NEVADA SUNRISE GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

SEPTEMBER 30, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Nevada Sunrise Gold Corporation

We have audited the accompanying consolidated financial statements of Nevada Sunrise Gold Corporation, which comprise the consolidated statements of financial position as at September 30, 2012, September 30, 2011 and October 1, 2010, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended September 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Nevada Sunrise Gold Corporation as at September 30, 2012, September 30, 2011 and October 1, 2010, and its financial performance and its cash flows for the years ended September 30, 2012 and 2011 in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

January 25, 2013

NEVADA SUNRISE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	Note	September 30, 2012	September 30, 2011 (Note 14)	October 1, 2010 (Note 14)
ASSETS				
Current assets				
Cash		$ 1,013,031	$ 137,739	$ 62,680
Other current assets		11,800	12,395	4,632
Due from related parties	8	3,156	2,789	-
		1,027,987	152,523	67,312
Non-current assets				
Other assets		3,439	3,602	3,591
Equipment	5	17,292	23,640	33,202
Exploration and evaluations assets	6	2,417,087	2,385,410	2,580,601
		2,437,808	2,412,652	2,617,394
Total assets		$ 3,465,795	$ 2,565,175	$ 2,684,706
EQUITY AND LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		$ 33,549	$ 100,951	$ 111,839
Due to related parties	8	370	155	51,449
Convertible note payable	11	-	496,132	696,457
		33,919	597,238	859,745
Equity				
Share capital	7	11,280,453	7,688,065	6,371,766
Contributed reserves	7	1,411,055	840,030	712,018
Subscriptions received in advance		-	-	45,000
Accumulated other comprehensive income (loss)		(82,725)	13,192	(2,620)
Deficit		(9,176,907)	(6,573,350)	(5,301,203)
		3,431,876	1,967,937	1,824,961
Total equity and liabilities		$ 3,465,795	$ 2,565,175	$ 2,684,706

Nature and continuance of operations (Note 1)
Commitment (Note 10)
Subsequent events (Note 15)

These consolidated financial statements are authorized for issue by the Board of Directors on January 24, 2013. They are signed on the Company's behalf by:

Approved by the Directors:

"William B. Henderson" Director *"Michael Sweatman"* Director

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

NEVADA SUNRISE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED SEPTEMBER 30

	2012	2011 (Note 14)
GENERAL AND ADMINISTRATIVE EXPENSES		
Business insurance	$ 18,333	$ 34,579
Consulting	125,409	255,777
Depreciation (Note 5)	10,621	11,663
Exploration costs (Note 6)	931,582	197,814
Marketing	33,286	52,828
Professional fees	119,755	71,506
Rent and office expenses	131,174	107,323
Salaries and benefits	245,588	182,290
Share-based compensation (Note 7(d))	571,025	109,449
Travel and entertainment	13,340	14,789
Total general and administrative expenses	(2,200,113)	(1,038,018)
Finance (costs)/Income (Note 11)	(368,394)	98,723
Write-off of exploration and evaluation asset (Note 6)	-	(283,243)
Foreign exchange loss	(14,748)	(5,380)
Interest expense	(20,302)	(44,229)
Loss for the year	(2,603,557)	(1,272,147)
Translation adjustment	(95,917)	15,182
Comprehensive loss for the year	$ (2,699,474)	$ (1,256,965)
Basic and diluted loss per common share	$ (0.03)	$ (0.02)
Weighted average number of common shares outstanding	80,187,343	51,799,348

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

NEVADA SUNRISE GOLD CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share Capital						
	Number of Shares	Amount	Contributed Reserves	Subscriptions Received in Advance	Accumulated Other Comprehensive Loss	Deficit	Total
Balance as at October 1, 2010 (Note 14)	46,086,509	$ 6,371,766	$ 712,018	$ 45,000	$ (2,620)	$ (5,301,203)	$ 1,824,961
Shares issued for cash	14,812,000	1,040,600	-		-	-	1,040,600
Share issue costs	-	(78,801)	18,563	-	-	-	(60,238)
Share-based compensation	-	-	109,449	-	-	-	109,449
Exercise of warrants	2,363,334	354,500	-	(45,000)	-	-	309,500
Cumulative translation adjustment	-	-	-	-	15,812	-	15,812
Net loss for the year	-	-	-	-	-	(1,272,147)	(1,272,147)
Balance as at September 30, 2011 (Note 14)	63,261,843	7,688,065	840,030		13,192	(6,573,350)	1,967,937
Shares issued for cash	25,807,140	2,954,000	-	-	-	-	2,954,000
Share issue costs	-	(323,393)	-	-	-	-	(323,393)
Finder units	1,586,667	190,400	-	-	-	-	190,400
Share-based compensation	-	-	571,025	-	-	-	571,025
Exercise of warrants	256,667	25,667	-	-	-	-	25,667
Conversion of convertible note into shares	4,142,858	745,714	-	-	-	-	745,714
Cumulative translation adjustment	-	-	-	-	(95,917)	-	(95,917)
Net loss for the year	-	-	-	-	-	(2,603,557)	(2,603,557)
Balance as at September 30, 2012	95,055,175	$ 11,280,453	$ 1,411,055	$ -	$ (82,725)	$ (9,176,907)	$ 3,431,876

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

NEVADA SUNRISE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED SEPTEMBER 30

