FAIRMONT RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2013

The following Management Discussion and Analysis ("MD&A") of Fairmont Resources Inc. (the "Company" or "Fairmont") has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of September 10, 2013, and should be read in conjunction with the condensed interim financial statements for the three and nine months ended July 31, 2013 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a "Venture Issuer" as defined in NI 51-102.

All financial information in this MD&A related to 2013 and 2012 has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These forward-looking statements include statements regarding the future price of gold, the timing and amount of estimated future production, costs of production, capital expenditures, the success of exploration activities, permitting time lines, currency fluctuations, the requirements of future capital, drill results and the estimation of mineral resources and reserves. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about general business and economic conditions; the supply and demand for, deliveries of, and the level and volatility of prices of gold and silver; the availability of financing for the Company's exploration programs; the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; and the ability to attract and retain skilled staff.

These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity and, particularly, gold prices, access to skilled mining development personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Additional risk factors are described in more detail hereinafter. **Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.** The Company intends to discuss in its quarterly and annual reports referred to as the Company's management's discussion and analysis documents, any events and circumstances that occurred during the period to which such document relates that are reasonably likely to cause actual events or circumstances to differ materially from those disclosed in this management discussion and analysis.

Qualified Person

Neil Pettigrew, P.Geo, the Chief Executive Officer, President and a director of the Company, is a Qualified Person as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* and has reviewed and approved all technical information in this management discussion and analysis.

Description of Business

Fairmont Resources Inc. (the "Company") is engaged in the exploration and development of its Marmion South Contact Property, Houghton Creek Property and Clay-Powell Property located in northwestern Ontario. The Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production from the mineral properties or proceeds from the disposition of the mineral properties.

Share Consolidation

On April 25, 2013 the Company proceeded with its proposed share consolidation on the basis of four pre-consolidation common shares for one post-consolidation common share. All common shares and per share amounts have been adjusted to give retroactive effect to the four for one consolidation that took place April 25, 2013.

Overall Performance

For the three and nine months ended July 31, 2013, the Company incurred a net loss of $80,281 and 305,644 (2012 - $127,972 and 512,2521). The decreased loss is primarily attributed to a reduction in non-cash share based payments. Other decreased expenses included decreases in advertising and promotion, audit and accounting, investor relations and travel.

For the three and nine months ended July 31, 2013 the Company earned interest income from redeemable guaranteed investment certificates of $73 and $537 respectively (2012 - $1,174 and 4,438). The drop was a result of having less funds invested during the three and nine months ended July 31, 2013.

In the nine months ended July 31, 2013 no options were cancelled (2012 – 1,200,000). The total share based payments calculated on the options vested in the three and nine months ended July 31, 2013, was ($3,702) and $2,243 respectively (2012 - $100,118 and 100,422). The total stock-based compensation calculated on the options vested in the nine months ended July 31, 2013, was $2,463 (2012 - $106,061).

On February 10, 2012, the Company announced that it granted 262,500 stock options to officers, directors, consultants and employees of Fairmont pursuant to the terms of the Company's stock option plan, subject to regulatory approval. The options were granted for a period of five years, expiring on February 9, 2017, and each stock option will allow the holder to purchase a common share of Fairmont at an exercise price of $0.60.

On February 14, 2012, the Company announced that it granted 12,500 stock options to a consultant of Fairmont pursuant to the terms of the Company's stock option plan, subject to regulatory approval. The options were granted for a period of five years, expiring on February 14, 2017, and each stock option will allow the holder to purchase a common share of Fairmont at an exercise price of $0.60.

On March 19, 2012, the Company issued a total of 860,833 units at a price of $0.60 per unit for gross proceeds of approximately $516,500 (the "Private Placement"). Each unit under the Private Placement is comprised of one common share and one non-transferable share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of $0.80 per share until March 15, 2014. In connection with the Private Placement, Fairmont paid finders cash commissions totaling $50,900 and issued finders a total of 84,833 non-transferable share purchase warrants. Each "agent's" warrant is exercisable on the same terms described above and expires on March 15, 2014.

On January 7, 2013, the Optionor of the Marmion property agreed to defer the cash payment of $60,000 that was due on January 7, 2013 until June 7, 2013. In exchange the 37,500 shares that were to be issued on January 7, 2014 were issued on January 15, 2013 at the same time as the current years share issuance was made. Therefore on January 7, 2013, a total of 75,000 shares were issued at a deemed price of $12,000 or $0.16 per share.

On July 4th, 2013, the original agreement was further modified. A $60,000 payment that was due June 7th was postponed to January 7, 2014 and in recompense on July 31, 2013, 25,000 common shares (consisting of 50% of the original 50,000 common shares that were due on January 7, 2015) were issued at a deemed price of $0.04 per common share.

