CASTLE RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED DECEMBER 31, 2012 AND 2011

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CASTLE RESOURCES INC.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

As at

	December 31, 2012 $	September 30, 2012 $
ASSETS		
Current		
Cash and cash equivalents	2,272,552	856,485
Amounts receivable (Notes 6 and 9)	2,474,410	4,631,713
Prepaid expenses	239,557	200,335
Total current assets	4,986,519	5,688,533
Long-term		
Prepaid expenses	317,929	317,929
Investment – Winston Resources Inc. (Note 9)	1,260,000	2,340,000
Equipment (Note 7)	21,657	14,370
Exploration and evaluation assets (Note 8)	41,179,825	40,029,762
Total assets	47,765,930	48,390,594
LIABILITIES		
Current		
Accounts payable and accrued liabilities	1,931,344	6,300,469
Other liabilities (Note 11)	65,420	-
Total current liabilities	1,996,764	6,300,469
Long-term		
Loan payable (Note 10)	2,410,515	2,342,492
Deferred tax liability (Note 20)	1,916,000	1,916,000
Total liabilities	6,323,279	10,558,961
SHAREHOLDERS' EQUITY		
Capital stock (Note 12)	50,111,843	45,254,084
Contributed surplus (Note 14)	3,707,984	3,751,436
Warrants reserve (Note 13)	725,500	3,183,678
Deficit	(13,102,676)	(14,357,565)
Total shareholders' equity	41,442,651	37,831,633
Total liabilities and shareholders' equity	47,765,930	48,390,594

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
SUBSEQUENT EVENTS (Notes 6 and 13)
COMMITMENTS AND CONTINGENCIES (Note 18)

APPROVED ON BEHALF OF THE BOARD:

Signed "STEPHEN SHEFSKY", Director
Signed "MIKE SYLVESTRE", Director

CASTLE RESOURCES INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

Expressed in Canadian dollars

	For the three months period ended	
	December31, 2012	December 31, 2011
	$	$
		(Note 19)
Expenses		
Consulting and management fees	160,682	63,241
Transfer agent and listing fees	3,406	3,953
Professional fees	37,125	39,239
Office and general	105,012	71,122
Interest and financing fees (Note 10)	85,486	74,485
Depreciation costs	1,261	1,138
	392,972	253,178
Loss before the undernoted	(392,972)	(253,178)
Interest income	2,201	10,606
Unrealized loss on investment (Note 9)	(1,080,000)	-
Write-down of exploration and evaluation assets (Note 8)	-	(606,461)
Net loss before income taxes	(1,470,771)	(849,033)
Provision for income taxes		
Flow-through share premium (Note 11)	98,130	707,653
Net loss and comprehensive loss for the period	(1,372,641)	(141,380)
Loss per share		
Basic and diluted	(0.01)	(0.00)
Weighted average common shares outstanding		
Basic and diluted	172,952,854	113,852,920

CASTLE RESOURCES INC.

Condensed Interim Consolidated Statements of Cash Flows

Expressed in Canadian dollars

	For the three months period ended December31, 2012 $	December 31, 2011 $
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period	(1,372,641)	(141,380)
Charges not affecting cash:		
Depreciation costs	1,261	1,138
Unrealized loss on investment	1,080,000	-
Flow-through share premium	(98,130)	(707,653)
Write-down of exploration and evaluation assets	-	606,461
Interest and financing fees	68,023	68,023
Net change in non-cash working capital	(2,251,043)	(1,659,094)
	(2,572,530)	(1,832,505)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(1,150,063)	(5,043,410)
Acquisition of equipment	(8,548)	-
	(1,158,611)	(5,043,410)
FINANCING ACTIVITIES		
Common shares issued through private placements	5,479,670	5,999,994
Warrants exercised	-	9,000
Share issue costs	(332,462)	(354,415)
	5,147,208	5,654,579
CHANGE IN CASH AND CASH EQUIVALENTS:	1,416,067	(1,221,336)
Cash and cash equivalents, beginning of period	856,485	2,848,178
Cash and cash equivalents, end of period	2,272,552	1,626,842

CASTLE RESOURCES INC.

