GWR RESOURCES INC.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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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, 2014, September 30, 2013 and October 1, 2012, and the statements of comprehensive income (loss), cash flows and changes in equity for the years ended September 30, 2014 and September 30, 2013, 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, 2014, September 30, 2013 and October 1, 2012 and the financial performance and its cash flows for the years ended September 30, 2014 and September 30, 2013, 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 as at September 30, 2014 has a working capital deficit of $235,693 and an accumulated deficit of $43,898,387. 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.

Also, without modifying our opinion, we draw attention to Note 3 in the financial statements, which explains that certain comparative information has been restated as a result of a change in the Company's accounting policy in respect of the exploration and evaluation assets.

(signed) "BDO Canada LLP"

Chartered Accountants

Vancouver, British Columbia
January 28, 2015

GWR RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at	September 30, 2014	September 30, 2013 (Restated) (Note 3)	October 1, 2012 (Restated) (Note 3)
ASSETS			
Current			
Cash	$ 85,940	$ 26,369	$ 638,646
Receivables	30,677	73,991	209,907
	116,617	100,360	848,553
Reclamation deposits (Note 4)	110,000	134,000	134,000
Other assets	1,008	1,008	1,008
Assets held-for-sale (Note 5)	185,000	194,251	-
Property, plant and equipment (Note 5)	555,042	603,718	1,170,830
Exploration and evaluation assets (Note 6)	2,488,909	2,488,909	2,488,909
	$ 3,456,576	$ 3,522,246	$ 4,643,300
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities (Note 10)	$ 267,663	$ 534,512	$ 464,580
Current portion of finance leases	-	-	91,356
Current portion of long-term debt (Note 8)	84,647	77,464	77,464
	352,310	611,976	633,400
Finance leases	-	-	84,328
	352,310	611,976	717,728
Shareholders' equity			
Share capital (Note 9)	34,892,826	34,892,826	34,892,826
Reserves (Note 9)	12,109,827	12,000,449	11,854,549
Deficit	(43,898,387)	(43,983,005)	(42,821,803)
	3,104,266	2,910,270	3,925,572
	$ 3,456,576	$ 3,522,246	$ 4,643,300

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 13)

Approved and authorized by the Board on January 28, 2015:

"*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	2014	2013 (Restated) (Note 3)
EXPENSES		
Depreciation (Note 5)	$ 48,676	$ 68,705
Employee costs	-	8,945
Exploration and evaluation expenditures (Note 3, 10)	128,773	639,446
BCMETC refund (Note 15)	(1,110,170)	-
Filing and regulatory	16,798	23,556
Office and other	44,248	53,635
Management and consulting (Note 10)	138,170	157,790
Professional fees	7,684	24,203
Share-based payments (Note 9)	109,378	145,900
Travel and promotion	-	27,003
Income (loss) before other items and taxes	616,443	(1,149,183)
OTHER ITEMS		
Interest income	31,524	1,897
Impairment of assets held-for-sale (Note 5)	(9,251)	-
Part XII.6 (Note 15)	(232,114)	-
Penalties for gross negligence (Note 15)	(318,981)	-
Loss on sale of property, plant and equipment (Note 7)	-	(50,753)
Bank charges and finance costs	-	(2,223)
Impairment of QST receivable	(16,215)	-
Gain on extinguishment of debt	13,212	39,060
Comprehensive income (loss) for the year	$ 84,618	$ (1,161,202)
Basic and diluted income (loss) per common share	$ 0.00	$ (0.01)
Weighted average number of common shares outstanding	149,425,542	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		2014		2013 (Restated) (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for the year	$	84,618	$	(1,161,202)
Non-cash items:				
Depreciation		48,676		68,705
Share-based payments		109,378		145,900
Gain on extinguishment of debt		(13,212)		(39,060)
Long term debt accrued interest		7,183		-
Impairment on held-for-sale asset		9,251		-
Impairment on QST receivable		16,215		-
Finance lease interest		-		2,223
Loss on sale of property, plant and equipment		-		50,753
Changes in non-cash working capital items:				
Receivables		27,099		135,916
Accounts payable and accrued liabilities		(253,637)		147,056
Net cash provided by (used in) operating activities		35,571		(649,709)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		-		(451)
Return of reclamation deposit (Note 4)		24,000		-
Sale of property, plant and equipment (Note 7)		-		50,037
Net cash provided by investing activities		24,000		49,586
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for finance leases		-		(12,154)
Net cash used in financing activities		-		(12,154)
Change in cash during the year		59,571		(612,277)
Cash, beginning of year		26,369		638,646
Cash, end of year	$	85,940	$	26,369