At July 31, 2013, the Company had cash and cash equivalents of $7,092 (October 31, 2012 - $249,160). At July 31, 2013 the company had negative working capital of $71,738 (October 31, 2011 – positive $242,357). To date, the Company's sole source of financing has been derived from the issuance of common shares.

On March 4, 2013, 511,375 share purchase warrants priced between $1.60 and $3.00 expired. On March 15, 2013, 171,875 share purchase warrants priced at $2.80 expired.

Other Events and Transactions

Appointments and Resignations

On February 9, 2012, John Bevilacqua resigned as President and CEO. Mr. Bevilacqua remains as a director of the Company.

On February 9, 2012, Neil Pettigrew was appointed President, CEO and a director. Mr. Pettigrew received his HBSc in Geology degree from the University of New Brunswick in 1999 and his MSc degree in Earth Sciences from the University of Ottawa in 2004. He has published papers on Cu-Ni-PGE mineralization and the petrogenesis of mafic-ultramafic intrusions in Exploration and Mining Geology in Series B of Transactions of the Institution of Mining and Metallurgy (London) and in Precambrian Research. Mr. Pettigrew has worked for several junior and major companies in gold and Cu-Ni-PGE exploration, most notably Avalon Ventures Ltd., Temex Resources Corp., Rainy River Resources Ltd., Placer Dome CLA Inc. and Goldcorp Inc. Mr. Pettigrew is a founder of Fladgate Exploration Consulting of Thunder Bay, ON, a full service mineral exploration consulting firm with over 60 employees and a roster of publicly traded clients. Currently, Mr. Pettigrew serves as VP Exploration of PC Gold Inc., an exploration and development company listed on the TSX.

On February 14, 2012 the Company announced the resignation of Mitchell Adam as director. The Company wishes to thank Mr. Adam for his past contributions and wishes him well in his future endeavors.

Escrow Shares Released

On both October 15, 2012 and April 15, 2013 337,880 common shares were released from escrow. At July 31, 2013 there are no common shares left in escrow.

On April 11th 2013 the TSX Venture Exchange (the "Exchange") suspended trading in the Company's securities as a result of a cease trade order ("CTO") issued by the British Columbia Securities Commission. The cease trade order was issued due to an administrative error by the Company which resulted in failure to file interim financial statements and Form 51-102F1, (Management's Discussion & Analysis) for the financial period ending January 31st 2013. The Company promptly filed required financial statements and Form 51-102F1 and the cease trade order was lifted on April 17th 2013.

Commitments

Clay and Powell Properties (Ontario)

On September 14, 2010, the Company entered into a Letter of Intent with Rainy Mountain Royalty Corp. and Mega Uranium Ltd. (the "Optionors") for an option to purchase a 70% undivided interest in 11 mineral tenures comprising the Powell property and 10 mineral tenures comprising the Clay property (the "Properties") located near Thunder Bay, Ontario.

The Company may exercise the option by the issuance to the Optionors of 100,000 common shares in the capital stock of the Company, and by incurring a total of $1,000,000 in exploration and development expenditures on the properties as follows:

Date of Completion	Number of Common Shares	Minimum Expenditures
Within 10 days of October 15, 2010 (shares issued at a value of $25,000)	25,000	$ -
Before October 15, 2011 (shares issued at a value of $11,000) (minimum expenditures of $250,000 incurred)	25,000	250,000
Before October 15, 2012 (shares issued at a value of $6,000) (minimum expenditures of $250,000 incurred)	25,000	250,000
Before October 15, 2013 (expenditures of $229,042 incurred)	25,000	500,000
	100,000	$ 1,000,000

In the event that the Company decides to abandon the option to purchase the properties, the Company will provide thirty days prior written notice and will provide payment of rental fees for a period of at least six months from the effective date of such abandonment.

Pursuant to the Letter of Intent, the Clay and Powell properties are subject to a 2% net smelter return ("NSR") of which 1% can be purchased for $500,000 and the second 1% for $1,000,000. The Company and the Optionors will pay the amount in proportion to their respective interest in the Properties.

Marmion South Contact Property (Ontario)

On January 7, 2011, the Company entered into a letter agreement with Karl Bjorkman (the "Optionor") to earn a 100% interest in 47 mineral claims known as the Marmion South Contact property. The property is located in the Thunder Bay Mining Division, Ontario. To acquire the 100% interest, the Company agreed to pay $320,000, issue a total of 187,500 common shares and incur a total of $1,500,000 in exploration expenditures.