Condensed Interim Consolidated Statements of Changes in Equity

Expressed in Canadian dollars

	Common shares $	**Contributed surplus $**	**Warrants Reserve $**	**Accumulated Deficit $**	**Total Equity $**
Balance, September 30, 2012	45,254,084	3,751,436	3,183,678	(14,357,565)	37,831,633
Private placement	5,021,289	-	125,900	-	5,147,189
Flow-through share premium	(163,530)	-	-	-	(163,530)
Stock options expired	-	(43,452)	-	43,452	-
Warrant expired	-	-	(2,584,078)	2,584,078	-
Loss for the period	-	-	-	(1,372,641)	(1,372,641)
Balance, December 31, 2012	50,111,843	3,707,984	725,500	(13,102,676)	41,442,651

	Common shares $	Contributed surplus $	Warrants Reserve $	Accumulated Deficit $	Total Equity $
Balance, October 1, 2011	28,313,984	3,942,886	3,748,425	(10,741,933)	25,263,362
Private placement	4,883,675	-	-	-	4,883,675
Warrants exercised	11,100	-	-	-	11,100
Warrants expired	-	-	(2,100)	-	(2,100)
Loss for the period	-	-	-	(141,380)	(141,380)
Balance, December 31, 2011	33,208,759	3,942,886	3,746,325	(10,883,313)	30,014,657

1. NATURE OF OPERATIONS AND GOING CONCERN

Castle Resources Inc. (the "Company") was incorporated in Ontario, Canada on May 1, 2006. The Company's principal assets are Exploration and Evaluation Assets ("E&E"), made up of acquisition costs and deferred exploration expenditures for mining properties which are not in commercial production. The Company is in the process of exploring its mining claims and has not yet determined whether or not the properties contain economically recoverable reserves.

The Company's shares are listed on the TSX Venture Exchange. The head office, principal address and records office of the Company are located at 20 Victoria Street, Suite 800, Toronto, Ontario, Canada, M5C 2N8.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to complete additional financings, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require a material write-down of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

The Company needs equity capital and financing for its working capital and for the costs of exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations, however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on February 26, 2013.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and required as of December 31, 2012. As these condensed interim consolidated financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with International Account Standard ("IAS") 1, Presentation of Financial Statements and by IFRS 1, First-time Adoption of IFRS. These condensed interim consolidated financial statements have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out below were consistently applied to all periods presented unless otherwise noted.

2. BASIS OF PREPARATION (continued)

The Company's condensed interim consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Canadian GAAP differs in some areas from IFRS.

The preparation of condensed interim consolidated financial statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new accounting standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after October 1, 2012. Updates not applicable or not consequential to the Company have been excluded thereof.

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9")
IFRS 9 was issued in November 2009. This standard is the first step in the process to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities, which may affect the Company's accounting for its financial assets. The standard is not applicable until October 1, 2015 but is available for early adoption. The Company has yet to assess the full impact of IFRS 9.

IAS 1 Presentation of Other Comprehensive Income ("IAS 1")
In June 2011, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" requiring companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. This amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012 with full retrospective application. Early adoption is permitted. The Company has yet to assess the full impact of IAS 1.

IFRS 10 Consolidated Financial Statements ("IFRS 10")
IFRS 10 replaces the consolidation guidance in IAS 27, *and Separate Financial Statements,* and SIC-12, *Consolidation — Special Purpose Entities,* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning Oct 1, 2013. The Company has yet to assess the full impact of IFRS 10.

IFRS 11 Joint Arrangements ("IFRS 11")
IFRS 11 requires a venture 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 operation's assets, liabilities, revenue and expenses. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013 and supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Ventures. The Company has yet to assess the full impact of IFRS 11.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12")
IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint agreements, associates, special purpose vehicles and other off-balance sheet vehicles. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on August 1, 2013. The Company has yet to assess the full impact of IFRS 12.

3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

IFRS 13 Fair Value Measurement ("IFRS 13")
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company has yet to assess the full impact of IFRS 13.

IAS 32 Financial Instruments – Presentation ("IAS 32")
IAS 32 was amended to clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014 with retrospective application required. Earlier application is permitted. The Company has yet to assess the full impact of the amendments to IAS 32.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Such estimates and assumptions affect the carrying value of assets, the determination of impairment charges of non-current assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed, and affect estimates for decommissioning obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of share-based compensation, warrants, investments and income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

- Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred and capitalized during the period have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, operating management expertise and existing permits. See Note 8 for details of capitalized exploration and evaluation costs.

