Digger Resources Inc.

Consolidated Financial Statements
July 31, 2013 and 2012

October 24, 2013

Independent Auditor's Report

To the Shareholders of Digger Resources Inc.

We have audited the accompanying consolidated financial statements of Digger Resources Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at July 31, 2013 and July 31, 2012 and the consolidated statements of changes in equity, income (loss) and comprehensive income (loss), and cash flows for the years ended July 31, 2013 and July 31, 2012, and the related notes, which comprise 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.

Auditor's 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 audits 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 auditor's 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.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Digger Resources Inc. and its subsidiaries as at July 31, 2013 and July 31, 2012 and their financial performance and their cash flows for the years ended July 31, 2013 and July 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Digger Resources Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants

Digger Resources Inc.

Consolidated Statements of Financial Position

(expressed in Canadian dollars unless otherwise stated)

	As at July 31, 2013 $	As at July 31, 2012 $
Assets		
Current assets		
Cash	77,919	129,603
Accounts receivable	223	208
	78,142	129,811
Non-current assets		
Capital assets (note 6)	1,708	2,388
	79,850	132,199
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	26,300	26,300
	26,300	26,300
Equity		
Capital stock (note 9)	4,715,884	4,715,884
Warrants (note 9)	120,000	120,000
Share-based payments reserve (note 10)	1,939,204	1,827,833
Deficit	(6,721,538)	(6,557,818)
	53,550	105,899
	79,850	132,199

Going concern (note 2)
Commitments and Contingencies (note 14)

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors

_______________________Director _______________________Director
Norman Yeo Graeme Wallace

Digger Resources Inc.

Consolidated Statements of Changes in Equity

For the years ended July 31, 2013 and 2012

(expressed in Canadian dollars unless otherwise stated)

	Capital Stock $	Warrants $	Share-based Payment Reserve $	Deficit $	Total $
Balance August 1, 2011	4,435,884	-	1,827,833	(6,564,438)	(300,721)
Net income for the year	-	-	-	6,620	6,620
Shares issued (note 9)	280,000	-	-	-	280,000
Fair market value of warrants issued (note 9)	-	120,000	-	-	120,000
Balance July 31, 2012	4,715,884	120,000	1,827,833	(6,557,818)	105,899
Balance August 1, 2012	4,715,884	120,000	1,827,833	(6,557,818)	105,899
Stock compensation costs (note 10)	-	-	111,371	-	111,371
Net loss for the year	-	-	-	(163,720)	(163,720)
Balance July 31, 2013	4,715,884	120,000	1,939,204	(6,721,538)	53,550

See accompanying notes to consolidated financial statements.

Digger Resources Inc.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended July 31, 2013 and 2012

(expressed in Canadian dollars unless otherwise stated)

	July 31, 2013 $	July 31, 2012 $
Revenue		
Sales (note 16)	-	30,690
	-	30,690
Expenses		
Professional fees	31,046	43,105
Depreciation and amortization (note 6)	680	956
Office and administrative	20,623	20,293
Stock compensation costs (note 10)	111,371	-
	163,720	64,354
Other income (note 14)	-	40,284
Income (loss) before income taxes	(163,720)	6,620
Income taxes (note 11)	-	-
Net income (loss) and comprehensive income (loss) for the year	(163,720)	6,620
Net income (loss) per share – basic and diluted (note 9)	(0.014)	0.001

Going concern (note 2)

See accompanying notes to consolidated financial statements.

Digger Resources Inc.

Consolidated Statements of Cash Flows

For the years ended July 31, 2013 and 2012

(expressed in Canadian dollars unless otherwise stated)

	July 31, 2013 $	July 31, 2012 $
Cash flows provided by (used in)		
Operating (loss) activities		
Net income (loss) for the year	(163,720)	6,620
Items not affecting cash		
Stock compensation costs	111,371	-
Depreciation and amortization	680	956
Non-cash other income	-	(20,982)
	(51,669)	(13,406)
Net change in non-cash working capital items (note 15)	(15)	(1,389)
	(51,684)	(14,795)
Investing activity		
Acquisition of capital assets	-	(2,523)
	-	(2,523)
Financing activities		
Shares issued net of advances	-	335,000
Repayment of advances to related companies	-	(248,012)
Advances on share subscriptions	-	-
	-	86,988
Increase in cash for the year	(51,684)	69,670
Cash – Beginning of year	129,603	59,933
Cash – End of year	77,919	129,603
Supplementary information		
Interest paid	-	-
Taxes paid	-	-

