

**EAGLE MOUNTAIN GOLD CORP.**  
**Consolidated Financial Statements**  
**For the Years Ended August 31, 2013 and 2012**  
**(Expressed in Canadian dollars)**

**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF EAGLE MOUNTAIN GOLD CORP.**

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, 2013 and 2012, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our 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, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates the existence of material uncertainties 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 30, 2013

**EAGLE MOUNTAIN GOLD CORP.**  
**Consolidated Statements of Financial Position**  
(Expressed in Canadian dollars)

As at August 31	2013	2012
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 150,733	\$ 37,482
Restricted cash (note 6)	-	31,216
Marketable securities (note 9)	75,000	-
Amounts receivable	39,692	207,330
Prepaid expenses	18,715	212,524
	<b>284,140</b>	488,552
Deposits	211,210	104,163
Equipment (note 7)	82,931	101,661
Mineral properties (note 8)	9,663,831	8,141,944
	<b>\$ 10,242,112</b>	<b>\$ 8,836,320</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 515,448	\$ 1,256,405
Due to related parties (note 11)	-	78,613
Loans payable (note 12)	-	708,544
	<b>515,448</b>	2,043,562
Lease inducement	-	29,700
	<b>515,448</b>	2,073,262
<b>Shareholders' Equity</b>		
Capital stock (note 10)	18,048,431	15,226,711
Reserves	9,617,484	8,581,556
Cumulative translation adjustment	-	9,238
Deficit	(17,939,251)	(16,959,750)
Equity attributable to the owners of the Company	<b>9,726,664</b>	6,857,755
Non-controlling interest	-	(94,697)
	<b>9,726,664</b>	6,763,058
	<b>\$ 10,242,112</b>	<b>\$ 8,836,320</b>

Approved on behalf of the Board:

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

"Yannis Tsitos"  
..... Director  
Yannis Tsitos

**EAGLE MOUNTAIN GOLD CORP.**  
**Consolidated Statements of Comprehensive Loss**  
Years Ended August 31  
(Expressed in Canadian dollars)

	2013	2012
<b>Expenses</b>		
Travel and promotion	\$ 70,437	\$ 443,249
Investor relations	231,935	223,722
Office and miscellaneous	226,570	494,634
Salaries, benefits and director fees	207,953	453,614
Professional fees	324,777	282,878
Share-based payments	53,607	450,468
Management and consulting fees (note 11)	95,604	192,566
Stock exchange, filing fees and transfer agent fees	5,493	13,125
Interest expense	26,422	178,298
Interest income	(7,746)	(5,995)
	<b>1,235,052</b>	2,726,559
Impairment of mineral properties (note 8)	629,168	2,664,303
Gain on disposal of subsidiary (note 9)	(992,619)	(3,387)
Foreign exchange loss	146,363	49,234
Impairment of promissory note receivable (note 9)	157,652	-
Loss on termination of lease (note 13)	189,050	-
Fair value gain on marketable securities	(71,247)	-
<b>Net loss for the year</b>	<b>1,293,419</b>	5,436,709
Cumulative translation adjustment	-	(15,903)
<b>Comprehensive loss for the year</b>	<b>\$ 1,293,419</b>	\$ 5,420,806
<b>Net loss attributed to:</b>		
Owners of the Company	\$ 979,501	\$ 4,705,714
Non-controlling interest (notes 9 and 10)	313,918	730,995
	<b>\$ 1,293,419</b>	\$ 5,436,709
<b>Comprehensive loss attributed to:</b>		
Owners of the Company	\$ 979,501	\$ 4,699,049
Non-controlling interest (notes 9 and 10)	313,918	721,757
	<b>\$ 1,293,419</b>	\$ 5,420,806
Basic and diluted loss per share	\$ 0.04	\$ 0.39
Weighted average number of common shares outstanding	<b>34,190,553</b>	13,790,583

**EAGLE MOUNTAIN GOLD CORP.**  
**Consolidated Statements of Changes in Equity**  
(Expressed in Canadian dollars)

	Number of Common Shares	Capital Stock	Subscriptions Receivable	Commitment to Issue Shares	Share-Based Reserve	Warrant Reserve	Other Reserve	Deficit	Cumulative Translation Adjustment	Non- Controlling Interest	Shareholders' Equity
<b>Balance, August 31, 2011</b>	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	-	-	-	-	-	-	-	(4,705,714)	-	(730,995)	(5,436,709)
<b>Balance, August 31, 2012</b>	15,047,280	15,226,711	-	-	6,322,158	1,921,931	337,467	(16,959,750)	9,238	(94,697)	6,763,058
Private placements	30,282,666	1,790,855	-	-	-	1,464,605	-	-	-	-	3,255,460
Share issuance costs	846,613	(208,359)	-	-	-	21,312	-	-	-	-	(187,047)
Shares issued for property	3,236,246	1,000,000	-	-	-	-	-	-	-	-	1,000,000
Share-based payments	-	-	-	-	53,607	-	-	-	-	-	53,607
Equity instruments exercised	990,000	178,200	-	-	-	-	-	-	-	-	178,200
Reclassification of fair value of equity instruments	-	61,024	-	-	-	(61,024)	-	-	-	-	-
Net loss for the year	-	-	-	-	-	-	-	(979,501)	-	(313,918)	(1,293,419)
Elimination of reserve and non-controlling interest on derecognition (note 9)	-	-	-	-	(105,105)	-	(337,467)	-	(9,238)	408,615	(43,195)
<b>Balance, August 31, 2013</b>	<b>50,402,805</b>	<b>\$18,048,431</b>	<b>\$-</b>	<b>\$-</b>	<b>\$6,270,660</b>	<b>\$3,346,824</b>	<b>\$-</b>	<b>\$(17,939,251)</b>	<b>\$-</b>	<b>\$-</b>	<b>\$9,726,664</b>

See notes to consolidated financial statements.

**EAGLE MOUNTAIN GOLD CORP.**  
**Consolidated Statements of Cash Flows**  
Years Ended August 31  
(Expressed in Canadian dollars)

	2013	2012
<b>Operating activities</b>		
Net loss	\$ (1,293,419)	\$ (5,436,709)
Items not involving cash		
Impairment of mineral properties	629,167	2,664,303
Amortization (note 7)	1,434	4,251
Finance costs	-	53,200
Gain on disposal of subsidiary	(992,619)	(3,387)
Fair value gain on marketable securities	(71,247)	-
Loss on termination of lease	189,050	-
Other reserve	-	337,467
Interest expense	5,659	38,544
Impairment on promissory note receivable	157,652	-
Share-based payments	53,607	450,468
	<b>(1,320,716)</b>	<b>(1,891,863)</b>
Changes in non-cash operating working capital		
Amounts receivable	115,977	(96,396)
Prepaid expenses	170,540	(38,870)
Due from related party (note 11)	-	11,200
Deposits	(182,995)	127,982
Accounts payable and accrued liabilities	(377,324)	636,468
Due to related parties (note 11)	213,018	46,033
<b>Cash used in operating activities</b>	<b>(1,381,500)</b>	<b>(1,205,446)</b>
<b>Investing activities</b>		
Cash acquired on acquisition of Kensington	-	571,665
Purchase of equipment	(47,400)	(97,867)
Proceeds from the sale of equipment	-	19,000
Rental lease inducement	-	29,700
Funds spent on exploration of mineral properties	(1,046,838)	(3,196,007)
Sale of interest in Kensington Ventures	6,955	-
<b>Cash used in investing activities</b>	<b>(1,087,283)</b>	<b>(2,673,509)</b>
<b>Financing activities</b>		
Proceeds from the issuance of shares	3,298,285	-
Share Issuance Costs	(24,492)	-
Proceeds from the issuance of loans	-	920,000
Repayment of loans	(708,544)	(270,103)
Subscription receivable	-	9,900
Security deposit received	-	27,766
Term deposit	24,435	56,018
<b>Cash provided by financing activities</b>	<b>2,589,684</b>	<b>743,581</b>
Foreign exchange effect on cash	(7,650)	-
Net changes in cash	113,251	(3,135,374)
Cash and cash equivalents, beginning of year	37,482	3,172,856
Cash and cash equivalents, end of year	\$ 150,733	\$ 37,482

**Supplemental cash flow information (note 16)**

**EAGLE MOUNTAIN GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended August 31, 2013 and 2012**  
**(Expressed in Canadian dollars)**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Eagle Mountain Gold Corp. (the “Company” or “Eagle Mountain”) 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 registered office is located at 1220 – 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

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 \$1,293,419 for the year ended August 31, 2013 (2012 - \$5,436,709). The Company has an accumulated deficit of \$17,939,251 as of August 31, 2013 (2012 - \$16,959,750) and a working capital deficit of \$231,308 (2012 - \$1,555,010).

