GWR RESOURCES INC.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

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, 2013 and 2012, and the statements of income (loss) and 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, 2013 and 2012 and its financial performance 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 incurred a loss before taxes of $521,756 during the year ended September 30, 2013 has accumulated deficit of $20,750,555 and, as of that date, is expected to incur further losses. 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.

/s/ BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
January 27, 2014

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

As at		September 30, 2013		September 30, 2012
ASSETS				
Current				
Cash	$	26,369	$	638,646
Receivables		73,991		209,907
		100,360		848,553
Reclamation deposits (Note 4)		134,000		134,000
Other assets		1,008		1,008
Assets held-for-sale (Note 5)		194,251		-
Property, plant and equipment (Note 5)		603,718		1,170,830
Exploration and evaluation assets (Note 6)		28,756,359		28,116,913
	$	29,789,696	$	30,271,304
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 10)	$	534,512	$	464,580
Current portion of finance leases (Note 7)		-		91,356
Current portion of long-term debt (Note 8)		77,464		77,464
		611,976		633,400
Finance leases (Note 7)		-		84,328
Deferred taxes (Note 15)		3,035,000		4,558,290
		3,646,976		5,276,018
Shareholders' equity				
Share capital (Note 9)		34,892,826		34,892,826
Reserves (Note 9)		12,000,449		11,854,549
Deficit		(20,750,555)		(21,752,089)
		26,142,720		24,995,286
	$	29,789,696	$	30,271,304

Nature of operations and the ability to continue as a going concern (Note 1)
Commitments and contingencies (Note 13)

Approved and authorized by the Board on January 28, 2014:

"John Van Driesum" Director *"Rob Shives"* Director

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

GWR RESOURCES INC.
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)
For the years ended September 30

	2013	2012
EXPENSES		
Depreciation (Note 5)	$ 68,705	$ 75,920
Employee costs	8,945	140,781
Filing and regulatory	23,556	-
Office and other	53,635	194,440
Management and consulting (Note 10)	157,790	223,568
Professional fees	24,203	105,051
Share-based payments (Note 9)	145,900	374,913
Travel and promotion	27,003	138,191
Loss before other items and taxes	(509,737)	(1,252,864)
OTHER ITEMS		
Interest income	1,897	19,456
Loss on sale of property, plant and equipment (Note 5)	(50,753)	(1,343)
Bank charges and finance costs	(2,223)	(23,676)
Gain on extinguishment of debt	39,060	-
Impairment of mineral claims (Note 6)	-	(1,430,709)
Loss before taxes	(521,756)	(2,689,136)
Deferred tax recovery (Note 15)	1,523,290	127,170
Income (loss) and comprehensive income (loss) for the year	$ 1,001,534	$ (2,561,966)
Basic and diluted income (loss) per common share	$ 0.01	$ (0.02)
Weighted average number of common shares outstanding	149,425,542	141,634,100

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

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year	$ 1,001,534	$ (2,561,966)
Non-cash items:		
Depreciation	68,705	75,920
Share-based payments	145,900	374,913
Deferred income tax	(1,523,290)	(127,170)
Write-off of receivable balances	-	56,522
Gain on extinguishment of debt	(39,060)	-
Finance lease interest	2,223	15,795
Loss on sale of property, plant and equipment	50,753	1,343
Impairment loss on mineral claims	-	1,430,710
Changes in non-cash working capital items:		
Receivables	135,916	(29,318)
Prepaid expenses	-	221,730
Accounts payable and accrued liabilities	(101,702)	(284,220)
Net cash used in operating activities	(259,021)	(825,741)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(390,688)	(3,972,070)
Purchase of property, plant and equipment	(451)	(170,337)
Acquisition of exploration and evaluation assets	-	(908,802)
Sale of property, plant and equipment (Note 6)	50,037	-
Net cash used in investing activities	(341,102)	(5,051,209)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	-	1,824,500
Share issuance costs	-	(107,567)
Payments for finance leases	(12,154)	(70,273)
Payments for finance lease charges	-	(15,795)
Net cash (used in) provided by financing activities	(12,154)	1,630,865
Change in cash during the year	(612,277)	(4,246,085)
Cash, beginning of year	638,646	4,884,731
Cash, end of year	$ 26,369	$ 638,646