Going concern (note 2)

See accompanying notes to consolidated financial statements

(expressed in Canadian dollars unless otherwise stated)

1 Nature of operations

Digger Resources Inc.'s ("Digger" or the "Company") principal business activity is, through the application of its High Definition Reservoir Geochemisty ("HDRG") technology, the development of an effective exploration technique as an adjunct to existing seismic methods and to assist in the environmentally sound discovery and development of new oil and natural gas reserves through the detection of metallic and non-metallic ions in near surface soil profiles.

Digger is a publicly traded company, incorporated and domiciled in Canada. The address of its registered office is Suite 700, 595 Burrard Street, Vancouver, British Columbia, V7X 1S8, Canada.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors (the "Board") on October 24, 2013.

2 Going concern assumption

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

However, the use of such principles may not be appropriate because there is significant doubt surrounding the ability of Digger to continue as a going concern. For the year ended July 31, 2013, Digger has a cash balance of $77,919 (2012: $129,603), an accumulated deficit of $6,721,538 (2012: $6,557,818), generated negative cash flow from operations of $51,684 (2012: $14,795) and has not yet secured any contracted revenue for fiscal 2014. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Digger's ability to continue as a going concern is dependent on successfully marketing the technology, obtaining financing from related parties and contracting future revenue. In recognition of these circumstances, Digger is still looking for external markets for its HDRG technology and investigating sources of financing. In the current year Digger completed projects using its HDRG technology, which resulted in revenue of $nil (2012: $30,690). Management is expecting that 2014 will see advancement in the use of HRDG technology, and that Digger will be able to raise funds through increased HDRG surveys on a fee for service basis and obtain additional equity financing to fund its operations and to market its HDRG technology to vendors.

While there can be no assurance that these initiatives will be successful, management believes that future contracts and related party funding will contribute adequate cash flow so Digger can continue as a going concern. These financial statements do not reflect any adjustments to the carrying value of assets, liabilities and reported expenses and balance sheet classifications that might be necessary should the Company be unable to generate the necessary capital and continue as a going concern. Such adjustments could be material.

(expressed in Canadian dollars unless otherwise stated)

3 Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of October 24, 2013, the date the Board approved the statements.

4 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from and affect the results reported in these consolidated financial statements as future confirming events occur.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are noted below with further details of the assumptions contained in the relevant note.

Share-based payments and warrants

Charges for share-based payments and warrants are based on the fair value at the date of the award. The shares are valued using the Black-Scholes model, and inputs to the model include management's assumptions on share price volatility, expected forfeitures, discount rates and expected life outstanding.

Deferred income taxes

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the company's estimate, the ability of the company to realize the deferred tax assets could be impacted.

By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

5 Significant accounting policies

These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

(expressed in Canadian dollars unless otherwise stated)

a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy.

b) Functional and presentation currency

The functional currency of the Company is Canadian dollars, and all amounts are presented in Canadian dollars unless otherwise stated.

Foreign currency transactions are translated using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of income.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash in the bank less outstanding cheques.

d) Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, the sales price and costs can be measured reliably, and it is probable that the economic benefits will flow to the company. These criteria are met and HDRG revenue is recognized based on number of samples analyzed in accordance with the agreed contractual obligations and payment is reasonably assured.

e) Consolidation

The financial statements consolidate the accounts of Digger Resources Inc. and its subsidiaries. Subsidiaries are those entities which Digger Resources Inc. controls by having the power to govern the financial and operating policies. The consolidated financial statements include the accounts of the Company and its inactive wholly owned subsidiary, Color Lazer Products Inc. Subsidiaries are fully consolidated from the date on which control is obtained by Digger Resources Inc. and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

f) Technology development costs

HDRG technology is recorded at cost less accumulated amortization. Amortization is provided over five years, the estimated economic life of the technology.

