Consolidated Financial Statements of

NORTHERN VERTEX MINING CORP.

For the years ended June 30, 2013 and 2012

To the Shareholders of Northern Vertex Mining Corp.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and the Audit Committee is composed primarily of Directors who are neither management nor employees of Northern Vertex Mining Corp. ("Northern Vertex"). The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial statements. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Northern Vertex's external auditors.

We draw attention to Note 1 in the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

"J.R.H. (Dick) Whittington"	*"Ed J. Duda"*
J.R.H. (Dick) Whittington	Ed J. Duda
Chief Executive Officer	Chief Financial Officer

October 15, 2013

MNP LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Northern Vertex Mining Corp.

We have audited the accompanying consolidated financial statements of Northern Vertex Mining Corp., which comprise the statement of financial position as at June 30, 2013 and 2012, and the statements of comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditors' 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 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 financial position of Northern Vertex Mining Corp. as at June 30, 2013 and 2012, and the results of its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of these consolidated financial statements, which states that Northern Vertex Mining Corp. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Northern Vertex Mining Corp. to continue as a going concern.

MNP LLP
Chartered Accountants

Vancouver, BC
October 15, 2013

NORTHERN VERTEX MINING CORP.

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian Dollars
(Exhibit 1)

		June 30, 2013		June 30, 2012
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**7,772,612**	$	2,413,515
Trade and other receivables (Note 5)		**59,498**		271,334
Prepaid expenses and deposits		**229,114**		74,194
Total current assets		**8,061,224**		2,759,043
Non-current assets				
Reclamation deposits (Note 6)		**765,230**		11,142
Property, plant and equipment (Note 7)		**340,168**		1,456
Investment in joint venture (Note 8)		**-**		7,719,036
Exploration and evaluation assets (Note 9)		**11,915,070**		5,252,446
Intangible assets (Note 10)		**122,000**		-
Total assets	**$**	**21,203,692**	$	15,743,123
LIABILITIES				
Current liabilities				
Trade and other payables (Note 11)	**$**	**2,341,239**	$	115,460
Shares payable		**-**		260,000
		2,341,239		375,460
Non-current liabilities				
Provision for reclamation and remediation (Note 12)		**417,537**		-
Total liabilities	**$**	**2,758,776**	$	375,460
SHAREHOLDERS' EQUITY				
Share capital (Exhibit 4 and Note 13)		**17,767,414**		11,196,258
Contributed surplus (Exhibit 4 and Note 13)		**11,489,992**		6,936,538
Accumulated other comprehensive (loss) income (Exhibit 4)		**(26,700)**		101,652
Deficit		**(10,785,790)**		(2,866,785)
Total shareholders' equity		**18,444,916**		15,367,663
Total liabilities and shareholders' equity	**$**	**21,203,692**	$	15,743,123

Nature of operations and going concern (Note 1)
Commitments (Note 17)
Subsequent events (Note 21)

Approved and authorized on behalf of the Board:

"Kenneth Berry"
Director

"David Farrell"
Director

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND LOSS

Expressed in Canadian Dollars
(Exhibit 2)

	For the year ended June 30,	
	2013	2012
Administrative expenses		
Bad debt expense	**$ 9,598**	$ -
Depreciation and amortization	**17,179**	256
Management fees (Note 16)	**151,923**	83,625
Marketing expenses	**191,523**	199,876
Office and miscellaneous	**214,656**	56,132
Professional fees	**238,149**	239,048
Property fees	**205,103**	70,997
Rent	**24,668**	41,368
Salaries, wages, benefits and subcontractor expenses	**865,571**	102,938
Share of losses - investment in joint venture	**-**	64,393
Share-based payments (Note 13(c))	**2,329,489**	527,578
Transfer agent and filing fees	**56,877**	53,527
Travel, meetings and conferences	**458,968**	295,823
Loss before other expenses (income)	**$ 4,763,704**	$ 1,735,561
Other expenses (income)		
Loss on sale of investment in joint venture (Note 8)	**2,723,322**	-
Impairment of exploration and evaluation assets (Note 9)	**893,150**	160,578
Interest and other income	**(137,135)**	(21,031)
Foreign exchange (gain) loss	**(324,036)**	6,882
	$ 3,155,301	$ 146,429
Net loss for the year	**7,919,005**	1,881,990
Deficit, beginning of the year	**2,866,785**	984,795
Deficit, end of the year	**$ 10,785,790**	$ 2,866,785
Basic and diluted loss per share	**$ (0.160)**	$ (0.048)
Weighted average number of shares outstanding	**49,501,003**	38,918,975

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Expressed in Canadian Dollars
(Exhibit 3)

	For the year ended June 30,	
	2013	2012
Net loss for the year	**$ (7,919,005)**	$ (1,881,990)
Items which may be reclassified subsequently to profit or (loss)		
Unrealized foreign currency translation differences of foreign operations	**(128,352)**	107,812
Comprehensive loss for the year	**$ (8,047,357)**	$ (1,774,178)

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Expressed in Canadian Dollars
(Exhibit 4)

	Number of Shares		Share Capital		Contributed Surplus		Accumulated Other Comprehensive Income (Loss)		Deficit		Total Equity
Balance, June 30, 2011	25,905,000	$	2,498,905	$	1,621,407	$	(6,160)	$	(984,795)	$	3,129,357
Shares issued for cash, net of issuance costs	11,634,348		7,290,693		5,173,213		-		-		12,463,906
Exercise of warrants	7,450,000		1,380,830		(373,330)		-		-		1,007,500
Exercise of stock options	30,000		25,830		(12,330)		-		-		13,500
Share based payments	-		-		527,578		-		-		527,578
Foreign currency translation differences of foreign operations	-		-		-		107,812		-		107,812
Net loss for the year	-		-		-		-		(1,881,990)		(1,881,990)
Balance, June 30, 2012	45,019,348	$	11,196,258	$	6,936,538	$	101,652	$	(2,866,785)	$	15,367,663
Shares issued for cash, net of issuance costs	7,319,000		6,568,600		1,955,271		-		-		8,523,871
Shares issued for exploration and evaluation asset (Note 9)	200,000		260,000		-		-		-		260,000
Exercise of stock options	25,000		21,525		(10,275)		-		-		11,250
Warrant expiration date amendment	-		(278,969)		278,969		-		-		-
Share based payments	-		-		2,329,489		-		-		2,329,489
Foreign currency translation differences of foreign operations	-		-		-		(128,352)		-		(128,352)
Net loss for the year	-		-		-		-		(7,919,005)		(7,919,005)
Balance, June 30, 2013	**52,563,348**	**$**	**17,767,414**	**$**	**11,489,992**	**$**	**(26,700)**	**$**	**(10,785,790)**	**$**	**18,444,916**

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars
(Exhibit 5)