On January 7, 2013, the Optionor agreed to defer the cash payment of $60,000 until June 7, 2013. In exchange the 37,500 shares that were to be issued on January 7, 2014 were issued at the same time as the current years share issuance was made.

On July 4, 2013, the original agreement was modified as reflected in the table below. The $60,000 payment that was due June 7, was postponed to January 7, 2014 and in recompense on July 31, 2013, 25,000 common shares (consisting of 50% of the original 50,000 common shares that were due on January 7, 2015) were issued at a deemed price of $0.04 per common share.

Date of Completion	Cash Payments	Number of Common Shares	Exploration Expenditures
By January 7, 2011 (paid)	$ 25,000	-	$ -
On receiving approval from TSX Venture Exchange (issued at a value of $40,000)	-	25,000	-
By January 7, 2012 (minimum expenditures of $150,000 incurred, shares issued at a value of $24,000)	40,000	37,500	150,000
By January 7, 2013 (minimum expenditures of $250,000 incurred, shares issued at a value of $12,000)	-	75,000	250,000
By July 31, 2013 (shares issued at a value of $1,000)	-	25,000	-
By January 7, 2014 (minimum expenditures of $400,000 incurred)	135,000	-	400,000
By January 7, 2015 (expenditures of $7,578 incurred)	120,000	25,000	700,000
	$ 320,000	187,500	$ 1,500,000

The Company paid $13,000 as a finder's fee for the Marmion South Contact acquisition.

The property is subject to a 2.5% net smelter return royalty. The Company has the right to acquire 50% of the royalty at any time prior to the commencement of commercial production upon the property for $1,000,000.

Houghton Creek Property (Ontario)

On July 25, 2012, the Company entered into a letter agreement with an arm's length party (the "Optionor") to earn a 100% interest in certain mineral claims known as the Houghton Creek property. The property is located in the Patricia Mining Division, Ontario. To acquire the 100% interest, the Company agreed to pay $22,000, issue a total of 56,250 common shares and incur a total of $150,000 in exploration expenditures.

On July 31th, 2013, the original agreement was modified as per the table below. The $3,500 payment that was due July 25th was postponed to July 25, 2014 and in recompense a payment of 25,000 common shares (consisting of 100% of the original common shares, that were due on the first and second anniversary of the agreement, were issued August 16, 2013.

Date of Completion	Cash Payments	Number of Common Shares	Exploration Expenditures
By July 30, 2012	$ 3,500	-	$ -
By August 7, 2012	-	6,250	-
By July 25, 2013	-	25,000	-
By July 25, 2014 (minimum expenditures of $50,000 incurred)	8,500	-	50,000
By July 25, 2015	10,000	25,000	100,000
	$ 22,000	56,250	$ 150,000

The property is subject to a 2% net smelter return royalty. The Company has the right to acquire 50% of the royalty at any time prior to the commencement of commercial production upon the property for $1,000,000.

Selected Annual Information

	Year ended October 31, 2012 IFRS ($)	**Year ended October 31, 2011 IFRS ($)**	**Year ended October 31, 2010 Canadian GAAP ($)**
Total Revenue	-	-	–
Operating Expenses	(692,657)	(865,816)	(255,072)
Loss Before Other Items and Income Tax	(692,657)	(865,816)	(255,072)
Write-Off Exploration and Evaluation Assets	-	(246,205)	-
Interest Income	5,339	10,289	571
Future Income Tax Recovery	-	-	16,128
Other income on settlement of flow-through share premium liability	55,173	108,577	-
Net Loss	(632,145)	(993,155)	(238,373)
Basic and Diluted Loss Per Share	(0.03)	(0.07)	(0.04)

	As at October 31, 2012 IFRS ($)	**As at October 31, 2011 IFRS ($)**	**As at October 31, 2010 Canadian GAAP ($)**
Balance Sheet Data			
Total assets	2,134,331	2,127,710	1,185,332
Total liabilities	(108,578)	(88,800)	(110,002)
Total equity	2,025,753	2,038,910	1,075,330

Results of Operations

During the three and nine months ended July 31, 2013, the Company incurred a net comprehensive loss before income taxes interest and other income of $80,281 and $305,644 (2012 - $127,972 and $512,251). The expenses include the following items:

- Advertising and promotion of $0 and $0 (2012 - $2,143 and 34,210) is lower than the comparative period. The decrease is attributed to promotion campaigns in the nine months ended July 31, 2012, that were not repeated in 2013. During the current period the Company has not exhibited at trade shows.

- Accounting and audit of $4,500 and $29,700 (2012 – $19,500 and $57,520) are lower than the comparative period. The prior years expenses are higher because of costs associated with changing to IFRS in the prior period.

