ASTORIUS RESOURCES LTD.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2014 AND 2013

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Astorius Resources Ltd.

We have audited the accompanying financial statements of Astorius Resources Ltd. which comprise the statements of financial position as at September 30, 2014 and 2013, and the statements of comprehensive loss, cash flows and changes in equity for the years then ended and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Astorius Resources Ltd. as at September 30, 2014 and 2013, its cash flows and financial performance for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(b) to these financial statements which describes the existence of a material uncertainty that may cast significant doubt about the ability of Astorius Resources Ltd. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
December 19, 2014

ASTORIUS RESOURCES LTD.

STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2014 AND 2013

(Expressed in Canadian Dollars)

		2014		2013
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 4)	$	4,039	$	14,067
Taxes recoverable		-		182
Prepaid expense		-		2,691
		4,039		16,940
RECLAMATION DEPOSIT		5,000		5,000
MINERAL PROPERTIES (Note 5)		216,771		268,150
	$	225,810	$	290,090
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (Note 7)	$	11,984	$	28,784
Taxes payable		5,681		-
		17,665		28,784
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		1,177,678		1,092,475
Contributed surplus		173,429		173,429
Deficit		(1,142,962)		(1,004,598)
		208,145		261,306
	$	225,810	$	290,090

CORPORATE INFORMATION AND NATURE OF OPERATIONS (Note 1)

Approved on behalf of the Board on December 19, 2014:

/s/ "Malcolm Powell"
Malcolm Powell, Director

/s/ "Carl Jonsson"
Carl Jonsson, Director

ASTORIUS RESOURCES LTD.

STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

(Expressed in Canadian Dollars)

	2014	2013
EXPENSES		
Management fees (Note 7)	$ 60,000	$ 60,000
Share-based payment expense (Note 6(c), 7)	–	35,639
Office and miscellaneous (Note 7)	26,741	26,643
Accounting and audit fees	22,327	27,000
Filing and transfer agent fees	14,334	15,951
Legal fees (Note 7)	13,023	12,760
Consulting fees	–	12,500
	136,425	190,493
LOSS BEFORE OTHER ITEMS	(136,425)	(190,493)
OTHER INCOME (EXPENSE)		
Interest income (expense)	(94)	470
Write-down of mineral properties (Note 5)	(108,033)	–
Gain on forgiveness of debt (Note 7)	96,488	–
Other recovery (Note 7)	9,700	–
NET LOSS AND COMPREHENSIVE LOSS	(138,364)	(190,023)
LOSS PER COMMON SHARE – BASIC AND DILUTED	$ (0.01)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	11,504,000	10,112,055

The accompanying notes form an integral part of these financial statements

ASTORIUS RESOURCES LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

(Expressed in Canadian Dollars)

	2014	2013
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	$ (138,364)	$ (190,023)
Add items not involving cash:		
Share-based payment expense	–	35,639
Impairment of mineral properties	108,033	–
Gain on forgiveness of debt and other recovery	(106,188)	–
	(136,519)	(154,384)
Changes in non-cash working capital balances:		
Taxes receivable	182	3,421
Prepaid expenses	2,691	(265)
Accounts payable and accrued liabilities	89,388	14,784
Taxes payable	5,681	-
	(38,577)	(136,444)
INVESTING ACTIVITIES		
Mineral property expenditures	(62,000)	(19,978)
Mineral exploration tax credit received	5,346	4,054
	(56,654)	(15,924)
FINANCING ACTIVITIES		
Proceeds from issuance of common stock	87,600	100,000
Share issuance costs	(2,397)	(2,490)
	85,203	97,510
DECREASE IN CASH AND CASH EQUIVALENTS	(10,028)	(54,858)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,067	68,925
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,039	$ 14,067
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Shares issued for mineral properties	$ –	$ –
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	$ –	$ –
Cash paid for income taxes	$ –	$ –

The accompanying notes form an integral part of these financial statements

ASTORIUS RESOURCES INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

(Expressed in Canadian Dollars)

	Number of Common Shares		Amount of Common Shares		Contributed Surplus		Deficit		Total
As at September 30, 2012	9,050,000	$	994,965	$	137,790	$	(814,575)	$	318,180
Private placement of shares	1,250,000		100,000		–		–		100,000
Share issuance costs	–		(2,490)		–		–		(2,490)
Share-based payments	–		–		35,639		–		35,639
Net loss for the year	–		–		–		(190,023)		(190,023)
As at September 30, 2013	10,300,000	$	1,092,475	$	173,429	$	(1,004,598)	$	261,306
Private placement of shares	1,460,000		87,600		–		–		87,600
Share issuance costs	–		(2,397)		–		–		(2,397)
Net loss for the year	–		–		–		(138,364)		(138,364)
As at September 30, 2014	11,760,000	$	1,177,678	$	173,429	$	(1,142,962)	$	208,145