		For the year ended June 30, 2013		2012
Cash flows from operating activities				
Net loss for the year	**$**	**(7,919,005)**	$	(1,881,990)
Items not affecting cash:				
Loss on sale of investment in joint venture (Note 8)		**2,723,322**		-
Share-based payments (Note 13(c))		**2,329,489**		527,578
Impairment of exploration and evaluation assets (Note 9)		**893,150**		160,578
Depreciation and amortization		**17,179**		256
Bad debt expense		**9,598**		-
Unrealized foreign exchange gain		**(500,286)**		-
Share of losses - investment in joint venture		**-**		64,393
Changes in non-cash operating working capital balances:				
Trade and other receivables		**202,078**		(188,644)
Prepaid expenses and deposits		**(149,691)**		(46,501)
Trade and other payables		**273,390**		(197,807)
Cash used in operating activities	**$**	**(2,120,776)**	$	(1,562,137)
Cash flows from financing activities				
Proceeds from issuance of share capital, net of issuance costs	**$**	**8,523,871**	$	13,484,906
Proceeds from exercise of options		**11,250**		-
Repayment of investor deposit		**-**		(100,000)
Cash provided by financing activities	**$**	**8,535,121**	$	13,384,906
Cash flows from investing activities				
Exploration and evaluation expenditures	**$**	**(6,765,498)**	$	(2,671,465)
Purchase of reclamation bonds		**(737,621)**		(4,275)
Purchase of property, plant and equipment		**(341,533)**		(1,061)
Purchase of intangible assets		**(118,419)**		-
Proceeds from sale of interest in joint venture (Note 8)		**4,759,817**		-
Investment in joint venture		**-**		(7,805,555)
Changes in non-cash investing working capital balances:				
Trade and other payables		**1,935,883**		-
Cash used in investing activities	**$**	**(1,267,371)**	$	(10,482,356)
Effect of foreign exchange rate changes on cash and cash equivalents		**212,123**		43,434
Increase in cash and cash equivalents during the year		**5,359,097**		1,383,847
Cash and cash equivalents, beginning of the year		**2,413,515**		1,029,668
Cash and cash equivalents, end of the year	**$**	**7,772,612**	$	2,413,515
Cash and cash equivalents consists of:				
Cash on deposit		**7,772,612**		68,515
Short-term investments		**-**		2,345,000
	$	**7,772,612**	$	2,413,515

Supplemental disclosure of non-cash activities (Note 15)

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

1 Nature of operations and going concern

Nature of operations

Northern Vertex Mining Corp. (the "Company") is a resident Canadian mineral exploration and development company incorporated under the Business Corporations Act (British Columbia). The address of the Company's registered office is 1820 – 1055 West Hastings St. Vancouver, British Columbia, Canada.

The Company's principal business is to acquire and explore mineral properties principally located in the United States and Canada with the mandate of identifying mineralized deposits that demonstrate near-term production potential and long-term sustainable growth.

The Company's sole project is the Moss gold-silver deposit (the "Moss Mine") located in Mohave County, Arizona. The Company is focused on advancing Moss Mine pilot plant operations concurrent with completing the terms necessary to earn its interest in the project (Note 9).

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. There are conditions and events which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

The Company has experienced operating losses and negative operating cash flows since inception and has no assurances that sufficient financing will be available to continue in operation for the foreseeable future. On-going operations are dependent on the Company's ability to obtain public equity financing by the issuance of share capital or to generate profitable operations in the future.

The Company is currently in Phase I - Pilot Plant Operations at the Moss Mine, which is expected to be completed in the second quarter of calendar 2014. Subsequent to June 30, 2013, construction on the pilot plant was completed, leaching had commenced and gold and silver were being produced. On October 11, 2013, the Company received its first proceeds on production from the pilot plant, which consisted of US$365,826 from the sale of 270.4 ounces of gold and 588.6 ounces of silver. The Company's financial position will be closely related to the market price of gold and silver within the coming year as the Company proceeds with Phase I and continues selling gold and silver production from the Moss Mine.

During the year ended June 30, 2013, the Company was able to raise in excess of $8.5 million from private placements. To continue development at the Moss Mine, the Company will require additional financing. Subsequent to the year end, the Company raised approximately $3.4 million through a private placement. While the Company has been successful at raising funds in the past, there can be no assurance that it will be able to do so in the future.

These consolidated financial statements do not reflect any adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

1 Nature of operations and going concern (continued)

As of June 30, 2013 and 2012 the Company had the following working capital and deficit balances:

		June 30, 2013		June 30, 2012
Working capital	**$**	**5,719,985**	$	2,383,583
Deficit		**(10,785,790)**		(2,866,785)

2 Basis of preparation

The consolidated financial statements of the Company for the years ended June 30, 2013 and 2012 have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Audit Committee and the Board of Directors on October 15, 2013.

3 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently to all of the years presented in these consolidated financial statements, unless otherwise indicated.

Adoption of new standard - IAS 1, Presentation of Financial Statements

As of July 1, 2012, the Company adopted the amendments to IAS 1 with retrospective application. The amendments require the Company to present separately within other comprehensive income (loss) those items which may be reclassified subsequently to profit or loss and those which will not be reclassified subsequently. The Company has presented the comparative period in the same manner. There was no impact on comprehensive income (loss) as a result of the adoption of this amended standard.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. These consolidated financial statements include the accounts of two wholly-owned subsidiaries, Golden Vertex Corp. and Golden Vertex (Idaho) Corp., both incorporated in the United States. All significant inter-company transactions have been eliminated for consolidation purposes.

Interest in joint venture

A joint venture can take the form of a jointly controlled entity, jointly controlled operation, or jointly controlled asset. All joint ventures involve a contractual arrangement which establishes joint control. The Company's financial statements as at June 30, 2012 included the Company's investment in the Lemhi Gold Trust Joint Venture (the "Lemhi JV LLC"), a jointly controlled entity. The Company disposed of its investment in Lemhi JV LLC during the year ended June 30, 2013.

3 Significant accounting policies (continued)

The Company accounted for its investment in the joint venture using the equity method. Under the equity method, the investment is initially recognized at cost in the consolidated statements of financial position and is subsequently adjusted for the Company's proportionate share of the profit or loss and any other changes in the joint venture's net assets.

Foreign currency translation

Functional and presentation currency

Transactions included in the accounts of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company and the Company's presentation currency.

Transactions and balances

Transactions denominated in foreign currencies are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. The functional currency of the Company's subsidiaries is the U.S. dollar. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of operations and loss.

Translation of subsidiary results into the presentation currency

The operating results and statements of financial position of each of the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities presented are translated at the period-end closing rate as at the date of the statements of financial position;
- Income and expenses for the statements of operations and loss are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences are recognized in a separate component of shareholders' equity as other comprehensive income (loss).

Cash and cash equivalents

Cash and cash equivalents at June 30, 2013 consisted entirely of cash on deposit with financial institutions. For the year ended June 30, 2012 cash and cash equivalents also included short-term, highly-liquid investments with maturities of three months or less.

