CASTLE RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim 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, 2014 $	September 30, 2014 $
ASSETS		
Current		
Cash	244,398	48,318
Amounts receivable (Notes 6 and 15)	123,992	122,227
Prepaid expenses	10,373	18,640
Investments (Note 9)	22,901	48,572
Total current assets	401,664	237,757
Long-term		
Prepaid expenses	66,356	75,731
Equipment (Note 7)	8,327	9,018
Exploration and evaluation assets (Note 8)	43,883,744	43,948,849
Total assets	44,360,091	44,271,355
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 15)	466,991	660,908
Other liabilities (Note 11)	40,300	68,500
Loan payable (Note 10)	-	2,881,735
Total current liabilities	507,291	3,611,143
Long-term		
Loan payable (Note 10)	2,916,145	-
Deferred tax liability	1,914,000	1,914,000
Total liabilities	5,337,436	5,525,143
SHAREHOLDERS' EQUITY		
Capital stock (Note 12)	52,375,554	52,045,218
Shares to be issued (Note 8)	25,000	-
Share-based payments reserve (Note 13)	60,546	3,672,946
Warrants reserve (Note 14)	409,574	341,900
Deficit	(13,848,019)	(17,313,852)
Total shareholders' equity	39,022,655	38,746,212
Total liabilities and shareholders' equity	44,360,091	44,271,355

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 1, 8, 11 and 18)

APPROVED ON BEHALF OF THE BOARD:

Signed "ANTHONY CROLL", Director
Signed "TIM MANN" , Director

CASTLE RESOURCES INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars
For the three months ended December 31,

	2014	2013
	$	$
Expenses		
Consulting and management fees (Note 15)	112,009	205,569
Professional fees	11,940	12,773
Office and general (Note 15)	85,702	88,001
Share-based payments (Note 13)	-	10,663
Due diligence	-	21,680
Transfer agent and listing fees	13,460	3,950
Interest and financing fees (Note 10)	67,096	68,023
Depreciation costs	691	1,692
Total expenses	290,898	412,351
Loss before the undernoted	(290,898)	(412,351)
Interest income	3,076	4,166
Loss on sale of investments (Note 9)	(45,425)	-
Recovery (impairment) and unrealized gain (loss) on investments (Note 9)	32,580	(58,500)
Net loss before income taxes	(300,667)	(466,685)
Provision for income taxes		
Flow-through share premium (Note 11)	28,200	68,000
Net loss and comprehensive loss for the period	(272,467)	(398,685)
Loss per share		
Basic and diluted	(0.00)	(0.00)
Weighted average common shares outstanding		
Basic and diluted	220,654,487	193,958,495

CASTLE RESOURCES INC.
Condensed Interim Consolidated Statements of Cash Flows
Expressed in Canadian dollars
For the three months ended December 31,

	2014 $	2013 $
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Loss for the period	(272,467)	(398,685)
Charges not affecting cash:		
Depreciation costs	691	1,692
Loss on sale of investments	45,425	-
Impairment (recovery) and unrealized loss (gain) on investments	(32,580)	58,500
Share-based payments	-	10,663
Flow-through share premium	(28,200)	(68,000)
Interest and financing fees	66,460	68,023
Net change in non-cash working capital	9,866	(224,362)
Cash flows used in operating activities	(210,805)	(552,169)
INVESTING ACTIVITIES		
Proceeds on sale of investments	12,825	-
Exploration and evaluation assets	(97,800)	(14,497)
Cash flows used in investing activities	(84,975)	(14,497)
FINANCING ACTIVITIES		
Proceeds from private placements	500,000	640,000
Share issue costs	(8,140)	(77,715)
Cash flows from financing activities	491,860	562,285
CHANGE IN CASH:	196,080	(4,381)
Cash, beginning of period	48,318	1,233,796
Cash, end of period	244,398	1,229,415

CASTLE RESOURCES INC.