(expressed in Canadian dollars unless otherwise stated)

Technology development costs that are capitalized are assessed for indicators of impairment each reporting period. If there are indicators, an impairment test is performed to determine if the carrying value is still appropriate. Any impairments are charged to income in the period incurred. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

g) Capital assets

Capital assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Depreciation is provided over the estimated useful life of the assets at annual rates as follows, except for the first year for which only one half of this amortization is recorded:

Computer equipment	30% declining balance
Office furniture and equipment	20% declining balance

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

Impairment losses and gains and losses on disposals of property, plant and equipment and are included in statement of income and comprehensive income.

A previous impairment, other than an impairment of goodwill, is subsequently assessed for any indications that the impairment is reduced or no longer exists. An impairment loss is reversed if there has been an increase in the recoverable amount of an asset compared to its current carrying value. Impairment losses are reversed only to the extent that the assets' carrying amount would not exceed the carrying amount that would have been reported if no impairment loss had been recognized.

h) Warrants

The Company has adopted the pro-rata basis method for the measurement of shares and warrants issued as private placement units. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of the component.

(expressed in Canadian dollars unless otherwise stated)

The fair value of the common share is based on the closing price on the closing date of the transaction less the fair value of the warrant as determined using the Black Scholes Option Pricing Model.

The fair value attributed to the warrant is recorded as warrant equity. If the warrant is exercised, the value attributed to the warrant is transferred to share capital. If the warrant expires unexercised, the value remains in warrants line item within equity. Warrants that have their term of expiries extended are not subsequently revalued.

i) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are presented as non-current.

j) Share-based payments

The Company recognizes as compensation expense in respect of stock options granted under the Company's Stock Option Plan described in note 10. The expense is equal to the estimated fair value of the options, as valued by the Black-Scholes model, at its grant date and is amortized over the vesting period of the option. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of awards that vest. Compensation expense is initially credited to share based payment reserve and transferred to capital stock when the option is exercised. Consideration received on the exercise of stock options is credited to capital stock. If the stock options expires unexercised, the value remains in Share-based payments reserve within equity.

(expressed in Canadian dollars unless otherwise stated)

k) Financial instruments – recognition and measurement

The Company has classified its financial instruments as follows: cash and cash equivalents and accounts receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

All financial instruments are included on the balance sheet and are measured at fair value, except for loans and receivables and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value depends on the initial classification of the particular instrument. Held for trading financial instruments are measured at fair value with gains and losses recognized in earnings immediately. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable. Loans and receivables, and other financial liabilities are recognized at amortized cost using the effective interest method and impairment losses are recorded in earnings when incurred.

The Company's accounting policy with respect to transaction costs has been to capitalize all transaction costs for all financial instruments.

l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

m) Earnings per share

The earnings per share is calculated using the weighted average number of shares outstanding. The Company follows the treasury stock method of accounting for fully diluted earnings per common share. The treasury stock method computes the number of incremental shares by assuming the outstanding stock options and warrants exercisable at exercise prices below the average market price for the applicable period are exercised and then that number of incremental shares is reduced by the number of shares that could have been repurchased from the issuance proceeds, using the average market price of the Company's shares for the applicable period.

n) Future accounting pronouncements

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2013 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the Digger's consolidated financial statements for the annual period beginning on August 1, 2013:

(expressed in Canadian dollars unless otherwise stated)

i) IFRS 10, Consolidated Financial Statements (effective January 1, 2013)

This standard is issued to supersede IAS 27, "Consolidated and Separate Financial Statements" and SIC 12, "Consolidation – Special Purpose Entities. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard is expected to have minimal impact on the Company's consolidated financial statements.

ii) IFRS 12, Disclosure of Interest in Other Entities (effective January 1, 2013)

This standard specifies disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is expected to have minimal impact on the Company's consolidated financial statements.

iii) IFRS 13, Fair Value Measurement (effective January 1, 2013)

The main provisions for this standard include defining fair value, setting out in a single standard a framework for measuring fair value and specifying certain disclosure requirements about fair value measurements. The adoption of these standards has no impact on the amounts recorded in the consolidated financial statements as at January 1, 2013 or on the comparative periods. The new standard is expected to result in enhanced financial statements disclosures.

iv) IAS 27, Separate Financial Statements (effective January 1, 2013)

This has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. This amendment expected to have minimal impact on Company's consolidated financial statements.

v) IAS 32 Financial instruments: Hedge accounting and novation of derivatives (effective January 1, 2014)

Amended to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty ("CCP") meets specified criteria. Effective for years beginning on or after January 1, 2014. This amendment is expected to have minimal impact on Company's consolidated financial statements.

vi) IAS 32 Financial instruments: Presentation (effective January 1, 2014)

Amended to clarify requirements for offsetting of financial assets and financial liabilities. Effective for years beginning on or after January 1, 2014. This amendment is expected to have minimal impact on Company's consolidated financial statements.