Property, plant and equipment

Property, plant and equipment is initially recorded at cost at the time of purchase or construction and is subsequently measured at cost less accumulated depreciation and impairment, if applicable. Cost includes all costs required to bring the item into its intended use by the Company.

3 Significant accounting policies (continued)

Costs incurred for major overhaul of existing equipment are capitalized as property, plant and equipment and are subject to depreciation, once commissioning is completed. The costs of routine maintenance and repairs are expensed as incurred.

Depreciation

Property, plant and equipment is depreciated using the straight-line method over the expected life of the mine, or over the remaining useful life of the asset, if shorter. The following depreciation rates are used by the Company:

Major class of asset	**Depreciation rate**
Building	5 years
Machinery and plant equipment	5 years
Vehicles	5 years
Computer equipment	3 years
Leasehold improvements	Lease term
Furniture and fixtures	5 years

Asset useful life and residual values are reviewed on an annual basis and adjusted, if required, on a prospective basis.

Exploration and evaluation assets

Exploration assets represent properties on which the Company is conducting exploration to determine whether significant mineralization exists and evaluation assets represent properties for which the Company has identified a mineral resource of such quantity and grade or quality that it has reasonable prospects for economic extraction. All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest are expensed as incurred. Once the legal right to explore has been obtained, exploration expenditures are capitalized in respect of each identifiable area of interest until a technical feasibility study has been completed and/or the commercial viability of extracting a mineral resource is demonstrable. Evaluation expenditures include the costs of drilling, sampling and other costs related to defining and delineating the mineral deposit. Exploration and evaluation assets are carried at historical cost, less any impairment, if applicable.

When a technical feasibility study has been completed and/or commercial viability of extracting a mineral resource is demonstrable for an area of interest, the Company stops capitalizing exploration and evaluation costs for that area, tests for impairment and reclassifies any unimpaired exploration and evaluation assets to property, plant and equipment.

Intangible assets

Intangible assets consist of computer software and costs of computer software customization and implementation and are stated at cost less accumulated amortization and impairment losses, if applicable. Amortization is recorded on a straight-line basis over 3 years.

3 Significant accounting policies (continued)

Provision for reclamation and remediation

The Company's activities are subject to laws and regulations relating to the protection of the environment in the jurisdictions in which exploration, development and mining activities take place. To comply with such laws and regulations, the Company may be required to make expenditures for reclamation and remediation. In certain cases, the Company could also have a constructive obligation to make such expenditures, where a legal obligation did not otherwise exist. The Company recognizes a provision for reclamation and remediation when: the Company has a present legal or constructive obligation as a result of past events, such as an environmental disturbance; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at the net present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Accretion expense, representing the increase in the provision due to the passage of time, is recorded in finance expenses in the consolidated statements of operations and loss.

Reclamation and remediation provisions include estimates for the costs of restoration activities required under applicable environmental regulations, such as dismantling and demolition of infrastructure, site and land rehabilitation, security and monitoring. The extent of reclamation and remediation work required is primarily dependent on the prescribed requirements of the applicable environmental authority in the jurisdiction in which the Company's activities take place. Upon initial recognition of the liability, the net present value of the obligation is capitalized as part of the cost of exploration and evaluation assets. Restoration activities will occur primarily upon closure of a mine, but can occur from time to time throughout the life of the mine. As restoration projects are undertaken, their costs are charged against the provision as the costs are incurred.

Reclamation and remediation provisions are reviewed at least annually and take into account the effects of inflation and changes in estimates, with any resulting adjustments to the net present value of the provision correspondingly capitalized to exploration and evaluation assets.

Impairment

Financial assets

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have expired or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- Commercially viable quantities of mineral resources have not been discovered and exploration and evaluation activities will be discontinued;
- Capitalized expenditures are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

3 Significant accounting policies (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statements of operations and loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro-rata basis.

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

Share capital

Common shares are classified as equity. The Company records proceeds from share issuances net of share issuance costs. Share capital issued for non-monetary consideration is recorded at the fair market value of the shares on the date the shares are issued.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit or (loss) attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents. This calculation requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. The treasury stock method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year. Due to the net loss incurred for the years ended June 30, 2013 and 2012, the effect of outstanding options and warrants has not been calculated as the result would be anti-dilutive.

Warrants

Warrants are classified as equity as they are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

When shares and warrants are issued at the same time, the proceeds are allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, the residual value being allocated to shares.

3 Significant accounting policies (continued)

Share-based payments

The grant date fair value of share-based payment awards granted to employees, consultants, officers and directors is recognized as an expense, with a corresponding increase in contributed surplus, over the period during which the recipient unconditionally becomes entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Financial instruments

The Company classifies financial instruments as either fair value through profit or (loss), loans and receivables, held-to-maturity, available-for-sale, or other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. Instruments classified as fair value through profit or (loss) are measured at fair value with unrealized gains and losses recognized in the consolidated statements of operations and loss. All financial assets except those measured at fair value through profit or (loss) are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Specific accounting policies and classifications for each of the Company's financial instruments are described below:

i) Fair value through profit or (loss)

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as fair value through profit or (loss). Any financial instrument can be designated as fair value through profit or (loss) as long as its fair value can be reliably measured. These instruments are measured at fair value with subsequent changes in fair value included in profit or (loss).

The Company has classified cash and cash equivalents as fair value through profit or (loss), which accordingly are carried at their fair values.

ii) Held-to-maturity

Financial assets that have a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held-to-maturity financial assets and any transaction costs incurred to acquire held-to-maturity financial assets are included in profit or (loss). Currently, the Company has no held-to-maturity financial assets.

iii) Loans and receivables

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables and any transaction costs incurred to acquire loans and receivables are included in profit or (loss). The Company classifies trade and other receivables and reclamation deposits as loans and receivables.

3 Significant accounting policies (continued)

iv) Available-for-sale

Available-for-sale assets are those financial assets that are not classified as fair value through profit or (loss), held-to-maturity or loans or receivables, and are carried at fair value. Any unrealized gains or losses arising from the change in fair value are recorded within comprehensive income (loss). Available-for-sale assets are written down to fair value through profit or (loss) whenever it is necessary to reflect other-than-temporary impairment. Cumulative gains and losses arising upon the sale of the asset are included in profit or (loss). Any transaction costs incurred to acquire available-for-sale financial assets will be included in profit or (loss). Currently, the Company has no available-for-sale financial assets.

v) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities that are not classified as fair value through profit or (loss). Other financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method. The Company classifies trade and other payables as other financial liabilities.

Comprehensive income (loss)

Comprehensive income (loss) represents the change in net equity due to foreign exchange differences arising from translation of the financial statements of foreign operations to the presentation currency. Cumulative changes in comprehensive income (loss) are included in accumulated other comprehensive income (loss) which is presented as a separate category within shareholders' equity.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of operations and loss except to the extent it relates to items recognized in comprehensive income (loss).