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Astorius Resources Ltd. (the “Company”) was incorporated under the Business Corporation Act of British Columbia on May 4, 2007 and is listed on the TSX Venture Exchange (“TSX-V”) and trades under the symbol ASQ. The address of the Company’s corporate office and its principal place of business is 9131 Jaskow Gate, Richmond, British Columbia, Canada.

The Company is in the exploration stage and its principal business activity is the sourcing and exploration of mineral properties in North America. The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related capitalized exploration expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof.

These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

b) Going Concern

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and has an accumulated deficit of $1,142,962 as of September 30, 2014 which has been funded primarily by issuance of shares; these factors form a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future.

c) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies within Note 3. All amounts are expressed in Canadian dollars unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents - The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of 90 days or less when acquired to be cash equivalents.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates - The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management judgments and estimates include the determination of recovery or impairment of mineral property exploration assets, the fair value of share-based payments and the recognition of deferred income tax assets. Actual results could differ from these estimates.

Mineral property exploration - All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as mineral properties exploration and are classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. If economically recoverable reserves are developed, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, or indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full be development or sale.

The recoverability of mineral properties and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and evaluation costs do not necessarily reflect present or future values.

Mineral properties are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Government assistance and tax credits - Any federal or provincial tax credits received by the Company, with respect to exploration or evaluation work conducted on any of its properties, are credited as a reduction to the carrying costs of the property to which the credits related. Until such time that there is significant certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions - Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

Income taxes - The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred income tax assets are recognized to the extent that it is probable the asset will be realized.

Share capital – The Company records proceeds from the issuance of its common shares as equity. Proceeds received on the issuance of units, consisting of shares and warrants are allocated between the common share and warrant component.

The fair value of the common shares issued in a private placement unit of shares and warrants is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted price on the issuance date. The remaining proceeds, if any, are allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. Management does not expect to record a value to the warrant in most equity issuances as unit private placements are commonly priced at market or at a permitted discount to market. If the warrants are issued as share issuance costs, the fair value of agent's warrants are measured using the Black-Scholes option pricing model and recognized in equity as a deduction from the proceeds.

If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in contributed surplus.

Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

Share-based payment expenses - The Company records all share-based payment expenses at their fair value. The share-based payment costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment expenses (continued)

The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based expense for stock options or warrants granted to employees. Where stock options or warrants are granted to non-employees, they are recorded at the fair value of the goods or services received, at the date the goods or services are received. When the value of goods or services received in exchange for the share-based expense cannot be reliably estimated, the fair value is measured by use of the Black-Scholes option pricing model.

Loss per common share - Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Share issuance costs - Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

Financial instruments - All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents and accounts payable. At initial recognition management has classified financial assets and liabilities as follows:

a) Financial assets

The Company has recognized its cash and cash equivalents at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income.

b) Financial liabilities

The Company has recognized its accounts payable as other financial liabilities. Accounts payable are recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. The Company derecognizes a financial liability when it its contractual obligations are discharged, cancelled or expire.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The mandatory adoption of the following new and revised accounting standards on October 1, 2013 had not significant impact on the Company's financial statements for the years presented.

- IFRS 10 '*Consolidated Financial Statements*', which replaces consolidation requirements in IAS 27 (as amended in 2008) and SIC-12.
- IFRS 11 '*Joint Arrangements*', which replaces IAS 31 and SIC-13.
- IFRS 12 '*Disclosure of Interests in Other Entities*', which replaces disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31.
- IFRS 13 '*Fair Value Measurement'*, which replaces fair value measurement guidance in other IFRSs.
- IAS 1 (Amendment) '*Presentation of Financial Statements*', which includes amendments regarding presentation of items of other comprehensive income.

New accounting standards issued but not yet effective
Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after October 1, 2014 or later years. The following standards and interpretations have been issued but are not yet effective:

- IAS 32 '*Financial Instruments: Presentation'* was issued the IASB in December 2011 as an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.
- IAS 36 '*Impairment of Assets'* was issued the IASB in May 2013 to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when and asset's or a CGU's recoverable amount is based on fair value less costs of disposal.
- IAS 16 '*Property, Plant and Equipment'* and IAS 38 *'Intangible Assets':* In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.
- IFRIC 21 '*Levies'* was issued the IASB in May 2013 as an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by government. 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 of 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 descried in the relevant legislation that triggers the payment of the levy.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards adapted during the year (continued)

- IFRS 15 '*Revenue from Contracts with Customers':* In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") which supersedes IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers*, and SIC 31 – *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2017.

