CMC Metals Ltd.

Consolidated Financial Statements

Year ended September 30, 2014

Expressed 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, 2014 and 2013, 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, 2014 and 2013, 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, 2015

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

	Notes		September 30, 2014		September 30, 2013
ASSETS					
Current assets					
Cash		$	45,421	$	321,607
Receivables			4,786		202
Loan receivable	3,13		-		15,000
Prepaids			31,238		10,417
			81,445		347,226
Non-current assets					
Reclamation bonds	4		214,046		154,747
Exploration and evaluation assets	5		2,291,751		5,688,810
Property, plant and equipment	6		1,039,098		677,291
			3,544,895		6,520,848
TOTAL ASSETS		$	3,626,340	$	6,868,074
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	7	$	194,848	$	289,404
Promissory note	8		740,657		635,199
Loans	9		834,883		651,966
Due to related parties	13		16,571		67,558
			1,786,959		1,644,127
Non-current liabilities					
Preferred shares	10		500,000		459,348
Provision for restoration and environmental activities	11		14,000		14,000
			514,000		473,348
TOTAL LIABILITIES			2,300,959		2,117,475
SHAREHOLDERS' EQUITY					
Share capital	12		14,095,753		12,687,835
Subscription received			-		252,000
Obligation to issue shares	5		300,000		300,000
Reserves	12		353,246		49,182
Deficit			(13,423,618)		(8,538,418)
TOTAL SHAREHOLDERS' EQUITY			1,325,381		4,750,599
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	3,626,340	$	6,868,074

Going concern - Note 1
Commitments and contingency - Notes 5, 8, 9 and 14
Subsequent events - Note 19

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 2014	2013
EXPENSES			
Consulting fees	13	$ 195,422	$ 55,703
Filing and transfer agent	8,9,10,13	33,123	21,144
Interest expense	4, 5, 6	140,801	132,730
Investor communications		32,300	8,700
Office and miscellaneous	13	164,946	80,058
Professional fees		48,665	56,313
Property Investigation Costs	5	3,150	93,426
Rent	13	18,000	18,000
Stock-based compensation	8	339,034	1,286
Travel		37,414	12,712
Impairment of exploration and evaluation assets	5	3,808,262	3,195,885
		(4,821,117)	(3,675,957)
OTHER ITEMS			
Miscellaneous income		-	7,500
Interest income		203	175
Finance fee	8	-	(50,775)
Loss on foreign exchange		(113,468)	(24,146)
		(113,265)	(67,246)
LOSS BEFORE INCOME TAXES		$ (4,934,382)	$ (3,743,203)
Deferred income tax recovery	18	-	361,236
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		$ (4,934,382)	$ (3,381,967)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED		82,766,769	62,009,344
LOSS PER SHARE - BASIC AND DILUTED		$ (0.06)	$ (0.05)

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	Subscriptions received	Obligation to issue shares	Share-based payment reserve	Deficit	Total
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	12	4,900,000	490,000	-	-	-	-	490,000
Shares issued for cash - warrants exercise	12	550,000	66,000	-	-	-	-	66,000
Share issuance costs	12	-	(9,800)	-	-	-	-	(9,800)
Subscriptions received in advance	12	-	-	252,000	-	-	-	252,000
Stock-based compensation	12	-	-	-	-	1,286	-	1,286
Reallocation of cancelled and expired options		-	-	-	-	(437,566)	437,566	-
Modification of warrants	12	-	-	-	-	12,904	(12,904)	-
Reallocation of exercised warrants		-	9,159	-	-	(9,159)	-	-
Reallocation of expired and forfeited options and warrants		-	-	-	-	(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
Comprehensive loss:								
Loss for the year		-	-	-	-	-	(4,934,382)	(4,934,382)
Transactions with owners, in their capacity as owners, and other transfers:								
Shares issued for cash - private placement	12	21,315,000	1,117,250	(252,000)	-	-	-	865,250
Shares issued for cash - warrants exercise	12	8,110,000	405,500	-	-	-	-	405,500
Share issuance costs	12	-	(48,582)	-	-	14,212	-	(34,370)
Stock-based compensation	12	-	-	-	-	339,034	-	339,034
Reallocation of cancelled and expired options		-	-	-	-	(49,182)	49,182	-
Recognition of flow-through premium	12	-	(66,250)	-	-	-	-	(66,250)
Translation gain		-	-	-	-	-	-	-
Balance at September 30, 2014		92,698,646	$ 14,095,753	$ -	$ 300,000	$ 353,246	$ (13,423,618)	$ 1,325,381

See accompanying notes to the consolidated financial statements.