Current tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period, adjusted for amendments (if any) to tax payable from previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

3 Significant accounting policies (continued)

Deferred tax

Deferred tax is recorded using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable loss, or on differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Future accounting policy changes issued but not yet in effect

The following new standards, interpretations and amendments were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") in May 2011 and are effective for annual periods beginning on or after January 1, 2013, unless otherwise noted. Early application is permitted if all standards are adopted at the same time. Pronouncements that are not applicable to the Company have been excluded from the list below.

i) IFRS 9, *Financial Instruments,* was issued in November 2009 and addresses both the classification and measurement of financial assets and financial liabilities. The standard is applicable for annual periods beginning on or after January 1, 2015, with earlier application permitted. The Company is currently assessing the impact of this standard on its consolidated financial statements.

ii) IFRS 10, *Consolidated Financial Statements,* requires an entity to consolidate an investee when it has power over the investee, 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. IAS 27, *Consolidated and Separate Financial Statements* and IAS 28, *Investments in Associates* were revised and reissued as IAS 27, *Separate Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures* to align with the new consolidation guidance. The Company does not expect the implementation of these standards to have a significant impact on its consolidated financial statements.

iii) IFRS 11, *Joint Arrangements*, requires an entity to classify its interest in a joint arrangement as either a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, while joint operations will require the entity to recognize its share of the assets, liabilities, revenue and expenses of the joint operation. While the Company does not currently have any joint arrangements, the Company may be subject to such arrangements in the future upon fulfilling the terms to acquire its 70% interest in the Moss Mine. Consequently, the Company is currently assessing the future impact of this standard on its consolidated financial statements.

iv) IFRS 12, *Disclosure of Interests in Other Entities,* establishes disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Matters covered include information about the significant judgments and assumptions that any entity has made in determining whether it has control, joint control or significant influence over another entity. The Company may be subject to joint arrangements in the future upon fulfilling the terms to acquire its 70% interest in the Moss Mine and consequently is currently assessing the future impact of the disclosure requirements of IFRS 12 on its consolidated financial statements.

3 Significant accounting policies (continued)

v) IFRS 13, *Fair Value Measurement,* is a comprehensive new standard for fair value measurement and disclosure 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, i.e. an exit price. The Company is currently assessing the impact of this standard on its consolidated financial statements.

vi) IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, sets out principles for the accounting for overburden waste removal (stripping) costs during the production phase of a mine. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

4 Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying note disclosures. Judgments, estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By their nature, these judgments, estimates and assumptions are subject to uncertainty and the effect on the consolidated financial statements of future periods for changes in such factors could be significant. Actual results may differ from these judgments, estimates and assumptions.

Significant estimates used in the preparation of the consolidated financial statements include, but are not limited to:

- asset carrying values and impairment charges;
- the economic recoverability of exploration expenditures incurred and the probability of future economic benefits from those expenditures;
- the expected costs of reclamation and remediation; and,
- the calculation of share-based compensation, which includes the assumptions used in the Black-Scholes option pricing model such as volatility, estimated forfeiture rates and expected time until exercise.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the amounts recognized in the consolidated financial statements are as follows:

i) Exploration and evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. The recoverability of the assets' carrying values is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits to complete development and future profitable production or proceeds from the disposition thereof.

The Company has taken steps to verify title to exploration and evaluation assets in which it has or is in the process of earning an interest, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

4 Significant accounting estimates and judgments (continued)

ii) Share-based payments

The Company has an incentive stock option plan for directors, officers, employees and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The Company also issues share purchase warrants in connection with certain equity financings. The fair value of share options and share purchase warrants is estimated by using the Black-Scholes model on the date of stock option grant or date of warrant issuance based on certain assumptions. Those assumptions are described in Notes 13 c) and 13 d) and include, among others, expected volatility, expected life and number expected to vest.

iii) Provision for reclamation and remediation

The amounts recorded for reclamation and remediation provisions are based on a number of factors, including technical reports prepared by third-party specialists for anticipated remediation activities and costs, the expected timing of cash flows, anticipated inflation rates and the pre-tax risk-free interest rate on which the estimated cash flows have been discounted. Actual results could differ from these estimates. The estimates require considerable judgment about the nature, cost and timing of the work to be completed and may change with future changes to costs, environmental laws and regulations and remediation practices.

Significant judgments used in the preparation of these consolidated financial statements include, but are not limited to:

- those relating to the assessment of the Company's ability to continue as a going concern; and,
- the determination of functional currency, as the Canadian dollar for the parent company and as the U.S. dollar for the wholly owned subsidiaries.

5 Trade and other receivables

		June 30, 2013		June 30, 2012
Trade accounts receivable	**$**	**26,788**	$	74,572
Value-added taxes receivable		**31,337**		161,881
Other		**1,373**		34,881
Total trade and other receivables	**$**	**59,498**	$	271,334

The Company expects full recovery of trade accounts receivable and value-added taxes receivable and consequently has not recorded any allowance against these receivables. At June 30, 2013 and 2012, there were no receivables past due, all amounts were expected to be settled within one year and the Company did not hold any collateral for amounts due. Credit risk is further discussed in Note 18(a).

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

6 Reclamation deposits

		June 30, 2013		June 30, 2012
Refundable reclamation deposits	$	11,580	$	11,142
Reclamation bonds		753,650		-
Total reclamation deposits	**$**	**765,230**	$	11,142

Reclamation bonds are required by the Arizona Department of Environmental Quality ("ADEQ") and the Arizona State Mine Inspector's office ("ASMI") for estimated reclamation and post-closure costs relating to the Company's Moss Mine. The reclamation bonds are represented by certificates of deposit ("CDs") held in the Company's name at a U.S.-chartered commercial bank. The Company is entitled to the interest on the CDs, which is earned at a fixed annual rate of 0.6% until maturity in 2018. The reclamation bonds cannot be withdrawn by the Company without the consents of ADEQ and ASMI, which consents will only be given once the Company has completed all required reclamation and post-closure activities.

