CALLINEX MINES INC.

FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

SEPTEMBER 30, 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Callinex Mines Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 of the financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Mike Muzylowski"
President and Chief Executive Officer

"Tamara Edwards"
Chief Financial Officer

January 28, 2014

Vancouver, British Columbia Canada

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Callinex Mines Inc.

We have audited the accompanying financial statements of Callinex Mines Inc., which comprise the statements of financial position as at September 30, 2013 and 2012 and the statements of operations and 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 Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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Telephone (604) 687-0947 Fax (604) 687-6172

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Callinex Mines Inc. as at September 30, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

January 23, 2014

CALLINEX MINES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT SEPTEMBER 30

	2013	2012
ASSETS		
Current		
Cash and cash equivalents	$ 3,042,370	$ 5,063,905
Receivable	16,030	147,855
Prepaid expenses	27,336	27,988
Total current assets	3,085,736	5,239,748
Exploration and evaluation assets (Note 5)	32,834,973	31,735,127
Restricted investment (Note 7)	-	154,700
Long-term deposits	21,248	124,820
Equipment (Note 6)	90,977	113,238
Total assets	$ 36,032,934	$ 37,367,633
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	$ 100,305	$ 698,930
Other liability (Note 8)	-	320,093
Deferred tax liability (Note 13)	6,293,000	5,981,000
	6,393,305	7,000,023
Capital stock (Note 9)	42,052,891	40,053,541
Subscriptions received in advance (Note 9)	383,950	690,000
Equity reserve (Note 9)	4,018,062	3,742,064
Accumulated other comprehensive loss	-	(89,600)
Accumulated deficit	(16,815,274)	(14,028,395)
Total shareholders' equity	29,639,629	30,367,610
Total liabilities and shareholders' equity	$ 36,032,934	$ 37,367,633

Nature and continuance of operations (Note 1)
Subsequent events (Note 17)

On behalf of the Board

"Michael Louie"
Director

"Arthur G Slade"
Director

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

CALLINEX MINES INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED SEPTEMBER 30

	2013	2012
Audit and accounting (Note 10)	$ 157,565	$ 189,654
Consulting fees	59,985	166,016
Equipment depreciation (Note 6)	33,656	27,905
Insurance expense	28,464	36,269
Legal fees	72,320	106,430
Listing and sustaining fees	25,156	17,970
Property expenses	105,231	129,150
Property investigation costs	9,607	172,369
Office and administration	73,606	103,693
Office rent	70,476	36,831
Salaries (Note 10)	669,022	738,734
Shareholder relations and news releases	111,264	149,968
Share-based compensation (Note 10)	275,998	74,563
Transfer agent	10,759	16,418
Travel	21,001	41,244
	(1,724,110)	(2,007,214)
Finance income	47,494	98,442
Dividend income	4,200	16,000
Write-off of exploration and evaluation assets (Note 5)	(1,122,556)	(2,982,123)
Loss before income tax	(2,794,972)	(4,874,895)
Deferred income tax recovery (Note 13)	8,093	1,196,000
Loss for the year	$ (2,786,879)	$ (3,678,895)
Change in fair value of restricted investment	$ 89,600	$ 436,650
Comprehensive loss for the year	$ (2,697,279)	$ (3,242,245)
Basic and diluted loss per common share	$ (0.13)	$ (0.20)
Weighted average number of common shares outstanding	21,925,489	18,117,653

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

"Mike Muzylowski"	*"Michael Louie"*
Director	Director

CALLINEX MINES INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)
SEPTEMBER 30, 2013

	Capital Stock						
	Number of Common Shares	**Amount**	**Subscription Received in Advance**	**Equity Reserve (Note 9)**	**Accumulated Other Comprehensive Loss**	**Accumulated Deficit**	**Total**
Balance, September 30, 2011	**16,879,950**	**$ 38,672,357**	**$ -**	**$ 3,783,762**	**$ (526,250)**	**$(10,349,500)**	**$ 31,580,369**
Stock options exercised	168,302	192,974	-	(119,111)	-	-	73,863
Private placement – flow through shares	1,489,100	1,414,645	-	-	-	-	1,414,645
Flow through share premium	-	(223,365)	-	-	-	-	(223,365)
Shares issue costs – cash (net of taxes)	-	(7,720)	-	-	-	-	(7,720)
Share issue costs – agent warrants	-	(2,850)	-	2,850	-	-	-
Shares issued for exploration and evaluation asset	25,000	7,500	-	-	-	-	7,500
Subscriptions received in advance	-	-	690,000	-	-	-	690,000
Share-based compensation	-	-	-	74,563	-	-	74,563
Fair value adjustment of securities	-	-	-	-	436,650	-	436,650
Loss for the year	-	-	-	-	-	(3,678,895)	(3,678,895)
Balance, September 30, 2012	**18,562,352**	**40,053,541**	**690,000**	**3,742,064**	**(89,600)**	**(14,028,395)**	**30,367,610**
Private placement – flow through shares	10,765,000	2,046,000	(690,000)	-	-	-	1,356,000
Shares issue costs – cash (net of taxes)	-	(99,650)	-	-	-	-	(99,650)
Shares issued for exploration and evaluation asset	460,000	53,000	-	-	-	-	53,000
Subscriptions received in advance	-	-	383,950	-	-	-	383,950
Share-based compensation	-	-	-	275,998	-	-	275,998
Fair value adjustment of securities	-	-	-	-	89,600	-	89,600
Loss for the year	-	-	-	-	-	(2,786,879)	(2,786,879)
Balance, September 30, 2013	**29,787,352**	**$ 42,052,891**	**$ 383,950**	**$ 4,018,062**	**$ -**	**$(16,815,274)**	**$ 29,639,629**