- Exploration Expense were $0 in the three and nine months ended July 31,2013 (2012 - $2,681 and $10,785). In the nine months ended July 31, 2012 we finalized our obligation in returning the Nicoamen River property to the optionor. In the current period we did not perform any work outside of our properties.

- Travel and related fees were $(913) and $992 (2012 - $1,513 and $21,727). Travel expenses decreased because we did not exhibit at any trade shows in this period.

The Company earned interest income from redeemable guaranteed investment certificates. Interest income of $73 and $537 (2012 - $1,174 and $4,438) was recognized. The decrease was a result of having less funds invested during the three and nine months ended July 31, 2013**.**

Project Updates

Clay and Powell

In fiscal 2011, the Company completed its 1,500 metre diamond drilling program on two target areas on the Clay and Powell property. One of the target areas drilled consisted of a subtle resistivity high flanking a chargeability high. This target was viewed as a potential extension of gold- and copper-bearing shear zones hosting the Moss Lake mine and the Foundation Resources Inc./Alto Ventures Ltd. Coldstream deposits to the northeast. Of the three drill holes collared in this area (CP-11-04 to CP-11-06), two intersected gold mineralization: 2.91 grams per tonne (g/t) Au over 1.55 metres from 99.50 metres to 101.05 metres in hole CP-11-04 and 8.45 g/t Au over 1.90 metres from 222.75 metres to 224.65 metres in hole CP11-06. Gold mineralization is associated with quartz-carbonate-chlorite-pyrite-chalcopyrite veining within hematite- and carbonate-altered mafic volcanics. The presence of gold within these drill holes indicates that there is a potential for a shear-hosted deposit similar to that of Moss Lake and Coldstream. CP-11-06 was collared 202 metres northeast of CP11-04; CP-11-5, from which no significant values were returned, was collared 136 metres northeast of CP-11-06.

The other target area drilled was a magnetic high defined by a recently completed induced polarization and magnetic survey over the southeast portion of the property. The survey was designed to cover a potential extension of magnetic anomalies associated with the Xstrata Copper/Rainy Mountain Royalty Corp. Hamlin iron oxide copper-gold (IOCG) prospect to the northeast. The three holes drilled in this area (CP-11-01 to CP-11-03) intersected intervals of epidote-carbonate-magnetite to magnetite-carbonate-hematite-chlorite alteration with pyrite and trace amounts of chalcopyrite similar in style to the Hamlin IOCG prospect. Hole CP-11-02 intersected a broad zone of anomalous copper grading 146 parts per million (ppm) from 74.5 metres to 129.9 metres, which includes higher values over narrow widths, including a high of 0.18 per cent Cu over 0.55 metre from 113.35 metres to 113.90 metres. The same hole intersected an elevated gold value of 162 parts per billion (ppb) over 1.50 metres from 221.5 metres to 223.0 metres.

The Company will continue to evaluate available data for these and other areas of the property to assess its potential for additional exploration.

Marmion South Contact

In fiscal 2011, the Company entered into a letter agreement whereby it was granted an option to acquire a 100% interest in the Marmion South Contact Property. The Marmion South Contact Property consists of 8,208 hectares and is located approximately 200 km west of Thunder Bay. The Property is accessed via the Trans-Canada Highway 11 from Thunder Bay to the town of Atikokan then accessed by a secondary highway with several logging roads providing access within the Property. A major railway line and an electrical grid are located just a few kilometres south of the Property. These infrastructures serve the

community of Atikokan and the surrounding areas. Both skilled and semi-skilled labour is readily available from Thunder Bay and Atikokan, respectively.

The property is adjacent to the past producing Atiko-Sapawe Gold Mine to the east and Osisko Mining Corporation's ("Osisko") Hammond Reef Project (10.5 million ounces @ 0.62 g/t gold NI 43-101 compliant gold resource in 'Inferred' category - www.osisko.com) being developed to the north.

The property is host to several gold showings and prospects, including the Olcott prospect which has a historical resource estimate of 81,000 tons @ 0.06 oz/ton gold (Placer Development Limited 1981 – Assessment Work Report # 52B14SW0066). This historical resource estimate is mentioned for historical purposes only and is not compliant with National Instrument 43-101 ("NI 43-101"). The reliability of historical estimates is unknown but considered relevant by the Company as it represents a potential target for exploration work by the Company. These are historical resource estimates prepared prior to the implementation of NI 43-101 and use terminology not compliant with current reporting standards. The Company has not made any attempt to re-classify the estimates according to current NI 43-101 standards of disclosure or the CIM definitions. The Company is not treating this estimate as current mineral resources or mineral reserves as defined in NI 43-101. These historical estimates should not be relied upon.