	2012	2011 (Note 14)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,603,557)	$ (1,272,147)
Items not involving cash:		
Depreciation	10,621	11,663
Finance costs (income)	368,394	(98,273)
Share-based compensation	571,025	109,449
Write down of exploration and evaluation assets	-	283,243
Net change in non-cash working capital:		
Other current assets	908	(7,763)
Accounts payable and accrued liabilities	(68,464)	(11,690)
Net cash used in operating activities	(1,721,073)	(985,518)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in equipment	(8,544)	-
Investment in exploration and evaluation assets	(149,905)	(88,382)
Net cash used in investing activities	(158,449)	(88,382)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital (net of share issue costs)	2,846,674	1,289,862
Repayment of convertible note payable	(110,027)	(100,024)
Due to related parties	-	(51,984)
Net cash provided by financing activities	2,736,647	1,137,854
Effect of exchange rate on cash	18,567	10,705
Net change in cash	875,692	74,659
Cash, beginning of year	137,339	62,680
Cash, end of year	$ 1,013,031	$ 137,339
Interest paid	$ 20,403	$ 49,340
Income taxes paid	$ -	$ -

Supplemental disclosures with respect to cash flows (Note 12)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nevada Sunrise Gold Corporation (the "Company") was incorporated under the laws of British Columbia on April 3, 2007 and its registered head office is 231 Cherry Avenue, Suite 201 Auburn, CA 95603. On May 15, 2007 the Company acquired all of the issued and outstanding shares of Intor Resources Corporation ("Intor") by way of reverse takeover. Intor was incorporated under the laws of the State of Nevada on September 7, 2004 as Nevada Sunrise Exploration Limited. The name of that company was changed to Intor Resources Corporation in February, 2005. The Company's principal business activities include the acquisition, exploration and development of exploration and evaluation assets.

The Company is in the process of exploring and developing its exploration and evaluation assets. The recoverability of the amounts are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production.

The Company's consolidated financial statements are prepared using International Financial Reporting Standards (IFRS) applicable to a going concern, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company will require additional financing or outside participation to undertake further exploration and subsequent development of its exploration and evaluation assets. Future operations of the Company are dependent on its ability to raise additional equity financing and the attainment of profitable operations.

The Company has a history of operating losses and as at September 30, 2012, has an accumulated deficit of $9,176,907 (September 30, 2011 – $6,573,350) (October 1, 2010 – $5,301,203). However, as at September 30, 2012, the Company has $1,013,031 in cash deposits which is considered sufficient to carry out committed exploration activities and corporate and administrative costs beyond the end of fiscal 2013.

The Company has a relationship with Pilot Gold ("Pilot") at its Kinsley Mountain property (Note 6.) Pilot has acquired a 51% interest in the Kinsley Mountain Property by incurring an aggregate US$1.18 million in exploration expenditures, this milestone was achieved by Pilot Gold in March 2012. Pilot Gold may acquire an additional 14% interest in the property by incurring an additional US$3 million in exploration expenditures within 5 years of meeting the initial expenditure requirement. Concurrent with its acquisition of its 51% interest in May 2012, notified the Company of its intention to increase its interest to 65% within 5 years by undertaking the second option expenditure requirement described above. Upon Pilot's completion of the initial earn-in, the Company and Pilot were deemed to have entered into a joint venture, with a 51% interest in Kinsley Mountain transferring to Pilot. As a result of this relationship, the Company will have an obligation to fund ("Cash Call") the costs of operating this property to the extent of its interest. There is no assurance the Company will be able to raise this capital.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Conversion to International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements are the first to be presented in accordance with IFRS. Prior to its December 31, 2011 interim financial statements, the Company prepared its annual and interim financial statements in accordance with Canadian generally accepted accounting standards ("Canadian GAAP")

The consolidated financial statements for the year ended September 30, 2012 have been prepared in accordance with IFRS and First-time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain mandatory exceptions required by and optional exemptions available in IFRS 1 and described in Note 14, the Company has consistently applied the same accounting policies compliant with IFRS to its Transition Date statement of financial position on October 1, 2010 and throughout all subsequent fiscal periods. Note 14 describes the impact of the application of IFRS compared to Canadian GAAP on the Company's Statements of financial position, statement of loss and comprehensive loss and cash flows.

b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments as fair value through profit and loss, 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. All dollar amounts are stated in Canadian dollars unless otherwise specified.

Certain prior period figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously-reported results.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the following subsidiary:

Name of subsidiary	Place of incorporation	Percentage ownership	Principal Activity
Intor Resources Corp.	*USA*	100%	Exploration of mining assets

The Company consolidates the subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies.

Inter-Company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

d) Use of estimates and judgments

i) Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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, relate to, but are not limited to, the following:

ii) Exploration and evaluation assets

The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggests the carrying amount exceeds the recoverable amount.

iii) Share-based payments

The inputs used in calculating the fair value for share-based payments expense included in profit or loss and share-based share issuance costs included in equity. The share-based payments expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

iv) 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.

v) Derivative financial instruments

The Company's convertible debenture was treated as derivative financial liabilities. The estimated fair value, based on the Black-Scholes model, and each was adjusted on a quarterly basis with gains or losses recognized in the statement of net loss and comprehensive loss. The Black-Scholes model was based on significant assumptions such as volatility, dividend yield and expected term (see Note 11).

Critical Judgements

i) The preparation of these financial statements requires management to make judgments regarding the going concern of the Company. As at September 30, 2012 the Company had a working capital of $994,068. Management's judgment is that the Company has sufficient working capital to cover its obligations as they come due over the next twelve months.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

e) Equipment

Equipment is stated 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 recorded over the estimated useful lives of the assets on the straight line basis:

Furniture and equipment	7 years
Computer equipment and software	3 years
Tenant improvements	5 years
Field equipment	7 years

An item of 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.

Where an item of equipment is composed of 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.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

f) Exploration and evaluation assets

Upon acquiring the legal right to explore a mineral property, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred.

Exploration costs are expensed as incurred as the Company is in the process of exploring its mineral tenements and has not yet determined whether these properties contain ore reserves that are economically recoverable. If and when the Company's management determines that economically extractable proven or probable mineral reserves have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body will be capitalized.