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

CALLINEX MINES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED SEPTEMBER 30

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,786,879)	$ (3,678,895)
Items not affecting cash:		
Equipment depreciation	33,656	27,905
Share-based compensation	275,998	74,563
Deferred income tax expense/(recovery)	(8,093)	(1,196,000)
Write-off exploration and evaluation assets	1,122,556	2,982,123
Changes in non-cash working capital:		
Decrease in receivable	131,825	361,026
Decrease in prepaid expenses	652	16,483
Decrease in deposits	103,572	191,396
Decrease in accounts payable and accrued liabilities	(141,430)	(127,703)
Net cash (used in)/provided by operating activities	(1,268,143)	(1,349,102)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(2,382,297)	(5,475,448)
Equipment purchases	(11,395)	(63,103)
Net cash used in investing activities	(2,393,692)	(5,538,551)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares, net of share issuance costs	1,256,350	1,480,788
Subscriptions received in advance	383,950	690,000
Net cash provided by financing activities	1,640,300	2,170,788
Decrease in cash and cash equivalents for the year	(2,021,535)	(4,716,865)
Cash and cash equivalents, beginning of year	5,063,905	9,780,770
Cash and cash equivalents, end of year	$ 3,042,370	$ 5,063,905
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -
Cash and cash equivalents consist of:		
Cash	$ 473,220	$ 442,039
Cash equivalents	$ 2,569,150	$ 4,621,866

Supplemental information with respect to cash flow (Note 12)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Callinex Mines Ltd. ("Callinex" or the "Company") was incorporated on April 21, 2011 under the British Columbia Business Corporations Act for the purpose of receiving certain cash, equipment, common shares, and exploration and evaluation assets from Callinan Royalties Corporation (formerly Callinan Mines Limited) ("Callinan") in exchange for common shares of the Company by way of a plan of arrangement as approved by the shareholders of Callinan on June 7, 2011. The effective date of transaction with Callinan was closed on July 13, 2011.

The Company's head office and registered and records office address is 1110 – 555 West Hastings Street, Vancouver, British Columbia, Canada V6B 4N4.

These financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

These financial statements are authorized for issue by the Board of Directors on January 23, 2014.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, and as financial instruments classified as available-for-sale, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Critical accounting estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made. Assumptions made relate to, but are not limited to, the following:

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and these assets have been accounted for under the assumption that the carrying value will be

2. BASIS OF PREPARATION (cont'd….)

recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Share-based payments

Charges for share-based payments are based on the fair value at the date of the award. The Company also grants warrants in conjunction with private placements as compensation to finders. Stock Options are valued using Black-Scholes, and inputs to the model include assumptions on expected volatility, discount rates and expected term, dividend yield, and expected forfeitures. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity. Expected volatility is a measure for variation of a price of a financial instrument over time. Expected volatility is derived from a time series of post market prices therefore may not be an accurate representation of future volatility.

Income taxes

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

Critical Judgments

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company. As at September 30, 2013, the Company had a working capital of $2,985,431. Management believes that the Company has sufficient working capital to cover its obligations as they come due.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

The Company considers cash and cash equivalents to include cash on deposit and highly liquid short term interest bearing investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd….)

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

Machinery & Equipment	30%
Office Furniture	20%
Computer Equipment	30%

Leasehold improvements are depreciated straight-line, over 5 years.

