Precipitate Gold Corp.

(An Exploration Stage Company)

Condensed Interim Financial Statements

Three and nine months ended August 31, 2012 and 2011

Unaudited – Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements they must be accompanied by a notice indicating that these condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Precipitate Gold Corp.
(An Exploration Stage Company)
Statements of Financial Position
Unaudited – Prepared by Management
In Canadian Dollars

ASSETS		**August 31, 2012 (Unaudited)**		**November 30, 2011 (Audited)**
Current				
Cash and cash equivalents	$	2,032,742	$	483,124
Amounts receivable		51,238		103,847
Prepaid expenses		181,856		13,259
		2,265,836		600,230
Mineral Properties (Note 4)		2,611,895		355,092
	$	4,877,731	$	955,322
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	128,050	$	92,180
Flow-through share liability (Note 5)		-		24,000
		128,050		116,180
SHAREHOLDERS' EQUITY				
Share Capital (Note 5)		6,083,276		1,470,250
Reserves (Note 5)		406,238		2,250
Deficit		(1,739,833)		(633,358)
		4,749,681		839,142
	$	4,877,731	$	955,322

Nature of Operations and Going Concern *(Note 1)*
Subsequent Events *(Note 12)*

Approved by the Board of Directors:

"Darcy Krohman" — Darcy Krohman, Director

"Darryl Cardey" — Darryl Cardey, Director

Precipitate Gold Corp.
(An Exploration Stage Company)

Interim Statements of Loss and Comprehensive Loss
For the Three and Nine Months Ended August 31, 2012 and 2011
Unaudited – Prepared by Management
In Canadian Dollars

	Three Months Ended August 31, 2012	Three Months Ended August 31, 2011	Nine Months Ended August 31, 2012	Nine Months Ended August 31, 2011
Expenses				
Audit and accounting	$ 7,500	$ 1,000	$ 28,730	$ 1,000
Consulting fees	4,219	-	15,031	-
Directors fees	9,000	-	9,000	-
Exploration and evaluation (Note 4 (h))	176,962	166,531	468,418	262,935
Property investigation costs (Note 4(i))	32,760	-	32,760	-
Office and administrative	18,913	1,752	63,816	1,833
Insurance	3,839	2,650	5,963	2,650
Investor relations	2,440	-	7,318	-
Legal	303	8,125	2,057	8,125
Marketing, conferences and shareholder relations	17,211	-	43,239	-
Rent	11,173	-	31,265	-
Salaries and wages	35,297	-	103,792	-
Transfer agent and filing fees	12,776	-	13,175	500
Share based compensation	157,490	-	312,724	-
Total Expenses	489,883	180,058	1,137,288	277,043
Other Income:				
Interest income	(6,762)	(390)	(6,813)	(432)
Other income (Note 5(c))	-	-	(24,000)	-
Net loss and comprehensive loss for the period	$ 483,121	$ 179,668	$ 1,106,475	$ 276,611
Loss per share, basic and diluted	$ 0.02	$ 0.03	$ 0.06	$ 0.07
Weighted average shares outstanding	25,471,493	5,474,283	18,083,839	3,848,986

– See Accompanying Notes –

Precipitate Gold Corp.

(An Exploration Stage Company)