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. The recoverable amount isthe higher of the asset's fair value less costs to sell and value in use.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

g) Decommissioning, restoration and similar liabilities ("asset retirement obligations")

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation 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 rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no asset retirement liabilities as at September 30, 2012, September 30, 2011 or October 1, 2010..

h) Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of Nevada Sunrise Gold Corp. is the Canadian dollar and the functional currency of Intor Resources Corp. is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors indentified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, the monetery assets and liabilities of the Company that are determined in foreign amounts are translated at the rate of exchange at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss

Translation of subsidiary results into the presentation currency

The results and statements of financial position of all the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities are translated at the closing rate at the date of the statement of financial position;
ii) Items of equity are translated at historical rates;
iii) Income and expenses for each statement of income are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
iv) All resulting exchange differences are recognized as accumulated other comprehensive income (loss), a separate component of equity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

i) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

j) Share-based compensation:

The stock option plan allows Company employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

k) Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the statement of financial position liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Loss per share

The Company presents basic and diluted loss per share data 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 period. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

m) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's due from related parties are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. At October 1, 2010, September 30, 2011, or September 30, 2012 the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

n) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and due from related parties are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has clasified its Convertible note payable as financial liabilities classified as FVTPL.

o) Derivative financial instruments:

The Company's convertible note payable was treated as a derivative financial liability. The estimated fair value, based on the Black-Scholes model, was adjusted on a quarterly basis with gains or losses recognized in the statement of loss and comprehensive loss. The Black-Scholes model is based on significant assumptions such as volatility, dividend yield and expected term. During the period ended September 30, 2012 the interest-bearing convertible note was settled in full (Note 11).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

p) Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be 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. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to 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 profit or loss for the period. 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. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that 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.

q) Share capital

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

r) New standards, amendments and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 2012 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2015 with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

- IFRS 10 'Consolidated Financial Statements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- IFRS 11 'Joint Arrangements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

r) New standards, amendments and interpretations not yet effective (cont'd…)

- IFRS 12 'Disclosure of Interests in Other Entities' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

- IFRS 13 'Fair Value Measurement' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

- IAS 27 'Separate Financial Statements'– as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

- IAS 28 'Investments in Associates and Joint Ventures' – effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.

- IAS 1 'Presentation of Financial Statements' – effective for annual periods beginning on or after July 1, 2012, the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.

- IFRS 7 'Financial Instruments: Disclosures' - effective for annual periods beginning on or after January 1, 2015, is amended to outline the disclosure required when initially applying IFRS 9 Financial Instruments.

- IFRS 32 'Financial Instruments: Presentation' - effective for annual periods beginning on or after January 1, 2014, is amended to provide guidance on the offsetting of financial assets and financial liabilities.

3. CAPITAL MANAGEMENT

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 exploration and evaluation assets. 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. In the management of capital, the Company includes components of equity.

3. CAPITAL MANAGEMENT (cont'd...)

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

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 the year ended September 30, 2012. The Company is not currently subject to externally imposed capital requirements.

4. FINANCIAL INSTRUMENTS

The fair value of the Company's due from related parties, accounts payable and accrued liabilities, and due to related parties approximate their carrying value, because of the short-term nature of these instruments.

The following table illustrates the classification of the Company's financial instruments within fair value hierarchy as at:

	Level 1	Level 2	Level 3
September 30, 2012:			
Cash	$ 1,013,031	$ -	$ -
Convertible note payable	-	-	-
	$ 1,013,031	$ -	$ -
September 30, 2011			
Cash	$ 137,339	$ -	$ -
Convertible note payable	-	496,132	-
	$ 137,339	$ 496,132	$ -
October 1, 2010			
Cash	$ 62,680	$ -	$ -
Convertible note payable	-	696,457	-
	$ 68,680	$ 696,457	$ -

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's management believes it has no significant credit risk.

4. FINANCIAL INSTRUMENTS (cont'd…)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2012, the Company had a cash balance of $1,013,031 (September 30, 2011 - $137,339; October 1, 2010 - $62,680) to settle current liabilities of $33,919 (September 30, 2011 - $597,238; October 1, 2010 - $859,745). The Company believes that its existing cash resources are sufficient to allow the Company to continue operations and committed exploration programs through the end of fiscal 2013.

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 the Company is not at a significant risk to fluctuating interest rates with respect to cash. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions or short-term debt instruments issued by the federal government. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2012, the Company did not have any investments in investment-grade short-term deposit certificates or short-term debt issued by the federal government.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable, accrued liabilities, and convertible note payable that are denominated in US Dollars.

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.

Sensitivity Analysis

The Company operates in the United States and is exposed to risk from changes in the US dollar. A 10% fluctuation in the US dollar against the Canadian dollar would affect net comprehensive loss for the period by approximately $278,995.

5. EQUIPMENT

	Furniture and Equipment	Computer and Software	Tenant Improvements	Field Equipment	Total
Cost					
Balance at October 1, 2010	$ 17,345	$ 15,058	$ 24,963	$ 11,127	$ 68,493
Cumulative translation adjustment	59	51	86	38	234
Balance at September 30, 2011	17,404	15,109	25,049	11,165	68,727
Additions	-	4,128	-	4,416	8,544
Cumulative translation adjustment	(836)	(726)	(1,203)	(536)	(3,301)
Balance at September 30, 2012	$ 16,568	$ 18,511	$ 23,846	$ 15,045	$ 73,970
Depreciation					
Balance at October 1, 2010	$ 7,481	$ 11,147	$ 12,639	$ 4,024	$ 35,291
Depreciation expense for year	2,321	3,032	4,786	1,524	11,663
Cumulative translation adjustment	(396)	(590)	(668)	(213)	(1,867)
Balance at September 30, 2011	9,406	13,589	16,757	5,335	45,087
Depreciation expense for year	2,283	1,488	4,889	1,961	10,621
Cumulative translation adjustment	202	293	360	115	970
Balance at September 30, 2012	$ 11,891	$ 15,370	$ 22,006	$ 7,411	$ 56,678
Net Book Value					
As at October 1, 2010	$ 9,864	$ 3,911	$ 12,324	$ 7,103	$ 33,202
As at September 30. 2011	$ 7,998	$ 1,520	$ 8,292	$ 5,830	$ 23,640
As at September 30, 2012	$ 4,677	$ 3,141	$ 1,840	$ 7,634	$ 17,292

6. EXPLORATION AND EVALUATION OF ASSETS

Title to exploration and evaluation assets 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 historical title conveyance characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation asset interests in which the Company has committed to earn an interest are located in the United States.

