EAGLE MOUNTAIN GOLD CORP.
(Formerly Stronghold Metals Inc.)
Consolidated Financial Statements
For the Years Ended August 31, 2012 and 2011
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF EAGLE MOUNTAIN GOLD CORP.
(formerly Stronghold Metals Inc.)

We have audited the accompanying consolidated financial statements of Eagle Mountain Gold Corp., which comprise the consolidated statements of financial position as at August 31, 2012, August 31, 2011 and September 1, 2010, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended August 31, 2012 and August 31, 2011, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eagle Mountain Gold Corp. as at August 31, 2012, August 31, 2011 and September 1, 2010, and its financial performance and its cash flows for the years ended August 31, 2012 and August 31, 2011 in accordance with International Financial Reporting Standards.

Smythe Ratcliffe LLP is a member firm of both the **PKF** International Limited network and **PKF** North America, which are, respectively, a network and an association of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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SmytheRatcliffe
CHARTERED ACCOUNTANTS

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
December 27, 2012

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Eagle Mountain Gold Corp.

(Formerly Stronghold Metals Inc.)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	August 31, 2012	August 31, 2011 (note 18)	September 1, 2010 (note 18)
Assets			
Current assets			
Cash and cash equivalents (note 6)	**$ 37,482**	$ 3,172,856	$ 1,242,639
Restricted cash (note 7)	**31,216**	115,000	57,500
Taxes recoverable	**207,330**	73,204	20,880
Prepaid expenses	**212,524**	57,233	9,170
Due from related party (note 12)	**-**	11,200	-
	488,552	3,429,493	1,330,189
Deposits (note 14)	**104,163**	232,145	-
Equipment (note 8)	**101,661**	44,545	-
Mineral properties (note 9)	**8,141,944**	5,902,457	945,338
Exploration advances	**-**	23,394	-
	$ 8,836,320	$ 9,632,034	$ 2,275,527
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**$ 1,256,405**	$ 792,572	$ 117,731
Due to related parties (note 12)	**78,613**	32,580	8,891
Loans payable (note 13)	**708,544**	-	-
	2,043,562	825,152	126,622
Lease inducement	**29,700**	-	-
	2,073,262	**825,152**	**126,622**
Shareholders' Equity			
Capital stock (note 11)	**15,226,711**	12,965,570	6,337,856
Subscription receivable (note 12)	**-**	(9,900)	-
Commitment to issue shares (note 9)	**-**	235,798	-
Reserves	**8,581,556**	7,869,450	6,416,047
Cumulative translation adjustment	**9,238**	-	-
Deficit	**(16,953,085)**	(12,254,036)	(10,604,998)
Equity attributable to the owners of the Company	**6,864,420**	8,806,882	2,148,905
Non-controlling interest (note 10)	**(101,362)**	-	-
	6,763,058	8,806,882	2,148,905
	$ 8,836,320	$ 9,632,034	$ 2,275,527

Approved on behalf of the Board:

"Jim Heras"
……………………..……………… Director
Jim Heras

"Yannis Tsitos"
………………………………………… Director
Yannis Tsitos

See notes to consolidated financial statements.

Eagle Mountain Gold Corp.
(Formerly Stronghold Metals Inc.)
Consolidated Statements of Comprehensive Loss
Years Ended August 31
(Expressed in Canadian dollars)

	2012	2011
		(note 18)
Expenses		
Travel and promotion	$ 443,249	$ 306,937
Investor relations	223,722	274,976
Office and miscellaneous	494,634	246,331
Salaries, benefits and director fees	453,614	205,835
Professional fees	282,878	179,126
Share-based payments	450,468	104,728
Management and consulting fees (note 12)	192,566	91,122
Stock exchange, filing fees and transfer agent fees	13,125	31,962
Impairment of mineral properties	2,664,303	192,059
Gain on disposal	(3,387)	-
Foreign exchange loss	49,234	29,573
Interest	178,298	861
Interest income	(5,995)	(14,472)
Net loss for the year	5,436,709	1,649,038
Cumulative translation adjustment	(15,903)	-
Comprehensive loss for the year	$ 5,420,806	$ 1,649,038
Net loss attributed to:		
Owners of the Company	$ 4,705,714	$ 1,649,038
Non-controlling interest (note 10)	730,995	-
	$ 5,436,709	$ 1,649,038
Comprehensive loss attributed to:		
Owners of the Company	$ 4,699,049	$ 1,649,038
Non-controlling interest (note 10)	721,757	-
	$ 5,420,806	$ 1,649,038
Basic and diluted loss per share	$ 0.39	$ 0.15
Weighted average number of common shares outstanding	13,790,583	10,724,436

See notes to consolidated financial statements.

Eagle Mountain Gold Corp.
(Formerly Stronghold Metals Inc.)
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of Common Shares	Capital Stock	Subscription Receivable	Commitment to Issue Shares	Share-Based Reserve	Warrant Reserve	Other Reserve	Deficit	Cumulative Translation Adjustment	Non-Controlling Interest	Shareholders' Equity
September 1, 2010 (note 18)	9,112,558	$ 6,337,856	$ -	$ -	$ 5,893,905	$ 522,142	$ -	$ (10,604,998)	$ -	$ -	$ 2,148,905
Private placements	3,116,500	6,085,097	(9,900)	-	-	-	-	-	-	-	6,075,197
Share issuance costs	-	(707,010)	-	-	-	-	-	-	-	-	(707,010)
Shares issued for property	400,000	1,100,000	-	-	-	-	-	-	-	-	1,100,000
Shares to be issued for property	-	-	-	235,798			-				235,798
Share-based payment expense	-	-	-	-	104,728	-	-	-	-	-	104,728
Fair value of warrants issued	-	-	-	-	-	1,404,852	-	-	-	-	1,404,852
Equity instruments exercised	61,200	93,450	-	-	-	-	-	-	-	-	93,450
Reclassification of fair value of equity instruments	-	56,177	-	-	(51,114)	(5,063)	-	-	-	-	-
Net loss for the year	-	-	-	-	-	-	-	(1,649,038)	-	-	(1,649,038)
Balance, August 31, 2011	12,690,258	12,965,570	(9,900)	235,798	5,947,519	1,921,931	-	(12,254,036)	-	-	8,806,882
Shares issued for property	2,077,022	2,207,941	-	(235,798)	-	-	-	-	-	-	1,972,143
Share subscriptions received	-	-	9,900	-	-	-	-	-	-	-	9,900
Shares issued for debt	280,000	53,200	-	-	-	-	-	-	-	-	53,200
Share-based payments	-	-	-	-	374,639	-	-	-	-	75,829	450,468
Net assets acquired in transaction	-	-	-	-	-	-	-	-	-	553,804	553,804
Other reserve	-	-	-	-	-	-	337,467	-	-	-	337,467
Cumulative translation adjustment	-	-	-	-	-	-	-	-	9,238	6,665	15,903
Net loss for the year	-	-	-	-	-	-	-	(4,699,049)	-	(737,660)	(5,436,709)
Balance, August 31, 2012	**15,047,280**	**$ 15,226,711**	**$ -**	**$ -**	**$ 6,322,158**	**$ 1,921,931**	**$ 337,467**	**$ (16,953,085)**	**$ 9,238**	**$ (101,362)**	**$ 6,763,058**

See notes to consolidated financial statements.