Interim Statements of Cash Flows

For the Three and Nine Months Ended August 31, 2012 and 2011

Unaudited – Prepared by Management
In Canadian Dollars

Cash Provided By (Used In):	Three Months Ended August 31, 2012	Three Months Ended August 31, 2011	Nine Months Ended August 31, 2012	Nine Months Ended August 31, 2011
Operating activities:				
Loss for the period	$ (483,121)	$ (179,668)	$ (1,106,475)	$ (276,611)
Item not affecting cash:				
Other income (Note 5(c))	-	-	(24,000)	-
Share based compensation	157,490	-	312,724	-
Change in non-cash working capital:				
Accounts receivable	48,522	(25,156)	52,609	(37,108)
Prepaid expenses	(11,314)	118,260	(168,597)	(69,167)
Accounts payable and accrued liabilities	31,171	3,027	35,870	3,027
	(257,252)	(83,537)	(897,869)	(379,859)
Investing activities:				
Mineral property acquisition costs (Note 4(g))	(25,000)	(115,071)	(229,272)	(176,986)
Financing activities:				
Proceeds from issuance of shares (Note 5)	-	668,500	3,055,200	1,276,500
Share issue costs paid	(73,941)	-	(385,941)	-
Cash received from exercise of warrants (Note 5)	-	-	7,500	-
	(73,941)	668,500	2,676,759	1,276,500
Net increase (decrease) in cash	(356,193)	469,892	1,549,618	719,655
Cash - beginning of period	2,388,935	249,763	483,124	-
Cash - end of period	$ 2,032,742	$ 719,655	$ 2,032,742	$ 719,655
Supplemental non-cash financing information:				
Mineral property acquisition costs paid with common shares	$ -	$ -	$ 2,027,531	$ -
Fair value of Agent Options included in share capital	$ -	$ -	$ 93,514	$ -

- See Accompanying Notes -

Precipitate Gold Corp.

(An Exploration Stage Company)

Interim Statements of Changes in Equity

For the Three and Nine Months Ended August 31, 2012 and 2011

Unaudited – Prepared by Management

In Canadian Dollars

	Share Capital		Reserves			
	Shares	Amount $	Warrants $	Options $	Deficit $	Total $
Balance, Incorporation on January 31, 2011	-	-	-	-	-	-
Comprehensive loss	-	-	-	-	(276,611)	(276,611)
Private placement – March 2011 (Note 5(b)(i))	3,720,000	115,500	-	-	-	115,500
Warrants issued – March 2011 (Note 5(b)(i))	-	-	49,500	-	-	49,500
Private placement – July 2011 (Note 5(b)(ii))	4,362,000	1,090,500	-	-	-	1,090,500
Balance, August 31, 2011 *(Unaudited)*	3,720,000	1,206,000	49,500	-	(276,611)	978,889
Comprehensive loss	-	-	-	-	(356,747)	(356,747)
Private placement – November 2011 (Note 5(b)(iii))	250,000	62,500	-	-	-	62,500
Exercise of warrants	3,570,000	201,750	(47,250)	-	-	154,500
Balance, November 30, 2011 *(Audited)*	11,902,000	1,470,250	2,250	-	(633,358)	839,142
Comprehensive loss	-	-	-	-	(1,106,475)	(1,106,475)
Private placement – January 2012 (Note 5(b)(vii & viii))	2,850,666	855,200	-	-	-	855,200
Exercise of warrants	150,000	9,750	(2,250)	-	-	7,500
IPO shares (Note 5(b)(ix))	5,500,000	2,200,000	-	-	-	2,200,000
IPO share issuance costs (Note 5(b)(ix)	-	(385,941)	-	-	-	(385,941)
Strategic shares (Note 5(b)(x))	5,068,827	2,027,531	-	-	-	2,027,531
Fair value of Agent's options (Note 5(b)(ix))	-	(93,514)	-	93,514	-	-
Fair value of directors and consultants' options (Note 5(e))	-	-	-	312,724	-	312,724
Balance, August 31, 2012 *(Unaudited)*	25,471,493	6,083,276	-	406,238	(1,739,833)	4,749,681

– See Accompanying Notes –

1. Nature of Operations and Going Concern

Precipitate Gold Corp. (the "Company") was incorporated on January 31, 2011, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The head office, principal address, and records office of the Company are located at 789 West Pender Street, Suite 800, Vancouver, British Columbia, V6C 1H2, Canada.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business. Several conditions discussed below cast substantial doubt regarding this assumption. The Company has no operating revenue and has an accumulated deficit of $1,739,833 as at August 31, 2012.