6. EXPLORATION AND EVALUATION OF ASSETS (cont'd...)

	Golden Arrow	Iron Point	Juniper	Kinsley Mountain	Pinnacle	Total
Balance, October 1, 2010	**$ 2,285,172**	**$ 142,012**	**$ 153,417**	**$ -**	**$ -**	**$ 2,580,601**
Acquisition costs	53,805	19	20	-	34,538	88,382
Write-off of acquisition costs	-	(136,155)	(147,088)	-	-	(283,243)
Foreign currency variance	10,281	(5,876)	(6,349)	-	1,614	(330)
Balance as at September 30, 2011	**2,349,258**	**-**	**-**	**-**	**36,152**	**2,385,410**
Acquisition costs	95,724	-	-	-	54,181	149,905
Foreign currency variance	(115,163)	-	-	-	(3,065)	(118,228)
Balance as at September 30, 2012	**$ 2,329,819**	**$ -**	**$ -**	**$ -**	**$ 87,268**	**$ 2,417,087**

	Golden Arrow	Iron Point	Juniper	Kinsley Mountain	Pinnacle	Total
Cumulative exploration costs at September 30, 2010	**$ 1,552,649**	**$ 2,4682**	**$ 10,6011**	**$ 22,566**	**$ -**	**$ 1,588,284**
Year ended September 30, 2012						
Drilling	-	-	-	-	-	-
Geophysical survey	186,540	-	-	-	-	186,540
Field costs	1,826	-	-	-	-	1,826
Consulting	9,448	-	-	-	-	9,448
Exploration costs, year ended September 30, 2011	**197,814**	**-**	**-**	**-**	**-**	**197,814**
Year ended September 30, 2012						
Drilling	404,891	-	-	-	-	404,891
Geophysical survey	285,116	-	-	567	-	285,683
Field costs	14,910	-	-	-	-	14,910
Consulting	198,042	-	-	605	27,451	226,098
Exploration costs, year ended September 30, 2012	**902,959**	**-**	**-**	**1,172**	**27,451**	**931,582**
Total cumulative exploration costs at September 30, 2012	**$ 2,653,422**	**$ 2,468**	**$ 10,601**	**$ 23,738**	**$ 27,451**	**$ 2,717,680**

Golden Arrow, Nevada

The Company has a mining lease and two quitclaim deeds covering certain areas of the Golden Arrow property. The mining lease agreement, which includes a 2% net smelter royalty and requires advance royalty payments of US$50,000, is set to expire in December 2016. However, the Company may extend the mining lease for additional one year terms by paying escalating annual lease payments. One of quitclaim deeds includes a 1% net smelter royalty. The other quitclaim deed includes a 3% net smelter royalty and requires annual advance royalty payments of US$25,000. The Company has the option to buy-down the net smelter royalty from 3% to 1%, in 1% increments, by making a one-time payment of US$100,000 per 1% increment reduction. If the Company elects to buy-down the net smelter royalty, the annual advance royalty payment will also be reduced proportionately.

6. EXPLORATION AND EVALUATION OF ASSETS (cont'd...)

Golden Arrow, Nevada (cont'd...)

In March 2010, the Company entered into an agreement with Animas Resources Ltd ("Animas"), whereby the Company agreed to grant Animas an option to acquire a 51% interest in the Golden Arrow property.

Animas would have exercised this option by spending an aggregate $3,500,000 in specified exploration expenditures within three years, including certain expenditures which were to occur in 2010. In March 2011, Animas terminated the Mining Lease Option for the Golden Arrow property.

Iron Point and Juniper, Nevada

The Company had mining lease agreements with a company of which an officer and director of the Company is managing director and has a minority interest (Note 8) for two properties: Iron Point and Juniper. The Iron Point and Juniper agreements included a net smelter royalty on production of 2% and required advance minimal royalty of US$100,000 per property. Both the Iron Point and the Juniper agreements were terminated June 2011 and all related acquisition costs have been expensed.

Kinsley Mountain, Nevada

The Company also has a mining lease agreement with a company of which an officer and director of the Company is managing director and has a minority interest (Note 8) for the Kinsley Mountain Property. The Kinsley Mountain agreement has a sliding scale net smelter royalty rate on production from 2% to 5% depending on the price of gold and requires an annual advance minimum royalty. In 2011, the Company and the related party amended certain provisions of the mining agreement including the expiration date and the timing of advance minimum royalty payments for no additional consideration. The agreement now runs through June 2020; however Company has the right to terminate the mining lease with the related party upon thirty days written notice; or to extend the lease beyond 2020 provided the Company continues to make advance minimum royalty payments. Per the lease agreement, beginning June 2012, the Company has an obligation to expend a minimum of US$500,000 annually in exploration, development and mining activities on the Kinsley Mountain Property. The Company minimum annual work obligation will be fulfilled by Pilot Gold's exploration expenditures, as discussed below.

In March 2010, the Company entered into an agreement with Animas Resources Ltd ("Animas"), whereby the Company agreed to grant Animas an option to acquire a 51% interest in the Kinsley Mountain property.