- Mineral reserve estimates

Mineral reserve and mineral resource estimates are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as commodity prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environments in which the Company operates. Such changes are not within the Company's control and could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include, but are not limited to, estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

- Estimation of decommissioning and restoration costs and timing of expenditure

The decommissioning and restoration cost estimates are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Determination of economic viability of a project

Management has determined that costs associated with its exploration and evaluation assets have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of reported recovered quantities to proven and probable reserves, operating management expertise, existing permits and projected life of projects.

- Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- Asset lives, depletion/depreciation rates for property and equipment

Depreciation and depletion expenses are allocated based on assumed asset lives and depletion/depreciation rates. Should the asset life or depletion/depreciation rate differ from the initial estimate, an adjustment would be made in the statement of operations and comprehensive loss.

- Contingencies

Refer to Notes 1 and 18.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The accounts of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in profit or loss.

Transactions eliminated on consolidation
Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed interim consolidated financial statements.

(b) Foreign Currencies

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is determined at the grant date of the equity-settled share-based payments and is recognized on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(d) Tax

Current tax
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the condensed interim consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Exploration and evaluation assets

The Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenues received prior to the commencement of commercial production against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes in profit or loss costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount. Upon transfer of “Exploration and evaluation costs” into “Mine development”, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is expected to be capitalised within “Mine development”. After production starts, all assets included in “Mine development” are transferred to “Producing Mines”.

(f) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets at the following annual rates:

Office furniture and equipment	-	20%, declining balance basis
Computer equipment	-	30%, declining balance basis
Computer software	-	100%, declining balance basis

(g) Impairment of non-financial assets

The carrying values of capitalized exploration and evaluation assets and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset’s recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset’s value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit or loss so as to reduce the carrying amount of the asset to its estimated recoverable amount.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments

Financial assets
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash and cash equivalents, investments, amounts receivable and long-term receivable.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:
Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in finance income and finance costs on the statements of loss.

The Company has not designated any financial assets upon initial recognition as at FVTPL. The Company evaluates its financial assets at FVTPL to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at FVTPL using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of comprehensive loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Company has classified its cash equivalents and investments 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. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive loss. The losses arising from impairment are recognized in the statement of loss. The Company has classified amounts receivable, long-term receivables and cash as loans and receivables.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - (a) the Company has transferred substantially all the risks and rewards of the asset; or
  - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If 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 estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include accounts payable, due to shareholder and loan payable.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Other financial liabilities
After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses are recognized in the condensed interim consolidated statement of loss when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the condensed interim consolidated statement of loss.

The Company has classified its accounts payable, due to shareholder and loan payable as other financial liabilities.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(i) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company separates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) capital stock. Upon expenses being incurred, the Company derecognizes the premium liability and recognizes a deferred tax liability for the amount of tax reduction renounced to shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, these taxes are included as financial expense in the statement of loss.

(k) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. The diluted loss per calculation assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash deposits in banks and liquid short-term deposits in the form of high interest savings and money market accounts with original maturities of three months or less. The Company does not hold any asset backed commercial paper.

6. AMOUNTS RECEIVABLE

	December 31, 2012	September 30, 2012
GST/HST recoverable	$ 93,604	$ 263,363
Refundable exploration tax credits	1,864,429	3,669,424
Receivable on sale of Elmtree Property (Note 9)	500,000	500,000
Other receivable	16,377	198,926
Balance at end of period	$ 2,474,410	$ 4,631,713

7. EQUIPMENT

(a) Cost

	Office furniture and equipment $	Computer equipment $	Computer software $	Total $
Cost, September 30, 2012	17,002	15,118	8,227	40,347
Additions	8,548	-	-	8,548
Cost, December 31, 2012	25,550	15,118	8,227	48,895

(b) Accumulated depreciation

	Office furniture and equipment $	Computer equipment $	Computer software $	Total $
Balance September 30, 2012	7,199	10,551	8,227	25,977
Depreciation	633	628	-	1,261
Balance December 31, 2012	7,832	11,179	8,227	27,238

(c) Net book value

	Office furniture and equipment $	Computer equipment $	Computer software $	Total $
Balance, September 30, 2012	9,803	4,567	-	14,370
Balance, December 31, 2012	17,718	3,939	-	21,657