Condensed Interim Consolidated Statements of Changes in Equity

Expressed in Canadian dollars

For the three months ended December 31, 2014 and 2013

	Capital Stock $	Shares to be issued $	Share-based payments reserve $	Warrants reserve $	Deficit $	Total shareholders' equity $
Balance, September 30, 2014	52,045,218	-	3,672,946	341,900	(17,313,852)	38,746,212
Private placement, net of share issue costs	494,533	-	-	-	-	494,533
Shares to be issued as advance royalty	-	25,000	-	-	-	25,000
Stock options expired	-	-	(9,242)	-	9,242	-
Stock options cancelled	-	-	(3,603,158)	-	3,603,158	-
Warrants issued in connection with loan facility's term extension	-	-	-	32,050	-	32,050
Warrants issued as part of private placement	(164,197)	-	-	161,524	-	(2,673)
Warrants expired	-	-	-	(125,900)	125,900	-
Loss for the period	-	-	-	-	(272,467)	(272,467)
Balance, December 31, 2014	52,375,554	25,000	60,546	409,574	(13,848,019)	39,022,655

	Capital Stock $	Shares to be issued $	Share-based payments reserve $	Warrants reserve $	Deficit $	Total shareholders' equity $
Balance, September 30, 2013	51,606,188	-	4,214,965	841,862	(16,750,038)	39,912,977
Private placements, net of shares issue costs	562,285	-	-	-	-	562,285
Flow-through share premium	(238,500)	-	-	-	-	(238,500)
Shares issued as advance royalty	-	25,000	-	-	-	25,000
Share-based payments	-	-	10,663	-	-	10,663
Loss for the period	-	-	-	-	(398,685)	(398,685)
Balance, December 31, 2013	51,929,973	25,000	4,225,628	841,862	(17,148,723)	39,873,740

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 Canadian Securities 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, and working capital deficiency the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. Because of the Company's continued losses, and working capital deficiency management feels that there is a material uncertainty, which causes significant doubt about the Company's ability to continue as a going concern.

These condensed interim 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 condensed interim 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 12, 2015.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements of the Company and its subsidiary were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The condensed interim financial statements do not include all the information required for the full annual consolidated financial statements and should be read in conjunction with the most recent audited annual consolidated financial statements of the Company as at and for the year ended September 30, 2014. The policies set out below were consistently applied to all periods presented unless otherwise noted.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

Changes in Accounting Policies
The Company has adopted the following new standards, along with any consequential amendments, effective October 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard did not result in any changes to the Company's presentation of its condensed interim consolidated financial statements.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard did not result in any changes to the Company's condensed interim consolidated financial statements.

IFRIC 21 – Levies ("IFRIC 21") was issued in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The adoption of this standard did not result in any changes to the Company's condensed interim consolidated financial statements.

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 amounts reported in the condensed interim consolidated financial statements and related notes to the condensed interim consolidated financial statements. 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. 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.

- 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 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.

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

- 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.

- 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 share awards are generally 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, forfeiture rate, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Warrants are valued in a similar way. Changes in these assumptions affect the fair value estimates.

- Asset lives, depletion/depreciation rates for equipment

Depreciation and depletion expenses are allocated based on estimated asset lives and depletion/depreciation rates. Should the actual asset life or depletion/depreciation rate differ from the initial estimate, an adjustment would be made in the statement of 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 is exposed or has rights to the variable returns from the subsidiary and has the ability to affect those returns through its power over the subsidiary. Power is defined as existing rights that give the Company the ability to direct the relevant activities of the subsidiary. The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Castle Resources Mexico, SA de C.V.

The purchase method of accounting is used to account for an acquisition of a subsidiary 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

The Company presents its condensed interim consolidated financial statements in Canadian dollars. This is also the functional currency of the Company and its subsidiary.

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.

(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 payments note (Note 13).

The fair value is estimated 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 share-based payments 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 estimated fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 condensed interim consolidated statement of 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.

(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. Costs incurred before the legal right to undertake exploration and evaluation activities on a project was acquired, are expensed in the condensed interim consolidated statement of loss. 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".

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company qualifies for certain tax credits associated with the exploration and development of its properties located in British Columbia. Recoverable amounts are offset against deferred expenditures incurred when the Company has complied with the terms and conditions of the program and the tax credit is reasonably assured.