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 (notes 8 and 9). If the Company is unable to obtain additional financing, the Company will be unable to continue. These factors raise significant doubt about the Company’s ability to continue as a going concern.

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 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on December 30, 2013.

(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 consolidated financial statements have been prepared using the accrual method of accounting, except for cash flow information.

(c) Principles of consolidation and deconsolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Acarat (Chile) S.A., Stronghold Guyana Inc. and Eagle Mountain Gold Inc.; and the accounts of its controlled subsidiaries Kensington Court Ventures Inc. (“Kensington”) and Stronghold Brasil Mineracao Ltda (formerly Mineracao Vale Do Sonho Ltda) (“Stronghold Brazil”) up to April 19, 2013 (note 9). All intercompany transactions and balances have been eliminated on consolidation.

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**2. BASIS OF PRESENTATION (Continued)**

(c) Principles of consolidation and deconsolidation (continued)

Non-controlling interests in the net assets of consolidated partially-owned Kensington are identified separately from the Company's equity. 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.

When the Company ceases to control its subsidiary, assets, liabilities and non-controlling interests of the subsidiary are derecognized at their carrying amounts at the date when control is lost. Investment retained in the former subsidiary is recognized at its fair value and any gain or loss resulting from the deconsolidation is recorded in the consolidated statements of comprehensive loss.

(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. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

The key areas of judgment applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

(i) The determination of the Company's functional currency

The functional currency of the Company and its subsidiaries is the currency of the primary economic environment, and the Company reconsiders the functional currency if there is a change in events and conditions, which determined the primary economic environment.

(ii) The carrying value of the mineral properties and recoverability of the carrying value

Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral properties.

The key estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

(i) The provision for income taxes and recognition of deferred income tax assets and liabilities.

(ii) The inputs used in accounting for the fair value of share-based payment transactions.

(iii) The inputs in determining the bifurcation of unit offerings into the different equity components.

**EAGLE MOUNTAIN GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
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**(Expressed in Canadian dollars)**

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**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 and marketable securities are 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.

*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, 2013 and 2012 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(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.

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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(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.

(f) Share-based payments

The Company has a stock option plan as disclosed in note 10. 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 is 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.

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**Notes to Consolidated Financial Statements**  
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**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(i) 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.

(j) Accounting standards issued but not yet adopted

Certain new accounting standards and interpretations have been issued, but are not applicable for the August 31, 2013 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 September 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. The effective date for the Company of IFRS 10 is September 1, 2013.

*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. The effective date for the Company of IFRS 11 is September 1, 2013.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (j) Accounting standards issued but not yet adopted (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). The effective date for the Company of IFRS 12 is September 1, 2013.

*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. The effective date for the Company of IFRS 13 is September 1, 2013.

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, 2013.

**5. FINANCIAL INSTRUMENTS**

The Company classifies its cash and cash equivalents, restricted cash and marketable securities as held-for-trading; due from related parties and other receivables, as loans and receivables; 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.

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**5. FINANCIAL INSTRUMENTS (Continued)**

(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, 2013, the Company had accounts payable totalling \$515,448 (2012 - \$1,256,405), due within three months of year-end, amounts due to related parties of \$nil (2012 - \$78,613), with no stated terms of repayment, loans payable of \$nil (2012 - \$770,000) repayable within the next six months.

(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 of the Company. The interest rate on the loan payable balance of \$nil (2012 - \$708,544) is fixed and therefore, the Company is not exposed to interest rate risk on the financial instrument.

(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 or had operations in Chile, Brazil and Guyana. As at August 31, 2013 and 2012, the Company had monetary net assets and net liabilities in foreign currency (expressed in Canadian dollars) as follows:

	2013		2012	
	Monetary Net Assets	Monetary Net Liabilities	Monetary Net Assets	Monetary Net Liabilities
Guyana dollars	259,666	209,685	166,158	677
US dollars	102,599	-	-	-
	362,265	209,685	166,158	677

Based on the above net foreign currency exposure as at August 31, 2013, 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 \$634 for the year ended August 31, 2013 (2012 - \$16,548). The Company has not entered into any foreign currency contracts to mitigate this risk.

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**5. FINANCIAL INSTRUMENTS (Continued)**

(d) Market risk (continued)

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its investment in securities. The Company's sensitivity analysis suggests that a 86% change in market prices would change net loss by \$64,500.

**6. RESTRICTED CASH**

As at August 31, 2012, the Company had \$3,450 in a GIC, which bore interest at prime minus 1.85%. The GIC was held as collateral for corporate credit cards with the Bank of Montreal. The Company's restricted cash balance also included \$27,766 in a security deposit for its office space (note 13).

**7. EQUIPMENT**

	Office Furniture and Equipment		Vehicles	Leasehold Improvements		Total		
<b>Cost</b>								
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
Additions		199		45,330		1,871		47,400
Impairment for the year		(5,086)		-		(44,682)		(49,768)
Balance, August 31, 2013	\$	29,468	\$	92,681	\$	-	\$	122,149
<b>Accumulated amortization</b>								
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
Charge for the year		5,800		15,664		8,323		29,787
Impairment for the year		(1,584)		-		(11,841)		(13,425)
Balance, August 31, 2013	\$	9,941	\$	29,277	\$	-	\$	39,218
<b>Carrying amounts</b>								
August 31, 2012	\$	28,630	\$	33,738	\$	39,293	\$	101,661
August 31, 2013	\$	19,527	\$	63,404	\$	-	\$	82,931

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**8. MINERAL PROPERTIES**

	Combarbala Chile	Tucumã Brazil	Eagle Mountain Guyana	Mowasi Guyana	Total
Balance, August 31, 2011	\$ 1	\$ 2,056,177	\$ 3,837,658	\$ 8,620	\$ 5,902,456
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)
Total acquisition costs for year	(1)	-	2,026,094	207,340	2,233,433
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
Other	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
Additions – acquisition costs					
Option payments – shares	-	-	1,000,000	-	1,000,000
Total acquisition costs for year	-	-	1,000,000	-	1,000,000
Additions – deferred exploration costs					
Analytical	-	31,110	3,754	-	34,864
Amortization	-	-	20,613	-	20,613
Drilling	-	268,628	715,473	-	984,101
Environmental consultants	-	-	53,549	-	53,549
Professional fees	-	46,376	3,366	-	49,742
Repairs and maintenance	-	-	8,185	-	8,185
Total expenditures for year	-	346,114	804,940	-	1,151,054
Impairment	-	(413,207)	-	(215,960)	(629,167)
Balance, August 31, 2013	\$ -	\$ -	\$ 9,663,831	\$ -	\$ 9,663,831

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**8. MINERAL PROPERTIES (Continued)**

**Eagle Mountain Property**

Pursuant to a definitive Earn-In and Joint Venture Agreement with a subsidiary of IAMGOLD Corporation, Omai Gold Mines Ltd. ("OGML") 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 Eagle Mountain Gold Inc. ("EMGI"), a subsidiary of OGML.

To acquire a 50% interest, the Company agreed to pay OGML \$600,000 (paid), issue 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 OGML as will constitute it the registered and beneficial owner of 100% of EMGI's entire issued capital stock, once such shares have been issued. As at August 31, 2013, the Company owns 100% of the issued capital stock of EMGI.

The terms of the Agreement as amended are summarized 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) (net of 5% held by Republic of Guyana)	1,000,000	-	-
Shares issued in lieu of cash payment	(1,000,000)	3,236,246 (issued)	-
<b>Total</b>	<b>\$ 600,000</b>	<b>5,536,246</b>	<b>\$ 3,500,000</b>

Note: 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.

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**8. MINERAL PROPERTIES (Continued)**

**Eagle Mountain Property (continued)**

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.

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:

- 85,745 common shares in the first year of the Agreement (issued) (note 10(b));
- 41,277 common shares in the second year of the Agreement (issued) (note 10(b));
- 21,277 common shares in the third year of the Agreement; and
- 151,702 when the government of Guyana grants a mining license for the property.