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statement of operations and comprehensive income or loss. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property. These direct expenditures include such costs as materials used, surveying, drilling, and payments made to contractors during the exploration phase. Costs not directly attributed to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of operations and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Future reclamation costs

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral interests (exploration and evaluation assets) and equipment. The net present value of future reclamation cost

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Future reclamation costs (cont'd…)

estimate is capitalized to the related asset along with a corresponding increase in the reclamation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

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

For the years presented, the Company does not have any significant future reclamation costs.

Foreign exchange

The Company's functional and reporting currency is the Canadian dollar. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at the statement of financial position date to reflect exchange rates prevailing at that date. Non-monetary assets and liabilities are translated at historical exchange rates. Gains and losses on translation are included in determining net loss for the year.

Impairment of long-lived assets

At each reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

For the purposes of impairment testing, equipment and exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share-based compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based compensation expense and other equity reserve. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The other equity reserve

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based compensation (cont'd…)

account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

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

Flow-through shares

Canadian income tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in income tax recovery at the same time the qualifying expenditures are made.

Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to-maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of operations. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of operations. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets and liabilities "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents as fair value through profit and loss. The Company's receivable is classified as loans and receivables, and its restricted investment is classified as available-for-sale. Long term deposits have been classified as held-to-maturity. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

The Company classifies the fair value of financial instruments according to a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – 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; and
- Level 3 – inputs for the asset or liability that are not based on observable market date (unobservable inputs).

See Note 14 for relevant disclosures.

Comprehensive loss

Comprehensive loss consists of net loss and other comprehensive loss and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss includes holding gains and losses from financial instruments classified as available-for-sale.

4. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

As at September 30, 2013, the following new accounting standards or amendments to existing accounting standards have been issued, but are not yet effective and have not yet been adopted by the Company. The Company is currently evaluating the effects of adopting these standards:

IFRS 7 – Financial Instruments: Disclosures

IFRS 7 was amended to introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013.

4. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS (cont'd…)

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. This IFRS shall apply for annual periods beginning after January 1, 2015.

IFRS 13 – Fair Value Measurement

IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid for, or transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013.

Amendments to Other Standards

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities*, and consequential revisions to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of 'control' for identifying entities which are to be consolidated.

Amendments to IAS 32, *Financial Instruments: Presentation,* are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities.

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(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

Activity for the year ended September 30, 2013

	Sneath Lake	Coles/Troitsa	Fox	Moak Lake/ Norris Lake	Gossan/Rug	Herblet	Pine Bay	Flin Flon	Other	Total
Acquisition	$ -	$ 5,096	$ -	$ 73,261	$ 332,143	$ -	$ 68,520	$ 35,700	$ -	$ 514,720
Geochemical	-	-	-	-	14,456	-	-	-	-	14,456
Geophysical	22,600	50,000	-	-	-	-	-	-	166,669	239,269
Linecutting	5,300	-	-	-	-	-	-	-	-	5,300
Drilling	648,468	20,306	-	224,497	419,821	-	-	20,202	-	1,333,294
Consulting	16,649	5,638	-	2,500	4,300	-	-	-	-	29,087
Travel	29,259	1,221	-	29,831	42,406	-	-	-	-	102,717
Field & Camp	-	-	-	234,059	1,744	-	-	-	-	235,803
Vehicle	-	-	-	4,838	8,153	-	-	-	-	12,991
Prospecting	-	1,210	-	-	-	-	-	-	-	1,210
Miscellaneous	-	-	-	5,035	7,901	-	5,275	52	20,401	38,664
Recovery***	-	(305,109)	-	-	-	-	-	-	-	(305,109)
Total for the year	722,276	(221,638)	-	574,021	830,924	-	73,795	55,954	187,070	2,222,402
Write-off	-	(983,501)	-	-	-	-	-	-	(139,055)	(1,122,556)
Opening Balance	225,768	18,504,334	4,174,896	396,443	3,976,086	1,637,602	2,548,769	32,500	238,729	31,735,127
Balance at September 30, 2013	$ 948,044	$ 17,299,195	$ 4,174,896	$ 970,464	$ 4,807,010	$ 1,637,602	$ 2,622,564	$ 88,454	$ 286,744	$ 32,834,973

***From the British Columbia Mining Exploration Tax Credit

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Activity for the year ended September 30, 2012

