NEVADA SUNRISE GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Nevada Sunrise Gold Corporation

We have audited the accompanying consolidated financial statements of Nevada Sunrise Gold Corporation, which comprise the consolidated statements of financial position as at September 30, 2013 and 2012 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Nevada Sunrise Gold Corporation as at September 30, 2013 and 2012 and its financial performance and its 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 consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Nevada Sunrise Gold Corporation's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

January 24, 2014

NEVADA SUNRISE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	September 30, 2013	September 30, 2012
ASSETS		
Current assets		
Cash	$ 58,074	$ 1,013,031
Receivables – Note 6	222,118	-
Prepaid expenses	14,270	11,800
Due from related parties – Note 8	-	3,156
	294,462	1,027,987
Non-current assets		
Other assets	-	3,429
Equipment – Note 5	8,279	17,292
Exploration and evaluations assets – Notes 6 and 8	2,557,076	2,417,087
	2,565,355	2,437,808
Total assets	$ 2,859,817	$ 3,465,795
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 65,752	$ 33,549
Due to related parties – Note 8	146,649	370
	212,401	33,919
Equity		
Share capital – Note 7	11,442,253	11,280,453
Contributed reserves – Note 7	1,588,858	1,411,055
Accumulated other comprehensive income (loss)	66,708	(82,725)
Deficit	(10,450,403)	(9,176,907)
	2,647,416	3,431,876
Total equity and liabilities	$ 2,859,817	$ 3,465,795

Nature of operations and going concern - Note 1
Subsequent events - Note 13

Approved by the Directors:

"Warren Stanyer" Director *"Michael Sweatman"* Director

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

NEVADA SUNRISE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED SEPTEMBER 30

	2013	2012
OPERATING EXPENSES		
Business insurance	$ 19,459	$ 18,333
Consulting fees – Note 8	220,325	125,409
Depreciation - Note 5	7,193	10,621
Exploration costs - Note 6	36,372	931,582
Marketing	16,736	33,286
Professional fees – Note 8	289,753	119,755
Rent and office expenses	127,984	111,887
Salaries and benefits – Note 8	222,756	245,588
Share-based compensation - Notes 7 and 8	177,803	571,025
Transfer agent and filing fees	20,362	19,287
Travel and entertainment	13,407	13,340
Total operating expenses	(1,152,150)	(2,200,113)
Finance costs - Note 10	-	(368,394)
Write-off of exploration and evaluation assets - Note 6	(111,097)	-
Write-off of equipment	(3,937)	-
Foreign exchange loss	(6,312)	(14,748)
Interest expense	-	(20,302)
Loss for the year	(1,273,496)	(2,603,557)
Translation adjustment	149,433	(95,917)
Comprehensive loss for the year	$ (1,124,063)	$ (2,699,474)
Basic and diluted loss per common share	$ (0.13)	$ (0.32)
Weighted average number of common shares outstanding	9,620,414	8,018,734

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

NEVADA SUNRISE GOLD CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED SEPTEMBER 30

	Share Capital					
	Number of Shares	Amount	Contributed Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance as at September 30, 2011	6,326,184	$ 7,688,065	$ 840,030	$ 13,192	$ (6,573,350)	$ 1,967,937
Shares issued for cash	2,580,714	2,954,000	-	-	-	2,954,000
Share issue costs	-	(323,393)	-	-	-	(323,393)
Finder units	158,668	190,400	-	-	-	190,400
Share-based compensation	-	-	571,025	-	-	571,025
Exercise of warrants	25,667	25,667	-	-	-	25,667
Conversion of convertible note into shares	414,288	745,714	-	-	-	745,714
Cumulative translation adjustment	-	-	-	(95,917)	-	(95,917)
Net loss for the year	-	-	-	-	(2,603,557)	(2,603,557)
Balance as at September 30, 2012	9,505,521	$ 11,280,453	$ 1,411,055	$ (82,725)	$ (9,176,907)	$ 3,431,876
Exercise of warrants	161,800	161,800	-	-	-	161,800
Share-based compensation	-	-	177,803	-	-	177,803
Cumulative translation adjustment	-	-	-	149,433	-	149,433
Net loss for the year	-	-	-	-	(1,273,496)	(1,273,496)
Balance as at September 30, 2013	9,667,321	$ 11,442,253	$ 1,588,858	$ 66,708	$(10,450,403)	$ 2,647,416