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

	Year ended September 30 2014	Year ended September 30 2013
Operating activities		
Net loss	$ (4,934,382)	$ (3,381,967)
Adjustments for non-cash items:		
Accrued interest on promissory note	44,732	45,038
Accrued interest on current debt	55,417	51,076
Amortization of preferred shares discount	40,652	35,987
Financing fee	-	50,775
Stock-based compensation	339,034	1,286
Impairment of exploration and evaluation assets	3,808,264	3,195,885
Deferred tax recovery	-	(361,236)
Changes in non-cash working capital items:		
Receivables	(4,584)	11,121
Loan receivable	-	(15,000)
Prepaids	(20,821)	6,106
Trade payables and accrued liabilities	(94,556)	(79,593)
Due to related parties	(50,987)	42,946
Net cash flows used in operating activities	(817,231)	(397,576)
Investing activities		
Expenditures on exploration and evaluation assets	(396,205)	71,259
Property, plant and equipment	(361,807)	(55,076)
Reclamation Bond	(41,299)	-
Net cash flows used in investing activities	(799,311)	16,183
Financing activities		
Repayment of promissory note	-	(150,100)
Issuance of loan	127,500	-
Proceeds on issuance of common shares - net of share issue costs	1,170,130	546,200
Subscription received in advance	-	252,000
Net cash flows from financing activities	1,297,630	648,100
Effect of foreign exchange	42,726	26,654
Change in cash	(276,186)	293,361
Cash, beginning	321,607	28,246
Cash, ending	$ 45,421	$ 321,607

1. NATURE AND CONTINUANCE OF OPERATIONS

CMC Metals Ltd. (the "Company") is incorporated in 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, 2014, 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 indicate the existence of a material uncertainty that 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.

As a result of the Company not making the required principal, interest and extension fee on the Promissory Note (Note 8), the Promissory Note is in default as at September 30, 2014 and the date of the approval of these financial statements. At September 30, 2014, the balance payable relating to the Promissory Note was $740,657. The promissory Note is secured by a deed of trust related to the Radcliffe Property (Note 5), the Company's primary asset. Within the going concern assertion it is presumed that the Company will be able to remedy the loan default and retain its interest in the Radcliffe Property.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The financial statements were authorized for issue on January 28, 2015 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 subsidiaries, 0877887 B.C. Ltd. ("0877887 B.C."), incorporated under the Business Corporations Act of British Columbia and CMC Metals Corp. which is incorporated in the State of California and is 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, and property, plant and equipment, 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 functional currency of the Company and its subsidiaries.

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.

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 stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Depreciation is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. Depreciation of the Bishop Mill will commence once the mill is capable of operating in a manner intended by management..

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. 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.

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.

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

Financial instruments (cont'd)

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, 2014, 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, 2014 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, 2014, the Company does not have any financial assets classified as held-to-maturity investments.

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, loans, preferred shares, amounts due to related parties and trade payables, all of which are recognized at amortized cost.

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

Financial instruments (cont'd)

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 de-recognition 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 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.

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

Financial instruments (cont'd)

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.

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. If such expenditures are capitalized, a deferred tax liability is recognized. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

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

Accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after October 1, 2014 or later periods.

The following new standard and amendments that have not been early adopted in these consolidated financial statements, are not expected to have a material effect on the Company's future results and financial position: IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9); and Amendments to 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.

3. LOAN RECEIVABLE

On May 17, 2013, the Company provided a loan of US$15,000 (CDN$15,000) to a Director and Senior Officer bearing interest at 6% per annum commencing on May 17, 2013 and payable on demand. During the year ended September 30, 2014, this related party agreed to offset the loan against $15,000 in consulting services provided in connection with the exploration and evaluation assets.

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, 2014, the reclamation bonds consist of deposits made by the Company for indemnification of site restoration as follows:

- $14,000 (2013 - $14,000) on the CK Property (a property terminated during the year ended September 30, 2009);
- $4,000 (2013 - $4,000) on the Wheelbarrow Property (a property terminated during the year ended September 30, 2010); and
- $196,046 (2013 - $136,747) on the Bishop Mill Property (Notes 5).