7 Property, plant and equipment

Property, plant and equipment changes for the year ended June 30, 2013 were as follows:

	Buildings	Vehicles	Machinery and plant equipment	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Net book value at June 30, 2013	**$ -**	**$ -**	**$ -**	**$ 1,456**	**$ -**	**$ -**	**$ 1,456**
Additions	19,494	189,795	93,378	17,233	18,804	2,828	341,532
Disposals	-	-	-	-	-	-	-
Depreciation	(161)	(8,163)	(2,037)	(2,643)	(160)	(707)	(13,871)
Impact of foreign exchange	473	6,971	3,102	456	49	-	11,051
Net book value at June 30, 2012	**$ 19,806**	**$ 188,603**	**$ 94,443**	**$ 16,502**	**$ 18,693**	**$ 2,121**	**$ 340,168**
Consisting of:							
Cost	19,967	196,766	96,480	19,425	18,853	2,828	354,319
Accumulated depreciation	(161)	(8,163)	(2,037)	(2,923)	(160)	(707)	(14,151)
	$ 19,806	**$ 188,603**	**$ 94,443**	**$ 16,502**	**$ 18,693**	**$ 2,121**	**$ 340,168**

Property, plant and equipment changes for the year ended June 30, 2012 were as follows:

		Computer equipment
Net book value at June 30, 2011	**$**	**651**
Additions		1,061
Disposals		-
Depreciation		(256)
Impact of foreign exchange		-
Net book value at June 30, 2012	**$**	**1,456**
Consisting of:		
Cost		1,736
Accumulated depreciation		(280)
	$	**1,456**

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

8 Investment in joint venture

On September 21, 2011, the Company entered into a joint venture agreement with Idaho State Gold Company, LLC ("ISGC," a private Idaho investment company) to acquire up to a 75.5% interest in the Lemhi Gold Property (the "Lemhi Property") located 25 miles north of Salmon, Idaho. Under the terms of the agreement, ISGC and the Company formed the joint venture entity named Lemhi Gold Trust, LLC ("Lemhi JV LLC"). Pursuant to this agreement, the Company contributed US$500,000 on September 23, 2011 and US$7.15 million on November 30, 2011, for a total contribution to Lemhi JV LLC of US$7.65 million.

On February 12, 2013, the Company completed the sale of its 51% interest in the joint venture to ISGC for consideration consisting of US$4.75 million cash plus US$2.90 million in deferred cash payments. The deferred cash payments, equal to 3% of all future expenditures at the Lemhi Property by the purchaser, are payable to the Company in quarterly instalments and capped at US$2.90 million. ISGC previously owned the remaining 49% of the Lemhi Property and pursuant to the sale, assumed management and operating control at the Lemhi Property.

The Company believes that given the current market environment and industry-wide reductions in property expenditures and that future spending decisions by the purchaser are not under the Company's control, the deferred cash payments are too uncertain to record as a long-term receivable and consequently the US$2.90 million has not been recorded in the consolidated statements of financial position. Any proceeds received from ISGC in respect of the deferred cash payments will be recognized as income in the consolidated statements of operations and loss at the time of receipt.

The Company realized a loss of $2,723,322 on the sale of its interest in Lemhi JV LLC as summarized below. This loss does not include any of the US$2.90 million in deferred cash payments that may be received in the future in respect of the sale of the Company's interest in Lemhi JV LLC.

	February 12, 2013
Cash and cash equivalents	$ 2,425,798
Equipment	20,525
Mineral properties	5,004,958
Accounts payable and accrued liabilities	(9,025)
Net Assets	$ 7,442,256

	February 12, 2013
Consideration received	$ 4,759,817
Less: carrying value	(7,442,256)
Foreign exchange loss realized on consideration received	(38,570)
Reversal of other comprehensive income in investment in joint venture	(2,313)
Loss on sale of investment in joint venture	$ (2,723,322)

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

9 Exploration and evaluation assets

Changes in exploration and evaluation assets for the year ended June 30, 2013 were as follows:

	Moss Mine	Copley Gold Property	Deer Creek Property	Lemhi Gold Property	Total
Balance at June 30, 2012	**$ 4,366,487**	**$ 817,879**	**$ -**	**$ 68,080**	**$ 5,252,446**
Additions	6,848,299	7,513	-	-	6,855,812
Initial recognition of provision for reclamation	417,537	-	-	-	417,537
Impairment	-	(825,392)	-	(67,758)	(893,150)
Impact of foreign exchange	282,747	-	-	(322)	282,425
Balance at June 30, 2013	**$ 11,915,070**	**$ -**	**$ -**	**$ -**	**$ 11,915,070**

Changes in exploration and evaluation assets for the year ended June 30, 2012 were as follows:

	Moss Mine	Copley Gold Property	Deer Creek Property	Lemhi Gold Property	Total
Balance at June 30, 2011	**$ 1,949,570**	**$ 286,938**	**$ 158,547**	**$ -**	**$ 2,395,055**
Additions	2,416,917	530,941	2,031	68,080	3,017,969
Impairment	-	-	(160,578)	-	(160,578)
Impact of foreign exchange	-	-	-	-	-
Balance at June 30, 2012	**$ 4,366,487**	**$ 817,879**	**$ -**	**$ 68,080**	**$ 5,252,446**

Moss Mine – Mohave County, Arizona

The Company entered into a letter agreement with Patriot Gold Corp. ("Patriot") effective March 7, 2011, whereby the Company was granted the right to earn a 70% interest in the Moss Gold-Silver Project (the "Moss Mine") located in Mohave County, Arizona. To fulfil the terms of the exploration and option agreement and thereby earn its interest, the Company, who paid Patriot US$500,000 upon execution of the agreement, must spend an aggregate total of US$8 million on exploration over five years as well as complete a bankable feasibility study. As of June 30, 2013, the Company had spent in excess of US$8 million, thereby satisfying the Earn-In obligation excluding the bankable feasibility study. Subsequent to the Company's Earn-In, financing of further work on the property will be on a proportional basis under the direction of a management committee with voting rights proportional to ownership percentage. If either party does not contribute their proportional share on future work programs, their interest will be diluted according to an agreed formula, and if either party's interest is diluted to less than 10%, that interest will be converted to a 3% net smelter returns royalty.

The Company paid a 3% finder's fee on the initial US$500,000 payment to Patriot to a non-related party and pays a further 3% finder's fee on exploration expenditures, in quarterly instalments, to this non-related party. On commercial production, a fee of up to US$15 per troy ounce of gold produced and up to US$0.35 per troy ounce of silver produced is payable to this non-related party. The fee can be purchased by the Company for US$2.4 million.

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

9 Exploration and evaluation assets (continued)

Exploration and evaluation costs at the Moss Mine totaled $11,915,070 at June 30, 2013 (2012: $4,366,487) and consisted of the following:

		June 30, 2013		June 30, 2012
Administration costs	**$**	**281,979**	$	-
Assays, surveys and analysis		**585,967**		409,337
Drafting		**42,198**		34,699
Engineering and technical services		**5,064,036**		877,398
Exploration drilling, blasting and hauling		**4,022,887**		1,902,924
Feasibility studies		**7,233**		7,233
Field expenses		**246,891**		156,256
Geographic information services		**129,037**		66,927
Geotechnical		**93,178**		91,230
Maintenance		**223,119**		156,332
Property acquisition costs		**486,450**		486,450
Prospecting		**17,956**		17,956
Provision for reclamation and remediation		**417,537**		-
Scoping studies		**185,425**		111,601
Surveying		**42,428**		11,165
Technical reports		**68,749**		36,979
Total Moss Mine	**$**	**11,915,070**	$	4,366,487

Copley Gold Property – Fraser Lake, British Columbia

On November 10, 2010, the Company entered into an option agreement with Kootenay Silver Inc., formerly known as Kootenay Gold Inc. ("Kootenay"), whereby the Company was granted the right to earn a 60% interest in the Copley Gold property located in the Nechako Plateau of Central British Columbia. The Company terminated the agreement during the year ended June 30, 2013 and recorded an impairment charge that totalled $825,392, in relation to this property. The impairment charge includes $260,000 relating to 200,000 shares issued under the option agreement during the year ended June 30, 2013. The liability for this issuance was recorded within current liabilities as shares payable during the year ended June 30, 2012.

