GWR RESOURCES INC

(An Exploration Stage Company)

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED SEPTEMBER 30, 2015

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Independent Auditor's Report

To the shareholders of GWR Resources Inc.

We have audited the accompanying financial statements of GWR Resources Inc., which comprise the statements of financial position as at September 30, 2015 and 2014, and the statements of comprehensive income (loss), cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of GWR Resources Inc. as at September 30, 2015, and 2014 and the results of its operations and cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates that the Company has not yet achieved profitable operations and has an accumulated deficit of $44,587,155 since inception. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO Canada LLP"

Chartered Professional Accountants
Vancouver, British Columbia
January 28, 2016

GWR RESOURCES INC.

STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at		September 30, 2015		September 30, 2014
ASSETS				
Current				
Cash	$	311,368	$	85,940
Receivables		21,932		30,677
Prepaids		8,713		-
		342,013		116,617
Reclamation deposits (Note 4)		110,000		110,000
Other assets		1,008		1,008
Assets held-for-sale (Note 7)		155,000		185,000
Property, plant and equipment (Note 5)		69,910		555,042
Exploration and evaluation assets (Note 6)		2,488,909		2,488,909
	$	3,166,840	$	3,456,576
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	242,388	$	267,663
Other liabilities (Note 10)		34,889		-
Current portion of long-term debt (Note 9)		86,808		84,647
		364,085		352,310
Shareholders' equity				
Share capital (Note 10)		35,105,414		34,892,826
Reserves (Note 10)		12,284,496		12,109,827
Deficit		(44,587,155)		(43,898,387)
		2,802,755		3,104,266
	$	3,166,840	$	3,456,576

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 14)

Approved and authorized by the Board on January 28, 2016:

"Rolf Van Driesum" Director *"David Brett"* Director

The accompanying notes are an integral part of these financial statements.

GWR RESOURCES INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

For the years ended September 30		2015		2014
EXPENSES				
Depreciation (Note 5)	$	33,849	$	48,676
Exploration and evaluation expenditures (Notes 8,10b and 11)		321,810		128,773
BCMETC refund (Note 16)		-		(1,110,170)
Filing and regulatory		19,655		16,798
Office and other		69,021		44,248
Management and consulting (Note 11)		73,507		138,170
Professional fees		132,706		7,684
Share-based payments (Notes 10c and 11)		160,500		109,378
Income (loss) before other items and taxes		(811,048)		616,443
OTHER ITEMS				
Interest income		-		31,524
Legal provision (Note 14)		(55,000)		-
Impairment of assets held-for-sale (Note 7)		(30,000)		(9,251)
Part XII.6 (Note 16)		-		(232,114)
CRA (provision) penalties (Note 16)		318,981		(318,981)
Impairment of QST receivable		-		(16,215)
Loss on sale of asset (Note 8)		(198,283)		-
Other income (Note 10b)		85,111		-
Gain on extinguishment of debt		1,471		13,212
Comprehensive (loss) income for the year	$	(688,768)	$	84,618
Basic and diluted income (loss) per common share	$	0.00	$	0.00
Weighted average number of common shares outstanding		150,778,967		149,425,542

The accompanying notes are an integral part of these financial statements.

GWR RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the year ended September 30	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year	$ (688,768)	$ 84,618
Non-cash items:		
Depreciation	33,849	48,676
Share-based payments	160,500	109,378
Gain on extinguishment of debt	(1,471)	(13,212)
Long-term debt accrued interest	2,161	7,183
Impairment of assets held-for-sale	30,000	9,251
Impairment on QST receivable	-	16,215
Other income (Note 10)	(85,111)	-
Loss on sale of property, plant and equipment (Note 8)	198,283	-
Changes in non-cash working capital items:		
Receivables	8,745	27,099
Prepaids	(8,713)	-
Accounts payable and accrued liabilities	(20,804)	(253,637)
Net cash provided by (used in) operating activities	(371,329)	35,571
CASH FLOWS FROM INVESTING ACTIVITIES		
Return of reclamation deposit (Note 4)	-	24,000
Proceeds from sale of property, plant and equipment (Note 8)	250,000	-
Net cash provided by investing activities	250,000	24,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	400,000	-
Loan from related party (Note 11)	60,000	-
Repayment of loan from related party (Note 11)	(60,000)	-
Share issuance costs	(53,243)	-
Net cash provided by financing activities	346,757	-
Change in cash during the year	225,428	59,571
Cash, beginning of year	85,940	26,369
Cash, end of year	$ 311,368	$ 85,940

Supplemental disclosure with respect to cash flows (Note 13)

The accompanying notes are an integral part of these financial statements.