Supplemental disclosure with respect to cash flows (Notes 6 and 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, 2011	135,370,749	$ 32,503,248	$ 11,398,681	$ (19,190,123)	$ 24,711,806
Private placements	7,030,700	843,684	-	-	843,684
Share issuance costs	-	(107,567)	-	-	(107,567)
Stock options exercised	170,000	53,553	(23,153)	-	30,400
Fair value of warrants issued to Candorado	-	-	144,000	-	144,000
Fair value of warrants issued	-	(120,258)	120,258	-	-
Shares issued for the acquisition of exploration and evaluation assets	2,440,000	609,600	-	-	609,600
Warrants exercised	4,414,093	1,110,566	(160,150)	-	950,416
Share-based payments	-	-	374,913	-	374,913
Loss for the year	-	-	-	(2,561,966)	(2,561,966)
Balance, September 30, 2012	149,425,542	34,892,826	11,854,549	(21,752,089)	24,995,286
Share-based payments	-	-	145,900	-	145,900
Income for the year	-	-	-	1,001,534	1,001,534
Balance, September 30, 2013	149,425,542	$ 34,892,826	$ 12,000,449	$ (20,750,555)	$ 26,142,720

See Note 9

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 address registered office is PO Box 563, Lac La Hache, BC, V0K 1T0 and the records address is 700 – 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, 2013, the Company has a working capital deficit of $511,616, has an accumulated deficit of $20,750,555, and expects to incur further losses in the development of its business. Moreover, the Company has an outstanding debt in the amount of $77,464 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 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.

The underlying value and the recoverability of amounts shown for exploration and evaluation assets is dependent upon: the discovery of economically recoverable ore reserves in its mineral properties; the ability of the Company to obtain the necessary financing to complete exploration activities and upon future profitable production from or the proceeds from the disposition of its mineral properties.

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 determination of income tax and possible penalties, interest charges and indemnification provision related to over renounced flow-through shares under the look-back rule is inherently complex and requires making certain estimates and assumptions about future events. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes and related charges.

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. There is judgment required in determining whether exploration expenditures are eligible costs for renunciation.

3. SIGNIFICANT ACCOUNTING POLICIES

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 reflected as a reduction of the related asset or expense.

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…)*

Exploration and evaluation assets

Pre-Exploration Costs

Pre-Exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, cost directly to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition cost. These direct expenditures include such cost as materials used, surveying costs, drilling coast, payments made to contractors and depreciation on plant and equipment during the exploration phase. Cost not directly attributable to exploration and evaluation activities, including general administrative overhead cost, are expensed in the year in which they occur.

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

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to operations.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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

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

Mineral exploration and evaluation expenditures are classified as intangible assets.

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.

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 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 operations.

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.

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.

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.

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

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.

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, 2013 and 2012.

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.

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

Share-based payments *(cont'd…)*

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 operations, 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.

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.

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.

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

Financial instruments *(cont'd…)*

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.

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, 2013:

- IFRS 9 — New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets(ii)
- IFRS 11 — New standard to account for the rights and obligations in accordance with a joint agreement(i)
- IFRS 12 — New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39(i)
- IFRS 13 — New standard on the measurement and disclosure of fair value(i)
- IAS 28 (Amendment) — New standard issued that supersedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures(i)
- IAS 32 (Amendment) — New standards amends IAS32 to provide clarifications on the application of offsetting rules(iii)

(i) Effective for annual periods beginning on or after January 1, 2013
(ii) Effective for annual periods beginning on or after January 1, 2015
(iii) Effective for annual periods beginning on or after January 1, 2014

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 represents 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 $134,000 (2012 - $134,000). The letters of guarantee are secured by certificates of deposits with a maturity date of April 21, 2014.