Exploration over the past several years has identified other prospects, including the Agnico-Eagle prospect (located just to the east of the property, which returned drill hole result of up to 1.0 oz/ton gold over 0.75m), the White Lake prospect (returned grab sample results of up to 0.37 oz/t gold and drill hole results of 0.45 g/t gold over 7.0 m) and a prospective structure known as the Smokey Shear approximately 2 km long located near the northern boundary of the Property. These gold assay values are from various historical assessment and prospecting reports and have not been verified by the Company.

Gold mineralization on the Property is associated with pyrite +/- arsenopyrite and occurs within shear zone-hosted quartz veins/stringers and altered host rocks. The property is underlain by Archean granite-greenstone rocks of the Central Wabigoon Subprovince within the geological Superior Province of the Canadian Shield. The northern half of the property is underlain by granitic rocks of the Marmion batholithic complex which hosts Osisko's Hammond Reef Deposit. Volcanic and gabbroic rocks dominating the southern half of the Property are bound by a major crustal break, the Quetico Fault and its subsidiary structures. Gold and copper mineralization in the volcanic and gabbroic rocks is structurally controlled by east-northeast to east-striking shear zones which are possibly related to the Quetico Fault system.

In June, 2011, the Company completed the initial exploration program of the Marmion South Contact Property. This initial program involved the prospecting and sampling in parts of the property underlain by the Marmion Lake Batholith, host to Osisko's Hammond Reef deposit. Attention was focused on potential southwest extensions of the shear hosted Jack Lake deposit (non NI 43-101 compliant historical resource of 90,000 tonnes at 15.6 g/t, Ontario Geological Survey report) and Clearwater showing that lie within the adjacent Osisko claims to the north, and the Almada showing where a historical grab sample grading 6.34 g/t was recorded by Noranda in 1990. A total of 42 grab rock samples and 81 soil samples were collected in these two areas. Other historically defined prospects – McKinnon, Partridge, Pickering and Smokey Shear – were located and the surrounding areas sampled for a total of 32 grab rock samples.

The work also consisted of identifying the location of historical drill holes in the area of the historical Olcott gold showing; prospecting, channel and grab rock and soil sampling across a potentially mineralized 3 km long corridor within greenstones of the Central Wabigoon Subprovince. The corridor trends northeastward from Olcott toward the Agnico Eagle prospect, which lies just outside the property boundary. Historical drilling at Olcott returned up to 2.51 g/t gold over 10.8 metres and up to 34.3 g/t gold over 0.75 metres at Agnico Eagle according to Ontario Geological Survey reports. A total of 41 grab and 159 channel rock samples, as well as 127 soil samples, were collected across chlorite-sericite altered, foliated shear zones within this corridor, some in areas where historical trenching was observed. Sampling of the White Lake prospect to the southwest included 17 channel and 18 grab rock samples.

In November, 2011, the Company completed its airborne geophysical survey on its Marmion South Contact Property. The airborne survey was conducted by Fugro Airborne Surveys Corp. and consisted of a DIGHEM and magnetometer survey along 1,305 line-kilometres. The purpose of the survey was to aid in the identification of regional and local structures to focus future ground exploration and drill programs. This survey identified several key northeast trending structures in the Marmion Batholith, which are considered priority targets for Hammond Reef style mineralization.

In the winter of 2012 the Company compiled historic exploration data and 2011 exploration results to generate drill targets. These targets were tested by a 1400 meter drill program consisting of 10 holes from March 15th to April 9th, the highlights Include:

- **2.00 g/t over 8.00 meters**, from 76.00 to 84.00 meters, including **3.27 g/t over 3.00 metres** in hole FA-MAR-12-004
- **1.37 g/t over 10.80 meters** from 81.80 meters to 92.60 meters, including **3.10g/t over 1.90 meters** in hole FA-MAR-12-002
- **3.02 g/t over 2.00 meters** from 105.00-106.00 meters in hole FA-MAR-12-006

The program focused on the historic Olcott gold occurrence, located in the southern portion of the property, which has returned up to 5.41 g/t gold over 6.16 metres and 1.85 g/t over gold 19.20 metres in historic drilling during the 1980s and 1990s. The greenstone-hosted Olcott occurrence is located at the intersection of an east-west-trending structure parallel to the regional Quetico fault and a northeast-trending structure similar to the one that hosts the Hammond Reef deposit. This occurrence has been the focus of historical trenching and limited drill programs in the 1980s and 1990s and is a classic quartz vein/shear-hosted gold system.