8. EXPLORATION AND EVALUATION ASSETS

Granduc Claims, British Columbia, Canada	
Balance at September 30, 2011	$ 20,925,829
Acquisition costs	50,000
Capitalized costs	20,446,959
Less: refundable exploration tax credits	(1,393,026)
Balance at September 30, 2012	$ 40,029,762
Acquisition costs	50,000
Capitalized costs	1,100,063
Balance at December 31, 2012	$ 41,179,825

The Elmtree Gold Project, New Brunswick, Canada	
Balance at September 30, 2011	$ 2,462,160
Acquisition costs	-
Capitalized costs	54,668
Sale of property (Note 9)	(2,516,828)
Balance at September 30, 2012 and December 31, 2012	$ -

The Horseshoe Claims, British Columbia, Canada	
Balance at September 30, 2011	$ 531,653
Capitalized costs	74,808
Write-down of property	(606,461)
Balance at September 30, 2012 and December 31, 2012	$ -

The San Ramon Claim Group, Silver Project, Mexico	
Balance at September 30, 2011	$ 449,007
Write-down of property	(449,007)
Balance at September 30, 2012 and December 31, 2012	$ -

Total exploration and evaluation assets, December 31, 2012	**$ 41,179,825**

8. EXPLORATION AND EVALUATION ASSETS (continued)

The Granduc Project, British Columbia, Canada

On October 15, 2010, the Company acquired a 100% interest in the Granduc Claims ("the Granduc Project"). The acquisition supersedes the option agreement dated July 16, 2010. Pursuant to the agreement, in addition to amounts previously paid in accordance with the superseded option agreement related to the Granduc Project, the Company paid Bell Copper Corporation an additional $2,000,000 and issued an additional 2,750,000 common shares of the Company (issued in October 2010 with a value of $1,375,000 based on the quoted market price of the Company's shares) for an aggregate acquisition price (including amounts paid pursuant to the superseded option agreement) of $4,500,000 and 3,000,000 common shares of the Company.

On August 16, 2011, the Company completed an acquisition of a mining claim located in the Skeena mining division in British Columbia. The claim is related to the Granduc Project. In connection with this acquisition, the Company paid cash consideration in the amount of $20,000, issued an aggregate of 94,118 common shares of the Company (valued at $80,000 based on the quoted market price of the Company's shares), and granted a 2% NSR over the acquired claim.

The Granduc Project is subject to a 2% Net Smelter Royalty ("NSR") in respect of certain mineral claims. The NSR can be purchased for $500,000 for the first one percent (1%) and $1 million for the remaining one percent (1%).

The Granduc Project is also subject to a 1.5% NSR in respect of certain mineral claims. The Company will also make annual payments of $25,000 and $25,000 worth of common shares (based on the average price of the shares over the previous 10 trading days prior to issuance) until the related mineral claims lapse or are put into commercial production. As of December 31, 2012, the Company has paid $50,000 cash and issued 101,021 common shares.

Included in accounts payable and accrued liabilities are $25,000 cash and $25,000 worth of common shares.

The Elmtree Gold Project, New Brunswick, Canada

On June 1, 2009, the Company entered into an option agreement with Stratabound Mineral Corp. ("Stratabound") to acquire up to a 70% interest in Stratabound's 100% owned Elmtree Gold Property, located in New Brunswick, Canada.

The Company can earn a 60% interest upon completion of the following terms over a 3 year option period ("FirstOption"):

(a) Payment of $100,000 in cash (paid) and issuance of 200,000 common shares (issued in 2009 with a value of $12,000, based on the quoted market value of the Company's shares) upon execution of the option agreement.
(b) Complete the following exploration expenditure requirements, which include an administration and management fee of 10% of amounts actually spent:
   i. a minimum of $750,000 on or prior to June 1, 2010 (completed);
   ii. an additional of at least $750,000, on or prior to June 1, 2011 (completed); and
   iii. $2,500,000, less the amounts spent as part of the expenditure requirements described in (i) and (ii) above on or prior to June 1, 2012 (completed).
(c) Make the following cash payments:
   i. $50,000 on or prior to June 1, 2010 (paid); and
   ii. an additional $50,000 on or prior to June 1, 2011 (paid).

The Company has completed the First Option and therefore earned a 60% interest in Stratabound's 100% owned Elmtree Gold Property.

Certain claims included in the Elmtree Gold Property are subject to net smelter royalties of up to 2%.