(expressed in Canadian dollars unless otherwise stated)

vii) IAS 36 Impairment of assets: Disclosures (effective January 1, 2014)

Limited scope amendments to disclosure requirements in IAS 36, Impairment of Assets. Effective for years beginning on or after January 1, 2014. This amendment is expected to have minimal impact on Company's consolidated financial statements.

viii) IFRS 7 Financial instruments: Disclosure (effective January 1, 2014)

IFRS 7, "Financial Instruments: Disclosures", which requires disclosure of both gross and net information about financial instruments eligible for offset in the balance sheet and financial instruments subject to master netting arrangements. Concurrent with the amendments to IFRS 7, the IASB also amended IAS 32, "Financial Instruments: Presentation" to clarify the existing requirements for offsetting financial instruments in the balance sheet. The amendments to IAS 32 are effective as of January 1, 2014. This amendment is expected to have minimal impact on Company's consolidated financial statements.

ix) IFRS 7 Financial instruments: Disclosure (effective January 1, 2015)

Amended to require additional disclosures on transition from IAS 39 to IFRS 9. Effective on adoption of IFRS 9 which is effective for years beginning on/after January 1, 2015. This amendment is expected to have minimal impact on Company's consolidated financial statements.

x) IFRS 9, Financial Instruments (effective January 1, 2015)

The standard is the first step in the process to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 regarding the recognition of financial assets and financial liabilities. This standard is expected to have minimal impact on the Company's consolidated financial statements.

(expressed in Canadian dollars unless otherwise stated)

6 Capital assets

Cost	**Computer equipment $**	**Office equipment $**	**Total $**
Balance August 1, 2011	231,764	50,504	282,268
Additions	2,523	-	2,523
Balance July 31, 2012 and August 1, 2012	234,287	50,504	284,791
Additions	-	-	-
Balance July 31, 2013	234,287	50,504	284,791

Accumulated depreciation	**Computer equipment $**	**Office equipment $**	**Total $**
Balance August 1, 2011	231,426	50,021	281,447
Depreciation	860	96	956
Balance July 31, 2012 and August 1, 2012	232,286	50,117	282,403
Depreciation	600	80	680
Balance July 31, 2013	232,886	50,197	283,083
Net book value at July 31, 2013	1,401	307	1,708

7 Technology development costs

Technology development costs of $200,667 have been written off in prior years and no indicator of reversal of impairment was identified in 2013.

8 Related party transactions

There were no transactions with related parties during 2013 (2012: Digger incurred consulting costs in amount of $800 provided by close family members of key management personnel of Digger). Transactions were measured at the fair value and are payable on demand.

(expressed in Canadian dollars unless otherwise stated)

9 Capital stock and warrants

Authorized

100,000,000 common shares with no par value (2012 – 100,000,000).

Issued

Capital stock	July 31, 2013		July 31, 2012	
	Number of shares	Amount $	Number of shares	Amount $
Balance – Beginning of year	11,349,035	4,715,884	9,349,035	4,435,884
Shares issued on private placement	-	-	2,000,000	280,000
Balance – End of year	11,349,035	4,715,884	11,349,035	4,715,884

Warrants	July 31, 2013		July 31, 2012	
	Number of warrants	Amount $	Number of warrants	Amount $
Balance – Beginning of year	2,000,000	120,000	-	-
Warrants expired during the year	(2,000,000)	-	-	-
Fair market value of warrants issued	-	-	2,000,000	120,000
Balance – End of year	-	120,000	2,000,000	120,000

(expressed in Canadian dollars unless otherwise stated)

The fair value of share purchase warrants issued as per above is calculated using "Black-Sholes model" following weighted average assumptions:

	July 31, 2013	July 31, 2012
Number of warrants granted	-	2,000,000
Fair value of warrants granted ($ per warrant)	-	0.06
Risk-free interest rate	-	1.95%
Expected stock price volatility	-	60%
Expected dividend yield	-	0%
Expected warrant life in years	-	1

On August 9, 2012 the TSX Venture Exchange consented to an extension of the expiry date of the warrants from August 12, 2012 to February 13, 2013. The Company's warrants extended were not subsequently revalued as the Company uses an exemption for warrants granted as part of the equity subscription under IAS 32 Financial instruments. These warrants expired on February 13, 2013 without being exercised.