The Company pledged a US\$194,000 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 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.

The Company has not expended US\$1,000,000 or paid US\$300,000 to Mowasi by June 7, 2013, as required in accordance with the agreement dated October 7, 2011. As at August 31, 2013, management has determined the carrying value of the Mowasi property to not be fully recoverable, and as such has written down the balance.

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**8. MINERAL PROPERTIES (Continued)**

**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 a certain number of mineral claims located in Region IV of Chile by agreeing to pay BHP Billiton a 2% net smelter return royalty ("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 had no future exploration programs planned on the property, and 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 expired in April 2013 and one expires in April 2015.

The Company has recognized an impairment in the amount of \$413,207 in the carrying value of the Tucumã property prior to the sale of its investment in the shares of Kensington.

On April 19, 2013, the Company sold its controlling interest in the common shares of Kensington. As a result, the Company has effectively deconsolidated the results of Kensington and the Tucumã property (note 9).

**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.

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**8. MINERAL PROPERTIES (Continued)**

**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

**9. TRANSACTIONS WITH 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 consolidated the results of Kensington from April 30, 2012. The Company recorded the Transaction using estimated fair values, and accordingly recognized an impairment of its interest in the Tucumã property in the amount of \$2,620,503.

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**9. TRANSACTIONS WITH 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)
<b>Net assets</b>	<b>\$</b>	<b>553,804</b>

The carrying value of the non-controlling interest at August 31, 2012 was 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
<b>Balance, August 31, 2012</b>	<b>\$</b>	<b>(101,361)</b>

Pursuant to an agreement dated October 2, 2012, and subsequently amended on December 12, 2012, the Company agreed to sell 14,670,000 common shares of Kensington to Lake Forest Development Corp. ("Lake Forest"), a private company controlled by a director, in consideration for \$200,000 of which \$50,000 is payable in cash and \$150,000 in the form of assignment of three promissory notes payable by Lake Forest to Kensington (the "Assigned Loan"). These notes are unsecured and bear an interest rate of 1% per month compounded monthly with due dates ranging from December 17, 2013 to January 18, 2014.

In addition, Kensington agrees that in the event it sells, joint ventures or farms out its Tucumã property, then it shall pay out the Assigned Loan from any proceeds of disposition in preference to and priority over and exclusion of any other debt. As at August 31, 2013, management has determined the carrying value of the Assigned Loans to not be fully recoverable, and as such, has impaired the promissory notes receivable. Further, the parties have also agreed that in the event the proceeds of disposition are in excess of the sum of \$250,000 in cash, shares or other consideration (the "Additional Consideration"), the Company shall be entitled to share 50% of such Additional Consideration, provided however that in the event Lake Forest spends funds on exploration and development of the Property, then any such funds shall be deducted from the Additional Consideration and repaid to the Company prior to the joint payout of the Additional Consideration.

The sale of Kensington shares was completed in April 2013. As of August 31, 2013, the Company continues to hold 1,500,000 common shares of Kensington (cost \$3,753 and fair valued at \$75,000).

Management has determined that the Company does not retain any control or significant influence over Kensington, and therefore has deconsolidated the assets, liabilities and non-controlling interest of Kensington and treats the remaining investment of the Kensington shares as a held-for-trading financial asset.

As a result, the Company recorded a gain on disposal of subsidiary of \$992,619 in its statements of comprehensive loss. And an increase in investing activities of \$6,955 in its statements of cash flows.

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**10. CAPITAL STOCK**

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and fully paid

During the year ended August 31, 2013:

In August 2013, the Company closed a private placement for total gross proceeds of \$688,960 by the issuance of 11,482,666 units at a price of \$0.06 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 \$0.10 until August 14, 2015. The proceeds of the private placement have been bifurcated using the relative fair value method resulting in \$399,898 recorded as share capital and \$289,062 recorded as warrant reserve. The fair value of each warrant issued in the private placement has been estimated as of the date of the issuance using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.20%, dividend yield of 0%, volatility of 152.62% and expected life of two years.

The Company incurred a finder's fee of 846,613 units, fair valued at \$50,797. Each unit consists of one share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.10 until August 14, 2015. The fair value of the finders units was bifurcated through the Black-Scholes option pricing model, using the same assumptions as the warrants issued in the private placement.

In April 2013, 490,000 warrants were exercised for total proceeds of \$88,200.

In March 2013, 500,000 warrants were exercised for total proceeds of \$90,000.

In February 2013, the Company issued 3,236,246 common shares at a fair value of \$1,000,000 pursuant to the amended agreements for the Eagle Mountain property (note 8).

In November 2012, the Company closed a 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 share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.19 until November 27, 2017. The proceeds of the private placement have been bifurcated using the relative fair value method resulting in \$292,148 recorded as share capital and \$249,352 recorded as warrant reserve. The fair value of each warrant issued in the private placement has been estimated as of the date of the issuance using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.32%, dividend yield of 0%, volatility of 123.04% and expected life of five years.

In October 2012, the Company closed the second tranche of a private placement for gross proceeds 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 proceeds of the private placement have been bifurcated using the relative fair value method resulting in \$925,012 recorded as share capital and \$777,238 recorded as warrant reserve. The fair value of each warrant issued in the private placement has been estimated as of the date of the issuance using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.33%, dividend yield of 0%, volatility of 122.80% and expected life of five years. The Company incurred finder's fees of \$131,742 in relation to the financing.

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**10. CAPITAL STOCK (Continued)**

(b) Issued and fully paid (continued)

In September 2012, the Company closed the first tranche of a private placement 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 proceeds of the private placement have been bifurcated using the relative fair value method resulting in \$173,797 recorded as share capital and \$148,953 recorded as warrant reserve. The fair value of each warrant issued in the private placement has been estimated as of the date of the issuance using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.40%, dividend yield of 0%, volatility of 122.75% and expected life of five years. The Company incurred finder's fees of \$25,820 in relation to the financing.

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 (note 8).

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 (note 8).

(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.

Summary of the stock options activity is as follows:

	Number of Options	Weighted Average Exercise Price
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
Granted	300,000	\$ 0.25
Expired	(180,000)	\$ 2.00
Balance, August 31, 2013	1,040,000	\$ 1.38

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**10. CAPITAL STOCK (Continued)**

(c) Stock options (continued)

Stock options outstanding at August 31, 2013 were as follows:

	Number of Options	Exercise Price	Exercisable
April 7, 2014	60,000	\$ 2.00	60,000
July 28, 2014	160,000	\$ 1.60	160,000
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
September 20, 2017	300,000	\$ 0.25	300,000
	1,040,000		1,040,000
Weighted average remaining contractual life	2.43 years		2.43 years

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

	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

During the year ended August 31, 2013, the Company recognized \$53,607 (2012 - \$450,468) of share-based payments in the consolidated statements of comprehensive loss for stock options that were granted and/or vested to directors, officers and consultants of the Company.

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

	2013	2012
Risk-free interest rate	1.38%	1.57%
Expected dividend yield	-	-
Expected stock price volatility	123%	99%
Expected life of options (years)	5.00	4.28
Fair value at grant	\$0.16	\$0.20

**EAGLE MOUNTAIN GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
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**10. CAPITAL STOCK (Continued)**

(c) Stock options (continued)

The expected volatility is based on the Company's historical prices. The risk-free rate of return is the yield on a zero-coupon Canadian treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% (2012 - 0%) in determining the expense recorded in the accompanying consolidated statements of comprehensive loss.