These condensed interim financial statements were authorized for approval by the Board of Directors on October 24, 2012.

The Company's ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, its ability to obtain the necessary financing to develop the properties and to meet its corporate overhead needs, keep its property in good standing and discharge its liabilities as they come due. On May 24, 2012, the Company completed an initial public offering ("IPO") of 5,500,000 common shares at a price of $0.40 per share for gross proceeds of $2,200,000. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. Basis of Presentation

a) Statement of compliance

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

b) Basis of presentation

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited financial statements for the period from incorporation on January 31, 2011 to November 30, 2011.

c) Critical accounting judgments and estimates

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

2. Basis of Presentation - *Continued*

c) Critical accounting judgments and estimates

Estimates and assumptions are continuously 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. However, actual outcomes can differ from these estimates.

Significant areas requiring the use of management estimates include the fair value measurements of equity-based payments, allocation of net proceeds from equity financing between share capital, flow-through share liabilities, and warrant reserves, assumptions and estimates relating to determining the recoverability of exploration and evaluation assets, and valuation of income tax, including the effects of flow-through shares. Actual results could differ.

3. Future Changes in Accounting Standards

a) **Accounting Standards Issued and Effective January 1, 2013**

IFRS 9, *Financial Instruments,* replaces the current standard IAS 39, *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 10, *Consolidated Financial Statements,* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard:

- Requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements;
- Defines the principle of control, and establishes control as the basis for consolidation;
- Sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and
- Sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 10 supersedes IAS 27 and SIC-12, *Consolidation – Special Purpose Entities*.

IFRS 11, *Joint Arrangements,* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12, *Disclosure of Involvement with Other Entities,* requires the disclosure of information that enables users of consolidated financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

3. Future Changes in Accounting Standards - *Continued*

a) Accounting Standards Issued and Effective January 1, 2013 - *Continued*

IFRS 13, *Fair Value Measurement,* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for the following:

- Share-based payment transactions within the scope of IFRS 2, *Share-based Payment*;
- Leasing transactions within the scope of IAS 17, *Leases*;
- Measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment of Assets*.

IAS 27, *Separate Financial Statements,* has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28, *Investments in Associates and Joint Ventures,* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

IFRIC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*, summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine.

b) Accounting Standards Issued and Effective September 1, 2015

IFRS 9, *Financial Instruments,* replaces the current standard IAS 39, *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

4. Mineral Properties

a) **Principal Property**

The Company's principal property, also referred to as the "Reef Property" (the "Principal Property"), is a contiguous area totalling roughly 8,615 hectares located in the Yukon Territory. The Reef Property is comprised of the following mineral quartz claims:

i) The Reef I-48 claims, which forms part of the Fireside Properties (Note 4b);
ii) All of the Jay East Property (Note 4c); and
iii) The Bloom I-262 claims (Note 4d).

During the nine months ended August 31, 2012, the Company incurred $260,390 in exploration expenditures on the Principal Property, comprised of $86,580 of exploration expenditures on the Reef I-48 claims, $67,285 of exploration expenditures on the Jay East Property, and $106,525 of exploration expenditures on the Bloom I-262 claims.

b) **Fireside Properties**

On April 14, 2011, the Company entered into an option agreement with Strategic Metals Ltd. ("Strategic") and Archer, Cathro & Associates (1981) Limited, to acquire a 100% interest in 17 geographically separate blocks of mineral claims, called the "Fireside Properties". The Fireside Properties are located in the Watson Lake Mining District, Yukon Territory, and northern British Columbia, and include the Reef I-48 claims that are part of the Company's Principal Property.

Pursuant to the option agreement, the Company is required to complete the following option payments and exploration expenditures:

- Cash payments totalling $300,000 as follows:
  - $50,000 on April 14, 2011 (paid);
  - $50,000 on or before June 1, 2011 (paid); and
  - $200,000 on or before April 14, 2012 (paid).

