CMC METALS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2013

(Expressed in Canadian Dollars)

(Unaudited)

CMC METALS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	June 30, 2013 (Unaudited)	September 30, 2012 (Audited)
ASSETS			
Current assets			
Cash		$ 137,450	$ 28,246
Receivables		3,138	11,323
Loan Receivable	4	15,000	-
Prepaids		7,480	16,523
		163,068	56,092
Non-current assets			
Reclamation bonds		154,747	154,747
Exploration and evaluation assets	5	9,671,680	9,366,877
		9,826,427	9,521,624
TOTAL ASSETS		$ 9,989,495	$ 9,577,716
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities		$ 265,055	$ 157,705
Due to related parties	10	50,416	24,612
Promissory note	6	636,955	662,832
Current debt	7	639,197	600,890
		1,591,623	1,446,039
Non-current liabilities			
Deferred tax liabilities		361,236	361,236
Preferred shares	8	450,352	423,361
Provision for restoration and environmental activities		14,000	14,000
		825,588	798,597
TOTAL LIABILITIES		2,417,211	2,244,636
SHAREHOLDERS' EQUITY			
Share capital	9	12,687,834	12,132,476
Obligation to issue shares	5	300,000	300,000
Reserves	9	88,352	485,462
Deficit		(5,503,902)	(5,584,858)
TOTAL SHAREHOLDERS' EQUITY		7,572,284	7,333,080
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 9,989,495	$ 9,577,716

Going concern - Note 1
Commitments - Notes 5, 6, 7 and 11
Subsequent event - Note 15

Approved on behalf of the Board:

"Donald Wedman"
Donald Wedman - Director

"Michael C. Scholz"
Michael C. Scholz - Director

See accompanying notes to the condensed consolidated financial statements.

CMC METALS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Notes	For the 3 Month Period Ended June 30, 2013 (Unaudited)	For the 3 Month Period Ended June 30, 2012 (Unaudited)	For the 9 Month Period Ended June 30, 2013 (Unaudited)	For the 9 Month Period Ended June 30, 2012 (Unaudited)
EXPENSES					
Consulting fees	11	$ 2,800	$ 21,126	$ 46,300	$ 75,303
Filing and transfer agent		1,800	2,640	16,704	17,638
Interest expense	5, 6, 7	30,884	19,465	97,142	58,395
Investor communications		2,500	-	7,400	6,000
Office and miscellaneous	10	18,620	42,133	62,995	83,110
Part XII.6 tax expense		-	-		5,302
Professional fees		12,950	32,410	20,026	102,573
Rent	10	4,500	4,500	13,500	14,750
Stock-based compensation	9		40,906	1,286	118,767
Travel		2,650	6,858	7,269	12,783
		(76,704)	(170,038)	(272,622)	(494,621)
OTHER ITEMS					
Interest income		19	22	165	892
Gain (loss) on foreign exchange		(20,386)	991	(43,325)	(4,425)
Miscellaneous income		7,500	-	7,500	-
		(12,867)	1,013	(35,660)	(3,533)
COMPREHENSIVE LOSS FOR THE PERIOD		$ (89,571)	$ (169,025)	$ (308,282)	$ (498,154)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES - OUTSTANDING BASIC AND DILUTED		63,273,646	57,803,320	62,021,631	57,092,717
LOSS PER SHARE - BASIC AND DILUTED		$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)

See accompanying notes to the condensed consolidated financial statements.

