CMC METALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

(Stated in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CMC Metals Ltd.

We have audited the accompanying consolidated financial statements of CMC Metals Ltd., which comprise the consolidated statements of financial position as at September 30, 2013 and 2012, and the consolidated statements of comprehensive loss, changes in shareholders' 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.

Auditor's 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 auditor's 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 that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CMC Metals Ltd. 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 describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
January 28, 2014

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

	Notes	September 30, 2013	September 30, 2012
ASSETS			
Current assets			
Cash		$ 321,607	$ 28,246
Receivables		202	11,323
Loan receivable	3, 14	15,000	-
Prepaids	14	10,417	16,523
		347,226	56,092
Non-current assets			
Reclamation bonds	4	154,747	154,747
Exploration and evaluation assets	5	5,688,810	8,750,024
Property, plant and equipment	7	677,291	616,853
		6,520,848	9,521,624
TOTAL ASSETS		$ 6,868,074	$ 9,577,716
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	8	$ 289,404	$ 157,705
Due to related parties	14	67,558	24,612
Promissory note	9	635,199	662,832
Current debt	10, 14	651,966	600,890
		1,644,127	1,446,039
Non-current liabilities			
Deferred tax liabilities	19	-	361,236
Preferred shares	11	459,348	423,361
Provision for restoration and environmental activities	12	14,000	14,000
		473,348	798,597
TOTAL LIABILITIES		2,117,475	2,244,636
SHAREHOLDERS' EQUITY			
Share capital	13	12,687,835	12,132,476
Subscription received	20	252,000	-
Obligation to issue shares	5	300,000	300,000
Share-based payment reserve	13	49,182	485,462
Deficit		(8,538,418)	(5,584,858)
TOTAL SHAREHOLDERS' EQUITY		4,750,599	7,333,080
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 6,868,074	$ 9,577,716

Going concern - Note 1
Commitments and contingency - Notes 5, 9, 10 and 15
Subsequent events - Note 20

Approved on behalf of the Board:

"Jack Bal"
Jack Bal - Director

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

See accompanying notes to the consolidated financial statements.

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

	Notes	Year ended September 30, 2013	Year ended September 30, 2012
EXPENSES			
Consulting fees	14	$ 55,703	$ 108,219
Filing and transfer agent		21,144	23,254
Interest expense	9, 10, 11	132,730	97,323
Investor communications		8,700	6,000
Office and miscellaneous	14	80,058	115,520
Professional fees		56,313	133,974
Property investigation costs	5	93,426	-
Rent	14	18,000	19,250
Stock-based compensation	13	1,286	121,637
Travel		12,712	16,556
Write-off of exploration and evaluation assets	5	3,195,885	-
Write-off of deposits	6	-	1,461,176
		(3,675,957)	(2,102,909)
OTHER ITEMS			
Reversal of flow-through liability	13	-	13,193
Miscellaneous income		7,500	-
Interest income		175	2,046
Finance fee	9	(50,775)	-
Loss on foreign exchange		(24,146)	(6,524)
		(67,246)	8,715
LOSS BEFORE INCOME TAXES		(3,743,203)	(2,094,194)
Deferred income tax recovery	19	361,236	367,044
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		$ (3,381,967)	$ (1,727,150)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED		62,009,344	57,480,851
LOSS PER SHARE - BASIC AND DILUTED		$ (0.05)	$ (0.03)

See accompanying notes to the consolidated financial statements.