GWR RESOURCES INC.
STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share capital							
	Number		Amount		Reserves		Deficit		Total
Balance, September 30, 2013	149,425,542	$	34,892,826	$	12,000,449	$	(43,983,005)	$	2,910,270
Share-based payments	-		-		109,378		-		109,378
Income for the year	-		-		-		84,618		84,618
Balance, September 30, 2014	149,425,542		34,892,826		12,109,827		(43,898,387)		3,104,266
Private placements	8,000,000		280,000		-		-		280,000
Share issuance costs – cash	-		(53,243)		-		-		(53,243)
Share issuance costs – warrants	-		(14,169)		14,169		-		-
Share-based payments	-		-		160,500		-		160,500
Loss for the year	-		-		-		(688,768)		(688,768)
Balance, September 30, 2015	157,425,542	$	35,105,414	$	12,284,496	$	(44,587,155)	$	2,802,755

See Note 10

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS AND THE ABILITY TO CONTINUE AS A GOING CONCERN

GWR Resources Inc. (the "Company") was incorporated in British Columbia under the Business Corporations Act. The Company is in the business of exploring for and evaluating economically viable mineral properties in Canada.

The Company's head office, principal, registered and records office is 733 – 510 West Hastings Street, Vancouver, BC V6B 1L8.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharges its liabilities in the ordinary course of business. For the year ended September 30, 2015 the Company incurred a loss of $688,768 and as at September 30, 2015, has an accumulated deficit of $44,587,155 and expects to incur further losses in the development of its business. Moreover, the Company has an outstanding debt in the amount of $86,808 to a third party which is in default and is presently for sale. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's continuing operations and its ability to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the ability of the Company to continue to obtain debt or equity financing in the short term, the continued support of related parties, and ultimately, on locating economically recoverable ore reserves in its mineral properties. Management believes the Company will be successful at securing additional funding, however, there is no assurance that such plans will be successful.

If the Company is unable to obtain adequate additional financing and the continued support of related parties, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PREPARATION

Statement of Compliance

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

The financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Use of Estimates and Judgments

The preparation of these 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 financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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:

Critical accounting estimates

i. The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

2. BASIS OF PREPARATION *(cont'd…)*

Use of Estimates and Judgments *(cont'd…)*

Critical accounting estimates

ii. Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's warrants have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Critical accounting judgments

i. The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.

ii. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii. The estimate for contingencies and settlement provisions require management to make judgments as to the likelihood of outcomes, and estimates of the timing and the possible outflow of economic benefits.

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3. SIGNIFICANT ACCOUNTING POLICIES

Government Assistance

The Company has access to government programs that are designed to promote exploration activity in the province of British Columbia and Canada. These assistance programs, such as the British Columbia Mining Tax Credit ("BCMETC"), are recognized when it is virtually certain the refund is collectible. When recognized, the amount is included as a recovery in the statement of comprehensive income (loss).

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially realized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to operations over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rent payable under the lease is charged to operations on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Contingent warrants as a result of exercising agents' options are not included in this computation.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, and stock options are classified as equity instruments.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use or abandonment. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as completed sale within one year from the date of classification.

Property, Plant and Equipment

Recognition and Measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land which is not amortized.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent Costs

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 of the item can be measured reliably. All other repairs and maintenance are charged to the operations during the financial period in which they are incurred.

Major Maintenance and Repairs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in operations as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Property, Plant and Equipment *(cont'd…)*

Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in statement of comprehensive income (loss).

Depreciation

Depreciation is recognized in operations and is recognized at the following rates over the assets economic useful life:

Buildings	5%
Field equipment	20%
Vehicles	20%
Office furniture and equipment	20%
Computer equipment	33%
Computer software	50%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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 the 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. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through share proceeds in Note 16.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Exploration and evaluation licenses

All direct costs related to the acquisition of mineral property interests (E&E Assets) are capitalized into intangible assets on a property by property basis. License costs paid in connection with a right to explore in an exploration area, for a period in excess of one year, are capitalized and amortized over the term of the license.