CMC METALS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Notes	Share capital: Number of shares	Share capital: Amount	Subscription receivable	Obligation to issue shares	Reserves	Deficit	Total
Balance at September 30, 2011 (Audited)		55,203,646	$ 11,619,124	$ (11,667)	$ 300,000	$ 405,495	$ (3,897,033)	$ 8,415,919
Comprehensive loss:								
Loss for the period		-	-	-	-	-	(498,154)	(498,154)
Transactions with owners, in their capacity as owners, and other transfers:								
Shares issued for cash - private placement		1,000,000	200,000	(145,000)	-	-	-	55,000
Shares issued for cash - options exercise		20,000	6,545	-	-	(2,345)	-	4,200
Shares issued for cash - warrants exercise		1,600,000	320,000	156,667	-	-	-	476,667
Stock-based compensation		-	-	-	-	118,767	-	118,767
Balance at June 30, 2012 (Unaudited)		57,823,646	$ 12,145,669	$ -	$ 300,000	$ 521,917	$ (4,395,187)	$ 8,572,399
Balance at September 30, 2012 (Audited)		57,823,646	$ 12,132,476	$ -	$ 300,000	$ 485,462	$ (5,584,858)	$ 7,333,080
Comprehensive loss:								
Loss for the period		-	-	-	-	-	(308,282)	(308,282)
Transactions with owners, in their capacity as owners, and other transfers:								
Shares issued for cash - private placement	9	4,900,000	490,000	-	-	-	-	490,000
Shares issued for cash - warrants exercise	9	550,000	75,158	-	-	(9,158)	-	66,000
Share issuance costs	9	-	(9,800)	-	-	-	-	(9,800)
Stock-based compensation	9	-	- -	-	-	1,286	-	1,286
Modification of warrants	9					12,904	(12,904)	-
Reallocation of expired and forfeited options and warrants	9					(402,142)	402,142	-
Balance at June 30, 2013 (Unaudited)		63,273,646	$ 12,687,834	$ -	$ 300,000	$ 88,352	$ (5,503,902)	$ 7,572,284

See accompanying notes to the condensed consolidated financial statements.

CMC METALS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For the 3 Month Period Ended June 30,		For the 9 Month Period Ended June 30,	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
Operating activities				
Net loss for the period	$ (89,571)	$ (169,025)	$ (308,282)	$ (498,154)
Adjustments for non-cash items:				
Accrued interest on promissory note	9,118	-	31,844	-
Accrued interest on current debt	12,769	11,173	38,307	33,520
Amortization of preferred shares discount	8,997	8,292	26,991	24,875
Stock-based compensation	-	40,906	1,286	118,767
Changes in non-cash working capital items				
Receivables	(3,900)	26,209	(6,815)	15,366
Prepaids	4,867	(5,050)	9,043	(15,387)
Trade payables and accrued liabilities	(25,881)	55,763	(105,740)	(18,629)
Due to related parties	17,542	-	25,804	(9,175)
Net cash flows used in operating activities	(66,059)	(31,732)	(287,562)	(348,817)
Investing activities				
Recovery (expenditures) on exploration and evaluation assets	192,783	(209,926)	(41,663)	(1,049,512)
Reclamation bond	-	-	-	(1,459)
Net cash flows provided by (used in) investing activities	192,783	(209,926)	(41,663)	(1,050,971)
Financing activities				
Repayment of promissory note	(50,000)	-	(150,100)	-
Proceeds on issuance of common shares - net of share issue costs	-	4,200	546,200	524,200
Subscription received	-	-	-	11,667
Net cash flows provided by (used in) financing activities	(50,000)	4,200	396,100	535,867
Effect of foreign exchange	21,027	-	42,329	-
Change in cash	97,751	(237,458)	109,204	(863,921)
Cash, beginning	39,699	564,771	28,246	1,191,234
Cash, ending	$ 137,450	$ 327,313	$ 137,450	$ 327,313

Non-cash transactions - Note 14

See accompanying notes to the consolidated consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

CMC Metals Ltd. (the "Company") was incorporated under the laws of the Province of Alberta and continued into the Province of British Columbia and its principal activity is the acquisition and exploration of mineral properties in Canada and the United States of America. The Company is listed on the TSX Venture Exchange ("TSX-V").

The head office, principal address and records office of the Company are located at 605 – 369 Terminal Avenue, Vancouver, British Columbia, Canada, V6A 4C4.

The condensed consolidated interim financial report has been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2013 the Company had not advanced its properties to commercial production. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors, by continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs.

2. BASIS OF PRESENTATION

The condensed consolidated interim financial report was authorized for issue on August 23, 2013 by the directors of the Company.

Statement of compliance
The condensed consolidated interim financial report of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of the interim financial report, including International Accounting Standard ("IAS") 34, Interim Financial Reporting.

These condensed consolidated interim financial statements do not include all of the information and note disclosures required of a full annual financial report and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual consolidated financial statements of the Company for the year ended September 30, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

Basis of preparation
The condensed consolidated interim financial report of the Company has been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed consolidated financial statements are presented in Canadian dollars unless otherwise noted.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 0877887 B.C. Ltd. ("0877887 B.C."), incorporated under the Business Corporations Act of British Columbia. On April 12, 2012, the Company incorporated in the State of California, a wholly-owned subsidiary, CMC Metals Corp. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

2. BASIS OF PRESENTATION (cont'd)

Significant accounting judgments, estimates and assumptions
The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, apart from those requiring estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- The classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses;
- The classification of financial instruments; and
- The determination of the functional currency of the parent company and its subsidiaries.