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

NEVADA SUNRISE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED SEPTEMBER 30

	2013	2012
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	$ (1,273,496)	$ (2,603,557)
Items not involving cash:		
Depreciation	7,193	10,621
Finance costs	-	368,394
Share-based compensation	177,803	571,025
Write-off of exploration and evaluation assets	111,097	-
Write-off of equipment	3,937	-
Net change in non-cash working capital:		
Receivables	(206,675)	-
Prepaid expenses	(2,470)	908
Other assets	3,429	-
Due to related parties	146,279	-
Accounts payable and accrued liabilities	32,203	(68,464)
Net cash used in operating activities	(1,000,700)	(1,721,073)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investment in equipment	-	(8,544)
Investment in exploration and evaluation assets	(145,160)	(149,905)
Net cash used in investing activities	(145,160)	(158,449)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Issuance of share capital (net of share issue costs)	161,800	2,846,674
Repayment of convertible note payable	-	(110,027)
Net cash provided by financing activities	161,800	2,736,647
Effect of exchange rate on cash	29,103	18,567
Net change in cash during the year	(954,957)	875,692
Cash, beginning of year	1,013,031	137,339
Cash, end of year	$ 58,074	$ 1,013,031
Interest paid	$ -	$ 20,403
Income taxes paid	$ -	$ -

Supplemental disclosures with respect to cash flows (Note 11)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nevada Sunrise Gold Corporation (the "Company") was incorporated under the laws of British Columbia on April 3, 2007 and its registered head office is Suite 880 - 800 West Pender Street, Vancouver, British Columbia, V6C 2V6. On May 15, 2007 the Company acquired all of the issued and outstanding shares of Intor Resources Corporation ("Intor") by way of reverse takeover. Intor was incorporated under the laws of the State of Nevada on September 7, 2004 as Nevada Sunrise Exploration Limited. The name of that company was changed to Intor Resources Corporation in February, 2005. The Company's principal business activities include the acquisition, exploration and development of exploration and evaluation assets.

The Company is in the process of exploring and developing its exploration and evaluation assets. The recoverability of the amounts are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production.

The Company's consolidated financial statements are prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company will require additional financing or outside participation to undertake further exploration and subsequent development of its exploration and evaluation assets. Future operations of the Company are dependent on its ability to raise additional equity financing and the attainment of profitable operations.

Subsequent to the year ended, September 30, 2013, the Company completed a consolidation of its common shares ("share consolidation") on the basis of one (1) post-consolidated common share for every ten (10) pre-consolidated common shares held. The share consolidation was completed on, and with an effective date of, December 16, 2013. All references to share, per share amounts, and exercise prices have been retroactively restated to reflect the effect of the share consolidation.

The Company has a history of operating losses and as at September 30, 2013, has an accumulated deficit of $10,450,403 (September 30, 2012 – $9,176,907). At September 30, 2013, the Company had working capital of $82,061 which is not considered sufficient to carry out committed exploration activities and corporate and administrative costs beyond the end of fiscal 2014. The Company will require an equity financing in fiscal 2014 in order to continue operations. These conditions may cast significant doubt as to the Company's ability to continue as a going concern. To date, the Company has been able to fund operations and property exploration and evaluation primarily through equity financings.

The continued volatility in equity markets may make it difficult to raise capital through the private placement of shares. The junior mining industry is considered speculative in nature which could make it even more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

The Company has a joint venture relationship with Pilot Gold, Inc. and its subsidiary Pilot Gold (USA) Inc., collectively referred to as ("Pilot") at its Kinsley Mountain property (Note 6). Pilot acquired a 65% interest in the Kinsley Mountain property by incurring in excess of US$3.0 million in exploration expenditures. The Company was notified that this milestone was achieved by Pilot in February 2013. The Company has an obligation to fund the cost of operating the Kinsley Mountain property to the extent of its interest. In August 2013, the Company notified Pilot that it would not participate in the exploration program for 2013 and consequently the Company's its interest was reduced from 35% to approximately 22%. There is no assurance that the Company will be able to raise the required capital necessary to meet any future cash calls pursuant to the Kinsley Mountain joint venture.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These consolidated financial statements including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on January 24, 2014.

b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments as fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts are stated in Canadian dollars unless otherwise specified.