The total calculated fair value of share-based compensation for the years ended August 31, 2013 and 2012 would be allocated in the consolidated statements of comprehensive loss as follows:

	<b>2013</b>	<b>2012</b>
Investor relations	\$ 53,607	\$ 13,509
Management and administration	-	436,959
	<b>\$ 53,607</b>	<b>\$ 450,468</b>

(d) Warrants

Summary of the warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 31, 2011	2,333,272	\$ 3.10
Expired	(1,495,022)	\$ 3.34
Balance, August 31, 2012	838,250	\$ 2.75
Granted	31,129,279	\$ 0.15
Exercised	(990,000)	\$ 0.18
Expired	(838,250)	\$ 2.75
Balance, August 31, 2013	30,139,279	\$ 0.15

Warrants outstanding at August 31, 2013 were as follows:

	Number of Warrants	Exercise Price
August 14, 2015	12,329,279	\$ 0.10
September 10, 2017	2,390,740	\$ 0.18
October 15, 2017	11,619,260	\$ 0.18
November 27, 2017	3,800,000	\$ 0.19
	<b>30,139,279</b>	<b>\$ 0.15</b>

**EAGLE MOUNTAIN GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
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**10. CAPITAL STOCK (Continued)**

(d) Warrants (continued)

Warrants outstanding at August 31, 2012 were as follows:

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

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

	2013	2012
Risk-free interest rate	1.28%	1.54%
Expected dividend yield	0%	-
Expected stock price volatility	135%	91%
Expected life of warrants (years)	3.81 years	1.68 years

**11. RELATED PARTY TRANSACTIONS**

During the years ended August 31, 2013 and 2012, the Company incurred the following related party transactions:

(a) Key management personnel compensation

	2013	2012
Short-term employee benefits	\$ 221,775	\$ 421,796
Share-based compensation	-	267,433
	\$ 221,775	\$ 689,229

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the years ended August 31, 2013 and 2012.

(b) During the year ended August 31, 2013, \$nil (2012 - \$14,000) was paid for administration expenses and \$nil (2012 - \$7,000) was paid for accounting expenses to a related company.

(c) As of August 31, 2013, \$nil (2012 - \$44,956) was due to a company controlled by an officer.

(d) As of August 31, 2013, \$nil (2012 - \$33,657) was due to directors and companies controlled by directors.

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

**EAGLE MOUNTAIN GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
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**(Expressed in Canadian dollars)**

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**12. 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 (the "initial term") and 2% per month commencing on the expiry of the initial term, and expiring 3 months (the "renewal term") thereafter. As additional compensation, the Company issued 280,000 common shares to certain of the lenders fair valued at \$53,200. The balance of the loans totaling \$420,000 bear interest of 1% per month.

During the year ended August 31, 2013, the Company fully repaid the above loans and accrued interest.

**13. COMMITMENTS**

**Rental property**

Subsequent to the year ended August 31, 2013, the Company defaulted on its two lease agreements relating to office premises and is required to pay a penalty amount to \$100,000. The Company vacated the premises, and the equipment related to the leases was written off in the amount of \$13,425.

**14. INCOME TAXES**

A reconciliation of income taxes at Canadian statutory rates of 25.42% (2012 - 25.50%) with the reported taxes is as follows for the years ended August 31:

	<b>2013</b>	<b>2012</b>
Loss before tax	\$ 1,293,419	\$ 5,436,709
Statutory income tax rate	25.42%	25.50%
Expected income tax recovery	(328,787)	(1,386,000)
Change due to foreign tax rates	-	(30)
Permanent differences	19,005	119,900
Change in timing differences	(214,847)	476,300
Change in income tax rates	(67,282)	15,630
Impact on foreign exchange on tax assets and liabilities	(48,743)	900
Unused tax losses and tax offsets not recognized in tax asset	640,654	773,300
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 26% (2012 - 25%) for Canada and 30% (2012 - 30%) for Guyana.

**EAGLE MOUNTAIN GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended August 31, 2013 and 2012**  
**(Expressed in Canadian dollars)**

**14. 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:

	2013	2012
Non-capital loss carry-forwards	\$ 7,132,000	\$ 6,492,000
Mineral property interests	807,000	436,000
Share issue costs	330,000	571,000
Equipment	91,000	23,600
Unrecognized deferred tax assets	\$ 8,360,000	\$ 7,522,600

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
2026	\$ 271,000
2027	335,000
2028	338,000
2029	412,000
2030	540,000
2031	1,481,000
2032	2,015,000
2033	1,147,000
	\$ 6,539,000

**15. SEGMENTED DISCLOSURE**

The Company operates in one industry segment, the mineral resources industry, and in four geographical segments, Canada, 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:

	2013			
	Canada	Brazil	Guyana	Total
Mineral properties	\$ -	\$ -	\$ 9,663,831	\$ 9,663,831
Other assets	-	-	294,141	294,141
Total assets	\$ -	\$ -	\$ 9,957,972	\$ 9,957,972

**EAGLE MOUNTAIN GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended August 31, 2013 and 2012**  
**(Expressed in Canadian dollars)**

**15. SEGMENTED DISCLOSURE (Continued)**

	2012			
	Canada	Brazil	Guyana	Total
Mineral properties	\$ -	\$ 67,093	\$ 8,074,851	\$ 8,141,944
Other assets	109,207	-	96,617	205,824
<b>Total assets</b>	<b>\$ 109,207</b>	<b>\$ 67,093</b>	<b>\$ 8,171,468</b>	<b>\$ 8,347,768</b>

**16. SUPPLEMENTAL CASH FLOW INFORMATION**

	2013	2012
Supplementary information		
Interest paid	\$ 20,762	\$ 20,103
Non-cash financing and investing activities		
Shares and warrants issued for mineral properties	\$ 1,000,000	\$ 2,207,941
Capitalized amortization of equipment	\$ 20,613	\$ 20,877
Units issued as finders' fees	\$ 50,797	\$ -
Mineral properties expenditures included in accounts payable	\$ 130,722	\$ 47,119

**17. EVENTS AFTER THE REPORTING DATE**

- (a) On December 20, 2013, the Company closed a private placement for gross proceeds of \$265,753 by the issuance of 4,088,500 units at a price of \$0.065 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.11 until December 20, 2015. The Company incurred finder's fees of \$16,060.
- (b) On November 25, 2013, the Company entered into an agreement with Goldsource Mines Inc. ("Goldsource") for a business combination of the two companies (the "Agreement"). Pursuant to the Agreement, Eagle Mountain will amalgamate with a wholly-owned subsidiary of Goldsource. Goldsource will issue that number of common shares to shareholders of Eagle Mountain equal to 100% of the issued and outstanding shares of Goldsource at the date of closing such that, following closing but prior to completion of the Equity Finance (see below), 50% of the outstanding common shares of Goldsource will be held by former Eagle Mountain shareholders and 50% of the outstanding common shares of Goldsource will be held by Goldsource shareholders.

Terms of the Agreement are as follows:

- Within five business days of the Agreement, Goldsource will lend to Eagle Mountain \$50,000 to be used by Eagle Mountain for specified expenditures.
- Goldsource and Eagle Mountain are each required to raise by way of equity private placement (the "Initial Placements") prior to December 15, 2013 not less than \$250,000, and the initial exchange ratio will be adjusted to account for the Initial Placements.
- Unless otherwise determined before closing, the name for the publicly traded combined entity following closing will be Goldsource Mines Inc.

**EAGLE MOUNTAIN GOLD CORP.**  
**Notes to Consolidated Financial Statements**  
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**17. EVENTS AFTER THE REPORTING DATE (Continued)**

- Goldsource is required to complete an equity financing ("Equity Finance") effective upon closing of the Agreement for a minimum of \$1,500,000 to be comprised of common shares and warrants of Goldsource. The Equity Finance will not be included in calculation of the initial exchange ratio and will not exceed 25% of the outstanding common shares of Goldsource calculated on a fully diluted basis following completion of the Agreement and Equity Finance.

The proposed transaction is subject to customary closing procedures including due diligence, regulatory approvals, the approval of the Company's shareholders and the approval of the shareholders of Goldsource. Subject to the satisfaction of these conditions, the Agreement is expected to be completed on or before January 31, 2014 or such later date as may be agreed by the parties. However, there can be no assurance that the conditions will be satisfied or that the proposed transaction will be completed as proposed, if at all.

**EAGLE MOUNTAIN GOLD CORP.**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2013**

**GENERAL**

The following discussion of performance, financial condition and prospects should be read in conjunction with the audited consolidated financial statements of the Company for the year ended August 31, 2013 presented in accordance with International Financial Reporting Standards. The Company's reporting currency is Canadian dollars, unless otherwise indicated.

Effective July 26, 2012, the Company changed its name to Eagle Mountain Gold Corp.. The Company continues to trade on the TSX Venture Exchange (the "Exchange") under the symbol "Z".