	Berry Creek	Coles/Troitsa	Fox	Hamell Lake	Gossan/Rug	Herblet	Pine Bay	Other	Total
Acquisition	$ -	$ 249,276	$ -	-	$ 208,857	$ -	$ 989,067	$ 44,950	$1,492,150
Geochemical	-	3,907	-	-	9,397	-	-	-	13,304
Geophysical	-	348,955	-	-	-	-	33,040	141,045	523,040
Line-cutting	-	-	-	-	-	-	-	81,134	81,134
Drilling	-	1,205,932	-	-	1,793,672	-	7,828	-	3,007,432
Consulting	1,400	142,328	-	-	3,150	2,100	8,498	10,975	168,451
Travel	-	6,297	-	-	9,406	-	-	899	16,602
Field & Camp	-	314,036	-	-	153,839	-	-	-	467,875
Vehicle	-	140	-	-	8,815	-	-	-	8,955
Prospecting	10,790	18,101	-	-	18	235	-	51,094	80,238
Miscellaneous	-	9,585	1,493	-	12,684	-	20,391	7,738	51,891
Recovery***	(35,225)	-	-	-	(123,648)	-	-	-	(158,873)
Total for the year	(23,035)	2,298,557	1,493	-	2,076,190	2,335	1,058,824	337,835	5,752,199
Write-offs	(2,005,759)	-	-	(459,720)	-	-	-	(516,644)	(2,982,123)
Opening balance	2,028,794	16,205,777	4,173,403	459,720	1,899,896	1,635,267	1,489,945	1,072,249	28,965,051
Balance at September 30, 2012	$ -	$ 18,504,334	$ 4,174,896	$ -	$ 3,976,086	$ 1,637,602	$ 2,548,769	$ 893,440	$31,735,127

***From the Mineral Exploration Assistance Program (MEAP) which provides assistance for non-fuel exploration in Manitoba.

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

By way of the plan of arrangement approved by the shareholders of Callinan on July 13, 2011, Callinan transferred its exploration and evaluation assets to Callinex. All rights to purchase a royalty or a portion of a royalty attached to any of the exploration and evaluation assets transferred remains with Callinan. Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, expects title to all of its interests to be in good standing.

a) Sneath Lake

The Company holds claims in the Flin Flon area of Manitoba. During the year the Company expended $722,276 on this property.

b) Coles Creek/Troitsa

On August 1, 2005 Callinan entered into an agreement with Mike Muzylowski, President of Callinan, under which Callinan was granted the option to acquire a 100% interest in certain claims in the Omenica Mining Division of British Columbia. Under the terms of the agreement, Mr. Muzylowski, was paid a total of $270,000 for the property. If the claims are placed into production, Mr. Muzylowski will be entitled to a 5% royalty on net smelter returns, of which 2.5% can be repurchased for $1,500,000. In order to maintain the option in good standing and to earn the 100% interest in the property, Callinan had to incur cumulative expenditures of $800,000 within 48 months from the effective date of the agreement. All obligations have been met to keep the option in good standing.

On September 24, 2010 Callinan increased its holding in British Columbia by entering into an agreement to acquire the Troitsa claim. The agreement called for payment of $40,000 (paid) and issuance of 40,000 common shares (issued) within 5 days of acceptance by the TSX Venture Exchange, and a further $280,000 and 360,000 shares within 48 months from the effective date of the agreement. During the year ended September 30, 2012 the parties agreed to defer the payment due at September 24, 2012 to a further date while talks progressed on the future plans for this property. On April 25, 2013 this property was returned to the optionor and the capitalized costs of $983,501 were written off to operations.

c) Fox River

On March 15, 2003 the option to purchase the Fox River Property was acquired. Callinex has a 70% interest in this property and can earn an additional 10% by producing a feasibility study. On March 15, 2006 half of the interest in this property was assigned to Bell Resources Corporation ("Bell"). Bell's interest is based on a dilution clause contained in the agreement of March 15, 2006.

d) Moak and Norris Lake

On May 14, 2007 Callinan entered into an option agreement whereby, payments of $100,000 and issuance of 200,000 shares within 36 months after regulatory approval was required. In March 2012, the agreement was amended to increase the time period to accumulate the required expenditures. As per the amended agreement, cumulative expenditures of $250,000 and $450,000 are required to be made on or before 72 months and 84 months respectively, from the date of the agreement. All expenditure obligations have been met.

5. EXPLORATION AND EVALUATION ASSETS (cont'd….)

e) Gossan/Rug Claims

On April 10, 2010, 100% interest in the Gossan property was acquired for payment of $20,000 and issuance of 150,000 shares.