Certain prior period figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously-reported results.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the following subsidiary:

Name of subsidiary	Place of incorporation	Percentage ownership	Principal Activity
Intor Resources Corp.	USA	100%	Exploration of mining assets

The Company consolidates the subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies.

Intercompany balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

d) Use of estimates and judgments

Significant 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, but are not limited to, the following:

i) Exploration and evaluation assets

The carrying value and the recoverability of exploration and evaluation assets included in the statements of financial position. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggests the carrying amount exceeds the recoverable amount.

ii) Share-based payments

The inputs used in calculating the fair value for share-based payments expense included in profit or loss and share-based share issuance costs included in equity. The share-based payments expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

iii) Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

iv) Derivative financial instruments

The Company's convertible note payable (Note 10) was treated as derivative financial liabilities. The estimated fair value, based on the Black-Scholes model, and each was adjusted on a quarterly basis with gains or losses recognized in the statement of loss and comprehensive loss. The Black-Scholes model was based on significant assumptions such as volatility, dividend yield and expected term.

Critical Judgments

The preparation of our consolidated financial statements requires us to make judgments regarding the going concern of the Company as discussed in Note 1.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

e) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded over the estimated useful lives of the assets on the straight line basis:

Furniture and equipment	7 years
Computer software	3 years
Tenant improvements	5 years
Field equipment	7 years

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

f) Exploration and evaluation assets

Upon acquiring the legal right to explore a mineral property, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred.

Exploration costs are expensed as incurred as the Company is in the process of exploring its mineral tenements and has not yet determined whether these properties contain ore reserves that are economically recoverable. If and when the Company's management determines that economically extractable proven or probable mineral reserves have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body will be capitalized.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

g) Decommissioning, restoration and similar liabilities

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no decommissioning liabilities as at September 30, 2013 and 2012.

h) Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of Nevada Sunrise Gold Corp. is the Canadian dollar and the functional currency of Intor Resources Corp. is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are determined in foreign amounts are translated at the rate of exchange at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss

Translation of subsidiary results into the presentation currency

The results and statements of financial position of all the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities are translated at the closing rate at the date of the statement of financial position;
ii) Items of equity are translated at historical rates;
iii) Income and expenses for each statement of income are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
iv) All resulting exchange differences are recognized as accumulated other comprehensive income (loss), a separate component of equity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

i) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

j) Share-based compensation:

The stock option plan allows Company employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

k) Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the statement of financial position liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

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

l) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

m) Financial assets

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

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

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's due from related parties, and receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. As at September 30, 2013 and 2012, the Company has not classified any financial assets as available for sale.

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.

n) Financial liabilities

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

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and due from related parties are classified as other financial liabilities.

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

o) Derivative financial instruments:

The Company's convertible note payable was treated as a derivative financial liability. The estimated fair value, based on the Black-Scholes model, was adjusted on a quarterly basis with gains or losses recognized in the statement of loss and comprehensive loss. The Black-Scholes model is based on significant assumptions such as volatility, dividend yield and expected term. During the year ended September 30, 2012 the interest-bearing convertible note was settled in full (Note 10).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

p) Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any 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 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 inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and 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.

q) Share capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

r) New standards, amendments and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 2013 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2015 with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

- IFRS 10 'Consolidated Financial Statements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- IFRS 11 'Joint Arrangements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

r) New standards, amendments and interpretations not yet effective (cont'd…)

- IFRS 12 'Disclosure of Interests in Other Entities' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

- IFRS 13 'Fair Value Measurement' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

- IAS 27 'Separate Financial Statements'– as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

- IAS 28 'Investments in Associates and Joint Ventures' – effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.

- IFRS 7 'Financial Instruments: Disclosures' - effective for annual periods beginning on or after January 1, 2013, is amended to outline the disclosure required when initially applying IFRS 9 Financial Instruments.