(f) Equipment

Equipment is carried at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets at the following annual rates:

Office furniture and equipment	-	20%, declining balance basis
Computer equipment	-	55%, 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.

(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, amounts receivable and investments.

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 the condensed interim consolidated statements of loss.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 condensed interim consolidated statement of 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 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 condensed interim consolidated statement of comprehensive loss. The losses arising from impairment are recognized in the condensed interim consolidated statement of loss. The Company has classified cash and amounts receivable as loans and receivable.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 assets 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 condensed interim consolidated 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 condensed interim consolidated 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 condensed interim consolidated statements 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.

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, other financial liabilities, 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 and accrued liabilities 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 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 statements of loss.

The Company has classified its accounts payable and accrued liabilities and loan payable as other financial liabilities.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Investment in Associates

An associate is an entity over which the Company has significant influence and is neither a controlled subsidiary nor a jointly controlled entity. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

The Company accounts for its investments in associates using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings or losses of the associate, and for impairment losses after the initial recognition date.

The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings or losses of associates are recognized through net income or loss during the year. Cash distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the greater of its fair value less costs to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount, then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of the recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through net income or loss in the period that the reversal occurs.

(j) Capital Stock

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.

Expressed in Canadian dollars

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Flow-through shares

The Company from time to time will 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 in profit or loss and the related deferred tax is recognized as a deferred tax provision, to the extent that tax assets exist. If no tax assets exist, the related tax will be recorded in taxes payable.

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 fiscal period is disclosed separately as a commitment.

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 in Office and general in the condensed interim consolidated statements of loss.

(l) 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 year/period. For all years/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 year/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.

6. AMOUNTS RECEIVABLE

	December 31, 2014 $	**September 30, 2014 $**
Current		
GST/HST recoverable	18,430	15,253
Refundable exploration tax credit (i)	95,161	95,161
Other receivable	10,401	11,813
Balance at end of period	123,992	122,227

(i) The refundable exploration tax credit consists of a $95,161 British Columbia Mining Tax Credit ("BCMETC") for the 2011 fiscal year with Canada Revenue Agency ("CRA") which has been settled and received in January 2015.

Expressed in Canadian dollars

7. EQUIPMENT

(a) Cost

	Office furniture and equipment $	Computer equipment $	Computer software $	Total $
Balance, September 30, 2013 and 2014	17,002	23,664	12,657	53,323
Additions	-	-	-	-
Balance, December 31, 2014	17,002	23,664	12,657	53,323

(b) Accumulated depreciation

	Office furniture and equipment $	Computer equipment $	Computer software $	Total $
Balance, September 30, 2013	9,160	17,568	10,811	37,539
Depreciation	1,568	3,352	1,846	6,766
Balance, September 30, 2014	10,728	20,920	12,657	44,305
Depreciation	314	377	-	691
Balance, December 31, 2014	11,042	21,297	12,657	44,996

(c) Net book value

	Office furniture and equipment $	Computer equipment $	Computer software $	Total $
Balance, September 30, 2014	6,274	2,744	-	9,018
Balance, December 31, 2014	5,960	2,367	-	8,327

8. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consisted of the following:

Granduc Claims, British Columbia, Canada	
Balance at September 30, 2013	$ 42,872,135
Acquisition costs	50,000
Capitalized costs	1,026,714
Balance at September 30, 2014	$ 43,948,849
Acquisition costs	50,000
Capitalized costs	(115,105)
Balance at December 31, 2014	$ 43,883,744

Expressed in Canadian dollars

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 is committed to make annual payments of $25,000 and issue $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, 2014, the Company has paid $100,000 cash, issued 720,069 common shares and is obligated to pay annual payment $25,000 and issue $25,000 worth of common shares which has been disclosed as "Shares to be issued".