- Incur exploration expenditures totalling $2,000,000 as follows:
  - $200,000 on or before December 31, 2011 (incurred);
  - $500,000 on or before December 31, 2012; and
  - $1,300,000 on or before December 31, 2013.

4. Mineral Properties – *Continued*

b) **Fireside Properties** – *Continued*

As required pursuant to the option agreement, the Company completed an Initial Public Offering ("IPO"), obtained a listing on the TSX-V (See Note 5(b)(ix)), and issued 5,068,827 common shares to Strategic equal to 19.9% of the Company's issued and outstanding common shares immediately following the IPO. During the earn-in period, Strategic will have the right, but not the obligation, to participate in future equity financings so as to maintain its percentage equity interest in the Company. The Fireside Properties are subject to a 2% net smelter royalty ("NSR") from any precious metal commercial production and a 1% NSR from any non-precious metal commercial production.

During the nine months ended August 31, 2012, the Company had incurred $176,918 of exploration expenditures on the Fireside Properties, of which $86,580 was incurred on the Reef I-48 claims and $90,338 on the remaining claims.

c) **Jay East Property**

On July 29, 2011, the Company entered into an option agreement with Bearing Resources Ltd. ("Bearing") to acquire up to a 70% interest in 108 mineral claims, called the "Jay East Property", located in Yukon Territory. The Jay East Property is part of the Company's Principal Property.

Pursuant to the option agreement, the Company can earn an initial 51% interest by completing the following option payments and exploration expenditures:

- Cash payments totalling $480,000 as follows:
  - $5,000 within 5 days of July 29, 2011 and approval of the agreement by TSX-V (paid);
  - $25,000 on or before July 29, 2012 (paid);
  - $35,000 on or before July 29, 2013;
  - $40,000 on or before July 29, 2014;
  - $50,000 on or before July 29, 2015; and
  - $325,000 on or before July 29, 2016.

- Incur exploration expenditures totalling $2,000,000 as follows:
  - $100,000 on or before December 31, 2012 (incurred);
  - Aggregate of $1,000,000 on or before July 29, 2014; and
  - Aggregate of $2,000,000 on or before July 29, 2016.

In Canadian Dollars

4. Mineral Properties – *Continued*

c) **Jay East Property** – *Continued*

In order to keep the agreement in good standing and earn an additional 19% interest in the Property, the Company must complete a feasibility study on or before July 29, 2019 and complete the following cash payments:

- Cash payments totalling $300,000 as follows:
  - $100,000 on or before July 29, 2017;
  - $100,000 on or before July 29, 2018; and
  - $100,000 on or before July 29, 2019.

During the nine months ended August 31, 2012, the Company had incurred $67,285 in exploration expenditures on the Jay East Property.

d) **Bloom I-262 Claims**

The Company acquired the Bloom I-262 claims, located in the Yukon Territory, consisting of 262 quartz claims, through staking. During the nine months ended August 31, 2012, the Company has incurred $106,525 in exploration expenditures on these claims.

e) **Other Properties in Yukon Territory**

The Company acquired the Bright and Lombok properties, located in Yukon Territory, consisting of 284 claims, through staking. During the nine months ended August 31, 2012, the Company has incurred $9,714 in exploration expenditures on these properties.

f) **Other Properties in British Columbia**

The Company acquired the Ba, Gemini, and Horneline properties, located in the British Columbia, consisting of 69 claims, through staking. During the nine months ended August 31, 2012, the Company has incurred $107,976 in exploration expenditures on these properties.

g) **Acquisition Costs Summary**

Details of acquisition costs incurred for the nine months ended August 31, 2012 and the period from incorporation on January 31, 2011 to November 30, 2011 are as follows:

		Yukon Properties		British Columbia Properties		Total
Balance – January 31, 2011	$	-	$	-	$	-
Acquisition and staking		316,422		38,670		355,092
Balance – November 30, 2011	$	316,422	$	38,670	$	355,092
Acquisition and staking		1,695,648		561,155		2,256,803
Balance – August 31, 2012	$	2,012,070	$	599,825	$	2,611,895

In Canadian Dollars

4. Mineral Properties – *Continued*

h) **Exploration and Evaluation Costs Summary**

Details of exploration and evaluation costs incurred for the nine months ended August 31, 2012 and for the period from incorporation on January 31, 2011 to November 30, 2011 are as follows:

	Nine months ended August 31, 2012			Year ended November 30, 2011
	Yukon Properties	**British Columbia Properties**	**Total**	**Total**
Exploration and evaluation costs:				
Aircraft charter	$ 7,715	$ -	$ 7,715	$ 31,523
Assays	4,595	2,634	7,229	107,976
Camp and general	9,229	32,439	41,668	20,304
Consulting	18,240	15,045	33,285	113,203
Courier, freight, and shipping	263	55	318	1,558
Drilling	-	-	-	972
Field equipment and supplies	48,579	1,499	50,078	9,642
Fuel	4,428	390	4,818	5,000
Geological	121,584	39,605	161,189	37,472
Geophysics	-	-	-	105,221
Helicopter	28,339	5,837	34,176	117,153
Legal	7,670	-	7,670	-
Maps, orthophotos, reports	15,245	8,822	24,067	4,963
Office	2,722	534	3,256	1,813
Salaries and benefit	46,510	28,685	75,195	-
Soil sampling	-	-	-	20,450
Transportation	1,328	2,202	3,530	6,158
Travel, meals, accommodation	5,820	8,404	14,224	36,207
Total exploration and evaluation costs	322,267	146,151	468,418	619,615
BC METC*	-	-	-	(24,854)
Net exploration and evaluation costs	322,267	146,151	468,418	594,761
Balance – beginning of year	473,260	121,501	594,761	-
Balance – end of period	$ 795,527	$ 267,652	$ 1,063,179	594,761

*The Company's exploration and evaluation costs incurred in British Columbia are eligible for a British Columbia Mining Exploration Tax Credit ("BC METC"). The Company estimated that the amount receivable from BC METC for the exploration and evaluation costs incurred from the period from incorporation on January 31, 2011 to November 30, 2011 is $24,854.

4. Mineral Properties – *Continued*

i) **Property Investigation Costs**

The Company incurred $32,760 in property investigation costs on the mineral concessions, Juan de Herrera and Higos Blancos, in the Dominican Republic (Note 12(b))

5. Shareholders' Equity

a) Authorized

Unlimited number of common shares without par value

b) Issued Share Capital

Share transactions for the period ended November 30, 2011:

(i) On March 7, 2011, the Company completed a private placement of 3,720,000 units, consisting of 1,870,000 flow-through units and 1,850,000 non flow-through units, for cash proceeds of $93,500 and $92,500, respectively. Each flow-through unit consists of one flow-through common share and one flow-through share purchase warrant. Each flow-through warrant is exercisable to purchase one additional flow-through common share at a price of $0.05 per share or if unexercised at the date of the closing of Initial Public Offering ("IPO"), at a price equal to the listing price of the IPO. Each non flow-through unit consists of one non flow-through common share and one non flow-through share purchase warrant. Each non flow-through warrant is exercisable to purchase one additional non flow-through common share at a price of $0.05 per share or if unexercised at the date of the closing of Initial Public Offering ("IPO"), at a price equal to the listing price of the IPO. Both the flow-through and non flow-through warrants are exercisable until March 7, 2016.

The fair value of the flow-through share liability associated with the flow-through shares was determined to be $21,000 based on the estimated fair value of the tax benefit passed on to the shareholders, therefore the remaining proceeds of $72,500 were allocated $50,750 to share capital and $21,750 to warrants based on their relative fair value.