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

		Share capital						
	Notes	Number of shares	Amount	Subscription received (receivable)	Obligation to issue shares	Share-based payment reserve	Deficit	Total
Balance at September 30, 2011		55,203,646	$ 11,619,124	$ (11,667)	$ 300,000	$ 405,495	$ (3,897,033)	$ 8,415,919
Comprehensive loss:								
Loss for the year		-	-	-	-	-	(1,727,150)	(1,727,150)
Transactions with owners, in their capacity as owners, and other transfers:								
Shares issued for cash - private placement	13	1,000,000	200,000	11,667	-	-	-	211,667
Shares issued for cash - options exercise	13	20,000	4,200	-	-	-	-	4,200
Shares issued for cash - warrants exercise	13	1,600,000	320,000	-	-	-	-	320,000
Reallocation of fair value of stock options exercised	13	-	2,345	-	-	(2,345)	-	-
Stock-based compensation	13	-	-	-	-	121,637	-	121,637
Reallocation of cancelled and expired options	13	-	-	-	-	(39,325)	39,325	-
Flow-through liability	13	-	(13,193)	-	-	-	-	(13,193)
Balance at September 30, 2012		57,823,646	12,132,476	-	300,000	485,462	(5,584,858)	7,333,080
Comprehensive loss:								
Loss for the year		-	-	-	-	-	(3,381,967)	(3,381,967)
Transactions with owners, in their capacity as owners, and other transfers:								
Shares issued for cash - private placement	13	4,900,000	490,000	-	-	-	-	490,000
Shares issued for cash - warrants exercise	13	550,000	66,000	-	-	-	-	66,000
Share issuance costs	13	-	(9,800)	-	-	-	-	(9,800)
Subscriptions received in advance	20	-	-	252,000	-	-	-	252,000
Stock-based compensation	13	-	-	-	-	1,286	-	1,286
Reallocation of cancelled and expired options	13	-	-	-	-	(437,566)	437,566	-
Modification of warrants	13	-	-	-	-	12,904	(12,904)	-
Reallocation of exercised warrants	13	-	9,159	-	-	(9,159)	-	-
Reallocation of expired warrants	13	-	-	-	-	(3,745)	3,745	-
Balance at September 30, 2013		63,273,646	$ 12,687,835	$ 252,000	$ 300,000	$ 49,182	$ (8,538,418)	$ 4,750,599

See accompanying notes to the consolidated financial statements.

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

	Year ended September 30, 2013	Year ended September 30, 2012
Operating activities		
Net loss for the year	$ (3,381,967)	$ (1,727,150)
Adjustments for non-cash items:		
Accrued interest on promissory note	45,038	23,752
Accrued interest on current debt	51,076	40,404
Amortization of preferred shares discount	35,987	33,167
Financing fee	50,775	-
Stock-based compensation	1,286	121,637
Write-off of exploration and evaluation assets	3,195,885	-
Write-off of deposits	-	1,461,176
Reversal of flow-through liability	-	(13,193)
Deferred tax recovery	(361,236)	(367,044)
Changes in non-cash working capital items		
Receivables	11,121	13,468
Loan receivable	(15,000)	-
Prepaids	6,106	(10,199)
Trade payables and accrued liabilities	(79,593)	(33,024)
Due to related parties	42,946	15,437
Net cash flows used in operating activities	(397,576)	(441,569)
Investing activities		
Expenditures on exploration and evaluation assets	71,259	(1,255,833)
Property, plant and equipment	(55,076)	-
Reclamation bond	-	(1,453)
Net cash flows used in investing activities	16,183	(1,257,286)
Financing activities		
Repayment of promissory note	(150,100)	-
Proceeds on issuance of common shares - net of share issue costs	546,200	535,867
Subscription received in advance	252,000	-
Net cash flows provided by financing activities	648,100	535,867
Effect of foreign exchange	26,654	-
Change in cash	293,361	(1,162,988)
Cash, beginning	28,246	1,191,234
Cash, ending	$ 321,607	$ 28,246

Non-cash transactions - Note 18

See accompanying notes to the 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.

These consolidated financial statements have 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 September 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. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The financial statements were authorized for issue on January 28, 2014 by the directors of the Company.

Statement of compliance
The consolidated financial statements 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").

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

Consolidation
The 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. Since incorporation, CMC Metals Corp. has been inactive.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd)

Significant estimates and assumptions
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.

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

Foreign currency translation
The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's subsidiaries is the Canadian dollar.

Transactions and balances:
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd)

Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration 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 restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration 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 mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd)

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes all costs incurred initially to acquire or construct an item of property, plant and equipment, costs directly attributable to brining the asset to the location and condition necessary for it to be a capable of operating in the manner intended by management and costs incurred subsequently to add or replace part thereof. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The depreciation expense for each period is recognized in profit or loss except for certain items of property, plant and equipment related to exploration and evaluation activities where the depreciation expense is included in the carrying amount of the exploration and evaluation asset when it relates to a specific exploration and evaluation project.

The estimated useful life of the Bishop Mill is 5 years once the Company brings the Mill to use.

The residual values, depreciation method and the useful life of each asset are reviewed at least at each financial year-end and adjusted if appropriate. Changes to the estimated residual values or useful lives are accounted for prospectively.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd)

Financial instruments
The Company initially recognizes loans and receivables, debt securities issued and subordinated liabilities on the date that they are originated. All other financial instruments (including assets and liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies its financial instruments into one of the five following categories: fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial assets
Fair value through profit or loss ("FVTPL")
Financial assets are classified at FVTPL when they are either held for trading or they are designated as FVTPL. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or, (iii) it is a derivative that is not designated and effective as a hedging instrument. Such assets are measured at fair value with changes in carrying value being included in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. As at September 30, 2013, the Company does not have any financial assets classified as FVTPL.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method (the "EIM") less any allowance for impairment. Loans and receivables with maturities of 12 months or less are included in current assets; loans and receivables with maturities greater than 12 months after the end of the reporting period are classified as non-current assets. The EIM is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. As at September 30, 2013 the Company classifies cash, loan receivable and reclamation bond as loans and receivable.