Supplemental disclosure with respect to cash flows (Note 12)

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, 2012	149,425,542	$ 34,892,826	$ 11,854,549	$ (42,821,803)	$ 3,925,572
Share-based payments	-	-	145,900	-	145,900
Loss for the year	-	-	-	(1,161,202)	(1,161,202)
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

See Note 9

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

1. NATURE OF OPERATIONS AND 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. At September 30, 2014, the Company has a working capital deficit of $235,693, an accumulated deficit of $43,898,387, and expects to incur further losses in the development of its business. Moreover, the Company has an outstanding debt in the amount of $84,647 to a third party which is in default. 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 or the continued support of related parties, the Company may 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 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:

2. BASIS OF PREPARATION *(cont'd…)*

Use of Estimates *(cont'd…)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Policy

Effective September 30, 2014, the Company voluntarily changed its accounting policy for exploration and evaluation ("E&E") to recognize these costs in the statement of comprehensive income (loss) in the period incurred, as permitted under IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Previously, all these expenditures were capitalized as exploration and evaluation assets on the Company's statement of financial position. The Company changed its accounting policy as it believes that showing exploration and evaluation expenses separately on the statement of loss and in the operation activities section of the statement of cash flows more clearly represents the Company's activities during the periods presented. The change in accounting policy has been applied retrospectively. No change in accounting policy was made with regard to costs of acquiring mineral property licenses or rights which are disclosed as E&E Assets. The Company's accounting policies for these costs are noted below.

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.

(Expressed in Canadian Dollars)

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

Change in Accounting Policy *(cont'd…)*

The change in accounting policy resulted in the following changes to the Company's financial statements:

Statement of Financial Position as at October 1, 2012

	Note	As previously reported	Effect of change in accounting policy	As restated under new policy
ASSETS				
Current				
Cash		$ 638,646	$ -	$ 638,646
Receivables		209,907	-	209,907
		848,553	-	848,553
Reclamation deposits		134,000	-	134,000
Other assets		1,008	-	1,008
Property, plant and equipment		1,170,830	-	1,170,830
Exploration and evaluation assets	(1)	28,116,913	(25,628,004)	2,488,909
		$ 30,271,304	$ (25,628,004)	$ 4,643,300
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		$ 464,580	$ -	$ 464,580
Current portion of finance leases		91,356	-	91,356
Current portion of long-term debt		77,464	-	77,464
		633,400	-	633,400
Finance leases		84,328	-	84,328
Deferred taxes		4,558,290	(4,558,290)	-
		5,276,018	(4,558,290)	717,728
Shareholders' equity				
Share capital		34,892,826	-	34,892,826
Reserves	(1)	11,854,549	-	11,854,549
Deficit		(21,752,089)	(21,069,714)	(42,821,803)
		24,995,286	(21,069,714)	3,925,572
		$ 30,271,304	$ (25,628,004)	$ 4,643,300

1 All E&E expenditures have been expensed to deficit rather than capitalized on the statement of financial position. $2,488,909 relates to acquisition payments that were not impaired as of October 1, 2012

(Expressed in Canadian Dollars)

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

Change in Accounting Policy *(cont'd…)*

The change in accounting policy resulted in the following changes to the Company's financial statements:

Statement of Financial Position as at September 30, 2013

	Note		As previously reported		Effect of change in accounting policy		As restated under new policy
ASSETS							
Current							
Cash		$	26,369	$	-	$	26,369
Receivables			73,991		-		73,991
			100,360		-		100,360
Reclamation deposits			134,000		-		134,000
Other assets			1,008		-		1,008
Asset held-for-sale			194,251		-		194,251
Property, plant and equipment			603,718		-		603,718
Exploration and evaluation assets	(1)		28,756,359		(26,267,450)		2,488,909
		$	29,789,696	$	(26,627,450)	$	3,522,246
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current							
Accounts payable and accrued liabilities		$	534,512	$	-	$	534,512
Current portion of long-term debt			77,464		-		77,464
			611,976		-		611,976
Deferred taxes			3,035,000		(3,035,000)		-
			3,646,976		(3,035,000)		611,976
Shareholders' equity							
Share capital			34,892,826		-		34,892,826
Reserves	(1)		12,000,449		-		12,000,449
Deficit			(20,750,555)		(23,232,450)		(43,983,005)
			26,142,720		(23,232,450)		2,910,270
		$	29,789,696	$	(26,627,450)	$	3,522,246

1 All E&E expenditures have been expensed to deficit rather than capitalized on the statement of financial position. $2,488,909 relates to acquisition payments that were not impaired as of September 30, 2013.

(Expressed in Canadian Dollars)

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

Change in Accounting Policy *(cont'd…)*

Statement of comprehensive income (loss) for the year ended September 30, 2013

	Notes	As previously reported	Effect of change in accounting policy	As restated under new policy
EXPENSES				
Depreciation		$ 68,705	$ -	$ 68,705
Employee costs		8,945	-	8,945
Exploration and evaluation expenditures	(1)	-	639,446	639,446
Filing and regulatory		23,556	-	23,556
Office and other		53,635	-	53,635
Management and consulting		157,790	-	157,790
Professional fees		24,203	-	24,203
Share-based payments		145,900	-	145,900
Travel and promotion		27,003	-	27,003
Loss before other items and taxes		(509,737)	(639,446)	(1,149,183)
OTHER ITEMS				
Interest income		1,897	-	1,897
Loss on sale of property, plant and equipment		(50,753)	-	(50,753)
Bank charges and finance costs		(2,223)	-	(2,223)
Gain on extinguishment of debt		39,060	-	39,060
Loss before taxes		(521,756)	(639,446)	(1,161,202)
Deferred tax recovery	(2)	1,523,290	(1,523,290)	-
Income (loss) and comprehensive loss for the year		$ 1,001,534	$ (2,162,736)	$ (1,161,202)
Basic and diluted income (loss) per common share		$ 0.01	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding		149,425,542	149,425,542	149,425,542

1 Costs incurred during the year on E&E expenditures are disclosed in the statement of loss and comprehensive loss rather than on the statement of financial position.

2 Previously disclosed deferred taxes would have been $Nil resulting in no deferred tax recovery being recognized.

(Expressed in Canadian Dollars)

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

Change in Accounting Policy *(cont'd…)*

Statement of Cash Flows for the year ended September 30, 2013

	Note	As previously reported	Effect of change in accounting policy	As restated under new policy
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for the year		$ 1,001,534	$ (2,162,736)	$ (1,161,202)
Non-cash items:				
Depreciation		68,705	-	68,705
Share-based payments		145,900	-	145,900
Deferred income tax		(1,523,290)	1,523,290	-
Gain on extinguishment of debt		(39,060)	-	(39,060)
Finance lease interest		2,223	-	2,223
Loss on sale of property, plant and equipment		50,753	-	50,753
Changes in non-cash working capital items:				
Receivables		135,916	-	135,916
Accounts payable and accrued liabilities		(101,702)	248,758	147,056
Net cash used in operating activities		(259,021)	(390,688)	(649,709)
CASH FLOWS FROM INVESTING ACTIVITIES				
Exploration and evaluation expenditures		(390,688)	390,688	-
Purchase of property, plant and equipment		(451)	-	(451)
Sale of property, plant and equipment		50,037	-	50,037
Net cash provided by (used in) investing activities		(341,102)	390,688	49,586
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for finance leases		(12,154)	-	(12,154)
Net cash provided by (used in) financing activities		(12,154)	-	(12,154)
Change in cash during the year		(612,277)	-	(612,277)
Cash, beginning of year		638,646	-	638,646
Cash, end of year		$ 26,369	$ -	$ 26,369

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.