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Silver Hart Property	Radcliff Property	Total
Acquisition costs			
Balance, September 30, 2012	$ 1,010,000	$ 1,654,451	$ 2,664,451
Impairment	(250,000)	(272,978)	(522,978)
Balance, September 30, 2013	760,000	1,381,473	2,141,473
Exploration costs			
Balance, September 30, 2012	5,749,426	248,339	5,997,765
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	15,274	12,511	27,785
Management fees - Note 13	54,000	-	54,000
Transportation and supplies	35,979	-	35,979
	5,912,783	281,019	6,193,802
Impairment	(2,445,582)	(134,024)	(2,579,606)
Sale of bulk sample	(66,859)	-	(66,859)
Balance, September 30, 2013	3,400,342	146,95	3,547,337
Total - September 30, 2013	$ 4,160,342	$ 1,528,468	$ 5,688,810
Acquisition costs			
Balance, September 30, 2013	$ 760,000	$ 1,381,473	$ 2,141,473
Impairment	(355,000)	-	(355,000)
Balance, September 30, 2014	405,000	1,381,473	1,786,473
Exploration costs			
Balance, September 30, 2013	3,400,342	146,995	3,547,337
Costs incurred during the period:			
Assaying	1,284	-	1,284
Contractors	59,094	199,042	258,136
Equipment rental	4,096	12,237	16,333
Field office	9,243	31,419	40,662
Other	-	21,829	21,829
Transportation and supplies (recovery)	(20,798)	93,756	72,958
	52,920	358,283	411,203
Write-off	(3,453,262)	-	(3,453,262)
Balance, September 30, 2014	-	505,278	505,278
Total - September 30, 2014	$ 405,000	$ 1,743,552	$ 2,291,751

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

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 US$270,000 remains unpaid as at September 30, 2014 (Note 9).

The Company was further required to issue 1,000,000 common shares by July 5, 2007. The Company did not issue the shares by the due date and the fair value of the shares at the time of $300,000 was recorded as an obligation to issue shares, with a corresponding entry to exploration and evaluation assets. As at September 30, 2014, the Company has not yet issued these shares.

During the year ended September 30, 2013, the management determined that the carrying value of the Silver Hart property exceeded its recoverable amount and an impairment loss of $2,695,582 was recognized in the statement comprehensive loss.

During the year ended September 30, 2014, the Company further impaired the Silver Hart Property to its estimated recoverable amount of $405,000.

The Silver Hart Property is security for a loan due to a director of the Company (Note 9).

Radcliff Property

On March 1, 2011, and as amended November 15, 2011, the Company entered into a Letter of Intent with Pruett Ballart Inc. ("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 which was deemed by PBI to have been considered paid through performance of services on behalf of the Company.

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 11, 2012, the Company paid US$100,000 (CDN$100,000) of the US$900,000 due. The Company entered into a promissory note agreement (the "Promissory Note Agreement") to pay off the remaining $800,000 (Note 8) and the Acquisition Agreement closed and the claims were title registered 50% to the Company.

As at September 30, 2014, US$300,000 has been paid towards the Promissory Note. As at September 30, 2014 and as of the date that these year end financial statements were approved, the Promissory Note, including interest and extension fee, 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 these consolidated financial statements, the lender has not taken action to obtain control of the Radcliff Property.

(Expressed in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

Cost		Silver Hart equipment		Mill Property and related equipment		Total
Balance, September 30, 2012	$	-	$	616,853	$	616,853
Additions		-		60,438		60,438
Balance, September 30, 2013		-		677,291	$	677,291
Additions		8,800		353,007		361,807
Balance, September 30, 2014		8,800		1,030,298		1,039,098

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, 2014, the Bishop Mill was not capable of operating in a manner intended by management.

To September 30, 2014, the Company holds a reclamation bond with the United States Department of Interior Bureau of Land Management of $196,046 (US$191,269) (2013 - $136,747 (US$132,663)) for indemnification of site restoration on the Bishop Mill Property (Note 4).

7. TRADE PAYABLES AND ACCRUED LIABILITIES

		September 30, 2014	September 30, 2013
Trade payables	$	98,090	$ 257,845
Accrued liabilities (Note 12)		31,833	31,559
Flow-through premium		64,925	
	$	194,848	$ 289,404

8. PROMISSORY NOTE

On April 18, 2012, the Company entered into a Promissory Note agreement (Note 5), whereby the Company agreed to pay the Promissory Note of US$800,000 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 (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.