9. INVESTMENTS

The Company's investments consist of the following:

	December 31, 2014		September 30, 2014	
	Number of Shares	Value of investments $	Number of shares	Value of investments $
Winston Resources Inc.	900,000	9,000	900,000	13,500
GreenBank Capital Inc.	77,778	3,889	310,778	18,647
Zara Resources Inc.	720,000	3,600	720,000	7,200
Hadley Mining Inc.	720,000	3,600	720,000	3,600
CNRP Mining Inc.	562,500	2,812	562,500	5,625
Total investments		22,901		48,572

Winston Resources Inc. ("WRW or Winston")

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 WRW on a one-for-one basis pursuant to a reverse takeover transaction plan of arrangement involving CNRP and WRW.

9. INVESTMENTS (continued)

In connection with the April 30, 2012 purchase and sale agreement and 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; and
(ii) a 3% NSR interest on the Elmtree Deposit.

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) will not sell any of these common shares to any third party without the prior consent of CNRP.

The original 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 or loss.

On April 25, 2013, Winston directors approved a share consolidation of its common share on the basis of one (1) new common share for twenty (20) common shares effective May 15, 2013. Following the share consolidation and subject to rounding, the Company now has 900,000 common shares with the fair value of $13,500 using the quoted market price as at September 30, 2014. For the year ended September 30, 2014, the Company recorded an aggregated unrealized gain of $4,500 (2013 – unrealized loss of $2,016,000).

As of June 22, 2014, the condition pursuant to the agreement with CNRP has been lifted. The Company has voting rights to these common shares and has the ability to sell those common shares to any third party without prior consent of CNRP.

GreenBank Capital Inc. ("GreenBank")

On April 16, 2013**,** the Company received 7,003,891 common shares of GreenBank Capital Inc. ("GreenBank") as a result of a transfer of shares to shareholders of WRW as a dividend in kind under a plan of arrangement effective the same date. GreenBank is listed on the Canadian National Stock Exchange under the ticker symbol "GBC". The share ownership represented 27.2% of the issued and outstanding capital of the GreenBank and the investment in GreenBank was accounted for on an equity basis. As the GreenBank shares declined from $0.10 (April 16, 2013) to $0.005 (September 30, 2013) per common share, the Company wrote-down its investment in GreenBank to a nominal value at the end of September 2013.

In November 2013, GreenBank completed a non-brokered private placement with a director of Greenbank. This resulted in a dilution of the Company's ownership to 19.6%. On January 1, 2014, a director of GreenBank exercised his warrants, which further diluted the Company's ownership to 15.3%. Effective January 1, 2014, the Company determined that it no longer had significant influence over GreenBank and accordingly, began to account for its investments in GreenBank at fair value through profit or loss.

GreenBank has significant influence over Zara Resources Inc., Leo Resources Inc., and Hadley Mining Inc. Through the Company`s ownership interest in GreenBank, the Company had initially accounted for its investments in Zara, Leo and Hadley using the equity method.

Effective January 1, 2014, as the Company no longer had significant influence over GreenBank, the Company reclassified its investments in Zara, Leo and Hadley from being accounted for using the equity method to accounting for them at fair value through profit or loss. As a result of the reclassification, the Company recognized an aggregate gain of $404,195 on its GreenBank, Zara, Leo and Hadley investments.

9. INVESTMENTS (continued)

Zara Resources Inc. ("ZRI or Zara")

In December 2012, the Company received 720,000 common shares of Zara Resources Inc. as a dividend in kind from WRW under a plan of arrangement. Zara is listed on the Canadian National Stock Exchange under the ticker symbol "ZRI".

The Company had significant influence in Zara through its initial ownership interest in GreenBank and therefore, had accounted its investment in Zara using the equity method. Zara`s shares declined from $0.10 (December 7, 2012) to $0.04 (December 31, 2013) per common share. As a result, the Company wrote-off the investment in Zara at December 31, 2013. Effective January 1, 2014, the investment in Zara is accounted for at fair value through profit or loss.

Leo Resources Inc. ("LEO or Leo Resources")

In April 2013, Leo Resources was spun off from Zara by way of a statutory plan of arrangement and as a result, the Company received 360,000 common shares of Leo Resources Inc. Leo is listed on the Canadian National Stock Exchange under the ticker symbol "LEO".