On June 22, 2012, the Company sold its 60% interest in the Elmtree gold property and assigned all of the Company`s right, obligations and interest in the underlying option agreement to CNRP Mining Inc. See Note 9.

8. EXPLORATION AND EVALUATION ASSETS (continued)

The Horseshoe Claims, British Columbia, Canada

On November 2, 2009, the Company entered into an agreement to acquire a 100% interest in the Horseshoe Property (the "Property") located in British Columbia, Canada.

The Company can earn a 100% interest upon completion of the following terms over a 3-year option period:

(a) Payment of $60,000 in cash (paid) and issuance of 120,000 common shares (issued in 2010 with a value of $19,200, based on the quoted market value of the Company's shares) upon execution of the option agreement.

(b) Complete a minimum of $1,500,000 of exploration and drilling activities on or prior to October 22, 2012 ($38,260 spent as at September 30, 2011).

(c) Payment of $80,000 in cash (paid) and issuance of 120,000 common shares (issued in October 2010 with a value of $54,000, based on the quoted market value of the Company's shares).

(d) Payment of $160,000 in cash and issuance of 120,000 common shares on or prior to October 22, 2011.

The Horseshoe Claims are subject to a 2% net smelter royalty on all production of minerals, metals and precious or semi-precious stones, one half of which (i.e. 1% NSR) can be repurchased for $1,000,000.

On December 5, 2011, the Company terminated further exploration work on the Horseshoe Property with all obligations from that date being terminated and no interest in the Horseshoe Claims being earned or retained.

The San Ramon Claim Group, Silver Project, Mexico

On July 12, 2006, the Company entered into a letter of intent with Great Horn Inc. ("Great Horn") to acquire certain mining claims held by Great Horn located in the State of Zacatecas in Mexico.

In consideration for the acquisition of Great Horn's mining claims, the Company issued Great Horn 8,000,000 common shares, subject to an escrow agreement, with an estimated value of $0.30 per common share based on the price of the concurrent private placement, for aggregate consideration of $2,400,000. The Company also paid US$200,000 (approximately $217,000).

On July 15, 2009, the Company entered into an agreement with MAG Silver Corp. ("MAG") whereby MAG may earn up to a 100% interest in the San Ramon Claim Group by making payments to the Company of US$75,000 ($84,606) upon signing (received) and US$750,000 after five years. MAG is also required to make exploration expenditures on the property totalling US$3,250,000, as follows: US$500,000 in the first year of the option, US$500,000 in the second year of the option, US$1,000,000 in the third year of the option and US$1,250,000 in the fourth year of the option. The Company would also retain a 1.5% net smelter royalty.

During 2012, MAG advised the Company they would not be continuing with their option related to the San Ramon Claim Group.At September 30, 2012, the Company wrote-down the carrying value of the San Ramon Claim Group of $449,000 and the related IVA recoverable of $84,358.

9. INVESTMENT

On June 22, 2012, pursuant to a purchase and assignment agreement entered into on April 30, 2012 between the Company and CNRP Mining Inc. ("CNRP"), the Company received 18,000,000 common shares of CNRP as partial consideration for the sale of the Company's 60% interest in the Elmtree Gold Property. The CNRP shares were subsequently exchanged for common shares of Winston Resources Inc. ("WRW") on a one-for-one basis pursuant to reverse take over transaction plan of arrangement involving CNRP and WRW.

In addition to the receipt of WRW common shares, the Company will also receive:

(i) Cash payments of $500,000 over a 12 month period (included in amounts receivable); and
(ii) a 3% NSR interest on the Elmtree Deposit.

The fair value of the 18,000,000 WRW common shares was $4,500,000 using the quoted market price of WRW on the closing date (June 22, 2012). The investment in WRW is accounted for at fair value through profit and loss. At September 30, 2012, the Company recorded an unrealized loss of $2,160,000 related to the change in the quoted market value of the WRW common shares to September 30, 2012. During the period ended December 31, 2012, the Company recorded unrealized loss of $1,080,000. As at December 31, 2012, the quoted market value of the WRW common shares was $1,260,000.

Pursuant to the agreement with CNRP, until the earlier of the completion of the distribution of these common shares to the shareholders of the Company, or June 22, 2014, the Company will:

(i) assign all of its voting rights in and to these common shares to an officer of CNRP; and
(ii) not sell any of these common shares to any third party without the prior consent of CNRP.