On May 12, 2010, Callinan entered into an agreement to acquire a 100% interest in the Rug Claims for payment of $200,000 and issuance of 200,000 shares within 36 months of the effective date. Cumulative expenditures of $100,000 within 12 months, $250,000 within 24 months and $450,000 within 36 months had to be made to keep the option in good standing. During the year Callinex and the optionor agreed on the final option requirement to be in Callinex common shares, and accordingly, the Company issued 430,000 common shares with a value of $47, 300 for final option payment. All obligations have been met to keep this option in good standing.

f) Herblet Lake

On March 15, 2007 Callinan entered into an option agreement for the above property. The agreement required payment of $50,000 and issuance of 100,000 shares over 36 months after regulatory approval. All obligations have been met.

g) Pine Bay

On July 8, 2009 an agreement was entered into to acquire a 100% interest in the Pine Bay Claims and a 90% interest in the Sour Claims. To acquire the claims, payments of $375,000 and issuance of 425,000 common shares of Callinan within 36 months of the effective date is required. All obligations have been met to keep the claims in good standing.

h) Flin Flon Claims

During fiscal 2012 the Company entered into an option agreement to acquire a 100% interest in the Flin Flon Area Claims. The agreement calls for payments of $250,000 and issuance of 250,000 shares within 36 months from the effective date, of which $25,000 had been paid and 25,000 shares with a value of $7,500 were issued.
A further option payment of $30,000 and 30,000 shares with a value of $5,700 were issued during 2013. The property is subject to a 2% Net Smelter Return Royalty of which Callinex may purchase half for $1,000,000.

Other claims include the following:

i) Tramping Lake

Between March 28 and April 10, 2008 these claims were staked by Callinan in the Snow Lake area of Manitoba. During the year ended September 30, 2013, Management decided that it no longer had any interest in these claims and the cost associated with them was written off to operations.

j) Island Lake

On July 31, 2009 Callinan optioned the Island Lake claims. In order to acquire an 80% interest in the claims, payment of $400,000 and issuance of 400,000 shares within 36 months of the effective date of the agreement was required. Cumulative expenditure of $100,000 within 12 months, $1,000,000 within 24 months and $1,900,000 within 36 months were also required to keep the option in good standing. This project has been put on hold while negotiations proceed with the First Nations.

(Expressed in Canadian dollars)

4. **EXPLORATION AND EVALUATION ASSETS** (cont'd….)

k) Pulver Lake

During 2011 the claims at Pulver Lake in Snow Lake, Manitoba were staked.

l) Cameco

During fiscal 2012 the Company acquired additional claims in the Saskatchewan area for acquisition costs of $10,000. During the year ended September 30, 2013, Management decided that it no longer had any interest in these claims and the cost associated with them was written off to operations.

m) Elliot Lake

The Company holds claims in the Elliot Lake area of Ontario. To date, the Company has expended $29,629 on this property. During the year ended September 30, 2013, Management decided that it no longer had any interest in these claims and the cost associated with them was written off to operations.

n) Neuron

The Company acquired additional claims in Manitoba on May 31, 2013

During the year ended September 30, 2012, management decided that it would no longer pursue certain properties and they were written off to operations and those that were options were returned to the optionor. The properties written off were: Berry Creek, Hamell Lake, Stag Lake and Dion Lake.

6. EQUIPMENT

	Machinery & Equipment	Office Furniture	Computer Equipment	Leasehold Improvements	Total
Cost at September 30, 2011	**$ 162,686**	**$ 69,406**	**$ 107,828**	**$ -**	**$ 339,920**
Additions	5,000	9,357	5,256	43,490	63,103
Cost at September 30, 2012	**$ 167,686**	**$ 78,763**	**$ 113,084**	**$ 43,490**	**$ 403,023**
Additions	**-**	**-**	**11,395**	**-**	**$ 11,395**
Cost at September 30, 2013	**$ 167,686**	**$ 78,763**	**$ 124,479**	**$ 43,490**	**$ 414,418**
Accumulated depreciation at September 30, 2011	**$ 130,052**	**$ 54,398**	**$ 77,430**	**$ -**	**$ 261,880**
Depreciation	8,843	4,123	8,416	6,523	$ 27,905
Accumulated depreciation at September 30, 2012	**$ 138,895**	**$ 58,521**	**$ 85,846**	**$ 6,523**	**$ 289,785**
Depreciation	**8,637**	**4,048**	**9,881**	**11,090**	**33,656**
Accumulated depreciation at September 30, 2013	**$ 147,532**	**$ 62,569**	**$ 95,727**	**$ 17,613**	**$ 323,441**
Net book value at September 30, 2012	**$ 28,791**	**$ 20,242**	**$ 27,238**	**$ 36,967**	**$ 113,238**
Net book value at September 30, 2013	**$ 20,154**	**$ 16,194**	**$ 28,752**	**$ 25,877**	**$ 90,977**

(Expressed in Canadian dollars)

7. RESTRICTED INVESTMENT

By way of the transfer, 500,000 shares of Callinan were transferred to Callinex in order to satisfy property option commitments on certain properties which were transferred from Callinan to Callinex (Note 5). These shares are held in trust by Callinex and any not used would be returned to Callinan after all property option commitments are met, or if the Company decides to abandon any of the properties. 325,000 of these shares have been issued for the Pine Bay option agreement, 60,000 shares have been issued for the Troitsa property and 115,000 have been issued for the Rug claims. As at September 30, 2013 all shares held in trust have been issued for option payments.