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

Comparative figures
Certain of the comparative figures have been reclassified to conform with the current year's presentation.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain pronouncements were issued by the IASB and IFRIC that are mandatory for accounting periods beginning after January 1, 2013 or later periods. The following new standards, amendments and interpretations that have not been early adopted in these condensed consolidated interim financial report are not expected to have a material effect on the Company's future results and financial position.

- IFRS 9, Financial Instruments.
- IFRS 10, Consolidated Financial Instruments
- IFRS 11, Joint Arrangement.
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- IAS 32, Financial Instruments: Presentation

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. LOAN RECEIVABLE

On May 17, 2013, the Company provided a loan of US$15,000 (CDN $15,000) to its President and CEO, Mr. Donald Wedman, which bears interest at the rate of six per cent (6%) per annum commencing on May 17, 2013. This loan is secured by a Promissory Note and payable on demand. As at June 30, 2013, total loan receivable was $15,000 (September 30, 2012 - $Nil).

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Bishop Mill	Logjam Property	Silver Hart Property	Black Horse / Chesno Claims	Radcliff Property	Total
Acquisition costs						
Balance, September 30, 2011	$ 190,107	$ 8,500	$ 1,010,000	$ 51,629	$ 294,158	$ 1,554,394
Additions	-	-	-	-	1,360,293	1,360,293
Balance, September 30, 2012	190,107	8,500	1,010,000	51,629	1,654,451	2,914,687
Exploration costs						
Balance, September 30, 2011	347,537	24,319	5,473,053	-	22,200	5,867,109
Costs incurred during the period:						
Assaying	3,200	-	5,552	-	24,303	33,055
Contractors	-	-	86,168	-	40,624	126,792
Equipment rental	-	-	95,426	-	-	95,426
Field office	-	3,360	32,718	-	1,513	37,591
Geological	57,923	-	-	-	-	57,923
Management fees - Note 10	-	-	90,000	-	-	90,000
Other	18,086	-	-		150,779	168,865
Transportation and supplies	-	-	119,549	-	8,920	128,469
	426,746	27,679	5,902,466	-	248,339	6,605,230
Sale of bulk sample	-	-	(153,040)	-	-	(153,040)
Balance, September 30, 2012	426,746	27,679	5,749,426	-	248,339	6,452,190
Total - September 30, 2012 (Audited)	$ 616,853	$ 36,179	$ 6,759,426	$ 51,629	$ 1,902,790	$ 9,366,877
Acquisition costs						
Balance, September 30, 2012	$ 190,107	$ 8,500	$ 1,010,000	$ 51,629	$ 1,654,451	$ 2,914,687
Additions	-	-	-	-	50,050	50,050
Balance, June 30, 2013	190,107	8,500	1,010,000	51,629	1,704,501	2,964,737
Exploration costs						
Balance, September 30, 2012	426,746	27,679	5,749,426	-	248,339	6,452,190
Costs incurred during the period:						
Assaying	29,026	-	11,259	-	-	40,285
Contractors	-	-	5,093	-	11,622	16,715
Equipment rental	-	-	37,899	-	-	37,899
Field office	-	3,255	15,274	-		18,529
Geological	-	-	16,600	-	-	16,600
Management fees - Note 10	-	-	52,500	-	-	52,500
Other	18,087	-	-	-	92,000	110,087
Transportation and supplies	-	-	228,964	-	-	228,964
	473,859	30,934	6,117,015	-	351,961	6,973,769
Sale of bulk sample	-	-	(266,826)	-	-	(266,826)
Balance, June 30, 2013	473,859	30,934	5,850,189	-	351,961	6,706,943
Total - June 30, 2013 (Unaudited)	$ 663,966	$ 39,434	$ 6,860,189	$ 51,629	$ 2,056,462	$ 9,671,680

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Bishop Mill
On March 19, 2010, and as completed on April 15, 2010, the Company entered into a sale and purchase agreement and acquired a 100% interest in certain claims, buildings, water rights and machinery, comprising the Bishop Mill Property located near Bishop, California.