Effective September 2011, Animas conveyed its interest in the agreement to Pilot Gold USA Inc. ("Pilot "). Pursuant to the agreement, Pilot has acquired a 51% interest in the Kinsley Mountain Property by incurring an aggregate US$1.18 million in exploration expenditures and having paid all annual property maintenance fees, advance royalty payments, and mining lease payments, before March 2013. This milestone was achieved by Pilot in March 2012. Pilot may acquire an additional 14% interest in the property by incurring an additional US$3 million in exploration expenditures within 5 years of meeting the initial expenditure requirement. Concurrent with its acquisition of its 51% interest in May 2012, Pilot notified the Company of its intention to increase its interest to 65% within 5 years by undertaking the second option expenditure requirement described above. As a result of Pilot achieving this milestone, the Company will have an obligation to fund ("Cash Call") the costs of operating this property to the extent of its interest. The Kinsley Mountain property is collateral for the payment of these Cash Calls. Upon Pilot Gold's completion of the initial earn-in, the Company and Pilot Gold were deemed to have entered into a joint venture, with a 51% interest in Kinsley Mountain transferring to Pilot Gold. The formation of the joint venture is pending. . The Company intends to fund these quarterly Cash Calls with outside capital. There is no assurance the Company will be able to raise this capital.

6. EXPLORATION AND EVALUATION OF ASSETS (cont'd...)

Golden Arrow, Nevada (cont'd...)

Future advance minimum royalty payments, which pursuant to agreement are to be paid annually by Pilot Gold to a company controlled by an officer and director of the Company, are as follows:

June 1:	**US$ Advance Minimum Royalty**
2013-2016	$50,000
2017	75,000
2018	100,000
2019	150,000
2020 (and each thereafter)	200,000

Pinnacle, Nevada

Effective January 2011, the Company entered a mining lease agreement with a company of which an officer and director of the Company is managing director and has a minority interest (Note 8) covering the Pinnacle property. The agreement includes a sliding scale net smelter royalty on production from 2.5% to 5% depending on the price of gold. The Company can terminate the agreement by giving written notice prior to July 1 of the year of its determination and executing a quitclaim deed conveying its interest in the property to the related party. The agreement requires future annual advance minimum royalty payments as follows:

	US$ Advance Minimum Royalty
2013 (paid in quarterly instalments)	$60,000
2014-2020 (due July 1 of each year)	60,000

In addition, the Company must pay annual property maintenance fees and a minimum work commitment of US $100,000 each year from 2013 through 2015; and US$250,000 per year from 2016 through 2020. As of the date of these financial statements, the Company has an obligation to pay the company of which an officer and director of the Company is managing director and has a minority interest (Note 8) US$7,500 for its quarterly installment which was due on October 1, 2012. The company of which an officer and director of the Company is managing director and has a minority interest (Note 8) extended the due date until January 31 for this payment.

7. SHARE CAPITAL AND CONTRIBUTED RESERVES

a) Authorized: Unlimited common shares, without par value

b) Issued: As of September 30, 2012, 95,055,175 common shares were issued and outstanding.

In April 2012, the Company converted a US$290,000 convertible note payable into 4,142,858 Units. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitled the holder to acquire an additional common share at an exercise price of $0.12 exercisable until March 25, 2013.

Also in April 2012, a total of 256,667 warrants were exercised at a price of $0.10 per common share yielding the Company $25,667.

In March 2012, the Company completed three separate private placements as follows:

i) The Company completed a non-brokered private placement of 2,857,140 units (the "Units") at a price of $0.07 per Unit. Each Unit consisted of one common share of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase an additional common share (a "Warrant Share") at an exercise price of $0.10 per Warrant Share until March 16, 2014.

ii) The Company completed a private placement, of units (the "Units") at a price of $0.12 per Unit (the "Offering"). A total of 16,700,000 Units were issued, for total proceeds of $2,004,000. Each Unit consisted of one common share of the Company (a "Share") and one half of one common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase an additional common share (a "Warrant Share") at an exercise price of $0.20 per Warrant Share for a period of 24 months from the date of issuance, subject to earlier expiry at any time after four months and one day from the date of issuance, at the option of the Company, if the daily volume weighted average price of the common shares of the Company is greater than $0.32 per share over a period of 20 consecutive trading days, in which case the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. In consideration for the services provided by the Agent, the Company issued to the Agent 1,586,667 Units, at a value of $0.12 per Unit,, which consisted of one share and one half of one share purchase warrant. Each full share purchase warrant is exercisable at $0.20 per share. The units were valued at $190,400 using the share price at the concurrent offering of $0.12 and were re-classed as a share issue cost

The Company also completed a non-brokered private placement. The Company issued 6,250,000 Units (the "Units") at a price of $0.12 per Unit. Each Unit consisted of one common share of the Company (a "Share") and one-half of one common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder to purchase an additional common share (a "Warrant Share") at an exercise price of $0.20 per Warrant Share for a period expiring March 23, 2014. If the Company's common shares trade at a daily volume weighted average price of greater than $0.32 per share for a period of 20 consecutive trading days at any time after four months and one day after the closing, the Company may accelerate the expiry date of the Warrants by giving notice to the holders notice thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. The securities issued in the private placement are subject to a four month hold period which expires July 24, 2012.

7. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd…)

In addition, in March 2012, a total of 256,667 warrants were exercised at a price of $0.10 per common share yielding the Company $25,667.

During the year-ended September 30, 2011 the following transactions occurred:

In July and September 2011, the Company closed two tranches of a non-brokered private placement consisting of a total of 12,812,000 units at a price of $0.05 per unit, yielding the Company gross proceeds of $640,600. Each unit issued in connection thereof consisted of one Common Share of the Company and one-half common share purchase warrant. Each whole common share purchase warrant is exercisable to purchase an additional Common Share at a price of $0.10 per Common Share for a period of 18 months from the date of issuance. In connection with this financing, the ompany paid certain parties a finder's fee of $40,317 and issued a total of 991,200 common share purchase warrants exercisable at a price of $0.10 per Common Share for a period of 18 months. The fair value of such warrants, $18,563, was estimated using the Black-Sholes option pricing model with a weighted average risk free rate of 1.49% and 1.5%, an expected life of 1.5 years, expected volatility of 115% and an expected dividend yield of 0%. In addition, other offering costs totaling $11,711 were incurred in connection with the private placement. All shares and warrants issued pursuant to the private placement were subject to a four-month hold period.

