days. The Company incurred \$53,645 of cash issuance costs in connection with the private placement and issued 1,232,143 agent options. Each option allows the holder to acquire one common share of the Company at a price of \$0.10 per common share for a period of two years from the date of issuance.

The Company also issued an aggregate of 14,528,417 units at \$0.07 per unit to settle \$1,016,989 in current debt. Each unit consists of one common share of the Company and one half of one transferable share purchase warrant, each whole warrant is exercisable to acquire one additional common share of the Company for a period of two years at a price of \$0.10 per common share. Of this debt settlement 11,958,192 units settled \$837,073 of debt held by Lake Forest Development Corp. a non-arm's length related party.

On March 10, 2014 the Company completed a share consolidation on a 5:1 basis. The Company's warrants and options were also consolidated on a 5:1 basis. All historical figures have been re-stated to reflect this consolidation.

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

On April 16, 2013, the Company and Goldsource announced that Lake Forest Development Corp. a company wholly owned by the Company's CEO, agreed to acquire 2.96 million shares of the Company owned by Goldsource in consideration of:

- A cash payment to Goldsource in the amount of \$50,000.
- An assignment by Lake Forest to Goldsource 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 Goldsource 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.

The total number of the Company's shares purchased by Lake Forest represented approximately 52.75% of the Company's issued and outstanding shares. The shares transferred to Lake Forest were made up of 815,000 free trading shares and 2,145,000 shares transferred in to escrow. Lake Forest's CEO was also a director of Goldsource

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at the time of the transaction. The effect of the above transaction is that Lake Forest took over as the Company's control person from Goldsource.

During the year ended August 31, 2014 Lake Forest acquired an additional 11,958,192 common shares of the Company through the above mentioned debt settlement, to settle \$837,073 in current debt. Following the closing of the debt settlement Lake Forest has increased its holdings of the Company to 14,918,192 common shares or approximately 59.51%. On a fully diluted basis Lake Forest would own 20,897,288 common shares of Para or approximately 67.31%.

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 Company's stock options outstanding as at August 31, 2014 and August 31, 2013 and the changes for the years then ended are as follows:

	Number of Options	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years)
Balance August 31, 2012 and August 31, 2013	383,100	0.74	3.07
Granted	1,232,143	0.10	
Balance, outstanding and exercisable – August 31, 2014	1,615,243	0.25	2.18

Stock options outstanding and exercisable at August 31, 2014 are as follows:

Number of Options	Exercise Price \$	Expiry Date
8,100	0.50	December 24, 2015
1,232,143	0.10	August 22, 2016
375,000	0.75	July 10, 2017
1,615,243		

All of the options granted during the year were agent options related to the brokered private placement completed during the year and were recorded as financing costs. The fair value of the options granted during the year ended August 31, 2014 was \$0.04. The fair value of these options was determined using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate – 1.09%; expected life – 2 years; estimated volatility – 95.5%; expected dividends – nil.

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Warrants

The Company's warrants outstanding as at August 31, 2014 and August 31, 2013 and the changes for the years then ended are as follows:

	Number of Warrants	Exercise Price \$
Balance August 31, 2012	937,400	1.00
Issued	-	-
Expired	(58,400)	0.50
Balance, August 31, 2013	879,000	0.98
Issued	9,728,494	0.10
Balance, August 31, 2014	10,607,494	0.17

Warrants outstanding as at August 31, 2014 were as follows:

Outstanding Warrants	Exercise Price \$	Expiry Date
800,000	1.00	April 30, 2015
79,000	0.75	April 30, 2015
9,728,494	0.10	August 22, 2016
10,607,494		

Weighted average remaining contractual life is 1.87 years.

Escrowed shares

The 2,960,000 common shares originally issued by the Company to Goldsource are held in escrow. Under the terms of the escrow agreement, 10% of the escrowed common shares were to be released from escrow following issuance of the final exchange bulletin upon completion of the Qualifying Transaction on April 30, 2012, and 15% will be released every six months thereafter over a period of thirty six months. As at August 31, 2014, 738,000 common shares remained in escrow.