To June 30, 2013 and September 30, 2012, the Company holds a reclamation bond of $136,747 for indemnification of site restoration on the Bishop Mill Property.

Logjam Property
On May 30, 2006, and as completed during the year ended September 30, 2010, the Company entered into an option agreement to acquire a 100% interest in certain claims, comprising the Logjam Property located in the Watson Lake Mining District, Yukon Territories.

The Company will pay an additional amount of $100,000 or issue 100,000 common shares if an assessment is made that the Logjam Property contains not less than 350,000 tons of economic grade ore.

Silver Hart Property
On February 21, 2005, as amended on March 1, 2007, the Company acquired a 100% interest in certain claims comprising the Silver Hart Property located in the Watson Lake Mining District, Yukon Territories from an arm's length individual who subsequently became a director and officer of the Company. The Company acquired a 100% interest in the Silver Hart Property from the director and officer of the Company for a total of $995,000 (Note 7).

The Company was further required to issue 1,000,000 common shares with a fair value of $300,000 on the earlier of 24 months from July 5, 2005 and the date of completion of the property payments. In 2005, the amount was recorded as an obligation to issue shares, with a corresponding entry to exploration and evaluation assets. As at June 30, 2013 and September 30, 2012, the Company has not yet issued these shares.

Black Horse Mine / Chesco Claims – Joint Venture
On November 2, 2010, the Company entered into a Letter of Intent ("LOI") to enter in a Joint Venture Agreement (the "Joint Venture") with Pruett Ballarat Inc. ("PBI") to progress mine and mill developments in California and Nevada. Pursuant to the Joint Venture, property acquisitions into the Joint Venture will be owned and operated on a 50/50 proportionate basis. Such Joint Venture will not limit the Company nor PBI from acquiring mineral properties for their sole interest.

To June 30, 2013 and September 30, 2012, the total payment of US$50,000 (CDN$51,629) made by the Company constitutes the Company's purchase of a 50% interest in the Black Horse Mine / Chesco Property. A further contribution of US$50,000 to the Joint Venture is required by the Company on or before 30 days from the signing date of the Joint Venture Agreement, which To June 30, 2013 and September 30, 2012 has not been signed.

Radcliff Property
On March 1, 2011, the Company entered into a Letter of Intent with PBI, to acquire up to a 50% interest in developing certain claims, comprising the Radcliff Property located in Inyo County, California. The Company acquired a 50% interest through cash payments of $400,000 (CDN$394,158) and US$50,000 was deemed by PBI to have been considered paid through performance of services on behalf of the Company. Accordingly, a joint venture (the "Radcliff Joint Venture") was formed.

To June 30, 2013, the Company paid an additional US$271,000 (CDN $271,063) to complete its contribution towards an agreement with PBI to transfer certain equipment to the Radcliff Joint Venture.

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Radcliff Property (cont'd)

On December 19, 2011, the Company and PBI entered into an Acquisition Agreement (the "Acquisition Agreement") to acquire certain claims, located in California and Nevada, which would comprise additions to the Company's Radcliff Property, for the following consideration:

- US$100,000 (CDN $100,000) (paid) upon execution of the Acquisition Agreement; and
- US$900,000 upon closing of the Acquisition Agreement on April 16, 2012.

On April 16, 2012, the transaction pursuant to the Acquisition Agreement closed and the claims were title registered 50% to the Company, after payment of an additional US$100,000 (CDN $100,000) (paid) on April 11, 2012. On April 18, 2012, as last amended on November 16, 2012, the Company entered into a Promissory Note Agreement, whereby the Company agreed to pay the remaining US$800,000 (the "Promissory Note") (Note 6). Furthermore, the Company and PBI agreed that the Company will pay for all of the consideration to acquire the additional claims. In consideration, the Company will be reimbursed the funds from revenues generated from the Radcliff Property.

The claims are subject to a 5% net smelter royalty ("NSR"), which could have been purchased by the Company and PBI for $1,000,000 until April 16, 2013. PBI previously leased such claims and mined and stockpiled minerals and did not pay an NSR. The Company and PBI shall pay the NSR on such pre-existing stockpiles unless the Company and PBI exercise the option to purchase the NSR. Subsequent to June 30, 2013, the Company and PBI did not purchase the NSR.