Eagle Mountain Gold Corp.
(Formerly Stronghold Metals Inc.)
Consolidated Statements of Cash Flows
Years ended August 31
(Expressed in Canadian dollars)

	2012	2011
		(note 18)
Operating activities		
Net loss	**$ (5,436,709)**	$ (1,649,038)
Items not involving cash		
Impairment	**2,664,303**	192,058
Amortization	**4,251**	-
Finance costs	**53,200**	-
Gain on disposal	**(3,387)**	-
Other reserve	**337,467**	-
Interest expense	**38,544**	-
Share-based payments	**450,468**	104,728
	(1,891,863)	(1,352,252)
Changes in non-cash operating working capital		
Taxes recoverable	**(96,396)**	(52,324)
Prepaid expenses	**(38,870)**	(48,063)
Due from related party	**11,200**	(11,200)
Deposits	**127,982**	(232,145)
Accounts payable and accrued liabilities	**636,468**	308,851
Due to related parties	**46,033**	23,689
Cash used in operating activities	**(1,205,446)**	(1,363,444)
Investing activities		
Cash acquired on acquisition of Kensington Court Ventures Inc.	**571,665**	-
Purchase of equipment	**(97,867)**	(53,205)
Proceeds from the sale of equipment	**19,000**	-
Rental lease inducement	**29,700**	-
Funds spent on exploration of mineral properties	**(3,196,007)**	(3,438,729)
Exploration advances	**-**	(23,394)
Cash used in investing activities	**(2,673,509)**	(3,515,328)
Financing activities		
Proceeds from the issuance of shares	**-**	6,866,489
Proceeds from the issuance of loans	**920,000**	-
Repayment of loans	**(270,103)**	-
Subscription receivable	**9,900**	-
Security deposit received	**27,766**	-
Term deposit	**56,018**	(57,500)
Cash provided by financing activities	**743,581**	6,808,989
Net changes in cash	**(3,135,374)**	1,930,217
Cash and cash equivalents, beginning of year	**3,172,856**	1,242,639
Cash and cash equivalents, end of year	**$ 37,482**	$ 3,172,856
Supplemental cash flow information (note 19)		

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the laws of the province of British Columbia on October 16, 2003. The Company is an exploration stage company and is in the business of acquiring, exploring and developing mineral properties. The Company's principal office is located at 1220 – 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

Effective July 26, 2012, the Company changed its name to Eagle Mountain Gold Corp. and consolidated its common shares on a one-for-five basis. All figures as to the numbers of common shares, stock options, warrants, as well as loss per share in these financial statements are consolidated amounts and have been retroactively restated to present the post-consolidation amounts.

These consolidated financial statements are prepared on a "going concern" basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company does not currently hold any revenue-generating properties and incurred losses of $5,436,709 for the year ended August 31, 2012 (2011 - $1,649,038). The Company has an accumulated deficit of $16,953,086 as of August 31, 2012 (August 31, 2011 - $12,254,036; September 1, 2010 - $10,604,998) and a working capital deficit of $1,555,010 (August 31, 2011 - $2,604,341 working capital; September 1, 2010 - $1,203,567 working capital).

The ability of the Company to continue as a going concern and meet its commitments as they become due, including exploration, evaluation and development of its mineral interests, is dependent on the Company's ability to obtain the necessary financing and ultimately upon its success in locating properties with economically recoverable resources and attaining either profitable operations from those properties or the proceeds from the disposition of those properties. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. Management is planning to raise additional capital to finance operations and expected growth, and is looking at strategies to partner or dispose of its mineral interests (see notes 9 and 10). If the Company is unable to obtain additional financing, the Company will be unable to continue (note 19).

These consolidated financial statements do not reflect any adjustments that would be necessary if the going concern assumption were not appropriate.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") with an adoption date of September 1, 2011 and transition date of September 1, 2010.

The impact of the transition of Canadian generally accepted accounting principles ("GAAP") to IFRS is included in note 18. IFRS 1: *First-time Adoption of International Financial Reporting Standards* has been applied.

The accounting principles applied in the preparation of these consolidated financial statements included herein have been applied consistently for each of the periods presented. The consolidated financial statements were approved and authorized for issue by the Board of Directors on December 27, 2012.

2. BASIS OF PRESENTATION (Continued)

(b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are recorded at fair value. In addition, these have been prepared using the accrual method of accounting except for cash flow information.

(c) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its integrated wholly-owned subsidiaries, Acarat (Chile) S.A. and Stronghold Guyana Inc.; and the accounts of its controlled subsidiaries Kensington Court Ventures Inc. and Stronghold Brasil Mineracao Ltda (formerly Mineracao Vale Do Sonho Ltda) ("Stronghold Brazil") (note 10). All intercompany transactions and balances have been eliminated on consolidation.

Non-controlling interests in the net assets of consolidated partially-owned Kensington are identified separately from the Company's entity. The non-controlling interest consists of the non-controlling interest as at the date of the original acquisition plus the non-controlling interest's share of changes in equity since the date of acquisition.

(d) Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain critical accounting estimates and assumptions, which affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of management judgments and estimates relate to determination of impairment of mineral property interests, the determination of site closure and reclamation provisions, rates of amortization on equipment, the variables used in the determination of fair value of stock options granted and of warrants issued, and the recoverability and measurement of deferred income tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

All financial instruments are classified as one of the following categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets, held-to-maturity financial assets, loans and receivables, and financial liabilities are classified as other financial liabilities.

FVTPL:

FVTPL financial assets are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash is included in this category of financial assets.

AFS financial assets:

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the previous categories and are recognized at fair value and subsequently carried at fair value. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (continued)

Held-to-maturity financial assets:

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. The Company has no financial assets as at August 31, 2012, August 31, 2011 and September 30, 2010 classified as held-to-maturity.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of other receivables and due from related parties.