Non-derivative financial assets
Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. Such assets are initially recognized at fair value, including transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the EIM less any allowance for impairment. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. As at September 30, 2013, the Company does not have any financial assets classified as held-to-maturity investments.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd)

Financial instruments (cont'd)

Non-derivative financial assets (cont'd)
Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are not suitable to be classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments and are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for impairment losses and foreign currency differences on available-for-sale equity instruments. Available-for-sale assets are included in current assets. The Company does not have any financial assets classified as available-for-sale.

Non-derivative financial liabilities
The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities: This category includes promissory notes, amounts due to related parties and trade payables, all of which are recognized at amortized cost. The Company has reported its trade payables and due to related parties as at September 30, 2013 at amortized cost.

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

Proceeds received on the issuance of units, consisting of common shares and share purchase warrants are allocated between the common share and warrant component. The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and was valued at its fair value, as determined by the closing bid price on the issuance date. The remaining proceeds, if any, would be allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves. To September 30, 2013, no value has been ascribed to reserves. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in reserves.

Derecognition of financial assets and liabilities
Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized as profit or loss. Financial liabilities are derecognized when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

Assets carried at amortized cost
For financial assets carried at amortized cost, except for trade and other receivables, where there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd)

Financial instruments (cont'd)

Impairment of financial assets (cont'd)

Assets carried at amortized cost (cont'd)
effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment and the amount of the loss is recognized in profit or loss.

Objective evidence of impairment includes, but is not limited to: (i) significant financial difficulty of the issuer or counter party, (ii) default or delinquency in interest or principal payments, or, (iii) the probability that the borrower will enter bankruptcy or financial re-organization.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

For trade and other receivables, where there is objective evidence that an impairment loss has been incurred, the loss amount is recognized through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. When the receivable amount is assessed as uncollectible, the impaired debt is written off against the allowance account.

Available-for-sale
When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Evidence that impairment exists occurs when there is a significant or prolonged decline in the value of the financial asset.

Impairment of non-financial assets
The carrying amount of the Company's tangible assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement comprehensive loss.

The recoverable amount is the greater of: (i) an asset's fair value less cost to sell, and (ii) its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an individual asset that does not generate cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Income tax

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd)

Income tax (cont'd)

Deferred income tax
Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares
Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability"). Upon renouncement by the Company of the tax benefits associated with the related expenditures, a liability is recognized and the flow-through tax liability will be reversed as eligible expenditures are made. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

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

Accounting standards issued but not yet effective

New standard IFRS 9 "Financial Instruments"
This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The effective date of this new standard has not been specified.

New standard IFRS 10 "Consolidated Financial Statements"
This new standard will replace IAS 27 "Consolidated and Separate Financial Statements", and SIC-12 "Consolidation – Special Purpose Entities". Concurrent with IFRS 10, the IASB issued IFRS 11 "Joint Ventures"; IFRS 12 "Disclosures of Involvement with Other Entities"; IAS 27 "Separate Financial Statements", which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 "Investments in Associates and Joint Ventures", which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd)

Accounting standards issued but not yet effective (cont'd)

New standard IFRS 11 "Joint Arrangements"
This new standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

New standard IFRS 12 "Disclosure of Interests in Other Entities"
This new standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

New standard IFRS 13 "Fair value measurement"
This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is effect for annual periods beginning on or after January 1, 2013.

Amendments to IAS 32 "Financial Instruments: Presentation"
These amendments address inconsistencies when applying the offsetting requirements, and are effective for annual periods beginning on or after January 1, 2014.

The Company has not early adopted the revised standards and does not expect that these standards will impact its consolidated financial statements.

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.

3. LOAN RECEIVABLE

On May 17, 2013, the Company provided a loan of US$15,000 (CDN$15,000) to its former President and CEO, which bears interest at a rate of six percent (6%) per annum commencing on May 17, 2013. This loan is secured by a promissory note and payable on demand.