The Olcott occurrence as described above is just one of several gold occurrences hosted within the Sapawe Lake greenstone belt, the most notable of which is the former Atiko-Sapawe mine. The Atiko-Sapawe mine, located less than 300m from the eastern boundary of the Marmion South property, produced 4,900 ounces of gold at a grade of 4.56 g/t from 1963 to 1966. These gold occurrences are hosted within an east-west corridor; sub parallel to the Quetico fault, the Marmion South Property covers over 8 km of this highly prospective corridor.

In August of 2012 Fairmont conducted a 1 week prospecting, soil sampling and lake sediment sampling program on the property. The program was designed to ground truth several key northeast trends and anomalies within the Marmion batholith in the central and northern part of the property identified by the 2011 airborne geophysical survey (see press release March 6th 2012). This program successfully traced the northeast trending structure which hosts the past producing Jack Lake onto the Marmion South Property. Soil samples within this structure now referred as the “southwest extension of the Jack Lake Structure” returned up to 31 and 54 ppb gold. Lake sediment samples within the same structure returned up to 48 and 69 ppb gold. Iron carbonate rich shear zones (up to 3m wide) within granodioritic rocks along with numerous “slivers” of mafic volcanics were also observed in this structural zone, the presence of large slivers of mafic volcanics are a common feature of gold bearing structures in the Marmion Batholith.

In October 2012 Fairmont conducted 2 days of reconnaissance prospecting in the White Lake area located in the southwest portion of the Marmion South Property which returned grab samples up to 0.94 g/t gold. Sampling by Fairmont in 2011 at the White Lake occurrence had returned up to 6.18 g/t gold and limited historical drilling in the 1980’s had returned up to 0.45 g/t gold over 7.78 meters.

In September 2012, Zoran Maddon of Osisko visited the property and collected 3 drill core sample from the spring 2012 drill program for petrographic analysis. In May 2013 Fairmont received the petrographic report from Osisko. The samples contained abundant iron carbonate, sericite and disseminated pyrite alteration. In additional one sample (from hole FA-MAR-12-002) contained free gold associated with tetrahedrite/tennantite.

Houghton Creek Property

On July 25 2012 Fairmont entered into an option agreement to earn 100% interest in the Houghton Creek Property. Subsequently Fairmont staked additional claims bringing the property to 10 claims comprising 1,312 hectares. The property covers a northeast trending shear zone hosted by the granodioritic Houghton Lake Stock located in the Savant Lake Greenstone belt. The Savant Lake greenstone belt forms part of the Wabigoon Subprovince located in Northwestern Ontario. The Property has seen only limited prospecting, trenching and two short, narrow diameter (Winkie drill) diamond drill holes, drilled by Noranda Exploration Company Limited in 1991, which returned 0.51 g/t gold over 13.11 meters. Recent grab samples collected by the Optionor in 2010 returned up to 6.68 g/t gold, 27.1 g/t silver, 0.05% copper, 0.13% lead and 0.98% zinc.

The Houghton Creek Property is located 27 kilometres northwest of the historic St. Anthony Gold Mine which operated intermittently from 1905 to 1941 and produced 63,310 oz of gold at a grade of 6.51 g/t. The property is also located 50 kilometres due north of the historic Sturgeon Lake Volcanogenic Massive Sulphide (“VMS”) Mining Camp, with five past producers which operated from the early 1970s through to the early 1990s, the largest of which, the Mattabi Mine produced 13.5 million tons at 7.5% Zn, 0.88% Cu, 0.77% Pb, and 3.1 oz/t Ag. Both the Sturgeon Lake and Savant Lake greenstone belts are well known for their VMS mineralization.

In July-August of 2012 Fairmont conducted a one week reconnaissance prospecting, soil sampling and lake sediment sampling program. The program returned several grab samples anomalous in gold mineralization ranging from 0.02 g/t to 0.79 g/t with

one sample returning 4.11 g/t gold all hosted in sheared sulphide-rich granodioritic rocks. The mineralization is accompanied by elevated silver (up to 130.93 g/t) and zinc (up to 0.87 wt. %) with lesser amounts of copper (up to 0.58 wt. %) and lead (up to 0.10 wt. %). A total of 91 grab samples were collected.