8. OTHER LIABILITY

	September 30, 2013	September 30,2012
Balance, beginning	$ 320,093	$ 539,421
Liability incurred on flow-through shares issued	-	223,365
Settlement on flow-through share liability on expenditure made	(320,093)	(442,693)
Balance, ending	$ -	$ 320,093

The Company periodically issues flow-through shares with any resulting flow-through premium recorded as other liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of flow-through premium is recorded as a deferred income tax recovery.

9. CAPITAL STOCK

Authorized:

Unlimited common shares with no par value

During the year ended September 30, 2013, the Company entered into the following capital stock transactions:

- The Company issued 1,725,000 common shares at a price of $0.40 per share for gross proceeds of $690,000 through a non-brokered private placement. These proceeds were received by the Company during the year ended September 30, 2012.

- The Company issued 9,040,000 flow-through common shares at a price of $0.15 per share for gross proceeds of $1,356,000 through a non-brokered private placement. Each flow-through unit is comprised of one flow-through common share of the Company and one share purchase warrant. Each warrant may be exercised to purchase one common share at $0.20 per share for a period of two years. Finders' fees of $76,650 was paid for this placement.

- The Company issued 430,000 common shares valued at $47,300 as option payment for the Rug Claims.

- The Company issued 30,000 common shares valued at $5,700 as option payment for the Flin Flon claims.

- $383,950 was received in advance for a non-brokered private placement which was completed subsequent to year end (Note 16).

9. CAPITAL STOCK (cont'd…)

During the year ended September 30, 2012, the Company entered into the following capital stock transactions:

- The Company issued 1,489,100 flow-through units at a price of $0.95 per unit for gross proceeds of $1,414,645. Each flow-through unit is comprised of one flow-through common share of the Company and one half of one share purchase warrant. Each warrant is exercisable to purchase one non-flow through common share of the Company at a price of $1.00 until December 30, 2013. On the date of issue of these shares, the Company's common shares were trading at $0.80 per share. As a result, a flow-through premium of $223,365 was recorded as an other liability on the statement of financial position. In connection with the share issuance, the Company paid agent's fees of $7,720 and issued 8,128 agents warrants with a value of $2,850. Each agent warrant is exercisable to purchase one non-flow through common share of the Company at a price of $1.00 per share until December 30, 2013.

- The Company issued 25,000 common shares valued at $7,500 as option payment for the Flin Flon claims.

- The Company issued 168,302 common shares upon exercise of stock option for proceeds of $73,863 with a fair value of $119,111.

- $690,000 was received in advance for a non-brokered private placement which was completed subsequent to year end.

Stock options

The Company has a stock option plan under which it is 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 plan, the exercise price of each option equals the market price of the Company's stock. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

During the year ended September 30, 2013, the Company granted 1,410,000 stock options to employees and directors of the Company. These common stock options are exercisable at $0.30 per share on or before August 6, 2018. Shared-based compensation expense of $275,998 (2012 - $74,563) has been recorded during the year ended September 30, 2013 under the Black-scholes pricing model in relation to the options vested. The weighted average fair value of the options granted is $0.20 (2012 - $0.30) per option.

(Expressed in Canadian dollars)

9. CAPITAL STOCK (cont'd…)

Stock options (cont'd…)

The following tables summarize the Company's outstanding stock options:

	Number of Shares	Weighted Average Exercise Price
Options outstanding, September 30, 2011	1,694,206	$ 0.76
Granted	250,000	0.50
Exercised	(168,302)	0.44
Expired/cancelled	(229,245)	0.64
Options outstanding, September 30, 2012	1,546,659	0.77
Granted	1,410,000	0.30
Expired	(148,883)	0.44
Forfeited	(562,776)	0.76
Options outstanding, September 30, 2013	2,245,000	$ 0.50

Exercise price	Options outstanding and exercisable at September 30, 2013	Average Remaining Contractual Life (Years)	Expiry Date
0.90	685,000	2.96	September 14, 2016
0.50	150,000	3.62	May 15, 2017
0.30	1,410,000	4.85	August 6, 2018
	2,245,000		

The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options granted during the years ended September 30, 2013 and 2012:

	September 30, 2013	September 30, 2012
Risk-free interest rate	2.75%	1.46%
Expected life of options	5 years	5 years
Annualized volatility	90.55%	93.2%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

(Expressed in Canadian dollars)