- IAS 32 'Financial Instruments: Presentation' - effective for annual periods beginning on or after January 1, 2014, is amended to provide guidance on the offsetting of financial assets and financial liabilities.

3. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the management of capital, the Company includes components of equity.

3. CAPITAL MANAGEMENT (cont'd...)

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended September 30, 2013. The Company is not currently subject to externally imposed capital requirements.

4. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair values of the Company's receivables, due from related parties, accounts payable and accrued liabilities, and due to related parties approximate their carrying value, because of the short-term nature of these instruments.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at:

	Level 1	Level 2	Level 3
September 30, 2013:			
Cash	$ 58,074	$ -	$ -
September 30, 2012:			
Cash	$ 1,013,031	$ -	$ -

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to receivables which are comprised of reimbursable exploration expenditures. The Company's management believes it has no significant credit risk.

4. FINANCIAL INSTRUMENTS (cont'd…)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2013, the Company had a cash balance of $58,074 to settle current liabilities of $212,401. The Company will require an equity financing in fiscal 2014 in order to continue operations.

Market risk

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

a) Interest rate risk

The Company has cash balances which are not subject to significant risks in fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions or short-term debt instruments issued by the federal government. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2013, the Company did not have any investments in investment-grade short-term deposit certificates or short-term debt issued by the federal government.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, and accounts payable and accrued liabilities that are denominated in US Dollars.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

The Company operates in the United States and is exposed to risk from changes in the US dollar. A 10% fluctuation in the US dollar against the Canadian dollar would affect net comprehensive loss for the year by approximately $23,476.

(Expressed in Canadian Dollars)

5. EQUIPMENT

	Furniture & Equipment	Computer & Software	Tenant Improvements	Field Equipment	Total
Cost					
Balance at September 30, 2011	$ 17,404	$ 15,109	$ 25,049	$ 11,165	$ 68,727
Additions	-	4,128	-	4,416	8,544
Cumulative translation adjustment	(836)	(726)	(1,203)	(536)	(3,301)
Balance at September 30, 2012	16,568	18,511	23,846	15,045	73,970
Dispositions	(16,568)	(14,313)	(23,846)	-	(54,727)
Cumulative translation adjustment	-	126	-	713	839
Balance at September 30, 2013	$ -	$ 4,324	$ -	$ 15,758	$ 20,082
Accumulated Depreciation					
Balance at September 30, 2011	$ 9,406	$ 13,589	$ 16,757	$ 5,335	$ 45,087
Depreciation expense for year	2,283	1,488	4,889	1,961	10,621
Cumulative translation adjustment	202	293	360	115	970
Balance at September 30, 2012	11,891	15,370	22,006	7,411	56,678
Depreciation expense for year	1,896	1,421	1,657	2,219	7,193
Dispositions	(13,787)	(14,866)	(23,663)	-	(52,316)
Cumulative translation adjustment	-	58	-	190	248
Balance at September 30, 2013	**$** -	**$** 1,983	**$** -	**$** 9,820	**$** 11,803
Net Book Value					
Balance at September 30, 2012	$ 4,677	$ 3,141	$ 1,840	$ 7,634	$ 17,292
Balance at September 30, 2013	$ -	$ 2,341	$ -	$ 5,938	$ 8,279

6. EXPLORATION AND EVALUATION OF ASSETS

Title to exploration and evaluation assets interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous historical title conveyance characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation asset interests the Company has committed to earn an interest in are located in Nevada, USA.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION OF ASSETS (cont'd...)

	Golden Arrow	Iron Point	Juniper	Kinsley Mountain	Pinnacle	Total
Balance, September 30, 2011	**$ 2,349,258**	**$ -**	**$ -**	**$ -**	**$ 36,152**	**$2,385,410**
Acquisition costs	95,724	-	-	-	54,181	149,905
Cumulative translation adjustment	(115,163)	-	-	-	(3,065)	(118,228)
Balance, September 30, 2012	**$ 2,329,819**	**$ -**	**$ -**	**$ -**	**$ 87,268**	**$2,417,087**
Acquisition costs	126,896	-	-	-	9,281	136,177
Cumulative translation adjustment	100,361	-	-	-	14,548	114,909
Dispositions	-	-	-	-	(111,097)	(111,097)
Balance, September 30, 2013	**$ 2,557,076**	**$ -**	**$ -**	**$ -**	**$ -**	**$2,557,076**