Of the cash proceeds received from non flow-through shares of $92,500, $64,750 was allocated to share capital and $27,750 was allocated to warrants based on their relative fair value.

(ii) On July 25, 2011, the Company completed a private placement of 4,362,000 non flow-through seed common shares at $0.25 per share for cash proceeds of $1,090,500.

(iii) On November 30, 2011, the Company completed a private placement of 250,000 non flow-through seed common share at $0.25 per share for cash proceeds of $62,500 to directors and officers of the Company.

In Canadian Dollars

5. Shareholders' Equity - *Continued*

b) Issued Share Capital - *Continued*

(iv) On November 30, 2011, the Company received cash proceeds of $93,500 from the exercise of 1,870,000 flow-through warrants for 1,870,000 flow-through common shares.

The fair value of the flow-through share liability associated with the flow-through shares was determined to be $24,000 based on the estimated fair value of the tax benefit passed on to the shareholders.

(v) On November 30, 2011, the Company received cash proceeds of $85,000 from the exercise of 1,700,000 non flow-through warrants for 1,700,000 non flow-through common shares.

Share transactions for the nine months ended August 31, 2012:

(vi) On December 7, 2011, the remaining 150,000 non flow-through warrants issued on March 7, 2011 were exercised at $0.05 per warrant for cash proceeds of $7,500.

(vii) On January 10, 2012, the Company completed a private placement of 300,000 common shares at a price of $0.30 per share for cash proceeds of $90,000.

(viii) On January 31, 2012, the Company completed a private placement of 2,550,666 common shares at a price of $0.30 per share for cash proceeds of $765,200.

(ix) On May 24, 2012 the Company completed an initial public offering ("IPO") by issuing 5,500,000 common shares at $0.40 per common share for gross proceeds of $2,200,000 ("the Offering"). The Agent received:

i. a marketing commission equal to $176,000 which was paid in cash;

ii. Agent's Options equal to 8% of the number of common shares issued in the Offering, being 440,000, with an exercise price of $0.40 per share, expiring 24 months after listing on the TSX-V. These options were valued at $93,514 using the Black-Scholes option-pricing model with the following assumptions:

Stock price volatility	101.22%
Risk free interest rate	1.16%
Expected life of options	2 years
Expected dividend yield	0.00%

iii. a corporate finance fee of $40,000 plus HST of $4,800, which was paid in cash;

iv. reimbursement for expenses, including legal fees, third- party expenses and out of pocket expenses of $18,884 including $1,783 of HST.

Total cash share issuance costs, amounted to $385,941 and mainly consisted of Agent's commission, legal, accounting, listing and filing fees.

In Canadian Dollars

5. Shareholders' Equity – *Continued*

b) Issued Share Capital - *Continued*

(x) On May 28, 2012, the Company also issued 5,068,827 common shares (the "Strategic Shares") to Strategic Metals Ltd. equal to 19.9% of the Company's issued and outstanding common shares immediately following the IPO pursuant to the mineral property option agreement.

c) Flow-through Share Liability

During the period ended November 30, 2011, the Company raised a total of $187,000 through the issuance of flow-through shares (Note 5(b)(i) and Note 5(b)(iv)). During the period ended November 30, 2011, $93,500 of these funds had been spent on qualifying flow through exploration expenditures. Accordingly, $21,000 of the flow-through liability was recognized in other income in the period. As at August 31, 2012 the remaining funds of $93,500 had been spent on qualifying flow through exploration expenditures and therefore $24,000 of flow-through has been recognized in other income in the nine months ended August 31, 2012.

d) Warrants

Details of flow-through and non flow-through warrant activity for the nine months ended August 31, 2012 and the period ended November 30, 2011 are as follows:

Opening Balance	Issued*	Exercised**	November 30, 2011	Exercise Price	Expiry Date
-	3,720,000	(3,570,000)	150,000	$0.05	March 7, 2016

* Of the 3,720,000 warrants issued during the period, 1,870,000 are flow-through warrants and 1,850,000 are non flow-through warrants.