Summary of Quarterly Results

	Three Months Ended July 31, 2013 IFRS	Three Months Ended April 30, 2013 IFRS	Three Months Ended January 31, 2013 IFRS	Three Months Ended October 31, 2012 IFRS
Total assets	$ 1,880,901	$ 1,940,507	$ 2,013,234	$ 2,134,331
Working capital	(71,738)	8,461	130,100	242,357
Shareholders' equity	1,735,572	1,814,633	1,935,784	2,025,753
Interest income	73	167	297	901
Settlement of flow-through share premium	-	-	-	2,165
Net loss	80,354	117,449	107,914	119,894
Loss per share	(0.02)	(0.02)	(0.02)	(0.02)

	Three Months Ended July 31, 2012 IFRS	Three Months Ended April 30, 2012 IFRS	Three Months Ended January 31, 2012 IFRS	Three Months Ended October 31, 2011 IFRS
Total assets	$ 2,241,234	$ 2,422,230	$ 2,030,139	$ 2,127,710
Working capital	415,547	625,573	600,551	824,391
Shareholders' equity	1,855,373	2,244,652	1,920,024	2,038,910
Interest income	1,174	1,517	1,747	2,163
Settlement of flow-through share premium	10,014	37,875	5,119	(728)
Net loss	127,972	241,089	143,190	195,472
Loss per share	(0.03)	(0.05)	(0.04)	(0.05)

Significant changes in key financial data from 2011 to 2013 can be attributed to the Company completing its initial public offering and three private placements for gross proceeds of $3,657,000. The Company paid a total of $655,459 in share issuance costs (including the fair value of broker's warrants).

On March 15, 2012, the Company completed a private placement for gross proceeds of $516,500. The Company paid a total of $75,479 in share issuance costs (including the fair value of broker's warrants).

As at July 31, 2013, the Company has paid or accrued $219,036 for mineral property acquisition costs and $1,588,274 for deferred exploration costs on the Clay and Powell, Marmion South Contact and Houghton Creek Claims.

At the Company's annual general meeting on April 16, 2013, the shareholders endorsed the rolling stock option plan, under which the Company is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding shares. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

During the nine months ended July 31, 2013 and 2012, the Company granted nil and 262,500 stock options. The Company expensed $2,463 (2012 - $106,061) for share options which vested during the quarter.

On February 8, 2012 the Company agreed with an option holder to cancel 53,750 common share options. The Company also granted 262,500 common share options to certain directors, officers and consultants.

On February 14, 2012, the Company agreed with an option holder to cancel 12,500 common share options and the Company granted 12,500 common share options to a consultant.

On February 28, 2012, 25,000 common share options in the name of a former director expired.

On May 14, 2012, 25,000 common share options in the name of a former director expired.

On September 26, 2012, 25,000 common shares were granted to a consultant.

Liquidity and Capital Resources

To date, the Company has not yet realized profitable operations and has relied on equity financings and trade credit to fund the losses. The Company has sufficient funds to satisfy its exploration expenditure plans for the current fiscal year.

These condensed interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

	July 31, 2013	October 31, 2012
Working capital	$ (71,738)	$ 242,357
Deficit	$ (2,280,911)	$ (1,975,267)

Net cash used in operating activities during the nine months ended July 31, 2013, was $240,680 (2012 – $418,570). The cash used in operating activities for the period consists primarily of the operating costs which was partially offset by decreases in amounts receivable and prepaid expenses and an increase in accounts payable and accrued liabilities and an increase in due to related parties.

Net cash provided by financing activities during the nine months ended July 31, 2013, was $nil (2012 – $465,599).

Net cash used in investing activities during the nine months ended July 31, 2013, was $1,388 (2012 - $420,274). During the current year the Company paid $Nil (2012 – $40,000) cash to the optionor pursuant to the letter agreement for the Marmion South Contact property. The $60,000 payment that was originally due on January 7, 2013 was postponed until June 7, 2013 and then postponed again to January 7, 2014.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company has sufficient funds to cover anticipated administrative expenses and continue to conduct exploration activities throughout the current fiscal year. It will continue to focus on actively exploring its mineral properties.

Related Party Transactions

At July 31, 2013, there was a balance of $94,111 (October 31, 2011 - $78,848), owed to a company controlled by two of the Company's directors.

At July 31, 2013, there was a balance of $370 (October 31, 2011 - $370), owed to one of the Company's directors.

At July 31, 2013, there was a balance of $6,000 (October 31, 2011 - $Nil), owed to one of the Company's directors.

In the nine months ended July 31, 2013, the following amounts were paid or accrued to related parties:

a) Paid or accrued $9,000 (2012 - $9,000) in management fees to Greg Ball a director of the Company.

b) Paid or accrued $nil (2012 - $15,000) in management fees to John Bevilacqua a director of the Company.

c) Paid or accrued $85,500 (2012 - $65,767) in management fees to a company controlled by Michael Thompson and Neil Pettigrew, two directors of the Company.

d) Paid or accrued $8,645 (2012 - $457,430) in deferred exploration expenses to a company controlled by Michael Thompson and Neil Pettigrew, two directors of the Company.