4. RECLAMATION BONDS

The reclamation bonds are held in trust for the Company at the Bank of Montreal and Bureau of Land Management. As at September 30, 2013 the reclamation bonds consist of deposits made by the Company for indemnification of site restoration as follows:

- $14,000 (2012 - $14,000) on the CK Property (a property terminated during the year ended September 30, 2009);
- $4,000 (2012 - $4,000) on the Wheelbarrow Property (a property terminated during the year ended September 30, 2010); and
- $136,747 (2012 - $136,747) on the Bishop Mill Property (Notes 7 and 20).

5. EXPLORATION AND EVALUATION ASSETS

	Logjam Property	Silver Hart Property	Black Horse / Chesno Claims	Radcliff Property	Total
Acquisition costs					
Balance, September 30, 2011	$ 8,500	$ 1,010,000	$ 51,629	$ 294,158	$ 1,364,287
Additions	-	-	-	1,360,293	1,360,293
Balance, September 30, 2012	8,500	1,010,000	51,629	1,654,451	2,724,580
Exploration costs					
Balance, September 30, 2011	24,319	5,473,053	-	22,200	5,519,572
Costs incurred during the period:					
Assaying	-	5,552	-	24,303	29,855
Contractors	-	86,168	-	40,624	126,792
Equipment rental	-	95,426	-	-	95,426
Field office	3,360	32,718	-	1,513	37,591
Management fees - Note 14	-	90,000	-	-	90,000
Other	-	-		150,779	150,779
Transportation and supplies	-	119,549	-	8,920	128,469
	27,679	5,902,466	-	248,339	6,178,484
Sale of bulk sample	-	(153,040)	-	-	(153,040)
Balance, September 30, 2012	27,679	5,749,426	-	248,339	6,025,444
Total - September 30, 2012	$ 36,179	$ 6,759,426	$ 51,629	$ 1,902,790	$ 8,750,024
Acquisition costs					
Balance, September 30, 2012	$ 8,500	$ 1,010,000	$ 51,629	$ 1,654,451	$ 2,724,580
Additions	-	-	-	-	-
Write-off	(8,500)	(250,000)	(51,629)	(272,978)	(583,107)
Balance, September 30, 2013	-	760,000	-	1,381,473	2,141,473
Exploration costs					
Balance, September 30, 2012	27,679	5,749,426	-	248,339	6,025,444
Costs incurred during the period:					
Assaying	-	4,274	-	-	4,274
Contractors (recovery)	-	(5,670)	-	20,169	14,499
Equipment rental	-	59,500	-	-	59,500
Field office	3,360	15,274	2,133	12,511	33,278
Management fees - Note 14	-	54,000	-	-	54,000
Other	-	-	-	-	-
Transportation and supplies	-	35,979	-	-	35,979
	31,039	5,912,783	2,133	281,019	6,226,974
Write-off	(31,039)	(2,445,582)	(2,133)	(134,024)	(2,612,778)
Sale of bulk sample	-	(66,859)	-	-	(66,859)
Balance, September 30, 2013	-	3,400,342	-	146,995	3,547,337
Total - September 30, 2013	$ -	$ 4,160,342	$ -	$ 1,528,468	$ 5,688,810

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

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.

As at September 30, 2013, the Company has no current plan for the property; therefore, the Company wrote-down the exploration and evaluation assets costs related to the Logjam property by $39,539 to $Nil. Future property maintenance fees related to this property will be expensed in the statement of comprehensive loss.

Silver Hart Property

On February 21, 2005, as amended on March 1, 2007 and September 24, 2013, 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 for a total of $995,000, of which $270,000 remains unpaid (Note 10).

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

During the year ended September 30, 2013, the Company reviewed the carrying amount the Silver Hart Property to determine whether there is any indication of impairment. An impairment loss of $2,695,582 was recognized in the statement comprehensive loss.

The Silver Hart Property is security for a loan due to a director of the Company (Note 10).

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 September 30, 2013, 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 September 30, 2013 has not been signed.

As at September 30, 2013, the Company has no current plan for the property; therefore, the Company wrote-down the exploration and evaluation assets costs related to the Black Horse Mine / Chesco property by $53,762 to $Nil. Future property maintenance fees related to this property will be expensed on the statement of comprehensive loss.

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Radcliff Property
On March 1, 2011, the Company entered into a Letter of Intent with PBI, to acquire up to a 50% interest in certain claims, comprising the Radcliff Property located in Inyo County, California. The Company acquired a 50% interest through cash payments of US$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.

To September 30, 2012, the Company paid an additional US$271,000 (CDN $271,063) to complete its contribution towards an agreement with PBI.

On December 19, 2011, the Company and PBI entered into an Acquisition Agreement (the "Acquisition Agreement") with WB Radcliff Inc. to acquire certain claims, located in California, 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.