** Of the 3,570,000 warrants exercised during the period, 1,870,000 are flow-through warrants and 1,700,000 are non flow-through warrants. As at November 30, 2011, there were 150,000 non flow-through warrants outstanding.

November 30, 2011	Issued	Exercised	August 31, 2012	Exercise Price	Expiry Date
150,000	-	(150,000)	-	-	-

As at August 31, 2012, there are no warrants outstanding.

In Canadian Dollars

5. Shareholders' Equity – *Continued*

e) Share Option Plan

On December 5, 2011, the Company adopted a rolling share option plan, which authorizes the Board of Directors to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option may not be less than market price of the Company's shares calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's share option plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule at its discretion.

Details of activity in share purchase options for the nine months ended August 31, 2012 and the year ended November 30, 2011 are as follows:

November 30, 2011	Issued	Exercised	**August 31, 2012**	Exercise Price	Expiry Date
-	440,000	-	**440,000**	$0.40	May 29, 2014
-	1,930,000	-	**1,930,000**	$0.40	May 29, 2017
-	150,000		**150,000**	$0.46	August 21, 2017
-	2,520,000	-	**2,520,000**	$0.40	

The weighted average remaining life of the 2,520,000 options outstanding is 4.23 years.

(i) On May 29, 2012, the Company granted 440,000 options to its agent, equal to 8% of the number of common shares issued in the Initial Public Offering, with an exercise price of $0.40 per share, expiring on May 29, 2014, 24 months after listing on the TSX-V. All options vested on the date of grant. On the date of grant, these options were valued at $93,514 using the Black-Scholes option-pricing model with the following assumptions:

Stock price volatility	101.22%
Risk-free interest rate	1.16%
Expected life of options	2 years
Expected dividend yield	0.00%

(ii) On May 29, 2012, the Company granted to its directors and officers 1,930,000 share options with an exercise price of $0.40 per share expiring on May 29, 2017. The fair value of $295,150 that fully vested on the grant date was recorded as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	109.94%
Risk-free interest rate	1.38%
Expected life of options	5 years
Expected dividend yield	0.00%

In Canadian Dollars

5. Shareholders' Equity – *Continued*

f) Share Options - *Continued*

(iii) On August 21, 2012, the Company granted 150,000 stock options to its consultant. The options have an exercise price of $0.46 per share and expire on August 21, 2017. The fair value of $17,574 that fully vested on the grant date was recorded as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	113.98%-118.91%
Risk-free interest rate	1.40%
Expected life of options	5 years
Expected dividend yield	0.00%

g) Escrow Shares

Pursuant to an escrow agreement dated February 1, 2012, 2,665,000 common shares were placed in escrow. 10% of the escrowed shares (266,500 shares) were released from escrow upon completion of the IPO, and 15% of the shares are released from escrow every 6 months thereafter. As of August 31, 2012, there were 2,398,000 common shares remaining in escrow.

Pursuant to an escrow agreement dated May 24, 2012, 3,846,367 Strategic Shares were placed in escrow ("Strategic Escrowed Shares"). 10% of the Strategic Escrowed Shares (384,637 shares) were released from escrow upon completion of the IPO, and 15% of the shares are released from escrow every 6 months thereafter. As of August 31, 2012, there were 3,461,730 Strategic Shares remaining in escrow.

6. Commitments

On November 8, 2011, the Company entered into a lease agreement for office space commencing on December 1, 2011 for a term of 2 years. In the fiscal year ending November 30, 2012 and 2013, the Company must pay rent of $26,602 per annum plus operating costs. As at August 31, 2012, the Company has prepaid $7,331 as a security deposit to the Landlord.

7. Segmented Information

The Company has only one reportable operating segment, being mineral property exploration in Canada.