10. LOAN PAYABLE

On July 14, 2010, the Company entered into a 5-year, non-revolving term loan facility in the principal amount of $2,200,000 with interest payable at the rate of 5% in the first 12 months and 9% in the following 48 months. The facility is repayable on July 14, 2015.

The facility is secured against all of the Company's assets. The facility was subject to a 10% discount amounting to $220,000. As a result, total proceeds to the Company amounted to $1,980,000.

In connection with the financing, the Company issued 3,600,000 drawdown warrants and 300,000 standby warrants. The estimated fair value of the drawdown warrants of $216,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 168%, a risk-free interest rate of 2.56% and an expected life of 5 years. Each drawdown warrant is exercisable into one common share and one-half warrant at a price of $0.25 for a period of 5 years. The estimated fair value of the standby warrants of $15,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 185%, a risk-free interest rate of 1.56% and an expected life of 2 years. Each standby warrant was exercisable into one common share at a price of $0.20 for a period of 2 years. The 300,000 standby warrants were exercised during the year ended September 30, 2011.

The value of the warrants and the discount was recorded against the debenture to be accreted over the term of the debenture. During the period ended December 31, 2012, the Company recorded $68,023 (2012 - $282,745) interest, accretion expense and finance fees in the condensed interim consolidated statements of loss.

11. OTHER LIABILITIES

	December 31, 2012	**September 30, 2012**	
	Issued on October 2, 2012	Issued on October 19, 2011	Issued on March 29, 2012
Balance, opening	$ -	$ -	$ -
Liability incurred on flow-through shares issued	163,550	761,904	603,338
Settlement of flow-through share liability on incurring expenditures	(98,130)	(761,904)	(603,338)
Balance, ending	**$** 65,420	**$ -**	$ -

On October 19, 2011, the Company completed a brokered private placement for total proceeds of $5,999,994 consisting of 9,523,800 flow-through shares at $0.63 per share. Other liabilities include the liability portion of the flow through shares issued. At September 30, 2012, the Company had incurred the required qualifying resource expenditure and derecognized the $761,904 liability.

On March 29, 2012, the Company completed a bought deal private placement for total proceeds of $10,000,115 consisting of 8,408,500 common shares at a price of $0.40 and 15,083,444 flow-through shares at a price of $0.44 per share. Other liabilities include the liability portion of the flow through shares issued. As at September 30, 2012, the Company had incurred the required qualifying resource expenditure and derecognized the $603,338 liability.

On October 2, 2012, the Company completed a brokered private placement for total proceeds of $5,479,670 consisting of 19,802,079 common shares at a price of $0.19 and 8,177,500 flow-through shares at a price of $0.21 per share. Other liabilities include the liability portion of the flow through shares issued. As at December 31, 2012, the Company had incurred approximately of $1,029,700 in qualifying resource expenditure and derecognized the $98,130 liability.

12. CAPITAL STOCK

Authorized
Unlimited number of common shares
Unlimited number of preferred shares

Issued
Common shares

	Number \#	Amount $
Balance at September 30, 2011	106,174,537	28,313,984
Private placement (i)	9,523,800	5,999,994
Share issue costs (i)	-	(354,415)
Flow-through share premium (Note 11)	-	(761,904)
Private placement (ii)	23,491,944	10,000,115
Share issue costs	-	(1,033,812)
Flow-through share premium (Note 11)	-	(603,338)
Warrants exercised	5,411,100	1,613,025
Warrants exercised – value reallocation	-	812,207
Share issued on property acquisition	51,020	25,000
Stock options exercised	625,000	187,500
Stock options – value reallocation	-	158,125
Utilization of share issue cost tax asset	-	897,603
Balance at September 30, 2012	145,277,401	45,254,084
Private placement (iii)	27,979,579	5,479,670
Share issue costs	-	(458,361)
Flow-through share premium	-	(163,550)
Balance at December 31, 2012	173,256,980	50,111,843

(i) On October 19, 2011, the Company closed a brokered private placement comprised of 9,523,800 flow-through shares at a price of $0.63 per share for gross proceeds of $5,999,994. In connection with the private placement, the Company paid cash commissions of 5% of the gross proceeds raised. As a result of this private placement, the Company is required to spend up to $5,999,994 on qualified exploration expenditures by December 31, 2012.