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 an offset to exploration and evaluation expenditures.

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

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.

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.

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

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.

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%
Leased equipment	5 years straight-line

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. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

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

Flow-through shares *(cont'd…)*

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 15.

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.

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, 2014 and 2013.

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.

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.

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 or taxable loss, and 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.

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

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.

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 and receivables are classified as loans and receivables.

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

Financial liabilities

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, long-term debt and finance leases are classified as other financial liabilities.

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

Financial instruments *(cont'd…)*

Financial instrument disclosures

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).

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended September 30, 2014:

- IFRS 10, IFRS 12, IAS 27 (Amendments) — IFRS 10 is amended to define an "investment entity" and introduce an exception from consolidation for investment entities. IFRS 12 and IAS 27 are amended to introduce disclosures required for investment entities. (i)
- IAS 32 (Amendment) — Amendment to provide clarifications on the application of the offsetting rules (i)
- IAS 36 (Amendment) — Amendment to address disclosures required regarding the recoverable amount of impaired assets or cash generating units for periods in which an impairment loss has been recognized or reversed. (i)
- IFRIC 21 — New interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers payment of the levy. (i)
- IFRS 7 (Amendment) — Amendment to require additional financial instrument disclosures on transition from IAS 39 to IFRS 9. (ii)
- IFRS 9 — New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets(iii)

(i) Effective for annual periods beginning on or after January 1, 2014
(ii) Effective for annual periods beginning on or after January 1, 2015
(iii) Delayed indefinitely

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of 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 Mines in the amount of $110,000 (2013 - $134,000). The letters of guarantee are secured by certificates of deposits. During the year ended September 30, 2014, the Company received a cash refund of reclamation deposit of $24,000.

(Expressed in Canadian Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Field Equipment	Vehicles	Leased Equipment	Office Furniture	Computer Equipment	Software	Buildings	Land	Total
Cost									
Balance, September 30, 2012	$ 113,722	$ 114,513	$ 370,245	$ 57,043	$ 36,878	$ 46,248	$ 669,251	$ 133,004	$1,540,904
Reclassified as asset held for sale (2)	-	-	-	-	-	-	(174,126)	(66,252)	(240,378)
Additions	-	-	-	-	451	-	-	-	451
Disposals (Note 7)	(1,040)	-	(370,245)	-	-	-	-	-	(371,285)
Balance, September 30, 2014 and 2013	112,682	114,513	-	57,043	37,329	46,248	495,125	66,752	929,692
Accumulated depreciation									
Balance, September 30, 2012	64,285	43,088	66,678	45,294	24,920	28,958	96,851	-	370,074
Reclassified as asset held for sale (2)	-	-	-	-	-	-	(46,127)	-	(46,127)
Additions (1)	9,834	14,286	37,024	2,349	4,650	8,645	28,941	-	105,729
Disposals (Note 7)	-	-	(103,702)	-	-	-	-	-	(103,702)
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
As at September 30, 2013	$ 38,563	$ 57,139	$ -	$ 9,400	$ 7,759	$ 8,645	$ 415,460	$ 66,752	$ 603,718
As at September 30, 2014	$ 30,851	$ 45,711	$ -	$ 7,520	$ 5,198	$ 4,323	$ 394,687	$ 66,752	$ 555,042

(1) Included in depreciation of $105,729 is $37,024 classified to exploration and evaluation expenditures and $68,705 charged to deprecation on the statement of comprehensive loss.

(2) During the year ended September 30, 2013, the Company decided to sell non-core Building and Land which is connected to the long-term debt in Note 6. On March 30, 2013, the Company ceased depreciating these assets and classified these assets as assets held for sale. As at September 30, 2014 assets held for sale totaled $185,000 (Land $66,252; Building $118,748). As at September 30, 2013 assets held for sale totaled $194,251 (Land $66,252; Building $127,999). The decrease in value was due to the expected fair value from the sale of the asset being reduced from the prior year.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Note 3)

	Lac La Hache
Balance, September 30, 2014, 2013, and 2012 (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. FINANCE LEASES

During the year ended September 30, 2012, the Company entered in to two lease agreements with Caterpillar Finance for the lease of equipment to be used in its exploration operations. During the year ended September 30, 2013, the Company sold the leased equipment that had a carrying value of $266,543 for aggregate proceeds of $242,000. Proceeds from the sale were applied directly to the settle the remaining lease obligation plus an early payment charge of $28,433, resulting in net loss on disposal of $52,976. For the cash flow statement, the Company recorded the direct cash received which was $50,037 as an investing activity.