	Golden Arrow	Iron Point	Juniper	Kinsley Mountain	Pinnacle	Total
Cumulative exploration costs at September 30, 2011	**$ 1,750,463**	**$ 2,468**	**$ 10,601**	**$ 22,566**	**$ -**	**$ 1,786,098**
Year ended September 30, 2012						
Drilling	404,891	-	-	-	-	404,891
Geophysical survey	285,116	-	-	567	-	285,683
Field costs	14,910	-	-	-	-	14,910
Consulting	198,042	-	-	605	27,451	226,098
Exploration costs, year ended September 30, 2012	**902,959**	**-**	**-**	**1,172**	**27,451**	**931,582**
Cumulative exploration costs at September 30, 2012	**$ 2,653,422**	**$ 2,468**	**$ 10,601**	**$ 23,738**	**$ 27,451**	**$ 2,717,680**

	Golden Arrow	Iron Point	Juniper	Kinsley Mountain	Pinnacle	Total
Cumulative exploration costs at September 30, 2012	**$ 2,653,422**	**$ 2,468**	**$ 10,601**	**$ 23,738**	**$ 27,451**	**$ 2,717,680**
Year ended September 30, 2013						
Geophysical survey	28,407	-	-	-	-	28,407
Consulting	4,127	-	-	859	2,979	7,965
Exploration costs, year ended September 30, 2013	**32,534**	**-**	**-**	**859**	**2,979**	**36,372**
Cumulative exploration costs at September 30, 2013	**$ 2,685,956**	**$ 2,468**	**$ 10,601**	**$ 24,597**	**$ 30,430**	**$ 2,754,052**

6. EXPLORATION AND EVALUATION OF ASSETS (cont'd...)

Golden Arrow, Nevada

The Company has a mining lease and two quitclaim deeds covering certain areas of the Golden Arrow property. The mining lease agreement, which includes a 2% net smelter royalty and requires advance royalty payments of US$50,000, is set to expire on December 31, 2016. However, the Company may extend the mining lease for additional one year terms by paying escalating annual lease payments. The terms of this mining lease were amended subsequent to September 30, 2013, as discussed below. One of quitclaim deeds includes a 1% net smelter royalty. The other quitclaim deed includes a 3% net smelter royalty and requires annual advance royalty payments of US$25,000. The Company has the option to buy-down the net smelter royalty from 3% to 1%, in 1% increments, by making a one-time payment of US$100,000 per 1% increment reduction. If the Company elects to buy-down the net smelter royalty, the annual advance royalty payment will also be reduced proportionately.

On December 30, 2013, the Company announced that the terms of the mining lease on several claim blocks at Golden Arrow were amended as follows:

i) The Advance Minimum Royalty of $50,000 is now reduced to $25,000 per year, for the remainder of the term of the mining lease (the Company will pay $50,000 in aggregate for the remainder of the lease).

ii) The Advance Royalty Payment due on January 1, 2014 has been deferred to July 1, 2014, each subsequent annual Advance Royalty Payment of $25,000 is due and payable on January 1st of each succeeding calendar year, until the expiry of the mining lease.

iii) The 2% net smelter royalty is increased to 3% ("Amended Royalty").

iv) The Company may purchase 1% of the Amended Royalty for $1,000,000 at any time during the remaining mining lease term.

Kinsley Mountain, Nevada

The Company has a mining lease agreement with a company in which a former officer and director of the Company has a royalty interest in the Kinsley Mountain Property. The Kinsley Mountain lease agreement has a3% net smelter royalty on production. In 2011, the Company and the former related party amended certain provisions of the mining agreement including the expiration date and the timing of advance minimum royalty payments for no additional consideration. The agreement now runs through June 2020; however, the Company has the right to terminate the mining lease with the related party upon thirty days written notice; or to extend the lease beyond 2020 provided the Company continues to make advance minimum royalty payments. Per the lease agreement, beginning June 2012, the Company has an obligation to expend a minimum of US$500,000 annually in exploration, development and mining activities on the Kinsley Mountain Property. The Company's minimum annual work obligation will be fulfilled by Pilot's exploration expenditures, as discussed below.