- IFRS 9 '*Financial Instruments: Classification and Measurement'* is a new financial instruments standard that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Company has not early adopted these standards and amendments and anticipates that the application of these standards and amendments will not have a material impact on the financial position and financial performance of the Company.

4. CASH AND CASH EQUIVALENTS

As at September 30, 2014, there are no cash equivalents. As at September 30, 2013, cash and cash equivalents included an investment in a redeemable guaranteed investment certificate ("GIC") with an interest rate at 0.95% per annum.

	2014	2013
Cash in bank	$ 4,039	$ 7,873
Guaranteed investment certificates	–	6,194
	$ 4,039	$ 14,067

5. MINERAL PROPERTIES

As of September 30, 2014, the Company owns, or holds under option, 37 mineral claims (107 mineral claims in 2013) covering 7,045 hectares in the Babine Project area in British Columbia, Canada. Expenditures on interests in mineral properties are considered exploration and evaluation assets.

(Expressed in Canadian Dollars)

5. MINERAL PROPERTIES (continued)

a) Summary of mineral property exploration

		2014		2013
Acquisition costs				
Opening balance of acquisition costs	$	131,774	$	129,620
Staking fees		–		2,154
Write-down of mineral properties		(108,033)		–
Subtotal of acquisition costs	$	23,741	$	131,774
Exploration costs				
Opening balance of exploration costs	$	136,376	$	122,606
Geophysical		62,000		17,814
Less: Mineral exploration tax credit received		(5,346)		(4,044)
Subtotal of exploration costs	$	193,030	$	136,376
Balance	**$**	**216,771**	**$**	**268,150**

b) Write-down of mineral properties

During year ended September 30, 2014, the Company recorded an impairment write-down of mineral property acquisition costs as result of 70 forfeited claims that cover an area of 29,884 hectares expiring and not being renewed during the period.

6. SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares without par value

b) Issued and fully paid

During the year ended September 30, 2014, the Company issued 1,460,000 units at $0.06 per unit. Each unit consists of one common share and one-half of a share purchase warrant. Each full warrant will entitle the holder to purchase a further common share of the Company for $0.10, expiring June 3, 2015.

c) Stock Options

The Company has established a stock option plan for directors, employees, and consultants. The following table summarizes the stock options outstanding and exercisable at September 30, 2014 and 2013:

Price	Number Outstanding	Number Exercisable	Expiry Date
$0.15	170,000	170,000	October 18, 2015
$0.10	800,000	800,000	June 5, 2018
	970,000	970,000	

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

c) Stock Options (continued)

Under the Company's stock option plan, the exercise price of each option is determined by the Board of Directors, subject to the pricing policies of the TSX-V. Options vest immediately when granted and expire five years from the date of the grant, unless the Board of Directors establishes more restrictive terms. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued shares at the time the options are granted. The aggregate number of options granted to any one optionee in a 12-month period is limited to 5% of the issued shares of the corporation.

As of September 30, 2014, the Company had stock options outstanding and exercisable to acquire an aggregate of 970,000 common shares summarized as follows. All of these options vested upon grant. The options have a weighted average remaining life of 3.22 years.

	Number of Options	Weighted Average Exercise Price	Expiry Date
Balance, September 30, 2012	850,000	$0.15	Various
Expiry	(680,000)	$0.15	January 8, 2013
Grant	800,000	$0.10	June 5, 2018
Balance, September 30, 2013 and 2014	970,000	$0.11	

During the year ended September 30, 2014, the Company did not grant options to service providers of the Company. For the year ended September 30, 2014, the Company recorded $35,639 as share-based payment expense. The fair values of the options granted in 2014 and 2013 were determined using the Black-Scholes pricing model, using the following weighted average assumptions:

	2014	2013
Share price at grant date	-	$0.05
Risk free interest rate	-	1.34%
Expected dividend yield	-	0%
Expected stock price volatility	-	156%
Expected life of options	-	5 years

d) Warrants

Warrant activity for the years ended September 30, 2014 and 2013 is presented below:

	September 30, 2014		**September 30, 2013**	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
Opening balance	625,000	$ 0.12	–	$ –
Granted	730,000	0.10	625,000	0.12
Expired	(625,000)	0.12	–	–
Ending balance	730,000	$ 0.10	625,000	$ 0.12