Other liabilities:

The Company classifies non-derivative financial liabilities as other financial liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, these financial liabilities are measured at amortized cost using the effective interest rate method. Other financial liabilities comprise accounts payable and accrued liabilities, loans payable and due to related parties.

Impairment of financial assets:

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the 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.

(b) Mineral properties and exploration costs

Costs incurred before the legal rights to undertake exploration and evaluation activities were acquired are expensed as incurred. The Company capitalizes all costs related to mineral properties on a property-by-property basis. Such costs include mineral property acquisition costs, exploration, evaluation and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed, the property is sold or the Company’s mineral rights are allowed to lapse.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such, options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as property costs or recoveries when the payments are made or received. At the development stage, as when the mineral reserves are proven or the permit to operate the mineral property are received and financing to complete the development has been obtained, the capitalized costs of mineral property interests will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Mineral properties and exploration costs (continued)

All capitalized mineral property acquisition expenditures are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

(c) Site rehabilitation obligations

Site rehabilitation obligations are recognized when a legal or constructive obligation arises. The liability is recognized at the present value of management's best estimate of the site rehabilitation obligation. The estimate is discounted to the present value using a discount rate specific to the obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. The liability is accreted to its present value at each reporting period, and the capitalized cost is amortized on the same basis as the related asset. Upon settlement of the liability, the Company may incur a gain or loss.

(d) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization of equipment is recorded on those items that have been put into service. Amortization is calculated on a declining-balance basis at the following annual rates:

Office furniture and equipment	20% to 50%
Vehicles	25%

Additions during the year are amortized on a pro-rated basis. Amortization on the equipment related to the mineral properties is capitalized under mineral properties.

Leasehold improvements are recorded at cost. Amortization is calculated using the straight-line method over the term of the lease.

(e) Basic and diluted loss per share

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Share-based payments

The Company has a stock option plan as disclosed in note 11. The Company uses a fair value based method of accounting for stock options to directors, employees and non-employees. The fair value is determined using the Black-Scholes option pricing model with assumptions for risk-free interest rate, volatility, expected forfeiture and life of the options or warrants. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Upon exercise of share purchase options, the applicable amounts from share-based reserve are transferred to capital stock.

(g) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, current and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

(h) Capital stock

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

Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(i) Cash and cash equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments that are readily convertible into known amounts of cash and that have an initial maturity of three months or less from the original date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign currency

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. Transactions in currencies other than the functional currency are translated into Canadian dollars on the following bases:

- monetary assets and liabilities at the rate of exchange in effect at the consolidated statement of financial position date;
- non-monetary assets and liabilities at the rates of exchange in effect on the respective dates of transactions; and
- revenue and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

(k) Accounting standards issued but not yet adopted

Certain new accounting standards and interpretations have been issued but are not applicable for the August 31, 2012 reporting period.

IFRS 9: *Financial Instruments*

The standard was issued in November 2009, and amended in October 2010, as the first step to replace IAS 39: *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies, the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 also amends some of the requirements of IFRS 7: *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income/loss and guidance on financial liabilities and de-recognition of financial instruments. The effective date for the Company of IFRS 9 is July 1, 2015, with early adoption permitted.

IFRS 10: *Consolidated Financial Statements*

The standard provides additional guidance to assist the determination of control and whether an entity should be included within the consolidated financial statements of the parent company. This new standard is applicable for periods beginning on July 1, 2013, with early adoption permitted.

IFRS 11: *Joint Arrangements*

The standard was issued in May 2011 to replace IAS 31: *Interests in Joint Ventures*. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties involved to reflect the joint arrangement, thereby requiring parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity. IFRS 11 is effective commencing July 1, 2013, with early adoption permitted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Accounting standards issued but not yet applied (continued)

IFRS 12: *Disclosure of Interests in Other Entities*

The standard was issued in May 2011 to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e., special purpose entities). IFRS 12 is effective commencing July 1, 2013, with early adoption permitted.

IFRS 13: *Fair Value Measurement*

The standard was issued in May 2011 as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 is effective commencing July 1, 2013, with early adoption permitted.

IAS 28: *Investments in associates and Joint Ventures*

The standard was amended in 2011 and 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 is effective commencing July 1, 2013, with early adoption permitted. If the Company applies this standard earlier, it must disclose that fact and apply IFRS 10, IFRS 11 and IFRS 12 at the same time.

The Company is currently assessing the impact of adopting the above future accounting standards changes on its consolidated financial statements.

4. CAPITAL MANAGEMENT

The Company's objectives in managing its capital are as follows:

- To safeguard its ability to continue as a going concern; and
- To have sufficient capital to be able to meet its strategic objectives including the continued exploration of its mineral projects and the identification of additional projects.

The Company considers capital to be all components of shareholders' equity of the Company. The Company manages its capital structure in accordance with its strategic objectives and changes in economic conditions.

The Company has no externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the year ended August 31, 2012.

5. FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents as held-for-trading; and accounts payable, loans payable and due to related parties as other financial liabilities. Instruments classified as held-for-trading are measured at fair value with realized gains and losses recognized in profit or loss.

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

(a) Fair value

The carrying values of cash and cash equivalents, restricted cash and accounts payable approximate their fair values due to the short-term nature of these financial instruments.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument fails to meet its financial obligations. The Company's exposure to credit risk is principally its cash and cash equivalents. The Company mitigates this risk by placing its cash and cash equivalents in major Canadian banks and subsidiaries of Canadian banks located in Guyana and Chile. The Company's exposure to credit risk is not considered significant.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At August 31, 2012, the Company had accounts payable totalling $1,256,405 (August 31, 2011 - $792,572; September 1, 2010 - $117,731), due within three months of year-end, amounts due to related parties of $78,613 (August 31, 2011 - $32,580; September 1, 2010 - $8,891), with no stated terms of repayment, loans payable of $320,000 repayable within the next three months (August 31, 2011 - $Nil; September 1, 2010 - $Nil), and loans payable of $350,000 repayable within the next six months (August 31, 2011 - $Nil; September 1, 2010 - $Nil).

(d) Market risk

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

(i) Interest rate risk

The Company's cash and cash equivalents consists of cash held in bank accounts and a guaranteed investment certificate ("GIC") that earns interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in interest rates will not have a significant impact on the fair value or future cash flows of the cash and cash equivalents of the Company.