The date of this Management's Discussion and Analysis is December 30, 2013. Additional information on the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and at [www.eaglemountaingoldcorp.com](http://www.eaglemountaingoldcorp.com)

**FORWARD-LOOKING INFORMATION**

This Management's Discussion and Analysis contains certain statements that may constitute "forward-looking statements". All statements, other than statements of historical fact, included herein, including but not limited to, statements regarding future anticipated property acquisitions, the nature of future anticipated exploration programs and the results thereof, discovery and delineation of mineral resources/reserves, business and financing plans and business trends, are forward-looking statements. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct.

Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market for, and pricing of, any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, the Company's inability to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, and other risks and uncertainties identified herein under "Risks and uncertainties".

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in any of those forward-looking statements. For this reason, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant fluctuations in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to develop any of its present or future mineral properties.

## DESCRIPTION OF BUSINESS

The Company is a natural resource company engaged in the business of acquiring, exploring and developing properties in South America and Canada with a focus on South America.

### Guyana

#### **Eagle Mountain Property**

The Eagle Mountain property is a gold exploration project in Guyana and is one of the two main projects of the Company. 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.

In February 2013, the Company has completed the acquisition of 100% of the Eagle Mountain Property.

To acquire a 50% interest, the Company agreed to pay OGML \$600,000 (paid), issue 800,000 common shares (issued) of the Company and fund total exploration expenditures of US\$3,500,000 (completed). In March 2012, the Company has effectively earned 50% interest in the Eagle Mountain property by issuing 1,500,000 shares to IAMGOLD as the TSX Venture Exchange had accepted the filing of the Amended and Restated Joint Venture and Earn-In Agreement. The Company also issued 127,021 shares to Guiana Shields Resources Inc. for finder's fee in connection with the acquisition of the property

To acquire another 50% (100% in aggregate) the Company had agreed to pay an additional US\$1,000,000 by April 30, 2013. The Company had 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. On February 11, 2013, the Company issued an additional 3,236,246 common shares of the Company at a fair value of \$1,000,000 in lieu of cash payment. The Company is now the registered and beneficial owner of 100% of the Eagle Mountain property through the ownership of 100% of Eagle Mountain Gold Inc.'s entire issued capital stock.

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

	Cash Payments	Common	Expenditures
	US\$	Shares	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
Additional consideration to earn the further 50%	1,000,000	-	-
Shares issued in lieu of cash payment	(1,000,000)	3,236,246 (issued)	
<b>Total</b>	<b>\$ 600,000</b>	<b>5,536,246</b>	<b>\$ 3,500,000</b>

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. The Company has further agreed to pay an additional US\$5,000,000 to OGML 180 days after the commencement of commercial production of gold from the property.

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 options (issued);
- (2) 41,276 common shares in the second year of the options (issued);
- (3) 21,277 common shares in the third year of the options; and
- (4) 151,702 when the Government of Guyana grants a mining license for the property.

The Company has pledged a US\$194,000 reclamation site deposit to the Guyana Geology and Mines Commission for exploration permits on the Eagle Mountain Property. The deposit was secured by a non-interest-bearing bond.

### **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 23 prospecting permits and eight mining permits by agreeing to pay an aggregate of US\$1,500,000 cash, issue 500,000 common shares and incur US\$1,000,000 exploration expenditures. 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 as follows:

- Pay Mowasi US\$100,000 (paid);
- Issue to Mowasi 50,000 common shares (issued) of the Company;
- 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 concessions within 90 days after making the 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 concessions will be carried until such time as the Company completes a feasibility study on the concessions. The Company will be the operator on the concessions.

The Company is in the process of renegotiating the terms of this agreement.

### **Brazil**

#### **Tucumã Project**

On May 25, 2010, the Company entered into agreements with Stronghold Brasil Mineração Ltda. ("Stronghold Brazil") and the shareholders of Stronghold Brazil, whereby the Company agreed to acquire all of the issued and outstanding shares of Stronghold Brazil. Stronghold Brazil controls on a 100% basis, 6 mineral concessions, ("The Tucumã Project or Property") located in the State of Para, Brazil. In exchange for the Stronghold Brazil shares, the Company issued 300,000 common shares in

the capital of the Company and 150,000 non-transferable share purchase warrants to the holders of the Stronghold Brazil Shares. Each warrant will entitle the warrant holder to acquire an additional common share in the capital of the Company at a price of \$3.75 per share expiring June 9, 2012. On the 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% net smelter return royalty to the former Stronghold Brazil shareholders.

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 Property is a gold and copper/gold exploration project. The Company holds six exploration licenses for an aggregate 11,456 hectares. These exploration licenses are located in the City of Tucumã, State of Pará, Brazil. One of the exploration licenses expires in April 2015 and five expire in April 2013.

The Company has recognized an impairment in the amount of \$413,207 in the carrying value of the Tucumã property prior to the sale of its investment in the shares of Kensington Court Ventures Inc. ("Kensington").

On April 19, 2013, the Company sold 14,670,000 common shares of Kensington, which represents 52.3% of all the outstanding shares of Kensington. As a result, the Company has effectively disposed of the Tucumã Property.

## **KENSINGTON COURT VENTURES INC.**

### **ACQUISITION**

On August 3, 2011, the Company entered into a letter of intent (the "LOI") with Kensington, a capital pool company listed on the TSX Venture Exchange (the "Exchange"), pursuant to which Kensington agreed to acquire all of the issued and outstanding shares of Stronghold's Brazilian subsidiary, Stronghold Brasil Mineração Ltda ("Stronghold Brazil") in exchange for \$25,000 cash, the issuance to Stronghold of 16,300,000 common shares of Kensington ("Shares"), plus the grant to Stronghold of a 2% net smelter returns royalty (the "NSR Royalty") on production from the Tucumã Property (the "Transaction"). Kensington has the right to purchase the NSR Royalty 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.

On January 20, 2012, Kensington agreed to advance to the Company refundable deposits in the aggregate amount of up to \$75,000 payable in instalments which are not refundable if the Transaction is completed.

Effective April 30, 2012, the Company had completed the sale of Stronghold Brazil to Kensington. The Company had also received \$34,467 from Kensington for reimbursement of the cost of a technical report relating to the Tucumã Property.

Effective April 30, 2012 and as of August 31, 2013, the Company had 58.09% of all the outstanding common shares of Kensington and consequently has the effective control of Kensington.

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		<u>(172,012)</u>
Net assets	\$	<u>553,804</u>

## **DISPOSITION**

Pursuant to an agreement dated October 2, 2012 and subsequently amended on December 12, 2012, the Company has agreed to sell 14,670,000 common shares of Kensington to Lake Forest Development Corp. ("Lake Forest"), a private company controlled by a director in consideration for \$200,000 of which \$50,000 payable in cash and \$150,000 ("Assigned Loan") in the form of assignment of three promissory notes receivable from Kensington. These notes are unsecured and bear an interest rate of 1% per month compounded monthly with due dates ranging from December 17, 2013 to January 18, 2014.

In addition, Kensington agrees that in the event it sells, joint ventures or farms out its Tucumã mineral property located in Para State, Brazil (the "Property"), whether by option, sale or other disposition of either the Property or the quotas of its Brazilian subsidiary Mineraco Angra Limitada, then it shall pay out the Assigned Loan from any proceeds of disposition in preference to and priority over and exclusion of any other debt. Further, the parties have also agreed that in the event the proceeds of disposition are in excess of the sum of \$250,000 in cash, shares or other consideration (the "Additional Consideration"), the Company shall be entitled to share 50% of such Additional Consideration, provided however that in the event Lake Forest spends funds on exploration and development of the Property, then any such funds shall be deducted from the Additional Consideration and repaid to the Company prior to the joint payout of the Additional Consideration.

The sale of Kensington shares was completed in April 2013. As of August 31, 2013, the Company continues to hold 1,500,000 common shares of Kensington.

The Company has determined that the Company does not retain any control or significant influence over Kensington and therefore has deconsolidated the assets, liabilities and non-controlling interest of Kensington and treats the investment of the Kensington shares as a financial asset under the FVTPL category.

C. Geoffrey Hampson is also a director of the Company.

## **Chile**

The Combarbala property is located in the IV Region of Chile, 35 km NE of the city of Illapel. On August 31, 2009, the Company entered into a Royalty Agreement with BHP Billiton whereby the Company acquired a 100% undivided interest in 33 mineral claims in the Combarbala Property by agreeing to pay BHP Billiton a 2% net smelter return royalty in any future production. The transfer of the claims was completed in October 2009. On November 20, 2009, the title transfer from BHP Billiton to the Company for the claims forming the Combarbala property was completed when the public deed of transfer was executed by the Government of Chile.