(ii) On March 29, 2012, the Company closed a bought deal private placement offering. The Company issued 8,408,500 common shares at a price of $0.40 and 15,083,444 flow-through shares at a price of $0.44 for gross proceeds of $10,000,115. In connection with the private placement, the Company paid cash commissions of 6% of the gross proceeds raised and also issued compensation warrants equal to 6% of the total number of shares issued. Each compensation warrant entitles the holder to exercise at a price of $0.40 for one common share of the Company, until March 29, 2014. On closing, the Company paid an aggregate amount of $600,007 in cash commissions and issued an aggregate of 1,409,518 compensation warrants. The Company incurred $98,558 in legal fees.

(iii) On October 2, 2012, the Company raised proceeds of $5,479,670 by way of a brokered private placement of 19,802,079 common shares at a price of $0.19 and 8,177,500 flow-through common shares at a price of $0.21.

The agents to the Offering received a cash commission of 5% of the gross proceeds raised through the Agents under the Offering, and 1,398,979 compensation options (each a “Compensation Option”) entitling them to acquire up to 1,398,979 Shares at a price of $0.19 per Compensation Option expiring on October 2, 2014.

13. WARRANTS

	Number	Amount
	#	$
Balance at September 30, 2011	27,543,175	3,748,425
Brokers warrants (i)	1,409,518	253,700
Warrants expired	(78,000)	(6,240)
Warrants exercised	(5,105,550)	(812,207)
Balance at September 30, 2012	23,769,143	3,183,678
Warrants expired	(17,579,125)	(2,584,078)
Broker warrants issued (ii)	1,398,979	125,900
Balance at December 31, 2012	7,588,997	725,500

(i) In connection with the March 29, 2012 private placement (Note 12 (iv)), the agent received 1,409,518 finder's warrants which entitle the holder to purchase one common share of the Company at a price of $0.40. The finder's warrants are exercisable for 2 years. The estimated fair value of the finder's warrants of $253,700 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 93%, a risk-free interest rate of 1.18% and an expected life of 2 years.

(ii) In connection with the October 2, 2012 private placement (Note 12 (iii)), the agent received 1,398,979 finder's warrants which entitle the holder to purchase one common share of the Company at a price of $0.19 expiring on October 2, 2014. The estimated fair value of the finder's warrants of $125,900 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 89%, a risk-free interest rate of 1.06% and an expected life of 2 years.

As of December 31, 2012, the following warrants were outstanding:

Value	Outstanding Warrants	Warrants Exercisable	Exercise Price	Expiry Date
$	#	#	$	
129,900	1,180,500[(i)]	1,180,500	0.61	February 18, 2013
253,700	1,409,518	1,409,518	0.40	March 29, 2014
216,000	3,600,000[(ii)]	3,600,000	0.25	July 14, 2015
125,900	1,398,979[(iii)]	1,398,979[(iii)]	0.19	October 2, 2014
725,500	7,588,997	7,588,997		

(i) These are brokers' warrants issued in connection with the February 18, 2011 private placement.
(ii) These are drawdown warrants issued in connection with the debt facility (Note 10).
(iii) These are brokers' warrants issued in connection with the October 2, 2012 private placement

14. SHARE-BASED COMPENSATION

The Company has an incentive stock option plan (the "Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding capital stock increases. Options granted under the Plan vest immediately pending any regulatory hold period.

14. SHARE-BASED COMPENSATION (continued)

The Plan provides that it is solely within the discretion of the Board to determine who receives stock options and in what amounts. In no case (calculated at the time of grant) shall the Plan result in:

- The number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.
- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company.

The following table reflects the continuity of stock options at September 30,2012 and December 31, 2012:

	December 31, 2012		September 30, 2012	
	Number of stock options #	Weighted average exercise price $	Number of stock options #	Weighted average exercise price $
Balance, beginning of period	9,260,000	0.44	10,010,000	0.43
Expired/Forfeited	(80,000)	0.74	(125,000)	0.34
Exercised	-	-	(625,000)	0.30
Balance, end of period	9,180,000	0.40	9,260,000	0.44

As of December 31, 2012, the following stock options were outstanding:

Value $	Outstanding Options #	Options Exercisable #	Exercise Price $	Expiry Date
57,000	1,425,000	1,425,000	0.10	June 1, 2014
256,300	1,165,000	1,165,000	0.25	April 23, 2015
95,000	500,000	500,000	0.20	July 1, 2015
78,000	300,000	300,000	0.23	September 9, 2015
1,494,600	3,180,000	3,180,000	0.50	October 18, 2015
490,200	860,000	860,000	0.60	January 21, 2016
1,207,531	1,700,000	1,700,000	0.75	March 2, 2016
29,353	50,000	50,000	0.88	August 2, 2016
3,707,984	9,180,000	9,180,000		

15. RELATED PARTY TRANSACTIONS

These condensed interim consolidated financial statements include balances and transactions with directors and officers of the Company and corporations related to them. The Company paid fees for services to certain officers and directors or companies controlled by certain officers and directors during the period that were recorded in the accounts shown below:

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company:

Key Management Compensation

		Three months ended December 31, 2012		Year ended September 30, 2012
Exploration expenditures	$	153,425	$	567,723
Consulting fees		64,325		563,229
Directors' fees		7,741		31,365
	$	225,491	$	1,162,317

16. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes loan payable and equity, comprised of issued common shares, warrants, contributed surplus and deficit, in the definition of capital.

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

The properties in which the Company currently has an interest in are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

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

There were no changes in the Company's approach to capital management during 2013 and 2012. The Company is not subject to any externally imposed requirements.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

17. FINANCIAL RISK MANAGEMENT

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its risk management objectives. The main objective of the Company's risk management process is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are described below. There have been no changes in the risks, objectives, policies and procedures during 2013 and 2012.

Liquidity risk
Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at December 31, 2012, the Company had a cash balance of $2,272,552 (September 30, 2012 - $856,485) and current assets of $4,986,519 (September 30, 2012 - $5,688,533), to settle current liabilities of $1,996,764 (September 30, 2012 - $6,300,469). The Company has working capital of $2,989,755 at December 31, 2012 (September 30, 2012 – working capital deficiency of $611,936).

Interest Rate Risk
The Company has cash balances and no interest-bearing debt other than the loan payable as describe in Note 10. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Credit Risk
The Company's credit risk is primarily attributable to guaranteed investment certificates and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Guaranteed investment certificates have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Amounts receivable include harmonized sales tax due from the Federal Government of Canada and tax credits due from the Government of the Province of British Columbia, Canada. Management believes that the credit risk concentration with respect to these amounts included in the amounts receivable is remote, however such amounts are subject to government audit.

Sensitivity analysis
As at December 31, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately the same.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

Fair Value
The Company's cash equivalents and investments are classified as held-for-trading, measured at fair value. Cash, amounts receivable, and long-term receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and loan payable are classified as other financial liabilities, which are measured at amortized cost.

The carrying value of cash, amounts receivable, loan receivable, accounts payable and accrued liabilities, and loan payable approximate their fair value due to the relatively short periods to maturity of the financial instruments.

Fair Value hierarchy and liquidity risk disclosure
The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

17. FINANCIAL RISK MANAGEMENT (continued)

As at December 31, 2012 and September 30, 2012, the Company's financial instruments that are carried at fair value, consisting of cash equivalents and investment in WRW common shares, have been classified as Level 2 and Level 1, respectively, within the fair value hierarchy.

18. COMMITMENTS AND CONTINGENCIES

Management Contracts
The Company is party to certain management and employee contracts. These contracts contain clauses requiring additional payments of up to $2,138,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Additional minimum management contract commitments remaining under these contracts are approximately $1,021,000, due within one year.

Premise Lease
The Company is subject to a lease commitment and is committed to expenditures approximately of $180,684 in fiscal year 2013.

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Flow-through Spending
Pursuant to the terms of the flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligation with subscribers with respect to the Canadian Federal Income Tax requirements.

- In October 2011, the Company raised $5,999,994 through the issuance of flow-through shares and it required to spend such funds on qualified exploration expenditures by December 31, 2012. At December 31, 2012, the Company has met this spending requirement.

- In March 2012, the Company raised $6,636,715 through the issuance of flow-through shares and it required to spend such funds on qualified exploration expenditures by December 31, 2013. At December 31, 2012, the Company has met this spending requirement.

- In October 2012, the Company raised $1,717,275 through the issuance of flow-through shares and it required to spend such funds on qualified exploration expenditures by December 31, 2013. At December 31, 2012, the Company spent approximately $1,029,700 of this spending requirement