5. FINANCIAL INSTRUMENTS (Continued)

(d) Market risk (continued)

(ii) Foreign currency risk

The Company is exposed to foreign currency fluctuations to the extent financial instruments are not denominated in Canadian dollars. The Company has operations in Chile, Brazil and Guyana. As at August 31, 2012, August 31, 2011 and September 1, 2010, the Company had monetary net assets and net liabilities in foreign currency (expressed in Canadian dollars) as follows:

	2012		2011		2010	
	Monetary Net Assets	Monetary Net Liabilities	Monetary Net Assets	Monetary Net Liabilities	Monetary Net Assets	Monetary Net Liabilities
Chilean pesos	$ -	$ -	$ 6,069	$ -	$ 19,104	$ -
Guyana dollars	166,158	677	275,058	244,532	-	-
Brazil real	-	-	-	-	-	-
US dollars	-	-	5,654	-	-	-
	$ 166,158	$ 677	$ 286,781	$ 244,532	$ 19,104	$ -

Based on the above net foreign currency exposure as at August 31, 2012, a 10% increase (decrease) in the value of the foreign currencies against the Canadian dollar would increase or decrease the Company's net loss and comprehensive loss by $16,548 for the year ended August 31, 2012 (2011 - $4,225). The Company has not entered into any foreign currency contracts to mitigate this risk.

(iii) Other price risk

The Company is not exposed to significant other price risk.

6. CASH AND CASH EQUIVALENTS

As at August 31, 2012, the Company's cash and cash equivalents balance consists of cash of $37,482 and a GIC of $Nil (August 31, 2011 - cash of $372,856 and GIC of $2,800,000; September 1, 2010 - cash of $142,639 and GIC of $1,100,000).

7. RESTRICTED CASH

As at August 31, 2012, the Company had a total of $3,450 (August 31, 2011 - $115,000; September 1, 2010 - $57,500) in GIC, which bears interest at prime minus 1.85%. The GIC is held as collateral for corporate credit cards with the Bank of Montreal. The Company's restricted cash balance also consists of $27,766 (August 31, 2011 - $Nil; September 1, 2010 - $Nil) in a security deposit received for its office space.

8. EQUIPMENT

	Office Furniture and Equipment	Vehicles	Leasehold Improvements	Total
Cost				
Balance, September 1, 2010	$ -	$ -	$ -	$ -
Additions	23,999	29,206	-	53,205
Balance, August 31, 2011	23,999	29,206	-	53,205
Additions	10,356	43,550	42,811	96,717
Disposals	-	(25,405)	-	(25,405)
Balance, August 31, 2012	$ 34,355	$ 47,351	$ 42,811	$ 124,517
Accumulated amortization				
Balance, September 1, 2010	$ -	$ -	$ -	$ -
Charge for the year	1,664	6,996	-	8,660
Balance, August 31, 2011	1,664	6,996	-	8,660
Charge for the year	4,061	16,409	3,518	23,988
Disposals	-	(9,792)	-	(9,792)
Balance, August 31, 2012	$ 5,725	$ 13,613	$ 3,518	$ 22,856
Carrying amounts				
September 1, 2010	$ -	$ -	$ -	$ -
August 31, 2011	$ 22,335	$ 22,210	$ -	$ 44,545
August 31, 2012	$ 28,630	$ 33,738	$ 39,293	$ 101,661

9. MINERAL PROPERTIES

	Seneca Canada	Combarbala Chile	Tucumã Brazil	Eagle Mountain Guyana	Mowasi Guyana	Total
Balance, August 31, 2010	$ 1	$ 1	$ 945,336	$ -	$ -	$ 945,338
Additions – acquisition costs						
Acquisition – cash	-	-	-	502,500	-	502,500
Option payments – shares	-	-	-	1,335,798	-	1,335,798
Other acquisition expenses	-	-	(4,427)	28,249	8,620	32,442
Total acquisition costs for year	-	-	(4,427)	1,866,547	8,620	1,870,740
Additions-deferred exploration costs						
Analytical	-	-	62,575	99,327	-	161,902
Amortization	-	-	-	8,660	-	8,660
Drilling	-	-	367,524	851,261	-	1,218,785
Equipment rental	-	-	-	255,884	-	255,884
Geological surveys, consulting and report	-	97,242	201,062	-	-	298,304
Professional fees	-	11,279	58,907	1,932	-	72,118
General expenses	-	58,073	49,880	101,564	-	209,517
Repairs and maintenance	-	-	-	51,026	-	51,026
Sampling and prospecting	-	-	102,025	324,014	-	426,039
Consulting	-	-	175,365	-	-	175,365
Travel and field expenses	-	25,465	97,930	277,443	-	400,838
Total expenditures for year	-	192,059	1,115,268	1,971,111	-	3,278,438
Impairment	-	(192,059)	-	-	-	(192,059)
Balance, August 31, 2011	1	1	2,056,177	3,837,658	8,620	5,902,457
Additions - acquisition costs						
Acquisition – cash	-	-	-	100,000	128,334	228,334
Option payments – shares	-	-	-	1,906,894	68,750	1,975,644
Other acquisition expenses	-	-	-	19,200	10,256	29,456
Impairment	(1)	(1)	-	-	-	(2)
Total acquisition costs for year	(1)	(1)	-	2,026,094	207,340	2,233,432
Additions-deferred exploration costs						
Analytical	-	-	35,461	123,137	-	158,598
Amortization	-	-		20,877	-	20,877
Drilling	-	-	53,876	625,158	-	679,034
Equipment rental	-	-	10,203	170,520	-	180,723
Geological consulting and report	-	-	94,205	-	-	94,205
Labour	-	-	-	540,594	-	540,594
Legal	-	25,675	-	-	-	25,675
Repairs and maintenance	-	-	-	50,561	-	50,561
Travel and field expenses	-	12,678	106,355	125,343	-	244,376
Others	-	5,445	102,764	338,949	-	447,158
Taxes	-	-	228,555	-	-	228,555
Total expenditures for year	-	43,798	631,419	1,995,139	-	2,670,356
Impairment	-	(43,798)	(2,620,503)	-	-	(2,664,301)
Balance, August 31, 2012	$ -	$ -	$ 67,093	$ 7,858,891	$ 215,960	$ 8,141,944

9. MINERAL PROPERTIES (Continued)

Eagle Mountain Property

Pursuant to a definitive Earn-In and Joint Venture Agreement with a subsidiary of IAMGOLD Corporation ("IAMGOLD") dated September 15, 2010, and subsequently amended in January 2012, the Company has been granted the right to acquire in stages up to 100% in the Eagle Mountain property, located in Guyana, South America, by paying an aggregate US$1,600,000, issuing an aggregate 2,300,000 common shares of the Company, and expending US$3,500,000 in exploration expenditures. Of the total cash payment, US$1,000,000 may be paid in common shares of the Company at the option of the Company. The Eagle Mountain property is owned by Omai Gold Mines Ltd. ("OGML"), a 95% owned subsidiary of IAMGOLD, with the Republic of Guyana holding the remaining 5%.