9. CAPITAL STOCK (cont'd…)

Warrants

The following is a summary of warrants outstanding:

	Number of warrants		Weighted Average Exercise Price
Warrants outstanding, September 30, 2011	480,000	$	1.10
Issued	752,678		1.00
Warrants outstanding, September 30, 2012	1,232,678		1.04
Expired	(480,000)		1.10
Issued	9,040,000		0.20
Warrants outstanding, September 30, 2013	9,792,678	$	0.26

The following is a summary of the outstanding warrants, with their respective expiry dates and exercise prices:

September 30, 2013			
Exercise Price	Number Outstanding	Remaining Life (Years)	Expiry Date
$ 1.00	744,550	0.25	December 30, 2013
1.00	8,128[1]	0.25	December 30, 2013
0.20	9,040,000	1.82	July 25, 2015
	9,792,678		

[1] Agent warrants

The following weighted average assumptions were used for the Black-Scholes method of valuation of agents warrants granted during the years ended September 30, 2013 and the year ended September 30, 2012:

	September 30, 2013	September 30, 2012
Risk-free interest rate	N/A	0.95%
Expected life of options	N/A	2 years
Annualized volatility	N/A	93.2%
Dividend rate	N/A	0%
Forfeiture rate	N/A	0%

(Expressed in Canadian dollars)

9. CAPITAL STOCK (cont'd…)

Equity Reserve

The following is a summary of changes in equity reserve:

	Funding by Callinan	Options and agent's warrants	Total
Balance at September 30, 2011	**$ 2,660,523**	**$ 1,123,239**	**$ 3,783,762**
Fair value of agent warrants issued	-	2,850	2,850
Fair value of stock options exercised	-	(119,111)	(119,111)
Share-based compensation	-	74,563	74,563
Balance at September 30, 2012	**$ 2,660,523**	**$ 1,081,541**	**$ 3,742,064**
Share-based compensation	**-**	**275,998**	**275,998**
Balance at September 30, 2013	**$ 2,660,523**	**$ 1,357,539**	**$ 4,018,062**

10. RELATED PARTY DISCLOSURES

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Year ended September 30, 2013	2012
Salaries	$ 309,526	$ 382,820
Consulting fees/Audit and Accounting	77,500	120,000
Share-based compensation	216,296	59,650
	$ 603,322	$ 562,470

On July 13, 2011, the Company entered into a service agreement with Callinan, whereby Callinan would provide the Company with accounting and financial services. During the year a total of $58,400 was incurred for this service (2012 – 57,254). At September 30, 2013 $56,472 (2012 - $32,380) was owed to Callinan. There were no amounts owed to directors at September 30, 2013, (2012 - $20,533).

11. SEGMENTED INFORMATION

The Company's one reportable operating segment is the exploration and evaluation of exploration and evaluation assets in Canada. All of the Company's assets are located in Canada.

12. SUPPLEMENTAL INFORMATION WITH RESPECT TO CASH FLOW

The significant non cash transactions for the year ended September 30, 2013 were:

(a) Exploration and evaluation assets expenditures recorded in accounts payable and accrued liabilities of $Nil,

(b) Release of 70,000 Callinan Royalties shares held in trust with a value of $143,500 for the option payment to Rug claims for the acquisition of exploration and evaluation assets.

(c) The issuance of 430,000 common shares with a value of $47,300 for the option payment to Rug Claims for the acquisition of exploration and evaluation assets.

(d) Accumulated other comprehensive income of $100,800 was reallocated to exploration and evaluation assets in connection with issuance of Callinan shares for property payments (Note 7).

(e) The issuance of 30,000 common shares with a value of $5,700 for the option payment to Flin Flon claims for the acquisition of exploration and evaluation assets

The significant non cash transactions for the year ended September 30, 2012 were:

(a) Exploration and evaluation assets expenditures recorded in accounts payable and accrued liabilities of $457,195.

(b) Reallocation of fair value of options exercised from equity reserve to capital stock of $119,111.

(c) 8,128 agent warrants were issued with a value of $2,850 included as share issue costs.

(d) The issuance of 355,000 common shares of Callinan Royalties shares held in trust, with a fair value of $1,302,200 for the option payments to Troitsa, Rug and Pine Bay for the acquisition of exploration and evaluation assets.

(e) The issuance of 25,000 common shares with a value of $7,500, were issued for the Flin Flon claims.