The related party transactions are in the normal course of operations.

Changes in Accounting Policies

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

The preparation of the condensed interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under IFRS. The accounting policies set out below have been applied consistently to all periods presented in the condensed interim financial statements.

The condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, the condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of the condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

The condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimated uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

1) the carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position;

2) the inputs used in the accounting for share-based payment expense included in profit or loss.

Significant Accounting Policies

a) Statement of compliance and basis of presentation

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

The condensed interim financial statements of the Company are presented in Canadian dollars unless otherwise indicated, which is the functional currency of the Company.

b) Use of Estimates

The preparation of condensed interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed interim financial statements and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of exploration and evaluation assets and deferred exploration costs, share-based payments and future income tax valuation allowance. Actual results could differ from those reported.

Significant assumptions about the future and other sources of estimated uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

1) the carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position;

2) the inputs used in the accounting for the deferred tax liability.

3) the inputs used in the accounting for stock-based payment expense included in profit or loss.

c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased, or which are redeemable at the option of the Company, to be cash equivalents.

d) Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction.” Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

e) Income Taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that

affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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

g) Provision for closure and reclamation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision required for closure and reclamation as at July 31, 2013 or October 31, 2012.

h) Share-based payment

The Company applies the fair value method to share-based payments and all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Share-based payment expense is recognized over the applicable vesting period with a corresponding increase in equity reserves. When the options are exercised, the exercise price proceeds together with the amount initially recorded in equity reserves are credited to share capital.

i) Basic and diluted loss per share:

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of the diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. Since the Company has losses the exercise of outstanding options has not been included in this calculation as it would be anti-dilutive.

j) Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and the premium is recognized as other income.

k) Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

l) Financial Instruments

Financial assets:

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash and cash equivalents is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that provide objective evidence of impairment, which are recognized in earnings. The Company's investments are classified as available-for-sale and its receivables are classified as loans and receivables.

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

Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period or, where appropriate, a shorter period. The Company's financial liabilities consist of accounts payable, accrued liabilities and due to related parties, which are classified as other liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Impairment of financial assets:

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortized cost would have been had the impairment not be recognized.

m) Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Financial Instruments

Fair Values

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature. The following table summarizes the carrying values of the Company's financial instruments:

	July 31, 2013	October 31, 2012	October 31, 2011
Fair value through profit or loss (i)	$ 7,092	$ 249,160	$ 826,159
Loans and receivables (ii)	7,651	31,648	68,710
Other financial liabilities (iii)	145,329	108,578	33,627

(i) Cash and cash equivalents
(ii) Amounts receivable
(iii) Accounts payable and amounts due to related parties
The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market date

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 7,092	-	-	$ 7,092

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuances when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

The Company does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company

New standards not yet adopted

In November 2009, the IASB published IFRS 9, "Financial Instruments," which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If the option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on November 1, 2013. An early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact on the Company upon implementation of the issued standard.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at July 31, 2013.

Additional Disclosure for Venture Issuers without Significant Revenue

Please refer to Note 5 in the condensed interim financial statements for the three and nine months ended July 31, 2013 for a description of the capitalized exploration and development costs on the Clay and Powell Property, Marmion South Contact Property and Houghton Creek Property. For a description of the general and administrative expenses, please refer to the statements of operations contained in the condensed consolidated financial statements for the three and nine months ended July 31, 2013.

Outstanding Share Data

The following table summarizes the outstanding share capital as of the date of the MD&A:

	Number of shares issued or issuable
Common shares	5,106,360
Stock options	387,500
Warrants (including agent warrants)	945,666
Agent warrants (included in above)	84,833

Escrow Shares

At July 31, 2013, pursuant to an escrow agreement dated December 10, 2009, all escrow shares have been released.

Business Risks

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

- Financial risks include commodity prices, interest rates and the Canada / United States exchange rate, all of which are beyond the Company's control.

- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

The Company currently does not have adequate cash for planned exploration expenditures and general and administrative expenses in the next fiscal year and will require financing in the future to continue in business. There can be no assurance that such financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change and investors may suffer additional dilution. To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company.

Internal Controls over Financial Reporting

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed interim financial statements for external purposes in accordance with IFRS. Lack of optimal segregation of duties has been observed due to the relatively small size of the Company, but management believes that these weaknesses have been adequately mitigated through management and director oversight.

Subsequent Event

On August 16, 2013 25,000 common shares were issued at a deemed price of $0.04 per common share in payment for the Houghton Creek property.

Management's Responsibility for Condensed Interim Financial Statements

The information provided in this report, including the condensed interim financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the condensed consolidated financial statements.

Further Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.