To acquire a 50% interest, the Company agreed to pay OGML $600,000 (paid), issue a 800,000 common shares (issued) of the Company and fund total exploration expenditures of US$3,500,000 (completed).

The Company may earn a further 50% (100% in aggregate) by paying an additional US$1,000,000 by April 30, 2013. Once the Company has satisfied the above requirements, the Company will either be issued, or have assigned, transferred or conveyed to it, such number of shares in the capital of OMGL as will constitute it the registered and beneficial owner of 95% of OMGL's entire issued capital stock, once such shares have been issued.

The terms of the Agreement as amended are summarized in the table below:

	Cash Payments US$	Common Shares	Expenditures US$
On signing the Agreement	$ 500,000 (paid)	400,000 (issued)	$ 400,000 (incurred)
Obligations completed prior to the amending agreement dated January 12, 2012	100,000 (paid)	400,000 (issued)	3,100,000 (incurred)
	600,000	800,000	3,500,000
Additional consideration to earn the first 50% interest	-	1,500,000 (issued)	-
	600,000	2,300,000	3,500,000
To earn remaining 45% interest (note 1) (net of 5% held by Republic of Guyana)	1,000,000 (by April 30, 2013)	-	-
Total	$ 1,600,000	2,300,000	$ 3,500,000

Note 1: The Company has the option to issue common shares in lieu of cash payment provided such issue of shares does not result in OGML controlling in excess of 19.99% of the Company.

In addition, upon the grant of a mining or exploration license by the Government of Guyana, the Company has agreed to pay an additional US$3,500,000 for which the Company may, at its sole option, elect to issue shares to OGML at a fair value of US$3,500,000. The number of common shares is determined by 95% of the Company's share prices during the 20 trading days before the date the Company notifies OGML of its intention to issue such shares, provided such shares does not result in OGML controlling in excess of 19.99% of the Company. After the commencement of commercial production of gold from the property, the Company has agreed to pay a further US$5,000,000 to OGML.

9. MINERAL PROPERTIES (Continued)

Eagle Mountain Property (continued)

Furthermore, by a separate agreement, the Company has agreed to pay a finder's fee of up to 300,000 common shares in stages over the term of the Agreement, as follows:

(1) 85,745 common shares in the first year of the Agreement (issued) (note 11(b));
(2) 41,277 common shares in the second year of the Agreement (issued) (note 11(b));
(3) 21,277 common shares in the third year of the Agreement; and
(4) 151,702 when the Government of Guyana grants a mining license for the property.

The Company pledged a US$100,000 reclamation site deposit to the Guyana Geology and Mines Commission for exploration permits on the Eagle Mountain property. The deposit is secured by a non-interest-bearing bond and is included in the consolidated statements of financial position.

Mowasi Mineral Interest

On October 7, 2011, the Company entered into a definitive option agreement with Mowasi Gold Corp. ("Mowasi") whereby the Company can earn a 95% interest in Mowasi's exclusive interest in prospecting and mining permits (the "Mowasi property") by paying an aggregate US$1,400,000, issuing 500,000 common shares and incurring US$1,000,000 exploration expenditures. The agreement is subject to regulatory approval. The concessions are adjacent to the Company's Eagle Mountain property in Guyana.

Under the terms of the agreement, the Company can earn a 49% undivided interest in the Mowasi property as follows:

- Pay Mowasi US$100,000 (paid);
- Issue to Mowasi 50,000 common shares of the Company (issued);
- Expend exploration expenditures of no less than US$1,000,000 in the first 18 months; and
- Pay Mowasi US$300,000 14 days after the above 18-month term has been completed.

The Company can earn a further 46% undivided interest in the Mowasi property within 90 days after making exploration expenditures as follows:

- Pay Mowasi US$1,000,000; and
- Issue to Mowasi 400,000 common shares of the Company.

Mowasi's remaining 5% interest in the Mowasi property will be carried until such time as the Company completes a feasibility study. The Company will be the operator of the Mowasi property.

Seneca Property

Pursuant to an agreement dated June 21, 2004, the Company was granted an option to acquire a 100% undivided interest in mineral claims situated in the New Westminster Mining Division, British Columbia. As consideration for the property, the Company paid $20,000. The claims are subject to a 2% net smelter return royalty ("NSR") of which 1% can be purchased by the Company for $250,000 at any time before the property is put into commercial production. During the years ended August 31, 2004 and 2005, the Company staked additional mineral claims at a cost of $38,958.

9. MINERAL PROPERTIES (Continued)

Seneca Property (continued)

Pursuant to an agreement dated July 22, 2005, the Company was granted an option to acquire a 100% undivided interest in additional mineral claims situated in the New Westminster Mining Division, British Columbia. As consideration, the Company paid $40,000 and incurred $20,000 of exploration expenditures. The claims are subject to a 2% NSR, which can be purchased by the Company for $1,250,000 at any time.

During the years ended August 31, 2009 and 2012, the Company wrote-down the carrying value of the Seneca property as it has no future exploration programs planned on this property.

Combarbala Property

Pursuant to an agreement dated July 14, 2006 and subsequently amended August 31, 2009, the Company entered into a Royalty Agreement with BHP Billiton whereby the Company acquired a 100% interest in 33 mineral claims located in Region IV of Chile by agreeing to pay BHP Billiton a 2% NSR.

During the year ended August 31, 2010, the Company wrote-down the carrying value of the Combarbala property to a net book value of $1 as it has no future exploration programs planned on the property. Costs incurred in the current period to maintain the property were written off. During the year ended August 31, 2012, the Company wrote-off all the costs incurred in this property.

Tucumã Property

On May 25, 2010, the Company agreed to acquire all of the issued and outstanding shares of Stronghold Brazil. As consideration, the Company issued 300,000 common shares and 150,000 non-transferable share purchase warrants to the former shareholders of the acquired company. Each warrant entitles the warrant holder to acquire an additional common share in the capital of the Company at a price of $3.75 for a period of two years from the date of issue. On commencement of commercial production for primary ore (excluding alluvial minerals) from the Tucumã property, the Company will pay a sum of US$3,000,000 and a 1% NSR to the former shareholders of the acquired company.