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

d) Warrants (continued)

At September 30, 2014, the following warrants were outstanding entitling the holders the right to purchase one common share for each warrant held:

Number of Warrants		Weighted Average Exercise Price	Expiry Date
730,000	$	0.10	June 3, 2015
730,000	$	0.10	

7. RELATED PARTY TRANSACTIONS

During the years ended September 30, 2014 and 2013, the Company incurred the following related party transactions:

The Company incurred office services, facilities and rent of $18,000 (2013 - $18,000) to a corporation with common directors. The Company incurred legal fees of $13,023 (2013 - $12,760) and share issuance costs of $2,397 (2013 - $2,490) from a law firm of which a director is a principal.

a) The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties as follows:

		2014		2013
Management fees	$	60,000	$	60,000
Share-based payments		–		35,639
Total	$	60,000	$	95,639

b) At September 30, 2014, accounts payable and accrued liabilities included $nil (2013: $1,500) for amounts due to a law firm of which a director is a principal, $nil (2013: $4,500) in rent and $nil (September 30, 2013: $15,000) in management fees due to a corporation with common directors.

c) At September 30, 2014, the Company settled certain related party payables and accruals for $nil consideration, resulting in a gain on forgiveness of debt and other recovery of $96,488 and $9,700 respectively in other income.

8. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

		2014		2013
Combined statutory tax rate		26.00%		25.50%
Expected income tax recovery	$	35,975	$	48,453
Non-deductible expenses and others		(26,813)		(8,451)
Rate change		(173)		9,269
Change in unrecognized deferred income tax assets		(8,989)		(49,271)
Income tax recovery	$	-	$	–

(Expressed in Canadian Dollars)

8. INCOME TAXES (continued)

Significant components of the Company's potential deferred income tax assets are shown below:

	2014	2013
Non-capital losses	$ 201,384	$ 220,852
Mineral properties	68,039	39,951
Share issue costs	887	518
	270,310	261,321
Unrecognized deferred income tax assets	(270,310)	(261,321)
Net deferred income tax asset	$ -	$ –

The Company has non-capital losses for income tax purposes of approximately $775,000 which may be carried forward and offset against future taxable income. The non-capital losses expire as follows:

Year	
2029	76,000
2030	176,000
2031	165,000
2032	172,000
2033	155,000
2034	31,000
	$ 775,000

As at September 30, 2014, the Company has approximately $478,000 (2013: $422,000) resource expenditures that can be carry-forwarded indefinitely for tax purposes to reduce taxable income for future years.

In assessing the realizability of deferred income tax assets, management considers whether it is probable that some portion of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax assets considered realizable could change materially in the near term based on future taxable income during the carry forward period.

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of mineral properties in Canada. The Company does not have any externally imposed capital requirements to which it is subject.

As at September 30, 2014, the Company had capital resources consisting of cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

(Expressed in Canadian Dollars)

9. MANAGEMENT OF CAPITAL (continued)

The Company plans to raise additional equity financing as the capital required to carry out its exploration plans and general operations through its 2015 fiscal year.

10. FINANCIAL INSTRUMENTS AND RISK

Classification

The Company has classified its cash and cash equivalents as fair value through profit or loss. Accounts payable are classified as other financial liabilities.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2014	2013
Fair value through profit or loss (i)	$ 4,039	$ 14,067
Other financial liabilities (ii)	8,498	28,784

(i) Cash and cash equivalents
(ii) Accounts payable

Fair value

As at September 30, 2014, the Company's financial instruments consist of cash, and accounts payable. The fair values of these financial instruments approximate their carrying values because of their current nature.

IFRS 7 *Financial Instruments – Disclosures*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The fair values of the Company's financial assets and liabilities as of September 30, 2014 were calculated as follows:

	Balance at September 30, 2014 $	Quoted Prices in Active Markets for Identical Assets (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Financial Assets:				
Cash	4,039	4,039	–	–

10. FINANCIAL INSTRUMENTS AND RISK (continued)

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity Risk

The Company ensures its holding of cash is sufficient to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at September 30, 2014, the Company has a working capital deficit of $13,626 and requires additional cash to settle its obligations (see Note 9). The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

The Company does not have foreign currency denominated financial instruments and is not exposed to significant foreign exchange risk.

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 due to changes in market prices. The sale of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company's ability to raise capital is subject to risks associated with fluctuations in the stock market. Management closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.