8. 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 (Note 5). As at the date of the financial statements, there has been no settlement of the mortgage. For the years ended September 30, 2013 and 2012 accrued interest was not recorded due to its nominal value, payment is due on demand.

	September 30, 2014	September 30, 2013
Principal and accrued interest	$ 84,647	$ 77,464
Less current portion	(84,647)	(77,464)
	$ -	$ -

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

b) Issued share capital

There were no shares issued during the year ended September 30, 2014 and 2013.

(Expressed in Canadian Dollars)

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

b) 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.

2014

The Company recognized $109,378 in share-based payments to a former officer of the Company granted during the year ended September 30, 2011 and vesting over three years in connection with a three year management service contract.

2013

The Company recognized $145,900 in share-based payments to an officer of the Company granted during the year ended September 30, 2011 and vesting over three years in connection with a three year management service contract.

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, 2012	8,519,400	$ 0.23	12,969,564	$ 0.35
Expired and cancelled	(1,459,400)	0.20	(6,962,065)	0.53
Balance, September 30, 2013	7,060,000	0.24	6,007,499	0.29
Expired	(350,000)	0.17	(6,007,499)	0.29
Balance, September 30, 2014 outstanding	6,710,000	$ 0.24	-	$ -
Balance, September 30, 2014 exercisable	4,860,000	$ 0.24	-	$ -

(Expressed in Canadian Dollars)

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

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

As at September 30, 2014, incentive stock options were outstanding as follows:

	Number		Exercise price	Expiry date
Stock Options	2,085,000	$	0.20	September 3, 2015
	50,000		0.28	January 4, 2016
	400,000		0.42	February 24, 2016
	1,850,000		0.25	August 1, 2016*
	2,325,000		0.25	December 28, 2016
	6,710,000			

* 600,000 and 1,250,000 options vest when the share price exceeds $0.75 and $1.00, respectively.

During the year ended September 30, 2014 share-based payments recognized in the statement of comprehensive loss was $109,378 (2013 – $145,900) for incentive options granted, vested and unvested. This amount was also recorded as reserves on the statement of financial position

The reserves recorded in equity on the Company's Statement of Financial Position include contributed surplus and accumulated deficit. Contributed surplus is used to recognize the value of stock options granted and share purchase warrants issued prior to their exercise. Accumulated Deficit is used to record the Company's change in deficit from earnings from year to year.

10. RELATED PARTY TRANSACTIONS

Key management personnel comprise of the Chief Executive Officer, Chief Financial Officer, VP of Explorations (paid though holding company GamX Management Inc.) and Directors of the Company. The remuneration of the key management personnel is as follows:

- Included in management and consulting fees was $100,000 (2013 - $134,971) for services provided by the former CEO and former CFO.

- Included in consulting fees as part of exploration costs of $93,056 (2013 - $134,934) for services provided by VP of Exploration.

- Included in consulting fees as part of exploration costs of $24,000 (2013 - $Nil) for services provided by a Director of the Company.

- Recorded share-based payment expense to former CEO for unvested stock options pursuant to a management agreement during the year $109,378 (2013 - $145,900).

An amount of $79,362 (2013 - $231,638) included in accounts payable is due to key management. All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

During the year ended September 30, 2014, the Company received an advance of $48,500 from the former CEO of the Company to meet short-term cash requirements. The advance was repaid during the year along with interest of $761. There were no such advances made to the Company during the year ended September 30, 2013.

11. 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.

12. SUPPLMENTARY CASH FLOW INFORMATION

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

During the year ended September 30, 2013, the Company settled $1,040 in accounts payable and accrued liabilities through property, plant and equipment.