(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, 2011	$ 91,586	$ 98,147	$ -	$ 66,454	$ 31,322	$ 35,743	$ 669,251	$ 133,004	$ 1,125,507
Additions (2)	22,136	21,366	370,245	-	5,556	10,505	-	-	429,808
Disposals	-	(5,000)	-	(9,411)	-	-	-	-	(14,411)
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 (4)	-	-	-	-	-	-	(174,126)	(66,252)	(240,378)
Additions	-	-	-	-	451	-	-	-	451
Disposals (Note 7)	(1,040)	-	(370,245)	-	-	-	-	-	(371,285)
Balance, September 30, 2013	112,682	114,513	-	57,043	37,329	46,248	495,125	66,752	929,692
Accumulated depreciation									
Balance, September 30, 2011	54,692	31,061	-	44,151	17,084	16,921	66,725	-	230,634
Additions (1)	9,593	15,185	66,678	1,143	7,836	12,037	30,126	-	142,598
Disposals	-	(3,158)	-	-	-	-	-	-	(3,158)
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 (4)	-	-	-	-	-	-	(46,127)	-	(46,127)
Additions (3)	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
As at September 30, 2012	$ 49,437	$ 71,425	$ 303,567	$ 11,749	$ 11,958	$ 17,290	$ 572,400	$ 133,004	$ 1,170,830
As at September 30, 2013	$ 38,563	$ 57,139	$ -	$ 9,400	$ 7,759	$ 8,645	$ 415,460	$ 66,752	$ 603,718

(1) Included in depreciation of $142,598 is $66,958 capitalized to exploration expenditure and $75,920 charged to operations.
(2) The 2012 additions for leased equipment relate to items acquired under a finance lease (Note 7).
(3) Included in depreciation of $105,729 is $37,024 capitalized to exploration expenditure and $68,705 charged to operations.
(4) 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 8. On March 30, 2013, the Company ceased depreciating these assets and classified these assets as assets held for sale. As at September 30, 2013, assets held for sale totaled $194,251 (Land $66,252; Building $127,999).

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Lac La Hache	Saint Sabine	Total
Balance, September 30, 2011	$ 23,275,684	$ 574,393	$ 23,850,077
Exploration costs (1)	3,179,547	856,316	4,035,863
Acquisition of property	1,661,682	-	1,661,682
Impairment recognized (2)	-	(1,430,709)	(1,430,709)
Balance, September 30, 2012	28,116,913	-	28,116,913
Exploration costs (1)	639,446	-	639,446
Balance, September 30, 2013	$ 28,756,359	$ -	$ 28,756,359

(1) Exploration costs for the period included depreciation of leased equipment in the amount of $37,024 (Year ended September 30, 2012 - $66,958).
(2) The Company discontinued its option agreement for exploration of the Sainte Sabine mineral interests and as at September 30, 2012 impaired its carrying value to $Nil.

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.

Sainte Sabine

The Company had entered into an option agreement to purchase a 100%, subject to a 0.5% NSR, interest in certain mineral claims located in Quebec. During the year ended September 30, 2012, the Company decided not to continue with the option due to focusing its resources in the Lac La Hache property, and wrote off all costs incurred to date on the property.

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.

As at September 30, 2013, the carrying value of the leased equipment is $Nil (2012 – $303,567), while the carrying value of the remaining finance lease obligation is $Nil (2012 – $175,684).

	September 30, 2013	September 30, 2012
Finance lease obligation	$ 163,530	$ 175,684
Less current portion	-	(91,356)
Payment on leased equipment	(163,530)	-
	$ -	$ 84,328

(Expressed in Canadian Dollars)

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.

	September 30, 2013	September 30, 2012
Principal and accrued interest	$ 77,464	$ 77,464
Less current portion	(77,464)	(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

2013

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

2012

On July 12, 2012, the Company issued 7,030,700 units at $0.12 per unit for gross proceeds of $843,684. Each unit consisted of one flow-through common share and one-half non-transferrable share purchase warrant, with each full warrant entitling the holder to purchase one additional common share at an exercise price of $0.25 until July 12, 2014. The fair value of the share purchase warrants, estimated to be $93,874, was credited to reserves. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions: Share price volatility – 77%; Expected term – 2 years; Risk-free rate of return – 1.00% and Expected dividend yield – 0%.