Effective fiscal 2012, Pilot acquired a 51% interest in the Kinsley Mountain Property by incurring an aggregate US$1.18 million in exploration expenditures and having paid all annual property maintenance fees, advance royalty payments, and mining lease payments, before March 2013, which was achieved by Pilot in March 2012.

In February 2013, Pilot gave notice to the Company that it had completed US$3 million in eligible expenditures to increase its participating interest in Kinsley Mountain to 65% in accordance with the agreement. As a result, the Company had an obligation to fund its 35% share of the operating costs of the Kinsley Mountain going forward. The Kinsley Mountain property is collateral for the payment of cash calls for operating costs. The Company intends to fund any cash calls with equity financings. There is no assurance the Company will be able to raise this capital (Note 1).

6. EXPLORATION AND EVALUATION OF ASSETS (cont'd...)

Kinsley Mountain, Nevada (cont'd…)

In August 2013, the Company informed Pilot that it would not participate in the 2013 work program on the Kinsley Mountain property. Consequently, Pilot funded a $3.4-million exploration program at the Kinsley Mountain in its entirety which has further increased Pilot's interest from 65% to approximately 78% with the Company holding an approximate 22% interest. Pilot agreed to reimburse to the Company for $211,616 in expenditures which is included in receivables at September 30, 2013 and which was repaid in October 2013.

On October 28, 2013, the Company announced that a definitive joint venture agreement had been signed between the Company and Pilot for the Kinsley Mountain property. A Delaware limited liability company, Kinsley Mountain LLC, was formed to manage the joint venture with Pilot as the operator.

On January 16, 2014 the Company announced that it had notified Pilot, through its subsidiary, of its intention to fund the Company's approximate US $941,000 share of the drill program proposed by Pilot for fiscal 2014.

Pinnacle, Nevada

Effective January 2011, the Company entered into a mining lease agreement with a company in which a former officer and director of the Company was managing director and had a minority interest (Note 8) covering the Pinnacle property. The agreement included a sliding scale net smelter royalty on production from 2.5% to 5% depending on the price of gold. The Company could terminate the agreement by giving written notice prior to July 1 of the year of its determination and executing a quitclaim deed conveying its interest in the property to the related party.

In August 2013, the Company announced that it had given notice to terminate the lease agreement on the Pinnacle property. As a result, the Company wrote-off $111,097 in acquisition costs related to the Pinnacle property.

7. SHARE CAPITAL AND CONTRIBUTED RESERVES

a) Authorized: Unlimited common shares, without par value

b) Issued: At September 30, 2013, there were 9,667,321 common shares were issued and outstanding.

During the year ended September 30, 2013, 161,800 common shares were issued pursuant to the exercise of 161,800 warrants at $1.00 per share, for proceeds of $161,800.

During the year ended September 30, 2012, the Company converted a US$290,000 convertible note payable into 414,288 units. Each unit consisted of one common share and one-half of one warrant. Each whole warrant entitled the holder to purchase an additional common share at $1.20 per share exercisable until March 25, 2013.

During the year ended September 30, 2012, the Company completed three private placements as follows:

i) The Company completed a non-brokered private placement of 285,714 units at $0.70 per unit for proceeds of $200,000. Each unit consisted of one common share and one warrant. Each warrant entitled the holder to purchase an additional common share at an exercise price of $1.00 per share until March 16, 2014.

ii) The Company completed a private placement of 1,670,000 units at $1.20 per unit for proceeds of $2,004,000. Each unit consisted of one common share and one-half of one warrant. Each whole warrant entitled the holder to purchase an additional common share at an exercise price of $2.00 per share until March 12, 2014. In consideration for services provided by an agent, the Company issued to the agent 158,668 units at $1.20 per unit. The units were valued at $190,400 using the share price at the concurrent offering of $1.20 and were classified as a share issue cost.

iii) The Company completed a non-brokered private placement of 625,000 units at $1.20 per unit for proceeds of $750,000. Each unit consisted of one common share and one-half of one warrant. Each whole warrant entitled the holder to purchase an additional common share at an exercise price of $2.00 per share until March 23, 2014.