6. PROMISSORY NOTE

On April 18, 2012, the Company entered into a Promissory Note Agreement (Note 5), whereby the Company agreed to pay the remaining US$800,000 Promissory Note by June 15, 2012. On June 7, 2012 and September 14, 2012, the Promissory Note was amended and the Company paid US$150,000 (CDN$150,150) towards the Promissory Note. On November 16, 2012, the Promissory Note was further amended as follows:

- US$50,000 (CDN$50,050 paid) due on execution of the amendment on November 16, 2012;
- US$50,000 (CDN$50,000 paid) due on or before February 28, 2013;
- US$50,000 (CND$50,050 paid) due on or before April 30, 2013; and
- US$500,000, and all accrued interest due on or before August 31, 2013.

Any amounts unpaid by June 15, 2012 are subject to an interest rate of 7% per annum. During the nine month period ended June 30, 2013, the Company recorded $31,844 (June 30, 2012 - $Nil) in accrued interest.

In consideration of the amendments on November 16, 2012, the Company is required to pay a US$50,000 extension fee (the "Extension Fee") (CDN$50,050 accrued as at June 30, 2013). If the Extension Fee is paid by August 31, 2013, it will not bear interest. Furthermore, if the Extension Fee payment is made by August 31, 2013, PBI and the Company will be entitled to a $25,000 credit against any future NSR payments.

The Promissory Note is secured by a Deed of Trust. Should the Radcliff Property be sold or conveyed prior to the maturity date, the entire amount will become immediately due and payable without notice.

As of June 30, 2013, the outstanding Promissory Note includes a principal balance of US$500,000 (CDN$525,900) (September 30, 2012 - US$650,000 (CDN $639,080)) and Extension Fee of US$50,000 (CDN$52,590) (September 30, 2012 – $Nil). To June 30, 2013, the Company has recorded $58,465 (September 30, 2012 - $23,752) in accrued interest.

7. CURRENT DEBT

Further to the purchase of the Silver Hart Property (Note 5) and pursuant to the March 1, 2007 amending agreement, as last amended on January 26, 2011, the Company has paid $725,000. The balance of the principal of $270,000 is interest bearing at 8.5% per year. In considerations of certain payment extensions To June 30, 2013 and September 30, 2012, the Company is obligated to pay extension fees of $85,000, which have been applied to the principal balance owing as of June 30, 2013 and September 30, 2012. The principal, extension fees and accumulated interest are due on September 30, 2013.

Included in current debt at June 30, 2013 is principal of $270,000 (September 30, 2012 - $270,000), accrued interest of $284,197 (September 30, 2012 - $245,890) and extension fees of $85,000 (September 30, 2012 - $85,000). During the nine month period ended June 30, 2013, the Company recorded $38,307 (June 30, 2012 - $33,520) in accrued interest.

The Company has granted a first charge on the Silver Hart Property as security for the payments.

8. PREFERRED SHARES

The Company's subsidiary issued 5,000 Class A non-voting preferred shares (the "Class A preferred shares") at a price of $100 per share, for total proceeds of $500,000. Attached to these preferred shares is an annual non-cumulative preferred cash dividend of 4.5% of the total, payable annually on March 31 of each year. To June 30, 2013 and September 30, 2012, no dividends have been declared.

On issuance of the preferred stock, the Company recognized a discount of $140,372 as equity and an equivalent discount which will be expensed over the term to the date of redemption. To June 30, 2013, the Company recorded accretion to the discount on the preferred stock of $90,724. During the nine month period ended June 30, 2013, the Company recorded interest expense of $26,991 (June 30, 2012 - $24,875).

After April 9, 2015, redemption may be effected in whole or any number of the Class A preferred shares, if the Company is not insolvent at such time and that the redemption would not render the Company insolvent, as follows:

- Company: Upon giving no less than 10 days notice to the holders. If notice to redemption is given by the Company and holders of the Class A preferred shares fail to present and surrender the share certificates representing the shares called for redemption, the Company may deposit an amount sufficient to redeem the shares with any trust company or chartered bank of Canada and the holder will have no rights against the Company in respect of such shares except upon the surrender of certificates for such shares to receive payment; and
- Holder: Upon giving notice to the Company. The Company shall pay the holder within 30 days a redemption amount, in respect of each of the shares specified in the notice.