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7. 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, 2014 and 2013 are as follows:

	2014	2013
	\$	\$
Accounting fees paid to company controlled by an officer	-	35,280
Accounting fees paid to a company controlled by common director and officer	-	750
Rent paid to a company controlled by common directors	-	12,677
Consulting fees paid to a director	120,000	70,000
Administrative fees paid to a company controlled by a director	30,000	60,000
	150,000	178,707

As at August 31, 2014, \$112,661 (August 31, 2013 - \$ 150,968) was owing to a director and a private company controlled by him, and \$19,199 (August 31, 2013 - \$164,441) to was owing to Goldsource, a company with common directors and officers.

As at August 31, 2014, loans totaling \$121,780 (August 31, 2013 - \$358,433) were due to a director, a private company which he is a director of, and a private company controlled by him. Loans amounting to \$38,753 are unsecured and non-interest bearing and loans amounting to \$83,027 bear an interest rate of 1% per month compounded monthly all with a due date July 17, 2015.

During the year ended August 31, 2014 the Company settled \$837,073 of debt owed to a related party by issuing 11,958,192 units at \$0.07 per unit.

8. 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.

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9. FINANCIAL RISK MANAGEMENT

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, 2014	August 31, 2013
	\$	\$
Loans and Receivables:		
Cash	83,153	4,652
Other financial liabilities		
Accounts payable and accrued liabilities	137,806	97,155
Due to related parties	253,640	746,046

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, 2014 and 2013.

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.

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.

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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, 2014, the Company had a working capital deficit of \$287,474 compared to a deficit of \$306,659 at August 31, 2013.

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.

10. 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 and liabilities as at August 31, 2014 and August 31, 2013 and the Company's expenses by geographic area for the year ended August 31, 2014 are as follows:

	August 31, 2014		Total
	Brazil	Canada	
	\$	\$	\$
Current assets	13,520	90,452	103,972
Exploration and evaluation asset	532,996	-	532,996
Total assets	546,516	90,452	636,968
Current liabilities	8,068	383,378	391,446
Total liabilities	8,068	383,378	391,446
Expenses	9	310,496	310,505
Other expenses	-	73,471	73,471
Net loss	9	383,967	383,976

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

	August 31, 2013		Total
	Brazil	Canada	
	\$	\$	\$
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

11. INCOME TAXES

The Company has Canadian losses carried forward of approximately \$1,534,518 (August 31, 2013: \$1,086,487), expiring in various years to 2034 that may be available to offset future taxable income.

The tax losses are as follows:

Year ended	August 31, 2014	August 31, 2013
March 31, 2031	96,082	96,082
March 31, 2032	199,944	199,944
April 30, 2032	23,677	23,677
August 31, 2032	238,502	238,502
August 31 2033	528,282	528,282
August 31, 2034	448,031	-
	1,534,518	1,086,487

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

	August 31, 2014	August 31, 2013
Canadian statutory rate	26%	25.4%
Net loss	(383,976)	(3,390,641)
Income tax recovery at Canadian statutory rates	(99,834)	(861,788)
Adjustment due to permanent difference	(1,141)	287
Change due to difference in tax rates	2,840	5,752
Change in unrecognized deductible temporary difference	120,226	1,120,401
Change due to foreign translation and other	(22,092)	(264,652)
	-	-

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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, 2014	August 31, 2013
Unrecognized deferred tax assets		
Income tax losses carried forward	398,975	282,487
Unrecognized deferred income tax assets	398,975	282,487
Deferred income tax liabilities	-	-

12. SUBSEQUENT EVENTS

Subsequent to August 31, 2014 the Company secured additional loans in the amount of \$160,000. The loans are unsecured, have a duration of one year from the date of the issuance of loans and accrue interest at a rate of 1%.