The aggregate purchase price of $941,753 consisted of 300,000 common shares valued at $540,000, 150,000 share purchase warrants valued at $124,725 and $41,590 of transaction costs. The value of the common shares issued was based on the market price of the Company's common shares on the share issuance date. The value of the share purchase warrants was estimated using the Black-Scholes option pricing model. The acquisition has been accounted for as a purchase of an asset, as Stronghold Brazil did not meet the definition of a business and the excess purchase price over the net asset acquired was allocated to mineral properties.

The Tucumã Project is a gold and copper/gold exploration project located in the city of Tucumã, state of Pará, Brazil. Five of the exploration licenses expire in April 2013 and one expire in April 2015.

The Company has recognized an impairment in the carrying value of the Tucumã property pursuant to its transaction with Kensington (note 10) and subsequent potential sale of its investment in the shares of Kensington.

9. MINERAL PROPERTIES (Continued)

Title to mineral property interests

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

Realization of assets

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties

10. TRANSACTION WITH KENSINGTON COURT VENTURES INC. ("KENSINGTON")

Effective April 30, 2012, the Company completed the sale of Stronghold Brazil to Kensington, a capital pool company listed on the TSX Venture Exchange (the "Exchange") in exchange for $25,000 cash, the issuance to the Company of 16,300,000 common shares of Kensington (the "shares"), plus the grant to the Company of a 2% NSR royalty on production from the Tucumã property (the "Transaction"). Kensington has the right to purchase the NSR from the Company for $1,500,000, which right is exercisable by Kensington at any time. The shares are considered as "value securities" in accordance with the policies of the Exchange and deposited in escrow with 10% of the shares released immediately and 15% releasable every six months for the balance of the 36-month escrow term.

As a result of the Transaction, the Company acquired a controlling interest of 58% of Kensington's issued and outstanding shares and consolidates the results of Kensington from April 30, 2012. The Company has recorded the Transaction using estimated fair values and accordingly has recognized an impairment of its interest in the Tucumã property in the amount of $2,620,503.

10. TRANSACTION WITH KENSINGTON COURT VENTURES INC. ("KENSINGTON") (Continued)

The fair value of Kensington's net assets at the date of acquisition were as follows:

Cash	$	571,665
Prepaid expenses		116,421
HST receivable		37,730
Accounts payable and accrued liabilities		(172,012)
Net assets	$	553,804

The carrying value of the non-controlling interest at August 31, 2012 is as follows:

Proportionate share of identifiable net assets of Kensington on acquisition	$	553,804
Share of post-acquisition loss for period		(737,659)
Share of Kensington share-based payment		75,829
Share of cumulative translation adjustment		6,665
Balance at August 31, 2012	$	(101,361)

11. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and fully paid

Effective July 26, 2012, the Company consolidated its common shares on a one-for-five basis. All figures as to the numbers of common shares, stock options, warrants as well as loss per share in these consolidated financial statements have been retroactively restated to reflect the consolidation.

During the year ended August 31, 2012:

In July 2012, the Company issued 280,000 common shares to debt holders at a fair value of $53,200 based on the market price of the shares on the date of issuance.

In October 2011 and March 2012, the Company issued 1,900,000 common shares at a fair value of $2,270,941 based on the market price of the shares on the date of issuance related to the amended agreements for the Eagle Mountain property. The Company also issued 127,022 common shares at the fair value of $120,670 as a finder's fee in connection with the Eagle Mountain property.

On October 21, 2011, the Company issued 50,000 common shares at the fair value of $68,750 pursuant to acquisition of the Mowasi property.

11. CAPITAL STOCK (Continued)

(b) Issued and fully paid (continued)

During the year ended August 31, 2011:

The Company completed a private placement of 1,440,000 units at price of $2.75 per unit for total proceeds of $3,960,000. Each unit consists of one common share and one-half of one transferable share purchase warrant. Each warrant entitles the holder to purchase an additional common share for a period of 18 months from the closing of the private placement at $3.75. The Company allocated $3,313,405 to common shares and $646,595 to warrant reserve based on the relative fair values of the common shares and warrants. The Company paid $291,982 cash to agents for finder's fees and also issued 107,730 warrants entitling an agent to acquire one common share of the Company for each warrant at a price of $2.75 until December 14, 2011. The agent warrants were valued at $126,769 using the Black-Scholes option pricing model and recorded as share issuance costs. The Company also incurred $17,192 in other cash issuance costs associated with this private placement.

On July 28, 2011, the Company completed a non-brokered private placement of 1,676,500 units at a price of $2.00 per unit for gross proceeds of $3,353,000. Each unit consists of one common share and one-half of one transferrable share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at $2.75 for a period of 24 months from the closing date of the private placement.

The Company allocated $2,771,692 to common shares and $581,308 to warrant reserve based on the relative fair value of the common shares and warrants. The Company paid finder's fees comprising $168,675 cash and 98,812 warrants entitling the holders thereof to acquire common shares of the Company at $2.00 per share for a term of twelve months from closing. The warrants were valued at $50,180 using the Black-Scholes option pricing model and recorded as share issuance costs. The Company also incurred $52,212 in other cash issuance costs associated with this private placement.

On December 29, 2010, the Company issued 400,000 common shares pursuant to the agreement for the acquisition of the Eagle Mountain property. The shares were valued at $1,100,000 based on the market price of the shares at the date of issuance.

(c) Stock options

The Company adopted a stock option plan (the "Plan") whereby the maximum number of options to acquire common shares of the Company that may be granted under the Plan will be 2,202,752. The term of those options to acquire common shares can be no longer than five years.

The Company has granted share purchase options to directors, officers, employees and consultants of the Company to purchase common shares of the Company. These options are granted with an exercise price equal to the market price of the Company's stock at the date of grant.

11. CAPITAL STOCK (Continued)

(c) Stock options (continued)

Summary of the stock options activity is as follows:

	Number of Options		Weighted Average Exercise Price
Balance, September 1, 2010	1,030,000	$	1.90
Granted	84,000	$	2.00
Exercised	(57,000)	$	1.45
Cancelled/expired	(15,000)	$	2.00
Balance, August 31, 2011	1,042,000	$	1.89
Granted	290,000	$	1.93
Cancelled/expired	(412,000)	$	1.95
Balance, August 31, 2012	920,000	$	1.87

Stock options outstanding at August 31, 2012 were as follows:

Expiry Date	Number of Options	Exercise Price	Exercisable
January 2, 2013	180,000	2.00	180,000
July 28, 2014	160,000	1.60	160,000
April 7, 2014	60,000	2.00	60,000
November 24, 2014	100,000	1.48	100,000
April 6, 2015	200,000	2.00	200,000
October 14, 2016	220,000	2.00	220,000
	920,000		920,000
Weighted average remaining contractual life	2.45 years		2.45 years

Stock options outstanding at August 31, 2011 were as follows:

Expiry Date	Number of Options		Exercise Price	Exercisable
April 30, 2012	180,000	$	2.00	180,000
July 30, 2012	20,000		2.00	20,000
January 2, 2013	180,000		2.00	180,000
July 28, 2014	160,000		1.60	160,000
April 7, 2014	84,000		2.00	36,000
November 24, 2014	100,000		1.48	100,000
April 6, 2015	318,000		2.00	318,000
	1,042,000			994,000
Weighted average remaining contractual life	2.55 years			2.48 years

During the year ended August 31, 2012, the Company recognized $450,468 (2011 - $104,728) of share-based compensation in the consolidated statements of comprehensive loss for stock options that were granted and/or vested to directors, officers and consultants of the Company.