The Company had significant influence in Leo through its initial ownership interest in GreenBank and therefore, had accounted its investment in Leo using the equity method. Leo continued to experience losses and the Company's share of losses exceeded the initial investment value. As a result, the Company wrote-off the investment in Leo at December 31, 2013. Effective January 1, 2014, the investment in Leo was accounted for at fair value through profit of loss. The Company sold all of its shares of Leo during 2014 for cash proceeds of $21,650.

Hadley Mining Inc. ("HM or Hadley")

In December 2012, the Company received 720,000 common shares of Hadley Mining Inc. as a dividend in kind under a plan of arrangement. Hadley is listed on the Canadian National Stock Exchange under the ticker symbol "HM".

The Company had significant influence in Hadley through its initial ownership interest in GreenBank, and therefore had accounted its investment in Hadley using the equity method. Hadley`s shares declined from $0.10 (December 7, 2012) to $0.03 (December 31, 2013) per common share. As a result, the Company wrote-off the investment in Hadley at December 31, 2013. Effective January 1, 2014, the investment in Hadley is accounted for at fair value through profit or loss.

CNRP Mining Inc. ("CND or CNRP")

On April 17, 2013, the Company received 562,500 common shares of CNRP as a result of a transfer of shares to shareholders of WRW as a dividend in kind under a plan of arrangement effective the same date. CNRP is listed on the Canadian National Stock Exchange under the ticker symbol "CND". The investment in CNRP is accounted for at fair value through profit or loss.

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.

Expressed in Canadian dollars

10. LOAN PAYABLE (continued)

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.

On November 7, 2014, the Company and a creditor agreed to the extension of the term of the loan facility for an additional two years, from its original 5-year term. As consideration of extending the term of the loan, the Company has agreed to issue to such creditor an aggregate of 11,500,000 common share purchase warrants. Each warrant is exercisable into common share at a price of $0.02 per common share five years period. In addition, the Company has agreed to an increase in the interest rate from 9% to 12% per annum for the two-year period between the original maturity date of July 14, 2015 and the new maturity date of July 14, 2017.

The estimated fair value of the 11,500,000 warrants of $32,050 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 102%, a risk-free interest rate of 1.52% and an expected life of 5 years. On November 7, 2014, the value of the 11,500,000 warrants was recorded against the carrying value of the loan to be accreted over the remaining term of the loan.

During the three months ended December 31, 2014, the Company recorded $66,460 (December 31, 2013 - $68,023) interest and financing fees in the condensed interim consolidated financial statements of loss.

11. OTHER LIABILITIES

	Liability incurred on flow-through shares issued $	Settlement of flow-through liability on incurring expenditures $	Balance, ending $
September 30, 2014			
Issued on December 9, 2013 [i]	178,500	(170,000)	8,500
Issued on December 20, 2013 [ii]	60,000	-	60,000
	238,500	(170,000)	68,500
December 31, 2014			
Issued on December 9, 2013 [i]	178,500	(178,500)	-
Issued on December 20, 2013 [ii]	60,000	(19,700)	40,300
	238,500	(198,200)	40,300

[i] On December 9, 2013, the Company issued 7,142,856 flow-through shares at a price of $0.07 per share for total proceeds of $500,000, which must be used for qualifying exploration expenditures and to be renounced to the flow-through shareholders effective December 31, 2014. The Company had spent the required qualifying exploration expenditures as at December 31, 2014.

[ii] On December 20, 2013, the Company issued 2,000,000 flow-through shares at a price of $0.07 per share for total proceeds of $140,000 which must be used for qualifying exploration expenditures and to be renounced to the flow-through shareholders effective December 31, 2014. The Company had spent approximately $46,000 of the required qualifying exploration expenditure as at December 31, 2014.