Exploration and evaluation expenditures

Exploration costs, net of incidental revenues, are charged to operations in the year incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Income taxes *(cont'd…)*

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the excess.

Provisions

Environmental rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the statement of comprehensive loss. The Company had no rehabilitation obligations as at September 30, 2015 and 2014.

Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to operations over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to operations over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Share-based payments *(cont'd…)*

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-based share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Reclamation Deposits

Cash which is subject to contractual restrictions on use for mineral properties is classified separately as reclamation deposits. Reclamation deposits are classified as non-current assets.

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").

Loans and receivables

The Company's cash is 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

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost 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. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities.

<u>Financial instrument disclosures</u>

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 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 for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Segment Reporting

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties. All significant assets are held within Canada.

New standards, interpretations and amendments adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual audited financial statements for the year ended September 30, 2014, except for the adoption of new standards and interpretations effective as of October 1, 2014.

The Company adopted certain new standards and amendments effective October 1, 2014. These include IAS 32 (Amendment) Offsetting Financial Assets and Financial Liabilities, IAS 36 (Amendment) Recoverable Amount Disclosures for Non-Financial Assets, and IFRIC 21 Levies. The nature and the effect of these changes are disclosed below.

Several other new standards and amendments apply for the first time in fiscal 2015. However, they are not applicable to the annual audited financial statements of the Company. The nature and the impact of each new standard are described below:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendment to IAS 32, Financial Instruments: Presentation, requires that a financial asset and financial liability should only be offset and the net amount reported when an entity has a legal enforceable right to set off the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Under the amended IAS 36, Impairment, the recoverable amount of a CGU is required to be disclosed only when an impairment loss has been recognized or reversed.

IFRIC 21, Levies

IFRIC 21 clarifies that obligating events giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payments of the levy.

New standards not yet adopted

Certain pronouncements were issued by the IASB or IFRIC that are not mandatory for accounting periods beginning on or after January 1, 2015 or later periods. They have not been early adopted in these financial statements, and they are expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application date as indicated below:

IFRS 9, Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet made an assessment of the impact of the amendments.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. RECLAMATION DEPOSITS

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. The Company is contingently liable to the HSBC Bank of Canada in connection with letters of guarantee issued by the bank on behalf of the Ministry of Energy and Mines in the amount of $110,000 (September 2014 - $110,000). The letters of guarantee are secured by certificates of deposits.

(Expressed in Canadian Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Field Equipment	Vehicles	Office Furniture	Computer Equipment	Software	Buildings	Land	Total
Cost								
Balance, September 30, 2013, 2014	$ 112,682	$ 114,513	$ 57,043	$ 37,329	$ 46,248	$ 495,125	$ 66,752	$ 929,692
Disposals (Note 8)	(3,000)	-	-	-	-	(495,125)	(66,752)	(564,877)
Balance September 30, 2015	109,682	114,513	57,043	37,329	46,248	-	-	364,815
Accumulated depreciation								
Balance, September 30, 2013	74,119	57,374	47,643	29,570	37,603	79,665	-	325,974
Additions	7,712	11,428	1,880	2,561	4,322	20,773	-	48,676
Balance, September 30, 2014	81,831	68,802	49,523	32,131	41,925	100,438	-	374,650
Additions	6,170	9,142	1,504	1,716	2,161	13,156	-	33,849
Disposals	-	-	-	-	-	(113,594)	-	(113,594)
Balance, September 30, 2015	88,001	77,944	51,027	33,847	44,086	-	-	294,905
As at September 30, 2014	$ 30,851	$ 45,711	$ 7,520	$ 5,198	$ 4,323	$ 394,687	$ 66,752	$ 555,042
As at September 30, 2015	$ 21,681	$ 36,569	$ 6,016	$ 3,482	$ 2,162	$ -	$ -	$ 69,910

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Lac La Hache
Balance, September 30, 2015, 2014, and 2013 (1)	$ 2,488,909

(1) Balance represents acquisitions costs paid by the Company.