(Expressed in Canadian dollars)

9. SHARE CAPITAL

Authorized
Unlimited common shares, without par value
Unlimited Class A preferred share, non-voting, without par value

Issued common shares
On November 30, 2012, the Company completed a private placement of 4,900,000 units at $0.10 per unit for proceeds of $490,000. Each unit consisted of one common share and one transferrable share purchase warrant entitling the holder to purchase one additional common share of the Company at $0.12 per share expiring on November 30, 2014. The Company paid share issuance costs of $9,800 relating to the private placement.

On December 17, 2012, the Company issued 550,000 flow-through common shares at $0.12 per share, pursuant to the exercise of 550,000 warrants, for proceeds of $66,000.

Stock options
The Company follows the policies of the TSX-V under which it would be authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years.

The Company calculated the fair value of all stock-based compensation awards as determined using the Black-Scholes Option Pricing Model.

During the nine month period ended June 30, 2013, the Company recorded $1,286 in stock-based compensation expense for vested stock options which were granted during the year ended September 30, 2012.

The following weighted average assumptions were used for the Black-Scholes Option Pricing Model in the valuation of stock options:

	June 30, 2013 (unaudited)	September 30, 2012	
	Vested	Issued	Modified
Risk-free interest rate	1.14%	1.25%	1.20%
Expected life	2.00	1.85	0.87
Annualized volatility	81.33%	81.92%	121.27%
Dividend yield	0.00%	0.00%	0.00%

The changes in stock options during the nine month period ended June 30, 2013 are as follows:

	Number of options		Weighted average exercise price
Balance, September 30, 2012 (audited)	3,930,000	$	0.25
Options expired	(2,800,000)		0.27
Options forfeited	(55,000)		0.21
Balance, June 30, 2013 (unaudited)	1,075,000	$	0.19
Number of options exercisable at June 30, 2013 (unaudited)	1,075,000	$	0.19

(Expressed in Canadian dollars)

9. SHARE CAPITAL (cont'd)

As at June 30, 2013, the following stock options were outstanding:

Number of options	Exercise Price	Expiry Date
350,000	$0.21	August 7, 2013 (subsequently expired, unexercised)
450,000	$0.21	February 7, 2014
275,000	$0.15	June 12, 2014
1,075,000		

Reserves
The reserves record items recognized as share-based compensation expense or fair value of warrants until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the options or warrants are forfeited or expired, the amount recorded is transferred to deficit.

Warrants
The changes in warrants during the nine month period ended June 30, 2013 are as follows:

	Number of warrants	Number of shares receivable	Weighted average exercise price
Balance, September 30, 2011	3,350,000	2,475,000	$ 0.33
Warrants exercised	(1,600,000)	(1,600,000)	0.20
Warrants issued	1,000,000	1,000,000	0.25
Balance, September 30, 2012	2,750,000	1,875,000	0.41
Warrants exercised [1]	(550,000)	(550,000)	0.12
Warrants expired [1]	(2,200,000)	(1,325,000)	0.44
Warrants issued	4,900,000	4,900,000	0.12
Balance, June 30, 2013	4,900,000	4,900,000	$ 0.12

[1] On November 19, 2012, upon TSX-V approval, the exercise price of a total of 775,000 warrants, of which 550,000 were exercised during the nine month period ended June 30, 2013 and 225,000 subsequently expired, was modified from $0.25 to $0.12. The Company calculated the fair value of the modification to warrants to be $12,904 using the Black-Scholes Option Pricing Model using the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 106.49%; risk-free interest rate – 1.10%; expected life – 0.07 years. The Company recorded the fair value of the modification to warrants as a charge to deficit and reserves.

As at June 30, 2013, the following warrants were exercisable and outstanding:

Number of warrants	Exercise Price	Expiry Date
4,900,000	$0.12	November 30, 2014

(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) incurred management fees of $52,500 (September 2012 - $90,000) to a director of the Company which were recorded in exploration and evaluation assets;
b) incurred rent of $13,500 (June 30, 2012 – $14,750) to a company controlled by a director and officer of the Company;
c) incurred secretarial fees of $34,549 (June 30, 2012 – $44,450) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
d) accrued interest of $38,307 (June 30, 2012 - $33,520) to a director and officer of the Company, pursuant to the Silver Hart Property (Notes 5 and 7);
e) incurred administrative fees of $7,504 (June 30, 2012 - $19,296) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous; and,
f) loaned US$15,000 (CDN $15,000) (June 30, 2012 - $Nil) to the President and CEO of the Company secured by a Promissory Note due on demand and bearing 6% interest per annum (Note 4).