Earnings (loss) per share

The weighted average number of common shares outstanding for the years ended July 31, 2013 and July 31, 2012, are as follows:

	July 31, 2013	July 31, 2012
Earnings (loss) for the year	(163,720)	6,620
Basic and diluted numbers of shares	11,349,935	11,288,761
Basic and diluted earnings (loss) per share	(0.014)	0.001

For the year ended July 31, 2013, 950,000 (2012: nil) stock options and nil (2012: 2,000,000) warrants were excluded from the calculation of diluted shares as they would be anti-dilutive.

10 Share-based payments

Digger has established a stock option plan whereby options may be granted to the Company's directors, officers, employees and consultants. The number of common shares issuable under Digger's share option plan cannot exceed 20% of the issued and outstanding common shares of Digger. The number of common shares issuable to any one person under the plan cannot exceed 5% of the total number of common shares outstanding. The exercise price of each option equals the market price of Digger's stock on the date of the grant and options' maximum life of five years and are equity settled. The vesting period is determined by the Board of Directors. Options issued to date vest equally every three months from date of grant.

(expressed in Canadian dollars unless otherwise stated)

A summary of the outstanding stock options as of July 31, 2013 and July 31, 2012, and changes during the period then ended are as follows:

		July 31, 2013		July 31, 2012
	Stock options	**Weighted average exercise price $**	**Stock options**	**Weighted average exercise price $**
Outstanding – Beginning of year	-	-	150,000	0.40
Granted during the year	950,000	0.15	-	-
Expired during the year	-	-	(150,000)	-
Outstanding – End of year	950,000	0.15	-	0.40
Exercisable – End of year	474,990	0.15	-	0.40

The 950,000 options were granted to key management and are vesting in six equal tranches within eighteen months since grant for a term of five years from the date of grant. As at July 31, 2013 the weighted average years to expiry are 4.2.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes options pricing model. The fair value of each option granted by the Company during the years ended July 31, 2013 was estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	July 31, 2013	July 31, 2012
Number of options granted	950,000	-
Fair value of options granted ($ per options)	0.14	-
Risk-free interest rate	1.38%	-
Expected stock price volatility	153%	-
Expected dividend yield	0%	-
Expected warrant life in years	5	-

Total compensation expense is amortized over the vesting period of the options. Compensation expense of $111,371 (July 31, 2012: $nil) has been recognized during the period based on the estimated fair value options of the grant in accordance with the fair value method of accounting for stock-based compensation.

(expressed in Canadian dollars unless otherwise stated)

11 Income taxes

	July 31, 2013 $	July 31, 2012 $
Net income before income taxes	(163,720)	6,620
Tax rate	25%	25.62%
Expected income tax expense	(40,930)	1,696
Impact of tax rate change and other	-	(38)
Tax benefit of losses not recognized (or utilized tax benefit)	13,087	(1,658)
Stock based compensation	27,843	-
Provision for income taxes	-	-

The Company tax pools associated with non-capital losses and capital assets and exploration expenditures which exceed the related book values are as follows:

Deductible Temporary Differences	July 31, 2013 $	July 31, 2012 $
Capital assets	277,770	277,090
Intangible assets	151	162
Exploration expenditures	2,911,861	2,911,861
Non-capital losses	254,825	203,145
	3,444,607	3,392,258

As at July 31, 2013, no deferred tax asset was recognized in the statement of financial position for these deductible temporary differences due to uncertainties around future profitability.