Lac La Hache

The following descriptions apply to adjacent properties in the Clinton Mining and Cariboo Divisions located near Lac La Hache, British Columbia:

a) Miracle/Murphy

The Company owns a 100% interest in four mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated October 27, 1994, there is a 1% net smelter return ("NSR") due to the original vendor to a maximum of $1,500,000.

b) Peach Lake

The Company owns an 80% interest in seven mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated December 1, 1994, there is a 3% NSR due to the original vendor on four of the seven claims to a maximum of $500,000.

c) Ann

The Company owns a 100% interest in two mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreements, the Company is not required to pay a NSR to the original vendor.

d) Murphy Lake

The Company owns a 100% interest in six mineral claims located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated June 3, 1997, the Company has agreed with the original vendor to issue 300,000 common shares, when it is confirmed that an ore body exists and the plans to commence commercial production are in place, and pay a 3% NSR to a maximum of $1,000,000. No shares have been issued to the date of these financial statements.

e) PMA/Cassidy

The Company owns a 100% interest in four mineral claims, located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreement dated February 14, 2000, the Company is not required to pay a NSR to the original vendor.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS *(cont'd…)*

f) Candorado Option Agreement

During the year ended September 30, 2012, the Company and Candorado Operating Company Ltd. entered into an option agreement whereby the Company acquired a 100% interest in certain unpatented mineral claims located east of Williams Lake, BC, near Lac La Hache. Consideration issued and paid was as follows:

- Cash payments of $870,000;
- Common shares, issuance of 2,400,000 common shares, valued at $600,000; and
- Share purchase warrants, issuance of 2,000,000 share purchase warrants with each warrant exercisable to purchase one additional common share at an exercise price of $0.40 until January 2014. These warrants were valued at $144,000.

The agreement was originally subject to a 2% NSR but this was waived by the vendor in an amendment to the agreement.

7. ASSETS HELD-FOR-SALE

During the year ended September 30, 2013, the Company decided to sell non-core Building and Land assets which is connected to the long-term debt (Note 9). As at September 30, 2015, assets held-for-sale had a fair value less cost to sell of $155,000 (2014 - $185,000) made up of $66,252 (2014 - $66,252) for Land and $88,748 (2014 - $118,748) for Building. The decrease in value of $30,000 was due to a drop in expected sale price and has been recorded as an impairment in the statements of comprehensive income (loss). In addition, a second mortgage charge in the amount of $260,000 was registered on the property by a company controlled by a former officer of the Company. The Company is in the process of having the charge removed from the subject property.

8. ASSET SALE AND PREMISE OPERATING LEASE

On June 1, 2015, the Company completed a property sale (the "Transaction") with Bris Holdings Ltd. ("Bris"), a third party. The Company sold its building and land with carrying value of $448,283 for gross proceeds of $250,000 and recognized a loss on sale of $198,283 to the statement of comprehensive income (loss). The Company entered into a rental agreement with Bris for a five-year term at $2,000 per month plus applicable property taxes and insurance costs. During the year ended September 30, 2015, the Company recorded rental payments of $10,729 in exploration and evaluation expenditures in the statement of comprehensive income (loss).

9. LONG-TERM DEBT

Payable in annual principal payments of $20,000, commencing August 30, 2008, plus interest at prime rate, collateralized by a charge on land and building included in assets held-for-sale. As at September 30, 2015, there has been no settlement of the mortgage.

	September 30, 2015	September 30, 2014
Principal and accrued interest	$ 86,808	$ 84,647
Less current portion	(86,808)	(84,647)
	$ -	$ -

10. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES *(cont'd …)*

b) Issued share capital

During the year ended September 30, 2015, the Company completed a brokered private placement for 8,000,000 units at a price of $0.05 per unit for gross proceeds of $400,000. Each unit consist of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.10 for 2 years. In connection with the offering, the Company paid certain finder's $32,000, filing fees of $2,100, professional fees of $19,143 and issued 640,000 share purchase warrants with the same terms as above with a fair value of $14,169 using the Black-Scholes pricing model using a share price of $0.02 - $0.04, expected life of 2 years, and a volatility of 168.46%. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of $120,000. During the year, the Company spent $283,703 of eligible flow-through expenditures and reduced the flow-through liability by $85,111 to other income.

There were no shares issued during the year ended September 30, 2014

c) Stock options and warrants

The Company has a share purchase option plan approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, and employees. The share purchase option plan (the "2011 Rolling Option Plan") is based on the maximum number of eligible shares equaling a rolling percentage of 7.5% of the Company's outstanding common shares, and may not exceed 5% to any individual, calculated from time to time. Pursuant to the 2011 Rolling Option Plan, if outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the plan increases proportionately. The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts).