8. Income Taxes

During the period ended November 30, 2011, the Company issued flow-through shares (Note 5(c)). The effective date of the renouncement of the exploration expenditures incurred in the period is December 31, 2011. No deferred income tax asset related to mineral property exploration costs has been recognized in the nine months ended August 31, 2012 and in the period ending November 30, 2011 to the extent that exploration costs are expected to be renounced to the shareholders of the flow through shares.

9. Related Party Transactions

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

(a) During the nine months ended August 31, 2012, the Company paid for $90,000 (2011 - $Nil) of geological consulting fees and HST of $10,800 to the Vice President of Exploration of the Company.

(b) During the nine months ended August 31, 2012, the Company paid $21,000 (2011 - $Nil) in accounting fees, $20,553 (2011 - $Nil) in office and administration expense and $4,986 (2011 - $Nil) of HST to a company controlled by a director of the Company.

(c) During the nine months ended August 31, 2012, the Company paid $116,249 salaries and wages (2011 - $Nil) to the Company's President and CEO. Of this amount, $64,583 (2011 - $Nil) was recorded as salaries and benefits and $51,666 (2011 - $Nil) was recorded as exploration and evaluation costs.

(d) During the nine months ended August 31, 2012, the Company paid $14,000 (2011 - $Nil) to the Company's CFO.

(e) As at August 31, 2012, there are $1,822 (November 30, 2011 - $Nil) of expenses owing to the Company's CFO, and $21,140 (November 30, 2011 - $Nil) of fees and expenses owing to the Company's Vice President of Exploration, which are included in accounts payable and accrued liabilities.

10. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements as at August 31, 2012.

11. Financial Instruments

The classification of the financial instruments as well as their carrying values as at August 31, 2012 is shown in the table below:

Financial assets:		
Loans and receivables, measured at amortized cost:		
Cash and cash equivalents, and amounts receivable	$	2,083,980
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	$	128,050

a) Fair Values

The fair value of cash and cash equivalents, amounts receivable and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Amounts receivable primarily consist of amounts receivable with expected payment from the Canadian Federal Government and the BC METC.

d) 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 has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

e) Foreign Currency Exchange Rate Risk

The Company currently has no significant operations denominated in foreign currencies. Management believes there is no significant foreign currency exchange rate risk.

11. Financial Instruments – *Continued*

f) Political Risk

The Company entered into a Letter Agreement to acquire a company that is currently applying for the rights to properties in the Dominican Republic. These operations are potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

g) Foreign Currency Fluctuation Risk

The Company has vendors in both Canada and Dominican Republic; therefore, the Company's operations are affected by the currency fluctuations in these jurisdictions.

12. Subsequent Events

a) On September 5, 2012, the Company granted 150,000 share purchase options to its consultants. The options have an exercise price of $0.40 per share and expire on September 5, 2017.

b) During the interim period the Company executed a Letter Agreement whereby the Company has the option to acquire, and retain 100% ownership of the shares of 0945044 BC Ltd., a private BC registered company ("BC Corp"), subject to the satisfaction of certain obligations., The formal agreement between the parties was executed subsequent to the period end. The shares of BC Corp. are held by certain shareholders of the Company.

BC Corp. has a 100% interest in Corporacion Minera San Juan, S.R.L. ("CMSJ"), a private company incorporated in Dominican Republic. CMSJ has applied for the rights to two mineral concessions, Juan de Herrera and Higos Blancos, both situated in the Dominican Republic.

In order to acquire the 100% interest in BC Corp., the Company must satisfy the following principal obligations over a three year period commencing once CMSJ has received the rights to the concessions: (i) payments of $450,000 ($60,000 paid subsequently); (ii) property expenditures of $1 million; and (iii) the distribution of three million common shares of the Company. Subsequently the rights to a third concession, Los Pinalitos, were transferred to CMSJ by the shareholders of BC Corp. at no additional cost to CMSJ or to the Company.