During the year ended August 31, 2012, the Company had abandoned in this property and written off all the costs incurred in this property.

## **Canada**

The Seneca Property is a poly-metallic VMS exploration project and belongs 100% to the Company. It consists of 8 mineral claims covering approximately 4,071 hectares located approximately 120 km east of Vancouver and 35 km northeast of Mission in the New Westminster Mining Division, British Columbia. The claims are subject to a Net Smelter Return Royalty of 1% which the Company has the option to purchase for \$250,000 at any time before the property is put into commercial production. As part of the project, the Company controls two more mineral claims situated in the New Westminster Mining Division, B.C. The claims are subject to a 2% Net Smelter Royalty, which can be purchased by the Company for \$1.25 million at any time.

During the years ended August 31, 2009 and 2012, the Company had written-off all the costs incurred in this property. The Company currently does not have any exploration program planned on this property.

## **OPERATIONS AND EXPENDITURES**

### **Eagle Mountain Property, Guyana**

The Company's current focus is to accelerate the development of Eagle Mountain gold property. The project consists of an area of approximately 5,050 hectares (12,480 acres) in central Guyana, South America, 200 kilometers southwest of the capital Georgetown and 45 kilometers from the historical Omai gold mine, which was in production from 1993 to 2005.

In November 2010, the Company filed an NI 43-101 reporting an Inferred Mineral Resources of 18Mt @ 1.27 g/t gold, containing 733,500 ounces of gold (using a 0.5 g/t Au cut-off grade). More than 250,000 ounces of contained gold in this inferred mineral resource is hosted by oxide material (sapolite). The Project is on track to produce a preliminary economic assessment report or scoping study. The primary goal at Eagle Mountain is to enhance this NI43-101 compliant mineral resource with advanced exploration drilling and mineral resource definition drilling.

On March 23, 2011, the Company announced a 15,000 meters drilling. The program started in mid-April 2011 and is expected to take 6 to 8 months to complete. One drilling contract with Orbit Garant Drilling Services Inc. of Quebec, Canada has already been executed. As the program ramps up, the Company expects a second man-portable diamond rig to be mobilized to the site to allow access to the proposed drill locations in higher ground terrain.

73 drill holes totalling 10,338 meters had been completed. Analytical results from 46 complete holes had been received to date from ACME Analytical Laboratories Ltd. and that most holes have gold intersections of favourable grade that correspond well with historical data from the project. The Company intends to continue its infill and step-out drilling program in order to increase the confidence of the mineral resource and to further expand the known mineralized zone.

On November 21, 2012, the Company announced the results of an updated mineral resource estimate for its Eagle Mountain Gold property. The resource estimate has been completed in accordance with Canadian Securities Administration National Instrument 43-101 ("NI 43-101") and CIM Standards on Mineral Resources and Mineral Reserves by A.C.A. Howe International Limited of Toronto, Ontario, Canada ("ACA Howe") using the Company's 2011/2012 diamond drilling results, the historical diamond drilling results from IAMGOLD, as well as other current and historical geological data that met QA/QC requirements. In November 2010, the Company announced an Inferred Resource estimate, using a block cut-off grade of 0.5 g/t gold of 17.96 million tonnes with an average gold grade of 1.27 g/tonne gold for 733,500 ounces of gold.

The updated classified mineral resource estimate of the Eagle Mountain gold deposit at 0.5 g/t Au cut-off consists of:

- Indicated resource of 3,921,000 tonnes, averaging 1.49 grams per tonne Au for 188,000 ounces.
- Inferred resource of 20,635,000 tonnes, averaging 1.19 grams per tonne Au for 792,000 ounces.

Therefore, the November 2012 updated resource estimate represents approximately a 34% increase from the November 2010 resource outline. The updated resource estimate is based on a comprehensive database consisting of 281 drill holes, totalling 35,993 meters and 21,235 assay samples, which were drilled by British Anaconda Mining, the Government of Guyana, Golden Star Resources, Cambior, IAMGOLD and Eagle Mountain. The database also contains 14,624 assays from 4,873 augers, 124 continuous channel sample segments from nine adits, and 1,318 assays from 199 continuous channel sample segments from trench localities. Mineral resource estimation was carried out using only the diamond drill and trench sample results.

The November 2012 classified NI 43-101 updated resource estimate for gold at Eagle Mountain is summarized by material zone in the following table:

<b>November 2012 Updated Eagle Mountain Resource Estimate by Category, Zone and Type Material (using Block Model Cut-off 0.5g/t Au)</b>							
<b>Category</b>	<b>Zone</b>	<b>Material</b>	<b>Density (t/m3)</b>	<b>Volume (m3)</b>	<b>Tonnes</b>	<b>Au_g/t</b>	<b>Ounces</b>
<b>Indicated</b>	<b>Zion</b>	<b>Saprolite</b>	1.60	538,000	860,000	1.42	39,000
		<b>Fresh</b>	2.60	436,000	1,134,000	1.40	51,000
		<b>Total</b>	2.03	974,000	1,994,000	1.41	90,000
	<b>Kilroy</b>	<b>Saprolite</b>	1.60	456,000	730,000	1.49	35,000
		<b>Fresh</b>	2.60	461,000	1,197,000	1.63	63,000
		<b>Total</b>	2.08	917,000	1,927,000	1.58	98,000
	<b>All</b>	<b>Saprolite</b>	1.60	994,000	1,590,000	1.45	74,000
		<b>Fresh</b>	2.60	897,000	2,331,000	1.52	114,000
		<b>Total</b>	2.05	1,890,000	3,921,000	1.49	188,000
<b>Inferred</b>	<b>Zion</b>	<b>Saprolite</b>	1.60	2,671,000	4,274,000	1.31	180,000
		<b>Fresh</b>	2.60	3,035,000	7,891,000	1.13	286,000
		<b>Total</b>	2.16	5,706,000	12,165,000	1.19	466,000
	<b>Kilroy</b>	<b>Saprolite</b>	1.60	1,831,000	2,929,000	1.33	126,000
		<b>Fresh</b>	2.60	2,132,000	5,542,000	1.12	200,000
		<b>Total</b>	2.25	3,962,000	8,471,000	1.20	326,000
	<b>All</b>	<b>Saprolite</b>	1.60	4,502,000	7,202,000	1.32	306,000
		<b>Fresh</b>	2.60	5,167,000	13,433,000	1.13	486,000
		<b>Total</b>	2.19	9,668,000	20,635,000	1.19	792,000

Notes for mineral resource estimate:

1. A block cut-off value of 0.5 g/t Au was applied to all resource blocks.
2. Tonnes and ounces have been rounded to reflect the relative accuracy of the mineral resource estimate; therefore numbers may not total correctly.
3. A notional cut-off gold grade for mineralized domain interpretation was 0.2 g/tonne Au.
4. A top cut of 20 g/tonne Au was applied to raw assay values.
5. Composited Diamond drill hole and trench samples are assigned to 30 layered and fault bound resource domains that encompass the Zion and Kilroy portions of the deposit.
6. Corresponding domain blocks and composite samples are projected to a horizontal plane for grade estimation by Ordinary Kriging.
7. The block model is constrained by topography and saprolite and fresh weathering domains with bulk density values of 1.6 t/m3 and 2.6 t/m3 respectively were defined.
8. Mineral Resource tonnes quoted are not diluted.

9. Mineral resources are not mineral reserves and by definition do not demonstrate economic viability. This mineral resource estimate includes inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to the measured and indicated resource categories through further drilling, or into mineral reserves, once economic considerations are applied.
10. This estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.

ACA Howe considers that gold mineralization identified at Eagle Mountain may be amenable to open-pit extraction and that mineral resources are reported at an appropriate cut-off grade taking into account possible extraction scenarios and processing recoveries. The Eagle Mountain deposit is located within the Eagle Mountain Prospecting License ("EMPL") which covers an area of 50.50 km<sup>2</sup> (5050ha) in west-central Guyana, South America approximately 200 kilometres south-southwest of Guyana's capital, Georgetown. The property can be accessed by road from Georgetown in five to six hours, or by air to the Mahdia airstrip located five km north of the property.