Exploration and evaluation costs for the Copley Gold Property as at June 30, 2013 and 2012 consisted of the following:

		June 30, 2013		June 30, 2012
Assays, surveys and analysis	**$**	**-**	$	70,396
Drafting		**-**		30,965
Drilling		**-**		317,426
Maintenance		**-**		31,466
Mapping		**-**		14,355
Property acquisition costs		**-**		350,000
Prospecting		**-**		3,271
Total Copley Gold Property	**$**	**-**	$	817,879

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

9 Exploration and evaluation assets (continued)

Lemhi Gold Property – Idaho, USA

The Company had an interest in the Lemhi Gold Property as described in Note 8. The interest was sold during the year ended June 30, 2013. Exploration and evaluation costs for the Lemhi Gold Property as at June 30, 2012 consisted of expenditures made prior to the closing of the joint venture agreement with ISGC as follows:

		June 30, 2012
Acquisition costs	$	30,000
Geological consulting services		38,080
Total Lemhi Gold Property	$	68,080

Deer Creek Property – West Kootenays, British Columbia

On January 8, 2010, the Company entered into an option agreement with Kootenay whereby the Company was granted the right to earn a 60% interest in the Deer Creek Gold property. The Company terminated the agreement during the year ended June 30, 2012 and recorded an impairment charge of $160,578 in relation to this property.

10 Intangible assets

Changes in the Company's intangible assets for the year ended June 30, 2013 are as follows:

		Computer Software
Net book value at June 30, 2012	**$**	**-**
Additions		124,773
Amortization		(3,307)
Impact of foreign exchange		534
Net book value at June 30, 2013	**$**	**122,000**
Consisting of:		
Cost		125,307
Accumulated depreciation		(3,307)
	$	**122,000**

11 Trade and other payables

		June 30, 2013		June 30, 2012
Trade accounts payable	**$**	**2,008,776**	$	93,358
Accrued liabilities		**305,880**		22,102
Other		**26,583**		-
Total trade and other payables	**$**	**2,341,239**	$	115,460

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

12 Provision for reclamation and remediation

		June 30, 2013
Balance, beginning of year	**$**	**-**
Initial recognition of provision		417,537
Accretion expense		-
Balance, end of year	**$**	**417,537**

The Company's provision for reclamation and remediation relates to the environmental restoration and closure costs associated with the Moss Mine. The provision has been recorded at its net present value using a discount rate of 1.7% and a long-term inflation rate of 2%, with expenditures anticipated over a ten-year period beginning in 2020. The provision is re-measured at each reporting date, with accretion expense being recorded within finance expenses. The total undiscounted amount of the Company's estimated obligation for its Phase I operation at the Moss Mine is US$855,349, of which the Company estimates US$460,565 was incurred as of June 30, 2013. All assumptions used in the calculation of the reclamation and remediation provision are subject to change.

13 Share capital and contributed surplus

a) Share Capital

Authorized capital consists of an unlimited number of common shares without par value. At June 30, 2013, there were 52,563,348 (2012: 45,019,348) common shares issued and fully paid, and nil (2012: 660,000) common shares held in escrow.

Private placements completed during the years ended June 30, 2013 and 2012 were as follows:

- On November 26, 2012, the Company issued 7,319,000 units at $1.25 per unit for total gross proceeds of $9,148,750. Each unit consisted of one common share and one-half of a share purchase warrant. One whole warrant is exercisable into an additional common share for $1.75 per share expiring November 26, 2014. The Company paid finders' fees of $557,781 and share issuance costs of $67,098 in connection with this financing.

- On November 23, 2011, the Company issued 11,634,348 units at $1.15 per unit for total gross proceeds of $13,379,500. Each unit of consisted of one common share and one-half of a share purchase warrant. One whole warrant is exercisable into an additional common share for $1.55 per share expiring November 23, 2013. The Company paid finders' fees of $865,231 and share issuance costs of $50,362 in connection with this financing.

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

13 Share capital and contributed surplus (continued)

b) Stock Options

The Company has adopted an incentive stock option plan under the rules of the TSX Venture Exchange ("TSXV") pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 5 years and generally vest 25% in specified increments. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time.

Continuity of the Company's stock options issued and outstanding for the years ended June 30, 2013 and 2012 was as follows:

		June 30, 2013		June 30, 2012
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding, beginning of year	2,098,000	$ 0.58	1,928,000	$ 0.51
Granted	3,100,000	1.36	200,000	1.30
Exercised	(25,000)	0.45	(30,000)	0.45
Forfeited /cancelled	(400,000)	1.01	-	-
Expired	(500,000)	0.10	-	-
Outstanding, end of year	**4,273,000**	**$ 1.17**	**2,098,000**	**$ 0.58**

The Company's weighted average share price on the dates the options were exercised during the year ended June 30, 2013 was $1.30 (2012: $1.28).

As at June 30, 2013, the following stock options were outstanding and exercisable:

Exercise price	Number of options outstanding	Expiry date	Number of options exercisable	Remaining contractual life (years)
$ 0.45	823,000	November 13, 2015	823,000	2.37
1.00	200,000	May 17, 2016	200,000	2.88
1.30	200,000	December 12, 2016	200,000	3.45
1.40	2,400,000	November 11, 2017	1,200,000	4.37
1.40	350,000	January 20, 2018	87,500	4.56
1.40	100,000	January 31, 2018	25,000	4.59
0.85	200,000	June 5, 2018	50,000	4.93
	4,273,000		**2,585,500**	

The weighted-average remaining contractual life of options outstanding at June 30, 2013 was 3.92 years (2012: 2.97 years).

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

13 Share capital and contributed surplus (continued)

c) Share-based payment expense

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense recognized in the consolidated statements of operations and loss for the year ended June 30, 2013 totalled $2,329,489 (2012: $527,578). The weighted-average grant-date fair value of stock options issued during the year ended June 30, 2013 was $1.00 (2012: $1.19).