In consideration of the amendments, the Company was required to pay a US$50,000 (CDN$50,775) extension fee (the “Extension Fee”), which was recorded in the statement of comprehensive loss during the year ended September 30, 2013. 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, 2014, the outstanding Promissory Note includes a principal balance of US$500,000 (CDN$560,400) (2013 - US$500,000 (CDN$514,250)), an Extension Fee of US$50,000 (CDN$55,265) (2013 - US$50,000 (CDN$51,425)). and accrued interest of US$110,829 (CDN$124,217) (2013 - US$68,790 (CDN$69,524)). During the year ended September 30, 2014, the Company recorded interest expense of $46,820 (2013 - $45,038).

8. PROMISSORY NOTE (cont'd)

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

As at September 30, 2014, the Promissory Note is 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.

9. LOAN

As at September 30, 2014, pursuant to the acquisition of the Silver Hart Property (Note 5), a principal balance of \$270,000 (2013 - \$270,000) and extension fees totaling \$85,000 (2013 - \$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, 2014, the Company recorded interest expense of \$55,417 (2013 - \$51,076). Included in the obligation at September 30, 2014 is accrued interest of \$352,383 (2013 - \$296,966). The principal, extension fees and accrued interest are due on September 30, 2015 pursuant to an amendment agreement dated September 24, 2014. The Company has granted a first charge on the Silver Hart Property as security for the payments.

During the year ended September 30, 2014, a director of the Company advanced \$127,500 to the Company of which the full amount is still outstanding as at September 30, 2014. The amount bears interest at 12% per annum, is due on demand and is unsecured. For consideration of the loan, the Company is also to issue the director 200,000 bonus shares, subject to TSX approval. TSX approval was received on November 10, 2014 and the shares were issued on December 19, 2014.

10. 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, 2014, 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, 2014, the Company recorded interest expense of \$40,652 (2013 - \$35,987).

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.

11. 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 was returned to the Company and the remaining \$14,000 for restoration of this property will stay in place until the reclamation work has been completed. As at September 30, 2014, no additional amount has been returned to the Company.

12. SHARE CAPITAL

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

Issued common shares

On September 25, 2014, the Company issued 500,000 common shares pursuant to the exercise of 500,000 warrants at $0.05 per share for proceeds of $25,000.

On September 9, 2014, the Company issued 1,210,000 common shares pursuant to the exercise of 1,210,000 warrants at $0.05 per share for proceeds of $60,500.

On July 16, 2014, the Company issued 1,800,000 common shares pursuant to the exercise of 1,800,000 warrants at $0.05 per share for proceeds of $90,000.

On July 9, 2014, the Company issued 2,000,000 common shares pursuant to the exercise of 2,000,000 warrants at $0.05 per share for proceeds of $100,000.

On June 10, 2014, the Company issued 100,000 common shares pursuant to the exercise of 100,000 warrants at $0.05 per share for proceeds of $5,000.

On April 10, 2014, the Company issued 5,150,000 units pursuant to a non-brokered private placement at $0.06 per unit, for gross proceeds of $309,000. Each unit consisted of one common share and one transferrable share purchase warrant. Each share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at $0.10 per share during year one, and $0.10 per share for a period of two years expiring April 10, 2016. No value has been allocated to the warrants. In connection with the private placement, the Company paid share issuance costs of $18,720 and issued 288,000 finder's warrants exercisable at $0.10 per share for a two year period expiring April 10, 2016. The fair value of the finder's warrants was estimated to be $14,212.

On March 12, 2014, the Company issued 2,500,000 common shares pursuant to the exercise of 2,500,000 warrants at $0.05 per share for proceeds of $125,000.

On December 27, 2013, the Company issued 1,165,000 units pursuant to a non-brokered private placement at $0.05 per unit for gross proceeds of $58,250. Each unit consisted of one flow-through common share and one transferrable share purchase warrant entitling the holder thereof to purchase one additional common share of the Company at $0.05 per share during year one, and $0.10 per share during year two, expiring December 27, 2015. No value has been allocated to the warrants. A flow-through premium of $11,650 has been recorded in connection with the issuance of the flow-through shares.