Most of the gold mineralization at Eagle Mountain is related to low-angle (20-40°), southwest dipping brittle-ductile composite shear zones hosted in a composite granodiorite pluton that intrudes all older rocks. The updated geological model refers to two distinct mineralized shear zones that host the current mineral resource estimate: the Zion and Kilroy zones. Each zone can be distinguished based on visual geological and mineralogical characteristics. Very fine-grained gold is associated with chloritic ±pyritic micro-fractures and in some cases within or adjacent to discrete chlorite – pyrite ±potassic altered mylonitic shear zones. The mineral resource is located in both oxidized rock (referred to as "saprolite") and non-oxidised rock (referred to as "fresh" or "hard rock").

#### **Qualified person**

The resource estimate was prepared by Leon McGarry, B.Sc., Geologist, ACA Howe and supervised by Ian Trinder, M.Sc., P.Geo., Senior Geologist, ACA Howe. Technical information related to the 2012 Eagle Mountain Resource Estimate contained in this news release has been reviewed and approved by Mr. Trinder, who is an independent Qualified Person as defined by NI 43-101, with the ability and authority to verify the authenticity and validity of this data.

The drilling plan as well as the analytical results is available to be viewed at the Company's corporate web site at [www.eaglemountaingoldcorp.com](http://www.eaglemountaingoldcorp.com)

The Company will reschedule the mineralogical and metallurgical tests, the Environmental Impact Assessment work and relevant studies, and the Scoping Study (PEA) after the proposed merger with Goldsource.

The following table summaries all the costs incurred in the mineral properties during the years:

	Seneca Canada	Combarbala Chile	Tucumã Brazil	Eagle Mountain Guyana	Mowasi Guyana	Total
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 & reports	-	-	94,205	-	-	94,205
Labour	-	-	-	540,594	-	540,594
Professional fees	-	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
Additions - acquisition costs						
Option payments – shares	-	-	-	1,000,000	-	1,000,000
Total acquisition costs for year	-	-	-	1,000,000	-	1,000,000
Additions-deferred exploration costs						
Analytical	-	-	31,110	3,754	-	34,864
Amortization	-	-	-	20,613	-	20,613
Drilling, consulting and others	-	-	268,628	715,473	-	984,101
Environment consultants	-	-	-	53,549	-	53,549
Professional fees	-	-	46,376	3,366	-	49,742
Repairs and maintenance	-	-	-	8,185	-	8,185
Total expenditures for year	-	-	346,114	804,940	-	1,151,054
Impairment	-	-	(413,207)	-	(215,960)	(629,167)
Balance, August 31, 2013	\$ -	\$ -	\$ -	\$ 9,663,831	\$ -	\$ 9,663,831

## SELECTED ANNUAL INFORMATION

Year ended	Revenue (\$)	Operating Loss (\$)	Basic & Fully Diluted Loss per Share (\$)	Total Assets (\$)	Long-term Liabilities (\$)	Cash Dividend (\$)
2013	-	1,293,419	0.04	578,259	-	-
2012	-	5,436,709	0.39	8,836,320	-	-
2011	-	1,649,038	0.16	9,632,034	-	-

## SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenue (\$)	Operating Income/ (Loss) (\$)	Basic & Fully Diluted Earning/(Loss) Per share (\$)
August 31, 2013	Nil	(804,323)	(0.02)
May 31, 2013	Nil	319,030	0.01
February 28, 2013	Nil	(462,120)	(0.01)
November 30, 2012	Nil	(346,006)	(0.01)
August 31, 2012	Nil	(3,121,978)	(0.39)
May 31, 2012	Nil	(808,052)	(0.05)
February 29, 2012	Nil	(783,306)	(0.06)
November 30, 2011	Nil	(723,373)	(0.06)

As the Company is still in the exploration and development stage, the Company will continue to incur losses in the near term until the Company accomplishes commercial production and profitable operations.

## RESULT OF OPERATIONS

### Three Month Period Ended August 31, 2013

The Company recorded a quarterly loss of \$804,323 compared to a loss of \$3,121,978 for the same quarter of last year. The decrease in loss of \$2,317,655 was primarily due to the following:

- (1) Impairment of mineral properties decreased by \$2,282,961 due to adjustments to write down of the mineral properties in Guyana and Brazil;
- (2) Interest expenses and finance fees decreased by \$148,260 due to full repayment of loans in October 2012;
- (3) Foreign exchange loss increased by \$126,533;
- (4) Office and miscellaneous expenses decreased by \$184,180 due to the Company's effort to lower overhead costs;
- (5) Loss on termination of lease increased by \$189,050 due to the Company's default on its two office lease agreements;

- (6) Gain from disposal of investment increased by \$453,341 due to adjustment of gain from sale of Kensington shares recorded during the first nine months of the year;
- (7) Fair value gain on marketable securities decreased by \$573,253 due to adjustment of market value of Kensington shares recorded during the first nine months of the year;
- (8) Salaries, benefits and director fees decreased by \$110,764 due to fewer salary personnel;
- (9) Share-based payments decreased by \$114,239 due to lesser stock options granted during the quarter;
- (10) Travel and promotion decreased by \$106,3617 due to lesser promotion activities during the quarter; and
- (11) Impairment of promissory note receivable increased by \$157,652 due to the impairment of the recovery of the Assigned Loan during the quarter.

#### Year Ended August 31, 2013

The Company recorded an annual loss of \$1,293,419 compared to a loss of \$5,436,709 for the same period of last year. The decrease in loss of \$4,112,772 was primarily due to the following:

- (1) Impairment of mineral properties decreased by \$2,035,135 due to write down of the mineral properties in Guyana and Brazil;
- (2) Interest expenses and finance fees decreased by \$151,876 due to full repayment of loans in October 2012;
- (3) Foreign exchange gain by increased by \$97,129;
- (4) Office and miscellaneous expenses decreased by \$268,064 due to the Company's effort to lower overhead costs;
- (5) Loss on termination of lease increased by \$189,050 due to the Company's default on its two office lease agreements;
- (6) Gain from disposal of investment increased by \$989,232 due to the gain from sale of Kensington shares;
- (7) Salaries, benefits and director fees decreased by \$245,661 due to fewer salary personnel and reversal of certain director fees recorded in last year;
- (8) Share-based payments decreased by \$396,861 due to lesser stock options granted during the year;
- (9) Travel and promotion decreased by \$372,812 due to lesser promotion activities during the year; and
- (10) Impairment of promissory note receivable increased by \$157,652 due to the Company's decision to write down the Assigned Loan during the year; and
- (11) Management and consulting fees decreased by \$96,962 due to lesser corporate development activities during the year.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The Company had a working capital deficit of \$231,308 as of August 31, 2013, compared to working capital deficit of \$1,555,010 as at August 31, 2012. The reduction in working capital deficit of \$1,323,702 was attributable mainly to private placements totalling \$3,255,460 during the year. As the Company is still in the exploration stage, the Company does not generate any revenue. The Company continues to raise equity financing or obtain loan advances in order to generate funding for exploration and general overheads.

During the first two months of the quarter ended November 30, 2012, the Company completed two tranches of financing for total gross proceeds of \$2,025,000 by the issuance of altogether 15,000,000 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 for a five year period. The Company paid a finder's fee of altogether \$162,000 to Weiser Capital Limited.

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.

On February 11, 2013, the Company issued 3,236,246 common shares at a fair value of \$1,000,000 based on the volume weighted average price for the period January 9, 2013 to February 5, 2013 related to the amended agreements for the Eagle Mountain property.

On August 14, 2013, the Company closed a non-brokered private placement for total gross proceeds of \$688,960 by the issuance of 11,482,666 units at a price of \$0.06 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 \$0.10 for a period of two years. The Company paid a finder's fee of 846,613 units to Weiser Capital Limited, fair valued at \$21,312.

On December 20, 2013, the Company closed a non-brokered private placement for total gross proceeds of \$265,753 by the issuance of 4,088,500 units at a price of \$0.065 per unit. Each unit consists of one common share and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.11 for a period of two years. The Company paid a finder's fee of \$16,060.

On March 12, 2013, 500,000 warrants were exercised for total gross proceeds of \$90,000.

On April 11, 2013, 490,000 warrants were exercised for total gross proceeds of \$88,200.

The continued operations of the Company are dependant upon its ability to raise adequate financing in the future for its exploration projects and to cover general and administrative expenses.