During the year ended September 30, 2012, 25,667 common shares were issued pursuant to the exercise of 25,667 warrants at $1.00 per share for proceeds of $25,667.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd…)

c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at September 30, 2011	939,720	$ 1.43
Warrants issued	1,719,690	1.74
Warrants exercised	(25,667)	1.00
Balance as at September 30, 2012	2,633,743	1.63
Warrants expired	(959,396)	1.46
Warrants exercised	(161,800)	1.00
Balance as at September 30, 2013	1,512,547	$ 1.81

At September 30, 2013, there were 1,512,547 warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of Warrants	Exercise Price	Expiry Date
914,333	$2.00	March 7, 2014
285,714	$1.00	March 16, 2014
312,500	$2.00	March 23, 2014

d) Options

The Company has a stock option plan whereby it may grant options to employees, directors, consultants and certain other service providers. The maximum aggregate number of shares that may be reserved for issuance under the plan is 10% of the Outstanding Shares, less any common shares reserved for issuance under share options granted outside of this plan. Options are exercisable for a maximum of 10 years. Option shares are subject to vesting requirements as determined by the Company's Board of Directors.

The fair value attributable to options vested during the year ended September 30, 2013 was $177,803 (for the year ended September 30, 2012 - $571,025). A total of 270,000 options were granted during the year ended September 30, 2013 (year ended September 30, 2012 – 362,500).

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd…)

d) Options (cont'd…)

The weighted average fair value of options granted during the year ended September 30, 2013 was $0.65 (2012 - $1.59). The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options granted during the years ended September 30, 2013 and 2012:

	2013	2012
Risk-free interest rate	1.37%	1.53%
Expected life of options	5 years	5 years
Annualized volatility	122%	113%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at September 30, 2011	287,500	$ 2.50
Options granted	362,500	2.20
Options expired	(80,000)	2.28
Balance as at September 30, 2012	570,000	2.34
Options granted	270,000	1.13
Options expired	(185,000)	2.50
Balance as at September 30, 2013	655,000	$ 1.80

At September 30, 2013, there were 655,000 stock options outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of Shares	Exercise Price	Expiry Date
10,000	$2.50	November 5, 2013 (Note 13)
2,500	$2.50	March 5, 2014
70,000	$2.50	July 29, 2015
182,500	$2.20	March 13, 2017
120,000	$2.20	May 10, 2017
170,000	$1.50	December 4, 2017
100,000	$0.50	August 29, 2018

At September 30, 2013, the weighted average contractual life remaining of the outstanding options was 3.66 years.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of its Chief Executive Officer, Chief Financial Officer, and Corporate Secretary.

Remuneration attributed to key management personnel during the years ended September 30, 2013 and 2012 is summarized as follows:

		2013		**2012**
Consulting fees	$	92,762	$	88,354
Salaries and benefits		139,604		145,924
Share-based compensation		39,250		150,450
Professional fees		2,500		-
	$	274,116	$	384,728

The Company incurred the following charges by directors of the Company, by companies with directors in common with the Company, by companies affiliated with the Company and by a law firm in which a director of the Company is a partner during the years ended September 30, 2013 and 2012:

		2013		**2012**
Advance minimum royalty payments (Pinnacle property)	$	8,122	$	40,651
Consulting fees		136,262		112,354
Professional fees		186,964		40,875
Salaries and benefits		139,604		145,924
Exploration costs		-		6,711
	$	470,952	$	346,515

At September 30, 2013, due from related parties included $Nil (September 30, 2012: $3,156) due from an affiliated company for general and administrative expense reimbursement.

At September 30, 2013, due to related parties includes $146,649 for consulting and professional fees (September 30, 2012: $370) due to directors and officers of the Company, to companies with directors in common with the Company, and to a law firm in which a director of the Company is a partner.

The amounts due from/to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

(Expressed in Canadian Dollars)

9. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of exploration and evaluation assets. All of the Company's equipment and exploration and evaluation assets are located in the United States.