The fair value of stock options granted during the years ended June 30, 2013 and 2012 was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	June 30, 2013	June 30, 2012
Risk–free interest rate	**1.35%**	1.28%
Expected life of options	**5 years**	5 years
Dividend rate	**0.00%**	0.00%
Expected forfeiture rate	**0.00%**	0.00%
Expected volatility	**103.9%**	151.8%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

d) Warrants

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Continuity of warrants issued and outstanding for the years ended June 30, 2013 and 2012 was as follows:

		June 30, 2013		**June 30, 2012**
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Outstanding, beginning of year	7,138,674	$ 1.48	8,771,500	$ 0.29
Issued	3,659,500	1.75	5,817,174	1.55
Exercised	-	-	(7,450,000)	0.14
Outstanding, end of year	**10,798,174**	**$ 1.57**	**7,138,674**	**$ 1.48**

As at June 30, 2013, the Company had outstanding share purchase warrants as follows:

Number of warrants	Exercise price	Expiry date
1,321,500	$ 1.15	October 4, 2013
5,817,174	1.55	November 23, 2013
3,659,500	1.75	November 26, 2014
10,798,174		

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

13 Share capital and contributed surplus (continued)

The fair value of warrants issued is estimated using the Black-Scholes option-pricing model and included in contributed surplus until exercised, at which time the fair value is reclassified to share capital.

The weighted average remaining life of the outstanding warrants as at June 30, 2013 is 0.72 years (2012: 1.28 years).

On March 28, 2013, the Company announced that it amended the expiry date of an aggregate total of 1,321,500 unexercised share purchase warrants. Pursuant to the non-brokered unit private placement announced on March 2, 2011, a total of 1,571,500 warrants were issued on April 5, 2011 expiring on April 4, 2013. A total of 1,321,500 warrants remain outstanding; the original expiry date of the warrants was extended for an additional six months, to October 4, 2013, with the exercise price per warrant remaining unchanged at $1.15. In all other respects, the terms of the warrants remained unchanged. As a result of this amendment, the Company reclassified $278,969 of the fair value of outstanding warrants from share capital to contributed surplus.

The weighted-average fair value of warrants on their date of issue during the year ended June 30, 2013 was $0.534 (2012: $0.889).The following weighted average assumptions were used for the Black–Scholes valuation of warrants issued during the years ended June 30, 2013 and 2012:

	June 30, 2013	June 30, 2012
Risk–free interest rate	**1.09%**	1.01%
Expected life of warrants	**2 years**	2 years
Dividend rate	**0.00%**	0.00%
Expected volatility	**86.6%**	148.7%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

14 Income Taxes

a) Income tax expense

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and loss for the years ended June 30, 2013 and 2012:

		June 30, 2013		June 30, 2012
Net loss before taxes	$	(7,919,005)	$	(1,881,990)
Canadian statutory income tax rate		25.11%		25.75%
Expected income tax (recovery)	$	(1,988,430)	$	(484,620)
Non-deductible items		614,495		(98,879)
Change in estimates		152,465		-
Change in enacted tax rate		(100,509)		16,559
Functional currency adjustments		(99,682)		-
Share issuance costs		(156,905)		-
Foreign tax rate difference		(712,504)		(4,798)
Change in unrecognized deferred tax asset		2,291,070		571,738
Total income taxes (recovery)	$	-	$	-

b) Deferred tax assets and liabilities

Temporary differences and tax losses arising in Canada and the United States have not been recognized as deferred tax assets due to the fact that management has determined it is not probable that sufficient future taxable profits will be earned in these jurisdictions to recover such assets. The unrecognized net deferred tax assets as at June 30, 2013 and 2012 are summarized as follows:

		June 30, 2013		June 30, 2012
Canada				
Non-capital loss carry-forwards	$	373,156	$	544,586
Exploration and evaluation assets		182,884		(123,010)
Property, plant and equipment		1,439		-
Financial instruments		(78,344)		-
Share issuance costs		287,254		203,923
Investment in joint venture		-		17,357
		766,389		642,856
Deferred tax asset not recognized		(766,389)		(642,856)
Net deferred tax asset	$	-	$	-

		June 30, 2013		June 30, 2012
United States				
Net operating loss carry-forwards	$	1,001,353	$	39,298
Financial instruments		1,534,897		-
Property, plant and equipment		(21,922)		-
Exploration and evaluation assets		(307,492)		-
		2,206,836		39,298
Deferred tax asset not recognized		(2,206,836)		(39,298)
Net deferred tax asset	$	-	$	-

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

14 Income Taxes (continued)

Management assess these temporary differences regularly and adjusts the unrecognized deferred tax assets in the period when management determines it is probable that some portion of the assets will be realized.

The Company has non-capital loss carry-forwards of approximately $1,435,218 (2012: $2,178,345), which may be carried forward to apply against future year income tax for Canadian tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2027	$	2,105
2028		60,113
2029		49,735
2030		91,794
2031		432,170
2032		688,170
2033		111,131
Total	$	1,435,218

The Company has net operating loss carry-forwards of approximately $2,590,087 (2012: $115,583), which may be carried forward to apply against future year income tax for U.S. tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2031	$	359,027
2032		1,475,514
2033		755,546
Total	$	2,590,087

15 Supplemental disclosure of non-cash activities

During the years ended June 30, 2013 and 2012, the following non-cash investing and financing activities occurred:

		June 30, 2013		June 30, 2012
Initial recognition of provision for reclamation and remediation	**$**	**417,537**	$	-
Shares issued for exploration and evaluation asset		**260,000**		-
Fair value of stock options exercised		**10,275**		12,330
Funds held for joint venture disbursements		**-**		3,853,363
Liability for share issuance pursuant to property option agreement		**-**		260,000
Fair value of warrants exercised		**-**		373,330

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

16 Related party transactions

The following related party transactions were incurred in the normal course of business and measured at their fair value as determined by management. Amounts due to or from related parties are non-interest bearing, unsecured, and due on demand.

	June 30, 2013	June 30, 2012
Consolidated Statements of Financial Position		
Trade and other receivables – balance due from a related company [1]	**$ 26,788**	$ -
Trade and other receivables – balance due from a former officer	**-**	4,200
Prepaid expenses and deposits - prepayments for administrative expenses [2]	**-**	4,800
Exploration and evaluation assets – consulting services [3]	**181,258**	159,691
Exploration and evaluation assets – exploration costs [1]	**-**	122,909
Trade and other payables – balances due to a related company [1]	**37,968**	12,191
Trade and other payables – balances due to officers and directors	**21,006**	12,081
Consolidated Statements of Operations and Loss		
Marketing, office and miscellaneous, and travel, meetings and conferences [1]	**60,557**	92,039
Management fees – consulting services [4]	**151,923**	83,625
Professional fees – consulting services [2]	**60,000**	25,000
Salaries, wages, benefits and subcontractor expenses – administrative services [2]	**120,000**	80,000
Interest and other income – administration income [5]	**39,493**	-

[1] The Company shares certain administrative costs with Kootenay Silver Inc. ("Kootenay"), a publicly traded company related by common directors actively involved in operating and financing activities. For the year ended June 30, 2012 the Company also incurred exploration costs billed by Kootenay for the Copley Gold Property. These exploration costs along with administrative expenses were billed by Kootenay on a cost basis.
[2] Fees charged by Touchstone Capital Inc. ("Touchstone"), a company in which two executives are directors of the Company.
[3] Fees charged by Mr. Ken Berry, an officer and director, and L.J. Bardswich Mine Consultant Inc. and Makwa Exploration Ltd., companies controlled by directors.
[4] Fees charged by Mr. Ken Berry, an officer and director, and RSK Management Consulting and Delmac Pacific Management Inc., companies controlled by officers.
[5] Income earned from Lemhi JV LLC, prior to the Company's sale of its interest in the joint venture.