The Company's proposed transaction with Goldsource Mines Inc. (refer to Proposed Transactions) is planned to raise sufficient equity financing to allow the Company to continue development of its main project, the Eagle Mountain gold property for the foreseeable future. The proposed transaction is subject to customary closing procedures.

As of August 31, 2013, the Company had \$253,171 (2012 - \$37,482) in cash and cash equivalents and \$1,283,131 in current liabilities. If the Company is unable to obtain additional financing, the Company will be unable to continue operations. These factors raise significant doubt about the Company's ability to continue as a going concern.

During the year ended August 31, 2013, the Company used cash in operating activities of \$1,381,500 comprising \$1,320,716 from actual operations and \$60,784 from the changes in non-cash operating working capital, the substantial component of which were payments of liabilities amounting to \$377,324. The Company used cash in investing activities of \$1,087,283 the substantial component of which were funds spent on exploration of mineral properties. The Company also generated funds from financing activities in the amount of \$2,589,684, representing equity financing raised of \$3,246,613 less repayment of loans amounting to \$708,544.

## **COMMITMENTS**

### **Rental property**

Subsequent to the year ended August 31, 2013, the Company defaulted on its two lease agreements relating to office premises and is required to pay a penalty amount of \$100,000. As of August 31, 2013, the Company wrote off the equipment related to the leases in the amount of \$13,425.

## **OFF BALANCE SHEET TRANSACTIONS**

The Company has no off-balance sheet arrangements.

## **ACCOUNTING POLICIES**

### **Accounting standards issued but not yet applied**

#### *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 September 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. The effective date for the Company of IFRS 10 is September 1, 2013.

#### *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. The effective date for the Company of IFRS 11 is September 1, 2013.

#### *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). The effective date for the Company of IFRS 12 is September 1, 2013.

#### *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. The effective date for the Company of IFRS 13 is September 1, 2013.

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

## RELATED PARTY TRANSACTIONS

During the years ended August 31, 2013 and 2012, the Company had the following related party transactions:

- a) Key management personal compensation

	2013		2012	
Short-term employee benefits	\$	221,775	\$	421,796
Share-based compensation		-		267,433
	\$	221,775	\$	689,229

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the years ended August 31, 2013 and 2012.

- b) During the year ended August 31, 2013, \$Nil (2012 - \$14,000) was paid for administration expenses and \$Nil (2012 - \$7,000) was paid for accounting expenses to a related company.
- c) As of August 31, 2013, \$Nil (2012 - \$44,956) was due to a company controlled by an officer.
- d) As of August 31, 2013, \$Nil (2012 - \$33,657) was due to directors and companies controlled by directors.

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

On January 2, 2008 the Company entered into an Employment Agreement with Ioannis (Yannis) Tsitos whereby Mr. Tsitos agreed to act as the President and CEO of the Company. In consideration, the Company agreed to pay Mr. Tsitos \$120,000 per year. In addition, Mr. Tsitos is entitled to receive \$120,000 if Mr. Tsitos' employment is terminated without just cause. Mr. Tsitos is entitled to receive \$360,000 if Mr. Tsitos' employment is terminated without just cause in a twelve month period following the date of any change of control. If Mr. Tsitos terminates his employment with the Company at any time within twelve months of a change of control, he would be entitled to a lump sum payment of \$120,000. Effective July 1, 2011, the directors have agreed to pay Mr. Tsitos \$180,000 per year.

On April 16, 2011 the Company entered into a Consultancy and Advisory Agreement with Hampson Equities Ltd. ("HEL") a private company controlled by Mr. Geoffrey Hampson, a director of the Company, whereby HEL will provide financing and business development services to the Company. In consideration, the Company agreed to pay HEL \$10,000 per month for a period of six months effective May 1, 2011. The agreement was terminated in April 2012.

## 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, 2013, the Company had accounts payable totalling \$482,026 (2012 - \$1,256,405), due within three months of period-end, amounts due to related parties of \$Nil (2012 - \$78,613), with no stated terms of repayment, and loans payable of \$Nil with no fixed terms of repayment (2012 - \$708,544).

(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.

(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, 2013 and 2012, the Company had monetary net assets and net liabilities in foreign currency (expressed in Canadian dollars) as follows:

	2013		2012	
	Monetary Net Assets	Monetary Net Liabilities	Monetary Net Assets	Monetary Net Liabilities
Guyana dollars	\$ 259,666	\$ 209,685	\$ 166,158	\$ 677
US dollars	102,599	-	-	-
	\$ 362,265	\$ 209,685	\$ 166,158	\$ 677

Based on the above net foreign currency exposure as at August 31, 2013, 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 \$16,279 for the year ended August 31, 2013 (2012 - \$16,548). 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.

## **PERSONNEL**

### Directors and Officers:

Ioannis (Yannis) Tsitos, Director, President and Chief Executive Officer  
Christopher G. Hampson, Chairman and Director (not re-elected on December 3, 2013)  
Demetreus (Jim) Heras, Chairman Emeritus and Director  
Art Freeze, Director (not re-elected on December 3, 2013)  
Tim Crowhurst, Director (appointed August 31, 2012; resigned May 15, 2013)  
Geoff Watson, Director (appointed September 13, 2012) and CFO (appointed May 1, 2013)  
Dr. Luiz Bizzi, Director  
Albert Wu, Chief Financial Officer (resigned May 1, 2013)

## **DISCLOSURE OF OUTSTANDING SHARE DATA**

Information as of the date of this MD&A:

Common shares issued and outstanding	-	50,402,805
Stock options	-	1,040,000
Warrants	-	30,139,279

## **INVESTOR RELATIONS ACTIVITIES**

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 had also been granted options to purchase 300,000 common shares at \$0.25 per share, exercisable for a period of five years and 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. On July 31, 2013, this agreement was terminated.

## **RISKS AND UNCERTAINTIES**

Resource Exploration and Development is generally a Speculative Business. Please refer to any previous quarter of the MD&A for a detailed discussion of the various risks and uncertainties.

## **CRITICAL ACCOUNTING ESTIMATES**

Critical accounting estimates were used in the preparation of the financial statements. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company's recorded value of the Company's mineral properties is in all cases, based on historical costs that are to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership and political risk, funding and currency risk as well as environmental risk. The Company's financial statements have been prepared with these risks in mind. All of the assumptions set out herein are potentially subject to significant change and out of the Company's control. These changes are not determinable at this time.

## **PROPOSED TRANSACTIONS**

On November 25, 2013, the Company entered into an agreement with Goldsource Mines Inc. ("Goldsource") for a business combination of the two companies (the "Agreement"). Pursuant to the Agreement, Eagle Mountain will amalgamate with a wholly-owned subsidiary of Goldsource. Goldsource will issue that number of common shares to shareholders of Eagle Mountain equal to 100% of the issued and outstanding, shares of Goldsource at the date of closing such that, following closing but prior to completion of the Equity Finance (see below), 50% of the outstanding common shares of Goldsource will be held by former Eagle Mountain shareholders and 50% of the outstanding common shares of Goldsource will be held by Goldsource shareholders.

Terms of the Agreement are as follows:

- Within five business days of the Agreement, Goldsource will lend to Eagle Mountain \$50,000 to be used by Eagle Mountain for specified expenditures.
- Goldsource and Eagle Mountain are each required to raise by way of equity private placement ("Initial Placements") prior to December 15, 2013 not less than \$250,000, and the Initial Exchange Ratio will be adjusted to account for the Initial Placements.
- Unless otherwise determined before closing, the name for the publicly traded combined entity following closing will be Goldsource Mines Inc.
- Goldsource is required to complete an equity financing ("Equity Finance") effective upon closing of the Agreement for a minimum of \$1.5 million to be comprised of common shares and warrants of Goldsource. The Equity Finance will not be included in calculation of the Initial Exchange Ratio and will not exceed 25% of the outstanding common shares of Goldsource calculated on a fully diluted basis following completion of the Agreement and Equity Finance.

The proposed transaction is subject to customary closing procedures including due diligence, regulatory approvals, the approval of the Company's shareholders and the approval of the shareholders of Goldsource. Subject to the satisfaction of these conditions, the Agreement is expected to be completed on or before January 31, 2014 or such later date as may be agreed by the parties. However, there can be no assurance that the conditions will be satisfied or that the proposed transaction will be completed as proposed, if at all.