In December 2010, the Company closed a non-brokered private placement consisting of 2,000,000 units at a price of $0.20 per unit, yielding the Company gross proceeds of $400,000. Each unit issued in connection thereof consists of one Common Share and one common share purchase warrant. Each common share purchase warrant is exercisable to purchase an additional Common Share at a price of $0.30 per Common Share until December 3, 2012, subject to acceleration on 30-days notice if, on any day on or after April 4, 2011 and before the expiry date of the Warrants, the Company's common shares trade at a price greater than $0.50 for a period of 10 or more trading days. The Company incurred $8,210 in offering costs in connection with this private placement.

A total of 2,363,334 common share purchase warrants of the Company were exercised for gross proceeds of $354,500.

7. SHARE CAPITAL AND CONTRIBUTED RESERVES (cont'd…)

c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance as at October 1, 2010	7,010,654	$	0.20
Warrants issued	9,397,200		0.14
Warrants expired	(4,647,320)		0.22
Warrants exercised	(2,363,334)		0.15
Balance as at September 30, 2011	9,397,200		0.14
Warrants issued	17,196,901		0.17
Warrants exercised	(256,667)		0.10
Balance as at September 30, 2012	26,337,434	$	0.16

At September 30, 2012, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	$ 0.30	December 3, 2012 (4)
6,129,333 (1)	0.10	January 25, 2013 (5)
1,011,200 (2)	0.10	March 2, 2013
9,143,332 (3)	0.20	March 12, 2014
2,857,140	0.10	March 16, 2014
3,125,000	0.20	March 23, 2014
2,071,429	0.12	March 25, 2013

(1) Includes 981,000 finders' warrants.
(2) Includes 10,200 finders' warrants.
(3) Includes 793,333 agents' warrants.
(4) 2,000,000 warrants expired unexercised on December 3, 2012.
(5) The original number of warrants, prior to any exercise of these warrants, was 6,386,000 As of September 30, 2012 a total of 256,667 warrants had been exercised. Subsequent to September 30, 2012, and before the date these financial statements were issued, another 1,813,000 warrants were exercised for a total exercised of 2,069,667 warrants.The remaining 4,316,333 warrants expired unexercised on January 25, 2013.

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

d) Options

The Company has a stock option plan whereby it may grant options to employees, directors, consultants and certain other service providers. The maximum aggregate number of shares that may be reserved for issuance under the plan is 10% of the Outstanding Shares, less any common shares reserved for issuance under share options granted outside of this plan. Options are exercisable for a maximum of 10 years. Option shares are subject to vesting requirements as determined by the Company's Board of Directors.

The Company recognizes share-based compensation expense for all stock options based on the fair value based method of accounting. The fair value attributable to options vesting was $571,025 for the year ended September 30, 2012 (2011 - $109,449).

The weighted average fair value of options granted in the year was $0.16 (2011 - $Nil). The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options granted during the years ended September 30, 2012 and 2011:

	2012	2011
Risk-free interest rate	1.53%	-
Expected life of options	5 years	-
Annualized volatility	113%	-
Dividend rate	0%	-
Forfeiture rate	0%	-

In May 2012, the Company granted incentive stock options to certain directors of the Company to purchase up to 1.2 million common shares in the Company pursuant to its shareholder approved stock option plan. All options vested immediately and are exercisable at a price of $0.22 per common share expiring on May 2017. In March 2012, the Company granted incentive stock options to certain directors, officers, and employees of the Company to purchase up to 2.425 million common shares in the share capital of the Company pursuant to its shareholder approved stock option plan. All of the options vested immediately and are exercisable at a price of $0.22 per common share, expiring on March 13, 2017.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance as at October 1, 2010	3,625,000	$ 0.24
Options issued	-	-
Options expired	(750,000)	0.18
Options exercised	-	-
Balance as at September 30, 2011	2,875,000	0.25
Options issued	3,625,000	0.22
Options expired	(800,000)	0.23
Options exercised	-	-
Balance as at September 30, 2012	5,700,000	$ 0.23

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

d) Options (cont'd...)

At September 30, 2012, stock options were outstanding enabling holders to acquire shares as follows

Number of Shares		Exercise Price	Number of options Currently Exercisable	Expiry Date
1,850,000	$	0.25	1,850,000	September 18, 2013
100,000		0.25	100,000	November 5, 2013
25,000		0.25	25,000	March 5, 2014
700,000		0.25	700,000	July 29, 2015
1,825,000		0.22	1,825,000	March 13, 2017
1,200,000		0.22	1,200,000	May 10, 2017

8. RELATED PARTY TRANSACTIONS

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:

		September 30, 2012		**September 30, 2011**
Management fees & Salaries and Benefits	$	169,924	$	167,714
Share based payments		567,962		66,245
	$	737,886	$	233,959

An officer and director of the Company is managing partner and has a minority interest of an afflllated company. This affiliated company is referred to in the table below.

8. RELATED PARTY TRANSACTIONS (cont'd…)

	September 30, 2012	September 30, 2011
Professional fees to accounting firm in which an officer is a member	$ 88,354	$ 73,388
Professional fees to law firm in which a director is a partner	40,875	-
Travel expense to an affiliated company	-	7,198
Affiliated company for advance minimum royalty payments	30,364	14,844
Affiliated company for property exploration costs	6,711	-
Affiliated company for operating expenses	1,468	7,178
Affiliated company for advance minimum royalty payments	$ 40,651	$ 29,604

Due from (to) related parties	September 30, 2012	September 30, 2011	October 1, 2010
Affiliated company for general and administrative expense reimbursement	$ 3,156	$ 2,789	$ -
Affiliated company for advance royalties on mining leases and expenses paid on behalf of Company	-	-	(51,449)
Accounting firm in which an officer is a member for accounting services	(370)	(155)	-

9. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of exploration and evaluation assets. All of the Company's equipment and exploration and evaluation assets are located in the United States.