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 in excess of their required contribution from any future revenues which may be generated from the Radcliff Property.

The claims are subject to a 5% net smelter royalty ("NSR") upon receipt of net smelter returns from the commercial production of valuation minerals on the Radcliff Property. The NSR can be purchased by the Company and PBI for $1,000,000 until April 16, 2013 (expired). The Company and PBI shall pay the NSR on the commercial production on the Radcliff Property.

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 (the "Promissory Note" agreement), whereby the Company agreed to pay the remaining US$800,000 (Note 9). To September 30, 2013, US$300,000 has been paid towards the Promissory Note. As at September 30, 2013 and as of the date that these consolidated financial statements were approved, the Promissory Note, including interest and extension fee, of $635,199 was in default. As a result of being in default, the Promissory Note is due on demand. The principal and interest relating to this Promissory Note is secured by a deed of trust related to the Radcliff Property. As at the date of the board of directors approved these consolidated financial statements, the lender has not taken action to obtain control of the Radcliff Property.

During the year ended September 30, 2013, the Company reviewed the carrying amount the Radcliff Property to determine whether there is any indication of impairment. As a result impairment loss of $407,002 was recognized in the statement comprehensive loss. In addition, during the year ended September 30, 2013, the Company recorded in the statement of comprehensive loss, property investigation costs of $93,426 (2012 - $Nil) related to the Radcliff Property.

6. DEPOSITS

During the year ended September 30, 2008, the Company paid a deposit in the amount of $914,067 towards the purchase of a processing facility to concentrate ore from the Silver Hart Property (Note 5), from Stone Bros. Construction & Demolition et al ("Stone Bros.").

To October 1, 2010 and September 30, 2011, the Company made all of the required deposit payments to Stone Bros. totalling $1,461,176, which had been included in deposits.

The processing facility was located at its site in Nevada, USA and was to be transferred to the Silver Hart Property in the Yukon Territories once it had been fully constructed and testing had been completed to meet operational plant capacity, at which time title would pass to the Company. As at September 30, 2012, due to uncertainty surrounding construction and testing of the processing facility, the Company wrote-off the deposit.

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Bishop mill & equipment
Balance, September 30, 2012	$ 616,853
Additions	60,438
Balance, September 30, 2013	677,291
Accumulated depreciation	
Balance, September 30, 2013 and 2012	-
Net book value as at September 30, 2013	$ 677,291

Cost	Bishop mill & equipment
Balance, September 30, 2011	$ 537,644
Additions	79,209
Balance, September 30, 2012	616,853
Accumulated depreciation	
Balance, September 30, 2012 and 2011	-
Net book value as at September 30, 2012	$ 616,853

All depreciation of exploration and evaluation equipment used for specific projects is capitalized as exploration and evaluation assets.

Bishop Mill Property
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. Subsequent to the purchase of the Bishop Mill Property, the Company has incurred additional costs to in order to bring the mill and equipment to use. As at September 30, 2013, the Bishop Mill was not in use.

To September 30, 2013, the Company holds a reclamation bond with the United States Department of Interior Bureau of Land Management ("BLM") of $136,747 (2012 - $136,747) (US$132,663) for indemnification of site restoration on the Bishop Mill Property (Note 4).

Subsequent to September 30, 2013, the Company increased the reclamation bond to US$191,269 from US$132,663 as required by BLM. As a result of increasing in the reclamation bond and obtaining the required permits, the Company received approval from BLM for its Plan of Operations and Reclamation Plan for the Bishop Mill Property and has commenced construction of a tailing pond (Notes 4 and 20).

8. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2013	September 30, 2012
Trade payables	$ 257,845	$ 127,197
Accrued liabilities	31,559	30,508
	$ 289,404	$ 157,705

9. 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 subject to an interest rate of 7% per annum. On 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 (CDN$50,050 paid) due on or before April 30, 2013; and
- US$500,000 (not paid), and all accrued interest due on or before August 31, 2013.

In consideration of the amendments, the Company was required to pay a US$50,000 (CDN$50,775) extension fee (the "Extension Fee"), which has been recorded in the statement of comprehensive loss. As at August 31, 2013, the Company did not make the payment of US$50,000, and as a result the extension fee commenced bearing interest.

As of September 30, 2013, the outstanding Promissory Note includes a principal balance of US$500,000 (CDN$514,250) (2012 - US$650,000 (CDN$639,080)) and Extension Fee of US$50,000 (CDN$51,425) (2012 – $Nil). As at September 30, 2013, the Company has recorded US$68,790 (CDN$69,524) (2012 - CDN$23,752) in accrued interest. During the year ended September 30, 2013, the Company recorded interest expense of $45,038 (2012 - $25,752).