On October 30, 2013, the Company issued 15,000,000 units pursuant to a non-brokered private placement at $0.05 per unit, for gross proceeds of $750,000, of which $252,000 was received during the year ended September 30, 2013. 9,540,000 of the units consisted of one common share and one transferrable share purchase warrant and 5,460,000 of the units consisted of one flow-through common share and one transferrable share purchase warrant. Each share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at $0.05 per share during year one, and $0.10 per share during year two expiring October 30, 2015. No value has been allocated to the warrants. In connection with the private placement, 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 $0.10 per share during year two expiring October 30, 2015. The fair value of the finders' warrants was estimated to be immaterial. A flow-through premium of $54,600 has been recorded in connection with the issuance of the flow-through shares.

(Expressed in Canadian dollars)

12. SHARE CAPITAL (cont'd)

Issued common shares (cont'd)

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 year ended September 30, 2014, the Company granted 7,900,000 incentive stock options exercisable at $0.065 per share expiring no later than 2 years past the date of grant. During the year ended September 30, 2014, the Company recorded $339,034 (2013 - $1,286) in stock-based compensation expense.

The weighted average fair value of stock options granted during the year ended September 30, 2014 was $0.04 and the weighted average life was 1.54 years. The following assumptions were used for the Black-Scholes Option Pricing Model in the valuation of stock options:

	September 30, 2014
Risk-free interest rate	1.07%
Expected life	1.32 years
Annualized volatility	147%
Dividend yield	0.00%

The changes in stock options during the year ended September 30, 2014 are as follows:

	Number of options	Weighted average exercise price
Balance, September 30, 2012	3,930,000	$ 0.25
Options exercised	(3,150,000)	0.26
Options forfeited	(55,000)	0.21
Balance, September 30, 2013	725,000	0.19
Options granted	7,900,000	0.065
Options expired	(725,000)	0.21
Options forfeited	(1,000,000)	0.065
Balance, September 30, 2014	6,900,000	$ 0.065
Number of options exercisable at September 30, 2014	6,900,000	$ 0.065

(Expressed in Canadian dollars)

12. SHARE CAPITAL (cont'd)

Stock options (cont'd)

As at September 30, 2014, the following stock options were exercisable:

Number of options	Exercise Price	Expiry Date
6,800,000	$0.065	March 20, 2016
-	$0.065	September 22, 2016
6,800,000		

Warrants

The changes in warrants during the year ended September 30, 2014 are as follows:

	Number of warrants	Number of shares receivable		Weighted average exercise price
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
Warrants exercised	(8,110,000)	(8,110,000)		0.05
Warrants issued	21,643,000	21,643,000		0.09
Balance, September 30, 2014	18,433,000	18,433,000	$	0.10

[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, 2014, the following warrants were exercisable and outstanding:

Number of warrants	Exercise Price	Expiry Date
4,900,000	$0.12	November 30, 2014*
8,690,000	$0.05 Year 1/ $0.10 Year 2	October 30, 2015
40,000	$0.05 Year 1/ $0.10 Year 2	October 30, 2015
1,165,000	$0.05 Year 1/ $0.10 Year 2	December 27, 2015
5,150,000	$0.10	April 10, 2016
288,000	$0.10	April 10, 2016
20,233,000		

As at September 30, 2014, the weighted average life of warrant is 1.23 years (2013 – 1.17 years).

(Expressed in Canadian dollars)

12. SHARE CAPITAL (cont'd)

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.

13. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) incurred management fees of $30,000 (2013 - $52,500) to a director of the Company which were recorded in exploration and evaluation assets;
b) incurred rent of $18,000 (2013 – $18,000) to a company controlled by a director and officer of the Company;
c) incurred secretarial fees of $47,000 (2013 – $45,059) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
d) incurred administrative fees of $Nil (2013 - $7,504) to a company controlled by a director and officer of the Company which was recorded in office and miscellaneous;
e) incurred consulting fees of $77,950 (2013 - $1,500) to directors of the Company, of which $Nil (2013 - $Nil) was recorded in exploration and evaluation assets; and
f) incurred interest expense of $55,417 (2013 - $51,076) to a director and officer of the Company, pursuant to the Silver Hart Property (Notes 5 and 10).

At September 30, 2014, a total of $16,571 (2013 - $67,558) was owing to directors of the Company.

At September 30, 2014, a total of $Nil (2013 - $3,150) was paid to a director of the Company as prepaid expenses for services rendered subsequent to September 30, 2014.