(Expressed in Canadian dollars)

13. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2013	2012
Income (loss) for the year before income taxes	$ (2,794,972)	$ (4,874,895)
Expected income tax expense (recovery)	$ (713,000)	$ (1,237,000)
Change in statutory, foreign tax, foreign exchange rates and other	242,907	(11,000)
Permanent differences	71,000	16,000
Impact of flow through shares	463,000	221,000
Share issue costs	(25,000)	(2,000)
Change in unrecognized deductible temporary differences and other	(47,000)	(183,000)
Total deferred income taxes	$ (8,093)	$ (1,196,000)

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2013	Expiry dates	2012	Expiry dates
Deferred income tax assets (liabilities)				
Exploration and evaluation assets	$ (7,331,000)	Not applicable	$ (6,707,000)	Not applicable
Share issue costs	80,000	2033 – 2036	86,000	2033 – 2036
Non-capital loses	922,000	2031 - 2032	603,000	2031 - 2032
Property and equipment	18,000	Not applicable	9,000	Not applicable
Canadian eligible capital	18,000	Not applicable	17,000	Not applicable
Marketable securities	-	Not applicable	11,000	Not applicable
Net deferred income tax liability	$ (6,293,000)		$ (5,981,000)	

As discussed in note 9, during the year ended September 30, 2012, the Company issued 1,489,100 common shares on a flow-through basis for gross proceeds of $1,414,645, and during the year ended September 30, 2011, the Company issued 6,000,000 common shares on a flow-through basis for gross proceeds of $6,600,000. The underlying flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's exploration and evaluation assets.

Tax attributes are subject to tax review, and potential adjustment by tax authorities.

14. FINANCIAL INSTRUMENTS

Financial instruments are those assets and liabilities that will be settled in cash either by payment by the Company or on the receipt of cash from another party. Financial instruments held by the Company include cash and cash equivalents, receivable, restricted investment, long-term deposits, and accounts payable and accrued liabilities.

The fair value of the Company's receivable and accounts payable and accrued liabilities approximate their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company's cash and cash equivalents,

14. FINANCIAL INSTRUMENTS (cont'd…)

and the restricted investment, are recorded at fair value, under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities. The carrying value of the Company's other financial instruments, receivables, long-term deposits and accounts payable and accrued liabilities, approximate their carrying value due to their short term nature, and is recorded at amortized cost.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at large Canadian financial institutions in interest bearing accounts. The Company has no investments in asset-backed commercial paper. The Company's receivable consists mainly of input tax credits receivable due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

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 manages liquidity risk through its capital management as outlined in Note 15 to these financial statements. Accounts payable relating to exploration and evaluation assets and other accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand, and are subject to normal trade terms. As at September 30, 2013, the Company had a cash and cash equivalents balance of $3,042,370 to settle current liabilities of $100,305. Management believes the Company has sufficient funds to meets its liabilities as they become due.

Market risk

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

a) Interest rate risk

The Company has cash balances and no interest-bearing debt liabilities. The Company's current policy is to invest excess cash in short-term deposit certificates issued by its banking institutions. The period to maturity of these short-term deposit certificates rarely exceeds ninety days; deposits within these parameters are considered equivalent to cash equivalents.

The Company monitors the investments in short term deposits and is satisfied with the credit ratings of its banks. As of September 30, 2013, the Company did not have any investments with maturities in excess of ninety days. The Company has no investments in asset backed commercial paper or similar investments.

b) Foreign currency risk

The Company conducts the majority of its business in Canada, and is therefore not exposed to significant foreign currency risk.

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS (cont'd…)

c) Price risk

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

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends.

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

16. COMMITMENT

The Company entered into a lease agreement for its office premises. The lease will expire on November 30, 2015. The annual lease commitment is as follows:

2014	$65,430
2015	$71,400
2016	$12,000

17. SUBSEQUENT EVENTS

Subsequent to year end, the Company closed a non-brokered private placement of 1,561,499 units at a price of $0.35 per unit, for gross proceeds of $546,525. Each unit consists of one common share and one half share purchase warrant. The share purchase warrants are exercisable until 2015 at $0.35 per share for the first year and $0.40 per share for the second year. $383,950 of these proceeds were received by the Company during the year ended

17. SUBSEQUENT EVENTS (cont'd…)

September 30, 2013, and were recorded as subscriptions received in advance. Cash finders' fees of 7% of the gross amount raised by each finder are associated with the placement.

Additionally, on November 4, 2013 the Company announced that it is conducting a private placement of up to 1,000,000 units at the price of $0.38 per unit. Each unit will consist of one common share and one-half share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share for a period of two years from closing of the placement at the price of $0.38 per share in the first year and $0.45 per share in the second year. The Company has since closed the placement which raised $200,700 by issuing 526,500 units at $0.38 per unit.

On January 20, 2014 the Company announced that its CEO and President has transition from the position to one of technical advisor. The Chairman Mr. Mike Muzylowski will become interim CEO and President.