The Promissory Note is secured by a Deed of Trust covering the Radcliff Property.

As at September 30, 2013, the Promissory Note and accrued interest of $635,199 was in default. However, the Company has not been served with a default notice by the note holder and the note holder has not taken action to reclaim title to the Radcliff Property.

10. CURRENT DEBT

As at September 30, 2013, pursuant to the acquisition of the Silver Hart Property (Note 5), a principal balance of $270,000 (2012 - $270,000) and extension fees totaling $85,000 (2012 - $85,000) is owing to a director of the Company. This amount is interest bearing at 8.5% per year. During the year ended September 30, 2013, the Company recorded interest expense of $51,076 (2012 - $40,404). Included in the obligation at September 30, 2013 is accrued interest of $296,966 (2012 - $245,890). The principal, extension fees and accrued interest are due on September 30, 2014 pursuant to an amendment agreement dated September 24, 2013.

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

11. 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 September 30, 2013, 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. During the year ended September 30, 2013, the Company recorded interest expense of $35,987 (2012 - $33,167).

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:

11. PREFERRED SHARES (cont'd)

- 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.

12. RESTORATION AND ENVIRONMENTAL OBLIGATIONS

The Company's provision for restoration and environmental obligations consists of costs accrued based on the current best estimate of reclamation activities that will be required on a property terminated during the year ended September 30, 2009. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date and known legal requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

The asset retirement obligation is calculated as the net present value of the estimated future cash flows which are required to satisfy the obligation of $20,000. During the year ended September 30, 2012, $6,000 of the balance has been returned to the Company and remaining $14,000 for restoration of this property will stay in place until the reclamation work has been completed. As at September 30, 2013, no additional amount has been returned to the Company.

13. SHARE CAPITAL

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

Issued common shares

2013

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.

2012

On December 16, 2011, the Company completed a non-brokered private placement of 1,000,000 flow-through units at $0.20 per unit, for proceeds of $200,000, with each unit consisting of one common flow-through share and one transferable share purchase warrant. A total of 1,000,000 warrants were issued exercisable into one flow-through common share of the Company at $0.25 per share on exercise, until December 15, 2012. On the issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. On issuance, there was a flow-through share premium of $13,193.

During the year ended September 30, 2012, the Company received $320,000 in payment of the exercise of 1,600,000 warrants at $0.20 per share. The Company also received $4,200 in payment of the exercise of 20,000 stock options. Accordingly, the Company reallocated $2,345 from reserves to share capital.

13. SHARE CAPITAL (cont'd)

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 year ended September 30, 2013, the Company granted no new options.

During the year ended September 30, 2012, the Company granted 1,150,000 incentive stock options exercisable at prices ranging from $0.15 - $0.21 per share expiring no later than 2 years past the date of grant. During the year ended September 30, 2013, the Company recorded $1,286 (2012 - $100,753) in stock-based compensation expense for vested stock options for the grant of the referenced 1,150,000 incentive stock options. During the year ended September 30, 2012, the Company also recorded $4,658 in stock-based compensation expense for vested stock options which were granted during the year ended September 30, 2011.

During the year ended September 30, 2012, the Company re-priced previously granted stock options to an employee of the Company to acquire 675,000 common shares at a price of $0.27 expiring on April 27, 2013 to $0.15 per share. The Company recorded $16,226 in additional stock-based compensation expense in connection with the re-pricing.

The weighted average fair value of stock options granted during the year ended September 30, 2013 was $Nil (2012 - $0.24) and the weighted average life was 0.19 years (2012 – 0.73 years).The following assumptions were used for the Black-Scholes Option Pricing Model in the valuation of stock options:

	September 30, 2013	September 30, 2012	
	Issued	Issued	Modified
Risk-free interest rate	-	1.25%	1.20%
Expected life	-	1.85	0.87
Annualized volatility	-	81.92%	121.27%
Dividend yield	-	0.00%	0.00%

The changes in stock options during the year ended September 30, 2013 are as follows:

	Number of options		Weighted average exercise price
Balance, September 30, 2011	3,150,000	$	0.27
Options exercised	(20,000)		0.21
Options forfeited	(350,000)		0.27
Options granted	1,150,000		0.19
Balance, September 30, 2012	3,930,000		0.25
Options expired	(3,150,000)		0.26
Options forfeited	(55,000)		0.21
Balance, September 30, 2013	725,000	$	0.19
Number of options exercisable at September 30, 2013	725,000	$	0.19

13. SHARE CAPITAL (cont'd)

Stock options (cont'd)

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

Number of options	Exercise Price	Expiry Date
450,000	$0.21	February 7, 2014
275,000	$0.15	June 12, 2014
725,000		

Share-based payment reserve

The share-based payment reserve records items recognized as stock 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 year ended September 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, September 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 year ended September 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 a credit to the share-based payment reserve.