At September 30, 2014, a total of $Nil (2013 - $15,000) in loan receivable bearing interest of 6% per annum was due from a former director and officer of the Company (Note 3).

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, 2014		September 30, 2013
Management fees – exploration and evaluation assets	$	30,000	$	54,000
Consulting fees		77,950		6,425
	$	107,950	$	60,425

14. 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. 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.

15. 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.

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, 2014:

	Within one year	Between one and five years	More than five years
Trade payables	$ 98,090	$ -	$ -
Due to related parties	16,571	-	-
Promissory note	740,657	-	-
Current debt	834,883	-	-
Total	$ 1,690,201	$ -	$ -

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 is exposed to foreign exchange risk as it US subsidiary incurs expenditures that are denominated in US$. $740,657 of the Company's loans are denoted in US$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.

(Expressed in Canadian dollars)

15. 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, 2014	September 30, 2013
Loans and receivables:		
Cash	$ 45,421	$ 321,607
Loan receivable	-	15,000
Reclamation bonds	214,046	154,747
	$ 259,467	$ 491,354

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

	September 30, 2014	September 30, 2013
Non-derivative financial liabilities:		
Trade payables	$ 98,090	$ 257,845
Due to related parties	16,571	67,558
Promissory note	740,657	635,199
Current debt	834,883	651,966
Preferred shares	500,000	459,348
	$ 2,190,201	$ 2,071,916

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.

16. 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, 2014		
	Canada	United States	Total
Reclamation deposits	$ 18,000	$ 196,046	$ 214,040
Exploration and evaluation assets	405,000	1,743,552	2,091,751
Property, plant and equipment	8,800	1,039,298	1,039,098
	$ 431,800	$ 2,978,896	$ 3,344,889

	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

(Expressed in Canadian dollars)

18. INCOME TAXES

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

	Year ended September 30, 2014	Year ended September 30, 2013
Loss before income taxes	$ (4,934,382)	$ (3,743,203)
Statutory tax rate	26.00%	25.50%
Expected income tax recovery	(1,282,939)	(954,517)
Permanent differences	88,149	151,284
Other differences	(342,010)	(311,857)
Impact of tax rate changes	-	(7,882)
Change in valuation allowance	1,536,800	785,560
Deferred income tax recovery	$ -	$ (361,236)

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

	Year ended September 30, 2014	Year ended September 30, 2013
Exploration and evaluations assets	$ 407,488	$ (542,107)
Other assets	410,218	410,218
Loss carry-forwards	1,489,772	906,809
Share issuance costs	14,882	10,640
	2,322,360	785,560
Valuation allowance	(2,322,360)	(785,560)
Deferred tax liabilities	$ -	$ -

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

	Other assets	Exploration and evaluation assets	Loss carry-forwards	Share issuance costs
2015	$ -	$ -	$ 77,890	$ 24,166
2016	-	-	-	11,676
2017	-	-	-	11,677
2026	-	-	125,235	9,716
2027	-	-	166,147	-
2028	-	-	212,533	-
2029	-	-	345,278	-
2030	-	-	617,625	-
2031	-	-	668,654	-
2032	-	-	723,281	-
2033	-	-	727,033	
No expiry	1,557,761	1,972,262	1,181,944	-
	$ 1,557,761	$ 1,972,262	$ 5,729,897	$ 57,235

19. SUBSEQUENT EVENTS

On November 5, 2014, the Company received TSX-V approval to the amendment of the terms of the 4,900,000 warrants granted pursuant to the private placement which closed November 30, 2012 (Note 12), so that the expiration date has been extended to the earlier of November 30, 2015 or a 30 day period from the seventh calendar day after the Company's shares have closed with a trading price of $0.08 per share, for a consecutive 10 day period, and the exercise price reduced to $0.06 per share.

On November 10, 2014, the Company received TSX-V approval to issue a total of 200,000 common shares as a bonus for a loan secured by a loan dated September 10, 2014 (Note 9), which shares were issued on December 19, 2014.

On November 19, 2014, the Company entered issued promissory note to a company with a common director for $80,300, payable on demand which loan bears interest rate of 12% per annum.

On January 22, 2015, the Company announced its intention a private placement of 12,500,000 units at $0.04 per unit to raise gross proceeds of $500,000. Each unit consists of one common share and one share purchase warrant. The share purchase warrants will be exercisable for a two year period at $0.05 per share. This transaction is subject to regulatory approval