Under the Plan, if an optionee ceases to be a director, officer or employee for any reason other than death, this option shall terminate as specified by the Board and all rights to purchase common shares under such option shall cease and expire and be of no further force or effect. Options have a maximum term of five years and depending on who the optionee is and whether the optionee resigned or is terminated, will terminate on the effective date of resignation or termination or 18 months following termination, except in the case of death, in which case they terminate one year after death. Unless otherwise noted vesting of options is made at the time of granting of the options at the discretion of the Board of Directors. Vested options are exercisable at any time.

The Company granted 5,050,000 stock options to directors, officers and employees of the Company during the year ended September 30, 2015. The Company did not grant any stock options for the year ended September 30, 2014.

Stock option and share purchase warrants transactions are summarized as follows:

	Options		Warrants	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, September 30, 2013	7,060,000	$ 0.24	6,007,499	$ 0.29
Expired and cancelled	(350,000)	0.17	(6,007,499)	0.29
Balance, September 30, 2014	6,710,000	0.24	-	-
Expired and cancelled	(6,110,000)	0.22	-	-
Granted	5,050,000	0.07	8,640,000	0.10
Balance, September 30, 2015 outstanding and exercisable	5,650,000	$ 0.12	8,640,000	$ 0.10

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES *(cont'd …)*

c) Stock options and warrants *(cont'd …)*

As at September 30, 2015, incentive stock options were outstanding as follows:

	Number	Exercise price	Expiry date
Stock Options	400,000	0.42	February 24, 2016
	800,000	0.25	December 28, 2016
	3,050,000	0.07	March 25, 2017
	1,400,000	0.07	June 15, 2017
	5,650,000		

During the year ended September 30, 2015, the Company granted 5,050,000 (2014 – Nil) options with a weighted-average fair value of $0.04 per option (2014 - $Nil) to directors, officers and consultants. Total share-based payments recognized in the statement of comprehensive income (loss) for the year ended September 30, 2015 is $160,500 (2014 - $109,378) for incentive options granted and vested using the Black-Scholes pricing model using a risk-free rate of 0.74%, expected life of 2 years, annualized volatility of 223.02%, and a dividend rate of 0%. This amount was also recorded as reserves on the statement of financial position.

As at September 30, 2015, share purchase warrants were outstanding as follows:

	Number		Exercise price	Expiry date
Share Purchase Warrants	6,480,000	$	0.10	July 22, 2017
	2,160,000		0.10	August 20, 2017
	8,640,000			

11. RELATED PARTY TRANSACTIONS

Key management personnel comprise the Chief Executive Officer, Corporate Secretary, Vice President of Exploration and Directors of the Company. The remuneration of the key management personnel is as follows:

- Included in management and consulting fees was $42,000 (2014 - $100,000) for services provided by the CEO and $11,000 (2014 - $Nil) paid to the corporate secretary.

- Included in exploration and evaluation expenditures are $57,800 (2014 - $93,056) for geological consulting services provided by the Vice President of Exploration.

- Included in exploration and evaluation expenditures is $Nil (2014 - $24,000) for consulting services provided by a former Director of the Company.

- Recorded share-based payments expense of $150,200 (2014 – $109,378) to Directors and Officers for stock options granted during the year.

An amount of $32,003 (2014 - $79,362) included in accounts payable is due to current and former management. All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

During the year ended September 30, 2015, the Company received an advance of $60,000 (2014 - $48,500) from a director of the Company to meet short-term cash requirements. These advances were repaid during the year along with interest of $Nil (2014 - $761).

12. CAPITAL MANAGEMENT

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital consists of shareholder's equity comprising: issued capital; share purchase warrants; reserves and deficit. The basis for the Company's capital structure is dependent on the Company's exploration programs. There were no changes in the Company's approach to capital management during the current year and the Company is not subject to externally imposed capital requirements, except when the Company issues flow-through shares. The Company is subject to certain requirements in relation to its use of funds raised through the issuance of flow-through shares. These funds have to be incurred for eligible exploration expenditures in accordance with Canadian federal and certain provincial income tax acts.

13. SUPPLMENTARY CASH FLOW INFORMATION

During the year ended September 30, 2015, the Company:

a) Settled $3,000 of accounts payable through the exchange of property, plant and equipment that had a carrying value of $3,000; and

b) Issued 640,000 agent warrants with a fair value of $14,169.