11. CAPITAL STOCK (Continued)

(c) Stock options (continued)

The fair value of the stock options granted during the years ended August 31, 2012 and 2011 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2012	2011
Risk-free interest rate	1.57%	2.26%
Expected dividend yield	-	-
Expected stock price volatility	99%	110%
Expected life of options	4.28	4.43 years
Weighted average exercisable price of options granted	$ 1.95	$ 2.00

The total calculated fair value of share-based compensation for the years ended August 31, 2012 and 2011 would be allocated in the consolidated statements of comprehensive loss as follows:

	2012	2011
Investor relations	$ 13,509	$ 69,936
Management and administration	436,959	34,792
	$ 450,468	$ 104,728

(d) Warrants

Summary of the warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 31, 2010	572,680	$ 3.00
Granted	1,764,792	$ 3.15
Exercised	(4,200)	$ 2.25
Balance, August 31, 2011	2,333,272	$ 3.10
Expired	(1,495,022)	$ 3.34
Balance, August 31, 2012	838,250	$ 2.75

The fair value of the warrants issued during the years ended August 31, 2012 and 2011 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2012	2011
Risk-free interest rate	N/A	1.54%
Expected dividend yield	N/A	-
Expected stock price volatility	N/A	91%
Expected life of warrants	N/A	1.68 years

11. CAPITAL STOCK (Continued)

(d) Warrants (continued)

Warrants outstanding at August 31, 2012 were as follows:

Expiry Date	Number of Warrants	Exercise Price
July 28, 2013	838,250	$ 2.75

12. RELATED PARTY TRANSACTIONS

During the years ended August 31, 2012 and 2011, the Company incurred the following related party transactions:

(a) Key management personnel compensation

	2012	2011
Short-term employee benefits	$ 421,796	$ 279,987
Share-based compensation	267,433	-
	$ 689,229	$ 279,987

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the years ended August 31, 2012 and 2011.

(b) During the year ended August 31, 2012, $14,000 was paid for administration expenses and $7,000 was paid for accounting expenses to a related company. At August 31, 2012, $nil was payable to this company (August 31, 2011 - $nil; September 1, 2010 - $8,891).

(c) As of August 31, 2012, $44,956 (August 31, 2011 - $4,211; September 1, 2010 - $nil) was due to a company controlled by an officer.

(d) As of August 31, 2012, $65,500 (August 31, 2011 - $300; September 1, 2010 - $nil) was due to directors and companies controlled by directors, and $nil was due from a director for common shares subscribed (August 31, 2011 - $9,900; September 1, 2010 - $nil).

The amounts due to and from related parties are non-interest-bearing, unsecured and are without fixed terms of repayment.

13. LOANS PAYABLE

During the year ended August 31, 2012, the Company obtained unsecured loans totaling $920,000. Of the total loans, $500,000 bear interest of 1% per month during the six months from the date the loans were advanced (“initial term”) and 2% per month commencing on the expiry of the initial term, and expiring 3 months (“renewal term”) thereafter. As additional compensation, the Company issued 280,000 common shares to certain of the lenders. The balance of the loans totaling $420,000 bear interest of 1% per month.

13. LOANS PAYABLE (Continued)

As at August 31, 2012, $220,000 of the loans are due in full, $100,000 matures on September 1, 2012, $250,000 matures on January 13, 2012 and the balance of $100,000 matures on February 13, 2013. Subsequent to August 31, 2012, the Company repaid the loan balances and accrued interest in full.

14. COMMITMENTS

Rental property

On July 1, 2011, the Company entered into two lease agreements with future minimum lease payments relating to office premises due in each fiscal year as follows:

2013	$ 147,420
2014	178,500
2015	184,716
2016	153,930
	$ 664,566

As a condition of the office premises lease agreements, the Company placed a deposit of $118,062 as of August 31, 2012 to be applied against future rents.

15. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates of 25.50% (2011 - 27.17%) with the reported taxes is as follows for the years ended August 31:

	2012	2011
Loss before tax	$ 5,436,709	$ 1,649,038
Statutory income tax rate	25.50%	27.17%
Expected income tax recovery	$ (1,386,000)	$ (448,000)
Change due to foreign tax rates	(30)	(8,100)
Permanent differences	119,900	369,300
Change in timing differences	476,300	(8,700)
Change in income tax rates	15,630	-
Impact on foreign exchange on tax assets and liabilities	900	
Unused tax losses and tax offsets not recognized in tax asset	773,300	95,500
Income tax recovery	$ -	$ -

Deferred income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The applicable tax rate to be expected is 25% (2011 - 25%) for Canada, 30% (2011 - 35%) for Guyana, and 25% (2011 - 25%) for Brazil.

15. INCOME TAXES (Continued)

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2012	2011
Non-capital loss carry-forwards	$ 6,492,000	$ 3,238,000
Mineral property interests	436,000	432,400
Share issue costs	571,000	632,700
Equipment	23,600	10,000
Unrecognized deferred tax assets	$ 7,522,600	$ 4,313,100

The Company has available non-capital losses that may be carried forward to apply against future years' income for Canadian income tax purposes in certain jurisdictions. These losses expire as follows:

Available to	Total
2015	$ 82,000
2026	271,000
2027	335,000
2028	338,000
2029	412,000
2030	570,000
2031	1,230,000
2032	3,254,000
	$ 6,492,000

16. SEGMENTED DISCLOSURE

The Company operates in one industry segment, the mineral resources industry, and in four geographical segments, Canada, Chile, Brazil and Guyana. All current exploration activities are conducted in the affected jurisdictions outside of Canada. The significant asset categories identifiable with these geographical areas are as follows:

August 31, 2012	Canada	Chile	Brazil	Guyana	Total
Mineral properties	$ -	$ -	$ 67,093	$ 8,074,851	$ 8,141,944
Other assets	109,207	-	-	96,617	205,824
Total assets	$ 109,207	$ -	$ 67,093	$ 8,171,468	$ 8,347,768

August 31, 2011	Canada	Chile	Brazil	Guyana	Total
Mineral properties	$ 1	$ 1	$ 2,056,177	$ 3,846,278	$ 5,902,457
Other assets	126,768	-	14,778	158,538	300,084
Total assets	$ 126,769	$ 1	$ 2,070,955	$ 4,004,816	$ 6,202,541

September 1, 2010	Canada	Chile	Brazil	Guyana	Total
Mineral properties	$ 1	$ 1	$ 945,336	$ -	$ 945,338

17. LEGAL SETTLEMENT

A local Brazilian individual initiated an action against the Company under labour laws in Brazil. The Company's management, in consultation with legal counsel attending the matter, has settled this matter during the year resulting in an expense of $18,180.