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

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

As at September 30, 2013, the weighted average life of warrant is 1.17 years (2012 – 0.22 years).

14. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) incurred management fees of $52,500 (2012 - $90,000) to a director of the Company which were recorded in exploration and evaluation assets;
b) incurred rent of $18,000 (2012 – $19,250) to a company controlled by a director and officer of the Company;
c) incurred secretarial fees of $45,049 (2012 – $38,750) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
d) incurred administrative fees of $7,504 (2012 - $25,728) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
e) incurred consulting fees of $7,925 (2012 - $Nil) to a director of the Company, of which $1,500 (2012 - $Nil) was recorded in exploration and evaluation assets and $6,425 (2012 - $Nil) was recorded in consulting fees; and
f) incurred interest expense of $51,076 (2012 - $40,404) to a director and officer of the Company, pursuant to the Silver Hart Property (Notes 5 and 10).

At September 30, 2013, a total of $67,558 (2012 - $24,612) was owing to directors of the Company.

At September 30, 2013, a total of $3,150 (2012 - $Nil) was paid to a director of the Company as prepaid expenses for services rendered subsequent to September 30, 2013.

At September 30, 2013, a total of $15,000 (2012 - $Nil) in loan receivable bearing interest of 6% per annum was due from a former director and officer of the Company (Note 3).

At September 30, 2013, a total of $651,966 (2012 - $600,890) was owing to a director and officer of the Company (Note 10). Including in current debt at September 30, 2013 was principal balance of $270,000 (2012 - $270,000), accrued interest of $296,966 (2012 - $245,890) and extension fees of $85,000 (2012 - $85,000).

Amounts due to or from related parties are non-interest bearing, unsecured and have no fixed terms of repayment unless specifically disclosed.

The Company incurred the following key management compensation charges:

	September 30, 2013	September 30, 2012
Management fees – exploration and evaluation assets	$ 54,000	$ 90,000
Consulting fees	6,425	-
	$ 60,425	$ 90,000

15. COMMITMENTS

Effective February 10, 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. During the year ended September 30, 2013, included in consulting expenses is $36,000 (2012 - $78,000) paid to the consultant.

16. 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 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 September 30, 2013:

	Within one year	Between one and five years	More than five years
Trade payables	$ 257,845	$ -	$ -
Due to related parties	67,558	-	-
Promissory note	635,199	-	-
Current debt	651,966	-	-
Total	$ 1,612,568	$ -	$ -

16. FINANCIAL RISK AND CAPITAL MANAGEMENT

Foreign exchange risk
The Company is subject to normal risks including fluctuations in foreign exchange rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. The Company has significant operating expenditures which are denominated in United States dollars ("USD"). The Company's exposure to exchange rate fluctuations arises mainly on foreign currencies against the Canadian dollar functional currency of the relevant business entities.

Financial assets:
The Canadian dollar equivalent of the amounts denominated in foreign currencies are as follows:

	September 30, 2013	September 30, 2012
Cash	$ 2,802	$ 1,353
Reclamation bonds	136,747	136,747
Total	$ 139,549	$ 138,100

Financial liabilities:
The exposure of the Company's financial liabilities to currency risk is as follows:

	September 30, 2013	September 30, 2012
Trade payables	$ 5,362	$ 14,911
Promissory note	635,199	662,832
Total	$ 640,561	$ 677,743

Sensitivity analysis:
The Company is exposed to foreign currency risk on fluctuations related to cash, reclamation bond, trade payables and promissory that are denominated in USD. As at September 30, 2013, net assets totalling $(501,012) (2012 - $(539,643)) were held in USD.

Based on the above net exposure as at September 30, 2013 and assuming all other variables remain constant, a 2% depreciation or appreciation of the USD against the Canadian dollar would result in an increase or decrease of approximately $10,020 (2012 - $10,793) in the Company's loss and comprehensive loss.

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.