At June 30, 2013, a total of $50,416 (September 30, 2012 - $24,612) was owing to directors of the Company.

Amounts due to or from related parties are non-interest bearing, unsecured and have no fixed terms of repayment. The fair value of amounts due to related parties is not determinable as they have no specified repayment terms.

The Company incurred the following key management compensation charges:

	June 30, 2013	June 30, 2012
Management fees – exploration and evaluation assets	$ 52,500	$ 67,500

11. COMMITMENTS

Effective February 1, 2010, the Company entered into a Services Agreement for financial consulting and investor relation services, pursuant to which the Company was obligated to pay the consultant a fee of $6,500 per month and the Services Agreement can be terminated with 120 days notice. As of February 1, 2013, the Company and the consultant agreed to reduce the fee being paid pursuant to the Service Agreement to $2,500 per month. As of April 1, 2013, the Company and the consultant agreed to temporarily suspended services until further notice. During the nine months period ended June 30, 2013, included in consulting expenses is $31,500 (June 30, 2012 - $58,500) to the consultant.

12. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with one major bank in Canada. As most of the Company's cash is held in one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables and reclamation bonds. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and the reclamation bonds are held with government authorities.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal

(Expressed in Canadian dollars)

12. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

Liquidity risk (cont'd)

operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at June 30, 2013:

	Within one year	Between one and five years	More than five years
Trade payables	$ 257,062	$ -	$ -
Due to related parties	50,416	-	-
Promissory note	636,955	-	-
Current debt	639,197	-	-
Total	$ 1,583,630	$ -	$ -

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's subsidiary is not exposed to material currency risk as its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fair value of the Company's cash accounts are relatively unaffected by changes in short term interest rates. The Company's debt has a fixed interest rate and is not affected by changes in interest rates.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	June 30, 2013 (unaudited)	September 30, 2012
Cash	$ 137,450	$ 28,246
Loan receivable	15,000	-
Receivables	3,138	11,323
Reclamation bonds	154,747	154,747
	$ 310,335	$ 194,316

(Expressed in Canadian dollars)

12. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

Financial liabilities included in the statement of financial position are as follows:

	June 30, 2013 (unaudited)	September 30, 2012
Non-derivative financial liabilities:		
Trade payables	$ 257,062	$ 127,197
Due to related parties	50,416	24,612
Promissory note	636,955	662,832
Current debt	639,197	600,890
Preferred shares	450,352	423,361
	$ 2,033,982	$ 1,838,892

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. 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.

At June 30, 2013, the fair value of the Company's financial instruments are measured based on Level 1 inputs.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian dollars)

13. SEGMENTED INFORMATION

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

Geographic segments

The Company's non-current assets are located in the following countries:

	As at June 30, 2013		
	Canada	United States	Total
Reclamation deposits	$ 18,000	$ 136,747	$ 154,747
Exploration and evaluation assets	6,899,623	2,772,057	9,671,680
	$ 6,917,623	$ 2,908,804	$ 9,826,427

	As at September 30, 2012		
	Canada	United States	Total
Reclamation deposits	18,000	136,747	154,747
Exploration and evaluation assets	6,795,605	2,751,272	9,366,877
	$ 6,813,605	$ 2,708,019	$ 9,521,624

14. NON-CASH TRANSACTIONS

The Company incurred the following non-cash transactions that are not reflected in statements of cash flows:

	Nine month period ended June 30, 2013	2012
Exploration and evaluation asset expenditures in trade payables and accrued liabilities	$ 213,090	$ -
Accrued Extension Fee on Promissory Note (Note 6)	$ 50,050	$ -
Modification of warrants (Note 9)	$ 12,904	$ -
Reallocation of expired and forfeited stock options	$ 398,396	$ -
Reallocation of expired warrants	$ 3,746	$ -
Reallocation of exercised warrants	$ 9,158	
Reallocation of exercised options	$ -	$ 2,345
Release of provision for restoration and environmental activities	$ -	$ 6,000

15. SUBSEQUENT EVENT

There were no subsequent events occurring after the period ending June 30, 2013, other than the following:

a) A total of 350,000 incentive stock options granted at $0.21 per share, expired unexercised on August 7, 2013.