Expressed in Canadian dollars

12. CAPITAL STOCK

Authorized
Unlimited number of common shares, without par value
Unlimited number of preferred shares

Issued Common shares	Number #	Amount $
Balance at September 30, 2013	191,989,892	51,606,188
Private placement (i)	7,142,856	500,000
Share issue costs	-	(60,918)
Flow-through share premium (Note 11)	-	(178,500)
Private placement (ii)	2,000,000	140,000
Share issue costs	-	(16,797)
Flow-through share premium (Note 11)	-	(60,000)
Tax impact on share issue costs (iii)	-	90,245
Share issued as advance royalty (Note 8)	500,000	25,000
Balance at September 30, 2014	201,632,748	52,045,218
Private placement (iv)	50,000,000	500,000
Warrants attached to units	-	(164,197)
Share issue costs	-	(5,467)
Balance at December 31, 2014	251,632,748	52,375,554

(i) On December 9, 2013, the Company raised proceeds of $500,000 by way of a non-brokered private placement of 7,142,856 flow-through shares at a price of $0.07. The Company paid a total amount of $60,918 for commission, legal and filing fees and other cash-related share issue costs.

(ii) On December 20, 2013, the Company raised proceeds of $140,000 by way of a non-brokered private placement of 2,000,000 flow-through shares at a price of $0.07. The Company paid a total amount of $16,797 for commission, legal and filing fees and other cash-related share issue costs.

(iii) As certain deferred tax pools related to the benefits associated with share issue costs were recognized, the Company has recorded this amount as an offset to share issue costs.

(iv) On November 26, 2014, the Company raised proceeds of $500,000 by way of a non-brokered private placement of 50,000,000 units with an insider of the Company, Drake Private Investments LLC, at a price of $0.01 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share until November 26, 2019 at an exercise price of $0.05 per common share. The Company paid a total amount of $8,140 for legal and filing fees and other cash-related share issue costs.

13. SHARE-BASED PAYMENTS

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.

Expressed in Canadian dollars

13. SHARE-BASED PAYMENTS (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.

On September 10, 2013, the Company granted an aggregate of 200,000 stock options to a new member of the Board. All options vested immediately on grant date. The options are exercisable on or before September 10, 2018 at an exercise price of $0.09 per share. The estimated fair value of the options granted of $10,663 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 149%, a risk-free interest rate of 2.16% and an expected life of 5 years.

On June 17, 2014, the Company granted an aggregate of 3,050,000 stock options to officers, employees and consultants of the Company. All options vested immediately on grant date. The options are exercisable on or before June 17, 2019 at an exercise price of $0.05 per share. The estimated fair value of the options granted of $61,555 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 99%, a risk-free interest rate of 1.60%, and an expected life of 5 years.

On December 10, 2014, the Company cancelled a total of 14,080,500 stock options with an aggregate value of $3,603,158. The Company has no plans to replace the cancelled stock options.

The following table reflects the continuity of stock options at December 31, 2014 and September 30, 2014:

	December 31, 2014		September 30, 2014	
	Number of stock options #	Weighted average exercise price $	Number of stock options #	Weighted average exercise price $
Balance, beginning of period	17,265,500	0.25	16,945,500	0.29
Granted	-		3,250,000	0.05
Expired	(185,000)	0.09	(2,930,000)	0.26
Cancelled	(14,080,500)	0.30	-	-
Balance, end of period	3,000,000	0.05	17,265,500	0.25

The estimated weighted average grant date fair value of options granted during the three months ended December 31, 2014 was $Nil (Year ended September 30, 2014 - $0.05).

The weighted average remaining contractual date life of options outstanding at December 31, 2014 is 4.46 years (September 30, 2014 – 2.83 years).

Expected volatility is estimated considering the historic average share price volatility.

Expressed in Canadian dollars

13. SHARE-BASED PAYMENTS (continued)

As of December 31, 2014, the following stock options were outstanding:

Value $	Outstanding Options #	Options Exercisable #	Exercise Price $	Expiry Date
60,546	3,000,000	3,000,000	0.05	June 17, 2019

14. WARRANTS RESERVE

	Number #	Amount $
Balance at September 30, 2013	14,902,261	841,862
Warrants and broker warrants expired	(9,903,282)	(499,962)
Balance as at September 30, 2014	4,998,979	341,900
Warrants and broker warrants expired	(1,398,979)	(125,900)
Warrants issued in connection with loan facility's term extension (i)	11,500,000	32,050
Warrants issued as part of private placement, net of share issue costs (ii)	50,000,000	161,524
Balance as at December 31, 2014	65,100,000	409,574

(i) These warrants were issued in connection with the extension of the loan facility (Note 10)

(ii) In connection with November 26, 2014 private placement (Note 12 (iv)), the Company issued 50,000,000 warrants which entitle the holder to purchase one common share of the Company at a price of $0.05 expiring November 26, 2019. Each warrant entitles the holder to purchase one additional common share until November 26, 2019 at an exercise price of $0.05 per common share.