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

Classification of financial instruments

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

	September 30, 2013	September 30, 2012
Loans and receivables:		
Cash	$ 321,607	$ 28,246
Loan receivable	15,000	-
Reclamation bonds	154,747	154,747
	$ 491,354	$ 182,993

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

	September 30, 2013	September 30, 2012
Non-derivative financial liabilities:		
Trade payables	$ 257,845	$ 127,197
Due to related parties	67,558	24,612
Promissory note	635,199	662,832
Current debt	651,966	600,890
Preferred shares	459,348	423,361
	$ 2,071,916	$ 1,838,892

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.

17. SEGMENTED INFORMATION

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

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

	As at September 30, 2013		
	Canada	United States	Total
Reclamation deposits	$ 18,000	$ 136,747	$ 154,747
Exploration and evaluation assets	4,160,342	1,528,468	5,688,810
Property, plant and equipment	-	677,291	677,291
	$ 4,178,342	$ 2,342,506	$ 6,520,848

	As at September 30, 2012		
	Canada	United States	Total
Reclamation deposits	$ 18,000	$ 136,747	$ 154,747
Exploration and evaluation assets	6,795,605	1,954,419	8,750,024
Property, plant and equipment	-	616,853	616,853
	$ 6,813,605	$ 2,708,019	$ 9,521,624

18. NON-CASH TRANSACTIONS

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

	Year ended September 30, 2013	Year ended September 30, 2012
Property, plant and equipment and exploration and evaluation asset expenditures in trade payables and accrued liabilities	$ 211,292	$ 19,807
Exploration and evaluation asset expenditures in promissory note	$ -	$ 639,080
Reallocation from deposits to exploration and evaluation assets	$ -	$ 30,654
Modification of warrants	$ 12,904	$ -

19. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended September 30, 2013	Year ended September 30, 2012
Loss before income taxes	$ (3,743,203)	$ (2,094,194)
Statutory tax rate	25.50%	25.38%
Expected income tax recovery	(954,517)	(531,506)
Permanent differences	151,284	28,229
Non-allowable portion of capital losses	-	185,387
Other differences	(311,857)	68,542
Impact of tax rate changes	(7,882)	(117,696)
Change in valuation allowance	785,560	-
Deferred income tax recovery	$ (361,236)	$ (367,044)

The Company has the following significant deductible temporary differences for which no deferred tax asset has been recognized:

	Year ended September 30, 2013	Year ended September 30, 2012
Exploration and evaluations assets	$ (542,107)	$ (1,204,020)
Other assets	410,218	-
Loss carry-forwards	906,809	826,777
Share issuance costs	10,640	16,007
	785,560	(361,236)
Valuation allowance	(785,560)	-
Deferred tax liabilities	$ -	$ (361,236)

19. INCOME TAXES (cont'd)

The tax pools relating to these deductible temporary differences expire as follows:

	Other assets	Exploration and evaluation assets	Loss carry-forwards	Share issuance costs
2014	$ -	$ -	$ 46,530	$ 22,552
2015	-	-	77,890	14,451
2016	-	-	-	1,960
2017	-	-	-	1,960
2026	-	-	125,235	-
2027	-	-	166,147	-
2028	-	-	212,533	-
2029	-	-	345,278	-
2030	-	-	617,625	-
2031	-	-	166,149	-
2032	-	-	274,078	-
2033	-	-	274,319	
No expiry	1,557,761	2,085,026	1,181,944	-
	$ 1,557,761	$ 2,085,026	$ 3,487,728	$ 40,923

20. SUBSEQUENT EVENTS

- The Company completed a private placement of 15,000,000 units at $0.05 per unit for proceeds of $750,000. 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 $0.05 per share during year one, and at $0.10 per share during year two, expiring on October 30, 2015. The Company paid share issuance costs of $15,650 and issued 40,000 finder's warrants exercisable at $0.05 per share during year one and at $0.10 per share during year two, expiring on October 30, 2015. During the year ended September 30, 2013, the Company received subscriptions in advanced for proceeds of $252,000.

- On November 25, 2013, the Company increased its reclamation bond on the Bishop Mill, California from US$132,663 (CDN$136,747) to US$191,269. As a result of increasing in the reclamation bond and obtaining the required permits, the Company received approval on December 17, 2013 from BLM for its Plan of Operations and Reclamation Plan for Bishop Mill Property and has commenced construction of a tailing pond (Notes 4 and 7).

- On December 27, 2013, the Company completed a 1,165,000 Unit flow-through private placement at $0.05 per Unit. Each Unit consists of one flow-through common share and one share purchase warrant entitling the holder thereof to purchase one additional non-flow-through common share of the Company at $0.05 per share if exercised during year one, and $0.10 per share if exercised during year two.