The Company incurred share issue costs totaling $107,567, which included finders' fees of $59,058, corporate finance fees of $24,100, legal and filing fees of $24,409 and the issue of 492,149 agent's warrants with each warrant entitling the holder to purchase one common share at an exercise price of $0.11 per share until July 12, 2014. The fair value of the agent's warrants, estimated to be $26,384, was recorded as a reduction to share capital as share issue costs and credited to reserves. The fair value of the agent's options was estimated using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 77%; Expected term – 2 years; Risk-free rate of return – 1.00% and Expected dividend yield – 0%.

On January 20, 2012 the Company issued 2,400,000 common shares valued at $600,000 pursuant to the mineral property option agreement entered into with Candorado Operating Company. The shares were valued at the closing price of $0.25 per share on the date of issuance. In addition there were 2,000,000 warrants issued with a term of two years having an exercise price of $0.40. The fair value attributed to these equity instruments of $144,000 was recorded to reserves and acquisition costs in mineral properties. The fair value of the warrants was determined using the Black-Scholes option pricing model using the following weighted average assumptions: Share price volatility –73%; Expected term – 2.0 years; Risk-free rate of return – 1.56% and Expected dividend yield – 0%.

On November 1, 2011 the Company issued 40,000 common shares valued at $9,600 pursuant to a mineral option agreement entered into with Rio Minerals. The shares were valued at the closing price of $0.24 per share on the date of issuance.

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

b) Issued share capital

During the year ended September 30, 2012, 4,414,093 common shares were issued on the exercise of warrants for gross proceeds of $950,416. The amount of $160,150 was transferred from reserves to share capital on exercise.

During the year ended September 30, 2012, 170,000 common shares were issued on the exercise of share purchase options for gross proceeds of $30,400. The amount of $23,153 was transferred from reserves to share capital on exercise.

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.

2013

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

2012

During the year ended September 30, 2012, the Company granted 2,325,000 share purchase options. Based on the estimated fair value of the share purchase options at their grant dates, the Company recorded a stock-based payment expense of $229,013 for these options in the statement of comprehensive loss for the year. The share purchase options were granted to directors, officers and employees, vested immediately and are exercisable for five years at $0.25 for a period of five years. The fair value was determined using the Black-Scholes option pricing model using the following assumptions: Share price volatility – 74%; Expected term – 5.0 years; Risk-free rate of return – 1.28% and Expected dividend yield – 0%.

The Company recognized $145,900 stock-based payment expense to an officer of the Company on options granted during the year ended September 30, 2011 and vesting over three years in connection with the three year management service contract. The weighted average assumptions used in the binomial model were as follows: Risk-free rate of return – 2.33%; Share price volatility – 89%; Time period intervals (years) – 5/8 and Expected dividend yield – 0%.

(Expressed in Canadian Dollars)

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

c) Stock options and warrants

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, 2011	7,908,400	$ 0.21	17,670,026	$ 0.17
Granted	2,325,000	0.25	6,007,499	0.36
Exercised	(170,000)	0.31	(4,414,093)	0.17
Expired	(1,544,000)	0.17	(6,293,868)	0.31
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 outstanding	7,060,000	$ 0.24	6,007,499	$ 0.29
Balance, September 30, 2013 exercisable	5,210,000	$ 0.24	6,007,499	$ 0.29

As at September 30, 2013, incentive stock options were outstanding as follows:

	Number	Exercise price	Expiry date
Stock Options	350,000	$ 0.17	March 23, 2014
	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
	7,060,000		

As at September 30, 2013, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry date
Share Purchase Warrants	2,000,000	$ 0.40	January 20, 2014*
	492,149	0.11	July 12, 2014
	3,515,350	0.25	July 12, 2014
	6,007,499		

* Expired subsequent to year-end.

During the year ended September 30, 2013 the Company granted Nil (2012 – 2,325,000) stock options to officers, consultants and directors. The weighted-average fair value of options granted and vested during the year was $Nil per option (2012 - $0.25). Total share-based payments charged to operations for the year ended September 30, 2013 was $145,900 (2012 – $374,913). This amount was also recorded as reserves on the statement of financial position.