10. COMMITMENT

The Company has entered into an operating lease agreement and amendment for its office premises in Auburn, California which runs through December 2014. .The annual commitments under this lease are as follows:

Fiscal Year	Annual Commitment
2013	$43,535
2014	44,780
2015	11,261

11. CONVERTIBLE NOTE PAYABLE

In March 2010, the Company received US$500,000 in exchange for a convertible promissory note. The note, which was due to mature on March 25, 2011, bore interest at 10% per annum and was convertible at the option of the holder into units of the Company at a price of $0.17 per unit. Each unit consisted of one Common Share and one-half common share purchase warrant. Each whole warrant entitled the holder to acquire an additional Common Share at $0.25 per Common Share, exercisable until March 25, 2011. The note was secured by a first charge over the Company's interest in the Golden Arrow mining lease. In March, 2011, the Company executed an amendment to the convertible promissory note. Pursuant to the terms of the amendment, the Company repaid US$100,000 in principal and US$50,000 in interest in March 2011.

The maturity of the remaining principal amount, US$400,000, was extended to March 25, 2012 and continued to bear interest at 10% per annum and was convertible at the option off the holder into units of the Company at a price of $0.07 per unit. Each unit consisted of one Common Share and one-half common share purchase warrant. Each whole warrant entitled the holder to acquire an additional Common Share at $0.12 per Common Share, exercisable for 12 months from the date of issue. The amended convertible promissory note may have been prepaid in advance by the Company, provided that upon prepayment, the Company granted 200,000 common share purchase warrants to the lender. Upon notification of the Company's election of prepayment, the holder had a specified time period in which the holder could elect to convert the amount owed into units with the terms described above. Each such warrant entitled the holder to acquire an additional Common Share at a price of $0.12 per Common Share, exercisable for a period of 12 months from the date of issue. In January 2012, the Company executed a second amendment to the outstanding convertible promissory note ("Second Amendment"). Pursuant to the Second Amendment, the Company paid principal of US$110,000 and interest of US$40,000 in three installments of US$50,000 each in January, February and March 2012. The maturity date of the remaining principal balance, US$290,000, was extended to March 25, 2013. The convertible promissory note may have been pre-paid in advance by the Company without penalty. In addition, the convertible promissory note was convertible at the option of the holder into units of the Company at a price of $0.07 per unit, each unit issued in connection thereof consisted of one Common Share and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase an additional Common Share at $0.12 per Common Share, exercisable until March 25, 2013. The loan continued to bear simple interest at 10% per annum payable upon the earlier of maturity or conversion. In April 2012, the Company converted the remaining US$290,000 convertible note payable into 4,142,858 units, consisting of 4,142,858 common shares and 2,071,429 common share purchase warrants at an exercise price of $0.12 exercisable, until March 25, 2013.

11. CONVERTIBLE NOTE PAYABLE (cont'd…)

The convertible note payable entitled the holder to convert the US dollar denominated loan into common shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of net loss and comprehensive loss as they arise. The Company has recorded these changes in financing (costs) income.

Convertible note payable	September 30, 2012	September 30, 2011	October 1, 2010
Principal balance, beginning of the year	$ 496,132	$ 696,457	$ -
Borrowings/(Repayments)	(110,027)	(100,024)	520,965
Fair market value adjustments	368,394	(98,723)	182,617
Converted portion of convertible note payable	(745,714)	-	-
Foreign currency variance	(8,785)	(1,578)	(7,125)
Principal balance, end of the year	$ -	$ 496,132	$ 696,457

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year September 30, 2012 include:

a) The Company issued 4,142,858 units, which consisted of 4,142,858 common shares and 2,071,429 common share purchase warrants, in settlement of $290,000 convertible note payable. (Note 11).

b) The Company issued 1,586,667 common shares valued at $190,400 and 793,334 agents' warrants valued at $100,235 as finders' fees in a private placement (Note 7).

Significant non-cash transactions for the fiscal year ended September 30, 2011, include:

a) The grant of warrants with a fair value of $18,563 (Note 8) which was estimated using the Black-Scholes option pricing model.

b) Subscriptions received in advance totaling $45,000 were allocated to share capital upon issuance of 300,000 common shares which were issued in relation to the exercise of 300,000 share purchase warrants at a price of $0.15.

13. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2012	2011
Net loss before income taxes	$ (2,603,557)	$ (1,272,147)
Combined federal, provincial, state statutory income tax rate	25.38%	27%
Expected income tax recovery at statutory tax rates	$ (661,000)	$ (343,000)
Impact of different foreign statutory tax rates on earnings of subsidiaries	(164,000)	(52,000)
Non deductible expenditures	145,000	30,000
Impact of future income tax rates applied versus current statutory rate	1,000	8,000
Share issue costs	(82,000)	(21,000)
Change in unrecognized deductible temporary differences and other	761,000	378,000
Total	$ -	$ -

Significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	September 30, 2012	Expiry dates	September 30, 2011	Expiry dates
Share issue costs	$ 348,084	2033-2036	$ 212,246	2032-2035
Non-capital losses	7,817,752	2028-2032	5,623,000	2027-2031
Exploration and evaluation assets	845,199	N/A	219,944	N/A

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first annual consolidated financial statements for the period covered by its first annual financial statements prepared in accordance with IFRS.

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The first date at which IFRS was applied was October 1, 2010 ("Transition Date"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters
of IFRS.

IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRSs in effect as at the end of the first IFRS annual reporting period. Accordingly, the accounting policies in Note 2 have been applied in preparing these consolidated financial statements for the years ended September 30, 2012 and 2011 and the opening IFRS statement of financial position as at October 1, 2010. The previously presented 2010 Canadian GAAP financial information has been reconciled to the IFRS information as part of this transition note in accordance with the requirements of IFRS 1. Further, the policies applied have been done so on a full retrospective basis unless an alternative treatment is permitted or required by an IFRS 1 election or exception. These are discussed below.

Elections upon first-time adoption of IFRS

The IFRS 1 exemptions applied by the Company in the conversion from Canadian GAAP to IFRS are as follows:

(a) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 (2008) Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 (2008) to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the Transition Date.

(b) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002 or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date. The Company's first stock option grant was in September, 2008.

(c) In IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)

Elections upon first-time adoption of IFRS (cont'd…)

(d) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the dame date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

Reconciliations of Canadian GAAP to IFRS

The reconciliations between GAAP and IFRS are provided below. There are no significant differences between IFRS and GAAP in connection with the Company's statements of cash flows for the year ended September 30, 2011.

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRSs as of the same date. In addition, an explanation is required for any material adjustments to cash flows to the extent that they exist. The analysis below and the tables following represent the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

(a) Share-based payments

IFRS 2, similar to Canadian GAAP, requires the Company to measure share-based payment related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, under IFRS 2, the recognition of such expense must be done with a "graded vesting" methodology as opposed to the straight-line vesting method allowed under Canadian GAAP. In addition, under IFRS, forfeitures estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods; while under Canadian GAAP, forfeitures of awards are recognized as they occur.

During the year ended September 30, 2011, the Company would have recorded $109,449 as share-based compensation versus $108,981 in share-based compensation under Canadian GAAP. As a result, $468 has been adjusted to share-based compensation expense in the statement of operations and the same amount would be adjusted in contributed surplus in the statement of equity.

(b) Convertible note payable

The convertible note payable entitles the holder to convert the US dollar denominated loan into common shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of net loss and comprehensive loss as they arise. The Company has, in Canadian dollars, (unless otherwise indicated) recorded these changes in financing income and expenses. Under Canadian GAAP, the equity portion of the convertible debenture was classified as equity and changes in fair value were not recognized.

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd…)

	Note	As at October 1, 2010			As at September 30, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS							
Non-current							
Equipment		$ 33,202	$ -	$ 33,202	$ 23,640	$ -	$ 23,640
Other assets		3,591	-	3,591	3,602	-	3,602
Exploration and evaluation assets		2,580,601	-	2,580,601	2,385,410	-	2,385,410
		2,617,394	-	2,617,394	2,412,652	-	2,412,652
Current assets							
Cash		62,680	-	62,680	137,339	-	137,339
Other current assets		4,632	-	4,632	12,395	-	12,395
Due from related parties		-	-	-	2,789	-	2,789
Total assets		$ 2,684,706	$ -	$ 2,684,706	$ 2,565,175	$ -	$ 2,565,175
EQUITY AND LIABILITIES							
Current liabilities							
Due to related parties		$ 51,449	$ -	$ 51,449	$ 155	$ -	$ 155
Convertible note payable	(b)	504,813	191,644	696,457	405,224	90,908	496,132
Accounts payable and accrued liabilities		111,839	-	111,839	100,951	-	100,951
		668,101	191,644	859,745	506,330	90,908	597,238
Equity							
Share capital		6,371,766	-	6,371,766	7,688,065	-	7,688,065
Contributed surplus	(a)	619,144	92,874	712,018	765,666	74,364	840,030
Subscriptions received in advance		45,000	-	45,000	-	-	-
Equity component of convertible note payable	(b)	18,978	(18,978)	-	14,537	(14,537)	-
Accumulated other comprehensive income		(2,620)	-	(2,620)	13,192	-	13,192
Deficit	(a)(b)	(5,035,663)	(265,540)	(5,301,203)	(6,422,615)	(150,735)	(6,573,350)
		2,016,605	(191,644)	1,824,961	2,058,845	(90,908)	1,967,937
Total equity and liabilities		$ 2,684,706	$ -	$ 2,684,706	$ 2,565,175	$ -	$ 2,565,175

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd …)

	Note	Year Ended September 30, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES				
Accretion	(b)	$ 16,550	$ (16,550)	$ -
Business insurance		34,579	-	34,579
Consulting		255,777	-	255,777
Depreciation		11,663	-	11,663
Exploration costs		197,814	-	197,814
Marketing		52,828	-	52,828
Professional fees		71,506	-	71,506
Rent and office expense		107,323	-	107,323
Salaries and benefits		182,290	-	182,290
Share based compensation	(a)	108,981	468	109,449
Travel and entertainment		14,789	-	14,789
		1,054,100	(16,082)	1,038,018
OTHER ITEMS				
Write-off of exploration		(283,243)	-	(283,243)
Finance (Cost)/ Income	(b)	-	98,723	98,723
Foreign exchange loss		(5,380)	-	(5,380)
Interest expense		(44,229)	-	(44,229)
		(332,852)	98,723	(234,129)
Loss for the year		(1,386,952)	114,805	(1,272,147)
Translation adjustment		15,812	-	15,812
Net loss and comprehensive loss for the year		$ (1,371,140)	$ 114,805	$ (1,256,335)

15. SUBSEQUENT EVENTS

In December 2012, the Company granted incentive stock options to certain directors, officers, and employees of the Company to purchase up to 1.7 million common shares in the capital stock of the Company pursuant to its shareholder approved stock option plan. All of the options vested immediately and are exercisable at a price of $0.15 per common share, expiring on December 4, 2017.

A total of 1,813,000 warrants have been exercised for one common share at $0.10 per share by their holders in November and December 2012 and January, 2013 for total proceeds of $181,300 to the Company.