There were no significant non cash transactions during the year ended September 30, 2014.

14. COMMITMENTS AND CONTINGENCIES

i) From time to time, certain claims, suits, and complaints may arise in the ordinary course of operations against the Company. In the opinion of management, any provisions related to such claims, if any, will be accrued when the claims meet the recognition criteria for contingent liabilities. Management recorded a legal provision of $55,000 for a claim against the Company and is not aware of any unrecorded material contingent liabilities which require recording in the financial statements for the year ended September 30, 2015.

   In addition to the above, two former senior officers of the Company commenced litigation against the Company alleging wrongful dismissal and claiming unspecified damages. The Company is defending the cases and believes they are without merit. No contingent liability has been recorded in relation to these legal proceedings.

ii) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities would have negative tax consequences for investors.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd…)*

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, commodity prices, and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at September 30, 2015, the Company is not materially exposed to market risk.

b) Interest Risk

Interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage risk. The Company's policy as it relates to its cash balances is to invest excess cash in a reputable Canadian chartered bank.

As of September 30, 2015, the Company's exposure to interest rate risk is as follows:

- Cash	- Variable interest rate
- Current portion of long-term debt	- Variable interest rate at prime rate

A change in interest rates of 1% would not materially affect cash or the current portion of long-term debt.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is on its reclamation deposit.

Amounts receivable mainly consists of input tax credit receivables. Due to the nature of the assets, management believes that the credit risk concentration with respect to receivables is remote and no collateral is held as security for these balances. As at September 30, 2015, the Company had a receivables balance of $21,932 (2014 - $30,677).

d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company anticipates that the current funds are not sufficient to support its corporate and administrative obligations on a continuous basis. Management is evaluating other alternatives to secure financing including additional equity offerings. However, there is no assurance that these initiatives will be successful. The amount and timing of additional funding will be impacted by among other things, the strength of the capital markets.

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd…)*

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying values for: cash; receivables; long-term debt; and accounts payables and accrued liabilities, approximates fair value due to their short-term nature.

16. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the year ended September 30, 2015 is as follows:

	2015	2014
Income (loss) before taxes for the year	$ (688,768)	$ 84,618
Expected income tax (recovery)	$ (179,000)	$ 22,000
Change in statutory tax rates	-	-
Non-deductible expenses	(63,000)	111,000
Expiry of losses	54,000	69,000
Impact of change in CRA re-assessments	163,000	-
	74,000	-
Other	(9,000)	29,000
Change in unrecognized deductible temporary differences	(40,000)	(231,000)
Income tax expense/(recovery)	$ -	$ -

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada. The significant components of the Company`s unrecorded deferred tax assets (liabilities) are as follows:

	2015	2014
Deferred tax assets (liabilities):		
Share issue costs	$ 13,000	$ 29,000
Property, plant and equipment	102,000	26,000
Exploration and evaluation assets	1,365,000	1,700,000
Capital losses	6,000	6,000
Lease obligation	(21,000)	(21,000)
Non-capital losses available for future periods	1,945,000	1,692,000
	3,410,000	3,432,000
Unrecognized deferred tax assets	(3,410,000)	(3,432,000)
Net deferred tax assets	$ -	$ -

Tax losses carried forward are as follows:

	2015	2014	Expiry date range
Non-capital losses available for future periods	$ 7,480,000	$ 6,508,000	2016-2035

16. INCOME TAXES (cont'd…)

Tax attributes are subject to review, and potential adjustment, by tax authorities.

During the year ended September 30, 2015, the Company received $318,981 from Canada Revenue Agency relating to a successful notice of objection appeal of prior year penalties relating to a flow-through renunciation.

Flow-Through Shares

The Company is committed to incur eligible exploration and evaluation expenses of $400,000 by December 31, 2016 and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through share underwriting completed in June 2015. The Company has incurred $283,703 of eligible expenses as at September 30, 2015. As at the date of filing, the Company has not yet renounced any expenditures.

BCMETC Refund

During the year ended September 30, 2014, the Company received a BCMETC refund of $1,110,170. The Company was assessed a gross negligence penalty related to the flow through shares of $318,981, which was refunded in the year ended September 30, 2015 due to a successful notice of objection appeal, for net proceeds of $557,927 (includes reduction for Part XII.6 tax).