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

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

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 Office (EMC Holdings Inc.), Chief Financial Officer, VP of Explorations (GamX Management Inc.) and Directors of the Company. The remuneration of the key management personnel is as follows:

- Included in management and consulting fees of $134,971 (2012 - $164,186) for services provided by CEO and former CFO.
- Included in consulting fees as part of exploration costs of $134,934 (2012 - $159,700) for services provided by VP of Exploration.
- Recorded share-based payment expense to CEO for unvested stock options pursuant to a management agreement (Note 13ii) during the year of $145,900 (2012 – directors and officers of $240,620).

An amount of $231,638 (2012 - $60,828) 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.

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

During the year ended September 30, 2013, the Company:

a) Included $211,734 in accounts payable and accrued liabilities capitalized to exploration and evaluation assets;

b) Settled $1,040 in accounts payable and accrued liabilities through property, plant and equipment; and

c) Included $37,024 in depreciation in exploration and evaluation assets.

During the year ended September 30, 2012, the Company:

d) Issued 2,440,000 common shares with a fair value of $609,600 capitalized to exploration and evaluation assets;

e) Included $66,958 in depreciation in exploration and evaluation assets;

f) Issued warrants with a fair value of $144,000 to acquire exploration and evaluation assets; and

12. SUPPLMENTARY CASH FLOW INFORMATION *(cont'd…)*

g) The fair value of finder's and due diligence fees of $26,384 was recorded as share issuance costs.

13. 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 is not aware of any material contingent liabilities which require recording in the financial statements for the year ended September 30, 2013.

ii) During the year ended September 30, 2011, the Company entered into a management service contract agreement with an officer of the Company with the following terms:

a) Granting of 600,000 options with an exercise price of $0.25, expiring August 2016 and vesting when the share price exceeds $0.75;

b) Granting of 1,250,000 options with an exercise price of $0.25, expiring August 2016 and vesting when the share price exceeds $1.00;

c) Remuneration set at $120,000 for the first year of service with $10,000 paid in advance equally each month;

d) Parties agree that the compensation to be paid in the second and third year will be agreed to no later than one month in advance of each of the corresponding terms and that in no event will the compensation be less favourable than the compensation for the first year;

e) The Company may terminate the agreement with a written notice on June 1, 2012. Failing a written notice on that date, the agreement will remain binding on the Company for a full thee year term; and

f) The agreement is in effect from July 1, 2011 to August 1, 2014.

As at September 30, 2013, this management service contract is still in effect.

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 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.

(Expressed in Canadian Dollars)

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

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, 2013, 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, 2013, 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 cash and 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, 2013, the Company had a receivables balance of $73,991 (2012 - $209,907).

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 or to satisfy its current flow-through commitment of approximately $107,605 (Note 15). 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; reclamation deposit; 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, 2013 is as follows:

	2013	2012
Loss before taxes for the year	$ (521,756)	$ (2,689,136)
Expected income tax (recovery)	$ (133,000)	$ (683,000)
Change in statutory tax rates	90,000	9,000
Permanent difference	253,000	643,830
Change in unrecognized deductible temporary differences	(1,733,290)	(97,000)
Income tax recovery	$ (1,523,290)	$ (127,170)

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:

	2013	2012
Deferred tax assets (liabilities):		
Exploration and evaluation assets	$ (5,063,000)	$ (4,558,000)
Share issue costs	68,000	107,000
Property, plant and equipment	111,000	13,000
Lease obligations	-	(48,000)
Capital losses	6,000	5,000
Non-capital losses available for future periods	1,849,000	1,662,000
	(3,029,000)	(2,819,000)
Unrecognized deferred tax assets	(6,000)	(1,739,000)
Net deferred tax assets	$ (3,035,000)	$ (4,558,000)

The significant components of the company's unrecognized temporary differences and tax losses are as follows:

	2013	2012	Expiry date range
Temporary Differences:			
Exploration and evaluation assets	$ 29,756,000	$ 24,493,000	No expiry date
Non-capital losses available for future periods	7,113,000	6,600,000	2014-2033

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

Flow-through shares

In July 2012, the Company closed a private placement which included the issue of 7,030,700 flow-through units (Note 9).

15. INCOME TAXES *(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 $736,079 in total leaving a shortfall of $107,605. Subsequent to September 30, 2013, Part XII tax and a penalty on the unspent flow-through renunciations will be due. 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.