During the year ended September 30, 2013, the Company sold the leased equipment that had a carrying value of $266,543 for aggregate proceeds of $242,000. Proceeds from the sale were applied directly to the settle the remaining lease obligation plus an early payment charge of $28,433, resulting in net loss on disposal of $52,976. For the cash flow statement, the Company recorded the direct cash received which was $50,037 as an investing activity.

13. COMMITMENTS AND CONTINGENCIES

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 is not aware of any unrecorded material contingent liabilities which require recording in the financial statements for the year ended September 30, 2014.

On April 11, 2012, the Company was served with a claim in British Columbia Supreme Civil Court for unpaid amounts of $122,500 in connection with a financing transaction. Management of the Company is of the opinion that the claim is without merit as the claimed amount is not supported by a written contract or agreement. No provision has been made for this claim in the financial statements. The likelihood and amount of any loss is not determinable at this time.

On September 4, 2012, the Company was served with a claim in British Columbia Small Claims Court for unpaid bills in the amount of $21,510. Management of the Company is of the opinion that the claim is without merit. No provision has been made for this claim in the financial statements. The likelihood and amount of any loss is not determinable at this time.

14. 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.

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

(Expressed in Canadian Dollars)

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

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, 2014, 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, 2014, 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 consists of input tax credit receivables and a WorkSafe BC credit. 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, 2014, the Company had a receivables balance of $30,677 (2013 - $73,991).

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.

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; finance leases; long-term debt; and accounts payables and accrued liabilities, approximates fair value due to their short-term nature.

(Expressed in Canadian Dollars)

15. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the year ended September 30, 2014 is as follows:

	2014	2013 (Restated) (Note 3)
Income (loss) before taxes for the year	$ 84,618	$ (1,161,202)
Expected income tax (recovery)	$ 22,000	$ (296,000)
Change in statutory tax rates	-	(148,000)
Non-deductible expenses	111,000	27,000
Expiry of losses	69,000	-
Impact of change in provision from prior year	-	406,000
Other	29,000	-
Change in unrecognized deferred tax assets	(231,000)	11,000
Income tax 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:

	2014	2013 (Restated) (Note 3)
Deferred tax assets (liabilities):		
Share issue costs	$ 29,000	$ 68,000
Property, plant and equipment	26,000	54,000
Exploration and evaluation assets	1,700,000	1,667,000
Capital losses	6,000	6,000
Lease obligation	(21,000)	(21,000)
Non-capital losses available for future periods	1,692,000	1,889,000
	3,432,000	3,663,000
Unrecognized deferred tax assets	(3,432,000)	(3,663,000)
Net deferred tax assets	$ -	$ -

Tax losses carried forward are as follows:

	2014	2013	Expiry date range
Non-capital losses available for future periods	6,508,000	7,113,000	2015-2034

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

<u>Flow-through shares</u>

In July 2012, the Company closed a private placement which included the issue of 7,030,700 flow-through units. No premium was received for these shares.

15. INCOME TAXES *(cont'd…)*

Flow-through shares *(cont'd…)*

The Company renounced this flow-through to the private placement subscribers under the general rule when incurred and look-back rule using the effective date of December 31, 2012. The Company was required to spend $843,684 qualifying expenditures under the look-back rule by December 31, 2013. The Company spent $836,628 in total leaving a shortfall of $7,056. Subsequent to September 30, 2013, the Company will need to pay $974 in Part XII.6 tax and a penalty on the unspent flow-through renunciations. The Company may also be subject to indemnification or other claims by the subscribers of this flow through for any loss tax credits on re-assessment by the taxing authority. This amount has not been recorded as it cannot be reasonable determined until such time as claimed by subscribers.

During the year-ended September 30, 2014, the Company paid $264,787 in Part XII.6 tax and penalties related to flow-through renunciations for the years ended September 30, 2007, 2008, 2009 and 2010.

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 for net proceeds of $557,927 (includes reduction for Part XII.6 tax). The Company does not agree with the assessment and has since filed a notice of objection to have the penalty reduced or eliminated. No accrual has been made in respect of a reduction in penalties related to this notice of objection and if successful the Company will record when this occurs.