In addition to the above, during the year ended June 30, 2013 the Company issued 200,000 common shares to Kootenay pursuant to the option agreement for the Copley Gold Property. The liability for this issuance was recorded within current liabilities as shares payable during the year ended June 30, 2012. During the year ended June 30, 2013, the Company terminated the Copley Gold Property agreement as described in Note 9.

Commitments with related parties

The Company has entered into a corporate services agreement with Touchstone for clerical, accounting, regulatory filing, and geological services. The monthly fee under the agreement is $10,000 and renews annually on December 1 of each year.

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

16 Related party transactions (continued)

Key management personnel compensation

Key management personnel includes the Company's directors and key employees consisting of the President and Chief Executive Officer, the Chief Financial Officer and Corporate Secretary, and the General Manager – Moss Project. Compensation for the years ended June 30, 2013 and 2012, other than as disclosed in the table above, was as follows:

		June 30, 2013		June 30, 2012
Salaries and short-term employee benefits	**$**	**359,699**	$	-
Post-employment benefits		**-**		-
Other long-term benefits		**-**		-
Termination benefits		**-**		-
Share-based payment		**1,777,354**		230,501
Total	**$**	**2,137,053**	$	230,501

17 Commitments

Capital expenditure commitments - The Company has entered into various contracts in connection with pilot plant operations at the Moss Mine. Commitments that remained on these contracts as of June 30, 2013 amounted to $2.4 million.

Lease commitments - The Company has entered into contracts for leased premises which expire at various dates through to July 2018. Lease payments recognized as an expense during the year ended June 30, 2013 totalled $24,668 (2012: $41,368). Total future minimum lease payments under these contracts are as follows:

Within 1 year	$	98,945
1 to 3 years		145,706
4 to 5 years		74,133
After 5 years		3,089

18 Financial instruments and financial risk management

The carrying values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of these instruments. Reclamation deposits consist primarily of reclamation bonds represented by certificates of deposit ("CDs") held with a U.S.-chartered commercial bank. As the CDs are highly liquid in nature and interest is paid to the Company monthly, the carrying value approximates fair value.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

18 Financial instruments and financial risk management (continued)

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value in the fair value hierarchy.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Cash and cash equivalents are valued using quoted market prices and have been included in Level 1 of the fair value hierarchy.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly. The Company has no financial instruments classified in Level 2.

Level 3 – Inputs that are not based on observable market data. The Company has no financial instruments classified in Level 3.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2013:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	$ 7,772,612	$ -	$ -	$ 7,772,612

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash and cash equivalents, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and cash equivalents and reclamation deposits to be low because these instruments are held only with highly rated financial institutions. Trade and other receivables relate primarily to amounts due from related parties and to Goods and Services Tax input tax credits and are expected to be collectible in full due to the nature of the counterparties and a previous history of collectibility.

(b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

18 Financial instruments and financial risk management (continued)

The Company manages its liquidity risk through the preparation of annual expenditure budgets, which are regularly monitored and updated as management considers necessary and through the capital management activities as described in Note 19.

As at June 30, 2013, the Company's financial liabilities were comprised of trade and other payables of $2,341,239 (2012 - $115,460), which have a maturity of less than one year.

(c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company is considered to be in the exploration and development stage and has not yet developed commercial mineral interests; the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian and the U.S. dollar. The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

At June 30, 2013, $713,654 of the Company's cash and cash equivalents were denominated in U.S. dollars. A 10% variation in the U.S. dollar exchange rate would result in an impact of approximately $71,365 on net loss.

(ii) Commodity price risk

Commodity price risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and U.S. dollar, as outlined above. Although the Company is not currently exposed to volatilities in metal prices, management closely monitors trends in commodity prices of gold and other precious and base metals as part of its routine activities, as these trends could significantly impact future operating cash flows.

(iii) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash and cash equivalents which are held at variable market rates. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk. At June 30, 2013, the weighted-average interest rate on cash and cash equivalents was 1.31%. With other variables unchanged, a 1% increase in the annualized interest rate would reduce net loss for the year by $76,659.

(All dollar amounts expressed in Canadian dollars unless otherwise noted)

19 Capital management

In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any debt obligation other than trade accounts payable. The availability of capital is solely through the issuance of the Company's common shares. There are no assurances that funds will be made available to the Company when required. The Company makes every effort to safeguard its capital and minimize the dilution to its shareholders. The properties which the Company currently has or is in the process of earning an interest in are in the exploration and development stage and the Company has not earned revenues from these properties to-date. The Company's historical sources of capital have consisted of the sale of equity securities. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally, as needed.

The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended June 30, 2013.

20 Segmented information

The Company has one reportable operating segment, being the acquisition, exploration and future development of mineral properties. Non-current assets (other than financial instruments) by geographic location are as follows:

			June 30, 2013
	Canada	**USA**	**Total**
Property, plant and equipment	**$ 10,545**	**$ 329,623**	**$ 340,168**
Exploration and evaluation assets	**-**	**11,915,070**	**11,915,070**
Intangible assets	**80,013**	**41,987**	**122,000**

			June 30, 2012
	Canada	**USA**	**Total**
Property, plant and equipment	$ 1,456	$ -	$ 1,456
Investment in joint venture	-	7,719,036	7,719,036
Exploration and evaluation assets	817,879	4,434,567	5,252,446

21 Subsequent events

Private placement - On September 25, 2013, the Company completed a non-brokered private placement of 5,236,000 units at a price of $0.65 per unit for gross proceeds of $3,403,400. Cash finders' fees of $209,180 were paid to arm's length parties in relation to the private placement. Each unit consisted of one common share of the Company and one-half of one transferable common share purchase warrant, with one whole warrant entitling the holder to purchase one common share at an exercise price of $0.90 until March 25, 2015. The expiry date of the Warrants may be accelerated, at the sole option of the Company, to 30 business days following the date on which the Company gives notice that its common shares have closed for 21 consecutive trading days at a price of $1.40 or greater. All of the securities issued pursuant to this offering are subject to a hold period expiring on January 26, 2014.

Warrant expiration date amendment – On September 25, 2013, the Company amended the expiration date of 1,321,500 warrants exercisable at $1.15 from October 4, 2013 to October 4, 2014 and 5,817,174 warrants exercisable at $1.55 from November 23, 2013 to November 23, 2014. In all other respects, the terms of these warrants remain unchanged.

Stock option grant – On September 25, 2013, the Company granted 1,435,000 stock options to employees, consultants, officers and directors with an exercise price of $0.65 and an expiry date of September 25, 2018.