The estimated fair value of the warrants of $164,197 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 106%, a risk-free interest rate of $1.46% and an expected life of 5 years.

As of December 31, 2014, the following warrants were outstanding:

Value $	Outstanding Warrants #	Warrants Exercisable #	Exercise Price $	Expiry Date
216,000	3,600,000 (a)	3,600,000	0.25	July 14, 2015
32,050	11,500,000 (a)	11,500,000	0.02	November 7, 2019
161,524	50,000,000	50,000,000	0.05	November 29, 2019
409,574	65,100,000	65,100,000		

(a) These are warrants issued in connection with the loan facility (Note 10).

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:

Expressed in Canadian dollars

15. RELATED PARTY TRANSACTIONS (continued)

Key Management Compensation

		December 31, 2014		December 31, 2013
Exploration and evaluation assets	$	27,000	$	27,000
Consulting and management fees – Salaries, consulting fees and bonus		83,383		179,798
Consulting and management fees – Directors' fees		10,000		10,000
	$	120,383	$	216,798

Included in amounts receivable as at December 31, 2014 is approximately $3,162 (September 30, 2014 - $2,039) in office and general expense reimbursements and rent due from companies with common management. During the three months ended December 31, 2014, a total of approximately $30,657 (December 31, 2013 - $40,706) was reimbursed by these companies and included in office and general.

Included in accounts payable and accrued liabilities as at December 31, 2014 are approximately $110,955 (September 30, 2014 - $77,000) payable to key management personnel related to accrued salaries, consulting fees and bonus and $30,000 (September 30, 2014 - $20,000) payable to the board of directors related to accrued directors' fee.

These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

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 shareholders' equity, comprised of issued capital stock, shares to be issued, share-based payments reserve, warrants reserve 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 2014 and 2013. 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 significant changes in the risks, objectives, policies and procedures during 2014 and 2013.

Market Risk
Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. In addition, most of the Company's investments are in the resource sector.

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 accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's loan payable is due on July 14, 2017.

At December 31, 2014, the Company had cash balance of $244,398 (September 30, 2014 - $48,318) and current assets of $401,664 (September 30, 2014 - $237,757), to settle current liabilities of $507,291 (September 30, 2014 - $3,611,143). The Company has a working capital deficiency of $105,627 at December 31, 2014 (September 30, 2014 –$3,373,386).

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 cash and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash has been deposited 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
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:

For the three months ended December 31, 2014, a 10% decrease in the closing prices of its portfolio investments would result in an estimated increase in net loss of $2,290 (December 31, 2013 - $1,463) based on the fair value of the investments held at December 31, 2014.

Expressed in Canadian dollars

17. FINANCIAL RISK MANAGEMENT (continued)

Fair Value
All of the Company's investments are classified as held-for-trading, which are measured at fair value. Cash and amounts 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.

As at December 31, 2014, the carrying and fair value amounts of the Company's financial instruments are approximately the same.

The carrying value of cash, amounts 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).

As at December 31 and September 30, 2014, the Company's financial instruments that are carried at fair value are investments, which have been classified Level 1, 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 $1,118,000 be made upon the occurrence of certain events such as a change of control. As the triggering events have not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Minimum management contract commitments remaining under these contracts are approximately $555,000, due within one year.

Premise Lease
The Company is subject to a lease commitment for an office expiring on November 30, 2016. Minimum lease payments under lease are as follows:

Fiscal Year	$
2015	76,560
2016	102,080
2017	17,013
Total	195,653

Environmental
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.