The non-capital losses expire as follows:

	July 31, 2013 $
2026	2,135
2027	92,204
2028	31,425
2029	30,572
2030	46,809
2033	51,680
	254,825

(expressed in Canadian dollars unless otherwise stated)

12 Financial Instruments

a) Fair value of financial assets and liabilities

The Company's financial instruments recognized in the statement of financial position consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The fair values of these recognized financial instruments approximate their carrying amounts due to the short term nature of the amounts.

b) Credit risk

Digger is exposed to credit losses in the event of non-payment of accounts receivable. The carrying values reflect management's assessment of the associated maximum exposure to such credit risk. The Company has not previously experienced any material credit losses on the collection of accounts receivable. There are no allowances and no past due receivables as at the end of July 31, 2013 and July 31, 2012. Cash is held with a reputable chartered bank from which management believes the risk of loss is minimal.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company has heightened liquidity risk due to the lack of third party contracted revenue and dependency on related party funding. To mitigate liquidity risk that is attributed to accounts payable and accrued liabilities, the Company closely monitors liquidity related to obligations by evaluating forecasted cash flows, including capital spending activity, working capital requirements, and other potential cash expenditures. This continual financial assessment process enables the Company to mitigate liquidity risk.

The Company has negative cash flow from operations, an accumulated deficit at July 31, 2013 and no revenue contracted for 2013 and 2014, therefore a going concern note (note 2) is included in the consolidated financial statements. All accounts payables and accrued liabilities due within one year.

d) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk as lab and no license fees are in Australian currency. There were no lab and licenses fee incurred in 2013 and as such there are no foreign exchanges gain or losses recognized.

(expressed in Canadian dollars unless otherwise stated)

ii) Interest rate risk

Interest rate risk concerns the exposure of the Company to the future changes in the prevailing level of interest rate. The Company is not exposed to interest rate risk as there are no assets or liabilities subject to interest charges.

13 Management of capital resources

The capital structure of the Company is composed of shareholders' equity of $53,550. The Company's objective when managing capital is to maintain sufficient liquidity in a combination of operating cash and short or long-term debt, in order to meet the business needs for financing operation costs and asset purchases.

The Board relies on the expertise of management to sustain future development of the business. The Company will continue to assess new sources of financing available and manage expenditures to reflect current financial resources in the interest of sustaining long-term viability. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable. The Company does not have any externally imposed capital requirements. See note 2 - going concern.

14 Commitments and contingencies

The Company entered into a licensing agreement effective July 5, 1999 with Wamtech Pty. The agreement gives the Company the exclusive license to further development of a proprietary leachant. The Company will pay a license fee of 10 Australian dollars per sample during the term of this agreement, which is 30 years, with a minimum of 1,000 samples per year (subject to inflationary changes after 10 years).

The validity of this licensing agreement with Wamtech Pty. entered into July 5, 1999 has been disputed by the successor to the licensor. The Company was of the view that the licensing agreement created a binding legal obligation on the part of the licensor and continued to pay the minimum lease fee required under the contract.

On October 2, 2011 this contract became non-enforceable. Consequently, license fees of $20,982 accrued in the accounts were cancelled. Also on March 15, 2012, the Company received $19,302 as a refund of fees for 2008 and 2009 which were previously paid under the contract.

Effective October 5, 2010, ALS Laboratory Group ("ALS") granted to Digger an exclusive non-assignable right to market a proprietary ALS partial extraction leachant. The term of the agreement with ALS is for three years with two renewable terms thereafter of five years each by the end of the third year (October 2013) of the contract, based on successful achievement of performance objectives as follow:

a) In the last full year of the first three year license term (October 2013) no less than 5,000 samples are to be delivered by Digger to ALS for analysis using a partial leach analytical technique;

b) In the last full year of the first five year renewal period (October 2018) no less than 20,000 samples are to be delivered by Digger to ALS for analysis using a partial leach analytical technique.

(expressed in Canadian dollars unless otherwise stated)

If the performance objectives are not met, the contract expires. There are no penalties or financial commitments associated with not meeting the minimum samples.

15 Changes in non-cash working capital accounts

	July 31, 2013 $	July 31, 2012 $
Operating activities		
Trade and other receivables	(15)	(75)
Trade and other payables	-	(22,296)
Less: non-cash other income	-	20,982
	(15)	(1,389)

16 Significant customers

The Company earned 100% of its revenue from one external customer in the year ended July 31, 2012. No revenue generated and signed sales contract for the year ended July 31, 2013.

17 Key management compensation

There are no payments made to key management personnel in 2013 (2012: nil) other than options granted as disclosed in note 10.

18 Subsequent events

On October 15, 2013, ALS and Digger agreed to extend the last full year of the first three year license term whereby no less than 5,000 samples are delivered by Digger to ALS for analysis using a partial leach analytical technique for an additional period ending on October 31, 2014.