10. CONVERTIBLE NOTE PAYABLE

In March 2010, the Company received US$500,000 in exchange for a convertible promissory note. In March, 2011, the Company executed an amendment to the convertible promissory note. Pursuant to the terms of the amendment, the Company repaid US$100,000 in principal and US$50,000 in interest in March 2011.

The maturity of the remaining principal amount, US$400,000, was extended to March 25, 2012 and continued to bear interest at 10% per annum and was convertible at the option of the holder into units at $0.70 per unit. Each unit consisted of one common share and one-half of one warrant. Each whole warrant entitled the holder to purchase an additional common share at $1.20 per share, exercisable for 12 months from the date of issue. In January 2012, the Company executed a second amendment to the outstanding convertible promissory note ("Second Amendment"). Pursuant to the Second Amendment, the Company paid principal of US$110,000 and interest of US$40,000 in three installments of US$50,000 during the year ended September 30, 2012. The maturity date of the remaining principal balance, US$290,000, was extended to March 25, 2013. In April 2012, the Company converted the remaining US$290,000 convertible note payable into 414,288 units, consisting of 414,288 common shares and 207,143 warrants at an exercise price of $1.20 exercisable, until March 25, 2013.

The convertible note payable entitled the holder to convert the US dollar denominated loan into common shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of loss and comprehensive loss as they arise. The Company has recorded these changes in financing costs.

Convertible note payable	September 30, 2012
Principal balance, September 30, 2011	$ 496,132
Repayments	(110,027)
Fair market value adjustments	368,394
Converted portion of convertible note payable	(745,714)
Foreign currency variance	(8,785)
Principal balance, September 30, 2012, and 2013	$ -

(Expressed in Canadian Dollars)

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year September 30, 2013 include:

a) $8,983 was reclassified from exploration and evaluation assets to receivables in connection with the redemption of the reclamation bond subsequent to September 30, 2013.

Significant non-cash transactions for the year September 30, 2012 include:

a) The Company issued 414,288 units, which consisted of 414,288 common shares and 207,143 common share purchase warrants, in settlement of $290,000 convertible note payable. (Note 10).

b) The Company issued 158,668 common shares valued at $190,400 and 79,333 agents' warrants valued at $100,235 as finders' fees in a private placement (Note 7).

12. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2013	2012
Net loss before income taxes	$ (1,273,496)	$ (2,603,557)
Combined federal, provincial, state statutory income tax rate	25.50%	25.38%
Expected income tax recovery at statutory tax rates	$ (325,000)	$ (661,000)
Impact of different foreign statutory tax rates on earnings of subsidiaries	26,000	(163,000)
Non-deductible expenditures	45,000	145,000
Share issue costs	-	(82,000)
Change in unrecognized deductible temporary differences and other	254,000	761,000
Total	$ -	$ -

Significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	September 30, 2013	Expiry dates	September 30, 2012	Expiry dates
Share issue costs	$ 247,000	2034-2037	$ 348,000	2033-2036
Non-capital losses	7,629,000	2015-2033	7,818,000	2014-2032
Exploration and evaluation assets	693,000	No Expiry	845,000	No Expiry

13. SUBSEQUENT EVENTS

On October 28, 2013, the Company granted 10,000 incentive stock options to a geological consultant pursuant to its shareholder approved stock option plan. All of the options vested immediately and are exercisable at a price of $0.50 expiring on October 28, 2018.

On November 5, 2013, 10,000 options exercisable at $2.50 per share expired unexercised.

On November 27 and 28, 2013, 175,000 options exercisable at prices ranging from $1.50 to $2.50 per share were cancelled.

On December 16, 2013 the Company completed a consolidation of its common shares on the basis of one (1) post-consolidated common share for every ten (10) pre-consolidated common shares held. The effects of this transaction have been reflected retrospectively within these consolidation financial statements.

On January 13, 2014 the Company completed a non-brokered private placement of 6,200,000 units at a price of $0.10 per unit for gross proceeds of $620,000. Each unit consists of one common share and one common share purchase warrant exercisable at a price of $0.15 until January 10, 2016 and January 13, 2016 in accordance with the tranche in which they were issued. In connection with the private placement, the Company paid a finder's fee of $21,000 and issued 294,000 finder's warrants exercisable at $0.10 per warrant.