18. TRANSITION TO IFRS

As stated in note 2, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS. The accounting policies in note 3 have been consistently applied in preparing the consolidated financial statements for the year ended August 31, 2012, the comparative information for the year ended August 31, 2011 and the statement of financial position as at September 1, 2010 (the "Transition Date"). The Company has adjusted amounts reported previously in consolidated financial statements prepared in accordance with Canadian GAAP.

IFRS 1 provides for certain mandatory exceptions and optional transition exemptions for first-time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

(a) Business combinations – Under IFRS 1, an entity has the option to retroactively apply IFRS 3: *Business Combinations* to all business combinations or may elect to apply the standard prospectively only to those business combinations that occur after the Transition date. The Company has elected not to apply IFRS 3 to business combinations prior to the Transition date.

18. TRANSITION TO IFRS (Continued)

(b) Share-based compensation – IFRS 1 does not require first-time adopters to apply IFRS 2: *Share-based Payment* to equity instruments that were granted on or before November 7, 2002 or equity instruments granted after November 7, 2002, but were vested before the Transition date. Under IFRS 2, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the estimated lives of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. The Company has elected not to apply IFRS 2 to awards that vested prior to September 1, 2010.

The Company has applied the following IFRS 1 mandatory exemption:

- Estimates – Under IFRS 1, an entity's estimates under IFRS at the Transition date must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of September 1, 2010 are consistent with its previous GAAP estimates for the same date.

Reconciliation of Assets, Liabilities and Equity

The table below provides a summary of the adjustments to the Company's statements of financial position at August 31, 2011 and September 1, 2010:

		August 31, 2011		September 1, 2010
Total assets Canadian GAAP	$	9,867,472	$	2,510,965
Adjustment required on adopton of IFRS				
Mineral properties		(235,438)		(235,438)
Total assets under IFRS	$	9,632,034	$	2,275,527
Total liabilities under Canadian GAAP	$	1,060,590	$	362,060
Adjustment required on adopton of IFRS				
Reversal of deferred income tax liabilities		(235,438)		(235,438)
Total liabilities under IFRS		825,152		126,622
Total equity under Canadian GAAP		8,806,882		2,148,905
Adjustment required on adopton of IFRS		-		-
Total equity under IFRS		8,806,882		2,148,905
Total liabilities and equity under IFRS	$	9,632,034	$	2,275,527

		August 31, 2011		September 1, 2010
Mineral properties as previously reported under Canadian GAAP	$	6,137,895	$	1,180,776
Adjustment to reverse deferred income tax liability		(235,438)		(235,438)
Mineral properties as restated under IFRS	$	5,902,457	$	945,338
Deferred Income Tax Liability as previously reported under Canadian GAAP	$	235,438	$	235,438
Adjustment to reverse future income tax liability		(235,438)		(235,438)
Deferred Income Tax Liability as restated under IFRS	$	-	$	-

18. TRANSITION TO IFRS (Continued)

The following represents the reconciliation of comprehensive loss from Canadian GAAP to IFRS for the year ended August 31, 2011.

Reconciliation of Comprehensive Loss		Year Ended August 31, 2011
Comprehensive loss per Canadian GAAP	$	(1,649,038)
Effect of transition to IFRS		-
Comprehensive loss per IFRS	$	(1,649,038)

Note to Reconciliation

- Deferred income taxes

  Under Canadian GAAP, the Company records the impact of deferred income taxes on taxable temporary differences related to business combinations and similar transactions that do not meet the definition of a business combination. Under IFRS, a deferred income tax asset or liability is not recognized on taxable temporary differences to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that does not meet the definition of a business combination that at the time of the transaction would affect neither accounting income nor taxable income (tax loss). Accordingly, the carrying value of the deferred income tax liability of $235,438 recognized relating to the acquisition of the Tucumã property has been reversed with a corresponding decrease in the acquisition cost of the mineral property.

19. SUPPLEMENTAL CASH FLOW INFORMATION

		2012		2011
Supplementary information				
Interest paid	$	20,103	$	861
Non-cash financing and investing activities				
Subscription receivable	$	-	$	9,900
Shares and warrants issued for mineral properties	$	2,207,941	$	1,100,000
Capitalized amoritization of equipment	$	20,887	$	-
Mineral properties expenditures included in accounts payable	$	47,119	$	391,766
Commitment for share issuance	$	-	$	235,798

20. SUBSEQUENT EVENTS

(a) On September 10, 2012, the Company completed the first tranche of financing for total gross proceeds of $322,750 by the issuance of 2,390,740 units at a price of $0.135 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.18 until September 10, 2017. The Company paid a finder's fee of $25,820 to Weiser Capital Limited.

20. SUBSEQUENT EVENTS (Continued)

(b) On September 21, 2012, the Company entered into an agreement with Primoris Group Inc. ("Primoris Group") to provide media relations and investor relations services to the Company for a one-year period. Under the terms of the agreement, Primoris Group will execute a comprehensive communications program to support the Company's growth strategy, for which it will be paid a fee of $8,000 per month. Primoris Group has also been granted options to purchase 300,000 common shares exercisable for a period of five years, which vest in one year.

The agreement between the Company and Primoris Group is renewable and can be terminated after three months by either party with 30 days' written notice. The agreement is subject to regulatory approval.

(c) On October 15, 2012, the Company completed the second and final tranche financing in the amount of $1,702,250 by the issuance of 12,609,260 units at a price of $0.135 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.18 until October 15, 2017. The Company paid a finder's fee of $136,180 to Weiser Capital Limited.

(d) On November 27, 2012, the Company closed a non-brokered private placement for total gross proceeds of $541,500 by the issuance of 3,800,000 units at a price of $0.1425 per unit. Each unit consists of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.19 for a period of five years. No finder's fees were paid.