ASTORIUS RESOURCES LTD.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2012 AND 2011

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver BC, Canada V6E 3S7
Phone: 604.714.3600 Fax: 604.714.3669 Web: manningelliott.com

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, 2012, September 30, 2011 and October 1, 2010, and the statements of comprehensive loss, changes in equity and cash flows for the years ended September 30, 2012 and September 30, 2011, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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, 2012 and September 30, 2011 and October 1, 2010, and its financial performance and cash flows for the years ended September 30, 2012 and September 30, 2011 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.

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

January 23, 2013

ASTORIUS RESOURCES LTD.

STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2012, SEPTEMBER 30, 2011 AND OCTOBER 1, 2010

(Expressed in Canadian Dollars)

	September 30, 2012	September 30, 2011 (Note 13)	October 1, 2011 (Note 13)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Note 4)	$ 68,925	$ 178,222	$ 496,713
Amounts receivable	3,603	14,142	10,270
Prepaid expense	2,426	2,426	–
	74,954	194,790	506,983
RECLAMATION DEPOSIT	5,000	–	–
MINERAL PROPERTIES (Note 5)	252,226	240,747	–
	$ 332,180	$ 435,537	$ 506,983
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	$ 14,000	$ 6,855	$ 10,138
SHAREHOLDERS' EQUITY			
Share capital (Note 6)	994,965	958,965	923,465
Contributed surplus (Note 7)	137,790	137,790	115,722
Deficit	(814,575)	(668,073)	(542,342)
	318,180	428,682	496,845
	$ 332,180	$ 435,537	$ 506,983

CORPORATE INFORMATION AND NATURE OF OPERATIONS (Note 1)
SUBSEQUENT EVENTS (Note 12)

Approved on behalf of the Board on January 23, 2013:

/s/ "Malcolm Powell"
Malcolm Powell, Director

/s/ "Carl Jonsson"
Carl Jonsson, Director

The accompanying notes form an integral part of these financial statements

ASTORIUS RESOURCES LTD.

STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

(Expressed in Canadian Dollars)

	2012	2011 (Note 13)
EXPENSES		
Management fees	$ 60,000	$ 60,000
Accounting and audit fees	33,000	23,000
Office and miscellaneous	21,626	29,661
Filing and transfer agent fees	17,002	15,723
Legal fees	9,405	15,520
Advertising and promotion	2,853	124
Consulting fees	2,500	–
Stock-based compensation	–	22,068
	146,386	166,096
LOSS BEFORE OTHER ITEMS	(146,386)	(166,096)
OTHER ITEMS		
Interest income	(116)	5,162
Other income	–	35,203
NET LOSS AND COMPREHENSIVE LOSS	(146,502)	(125,731)
LOSS PER SHARE – BASIC AND DILUTED	$ (0.02)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	8,998,907	8,740,959

The accompanying notes form an integral part of these financial statements

ASTORIUS RESOURCES LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

(Expressed in Canadian Dollars)

		2012		2011
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss	$	(146,502)	$	(125,731)
Add items not involving cash:				
Stock-based compensation		–		22,068
		(146,502)		(103,663)
Changes in non-cash working capital balances:				
Amounts receivable		10,539		(3,872)
Prepaid expenses		–		(2,426)
Accounts payable and accrued liabilities		7,145		(3,283)
		(128,818)		(113,244)
INVESTING ACTIVITIES				
Mineral property expenditures		(22,247)		(205,247)
Mineral exploration tax credit received		46,768		–
Reclamation deposit		(5,000)		–
		19,521		(205,247)
DECREASE IN CASH AND CASH EQUIVALENTS		(109,297)		(318,491)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		178,222		496,713
CASH AND CASH EQUIVALENTS, END OF YEAR	$	68,925	$	178,222
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Shares issued for mineral properties	$	36,000	$	35,500
SUPPLEMENTAL INFORMATION:				
Cash paid for interest	$	–	$	–
Cash paid for income taxes	$	–	$	–

The accompanying notes form an integral part of these financial statements

ALITA RESOURCES LTD.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

(Expressed in Canadian Dollars)

	Number of Common Shares	Amount of Common Shares	Contributed Surplus	Deficit	Total
As at October 1, 2010	8,650,000	$ 923,465	$ 115,722	$ (542,342)	$ 496,845
Shares issued as finder's fees and mineral property payment	200,000	35,500	–	–	35,500
Share-based payments	–	–	22,068	–	22,068
Net loss for the year	–	–	–	(125,731)	(125,731)
As at September 30, 2011	8,850,000	$ 958,965	$ 137,790	$ (668,073)	$ 428,682
As at September 30, 2011	8,850,000	$ 958,965	$ 137,790	$ (668,073)	$ 428,682
Shares issued as mineral property payment	200,000	36,000	–	–	36,000
Net loss for the year	–	–	–	(146,502)	(146,502)
As at September 30, 2012	9,050,000	$ 994,965	$ 137,790	$ (814,575)	$ 318,180

The accompanying notes form an integral part of these financial statements

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 and trades under the symbol ASQ. The address of the Company's corporate office and its principal place of business is Suite 2300-1066 West Hastings Street, Vancouver, 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. These are the Company's first IFRS annual financial statements for the year ended September 30, 2012. Subject to certain IFRS transition elections disclosed in Note 13, the Company has consistently applied the same accounting policies in its opening IFRS Statement of Financial Position at October 1, 2010 and throughout all periods presented, as if the policies have always been in effect.

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 had an accumulated deficit of $814,575 as of September 30, 2012 which has been funded primarily by issuance of shares; these factors may cast substantial 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 set out in Note 3. All amounts are expressed in Canadian dollars unless otherwise stated.

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.

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 impairment of mineral property exploration assets, decommissioning provisions, deferred income tax assets and liabilities and assumptions used in valuing options and warrants in share-based expense calculations. 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, 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 development 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Provisions - Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probably 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-based expenses - The Company records all share-based expenses at their fair value. The share-based compensation 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. 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.

Comparative figures - Certain comparative figures have been reclassified to conform to the current presentation. Such re-classification is for presentation purposes only and has no effect on previously reported results.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

New accounting standards issued but not yet effective - Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning after October 1, 2013, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective October 1, 2013
In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards effective October 1, 2013 (continued)

IFRS 12 ***Disclosure of Interests in Other Entities*** - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 ***Fair Value Measurement*** - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Amendments to IAS 1 ***Presentation of Financial Statements*** - The IASB has amended IAS 1 to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

IFRIC 20 ***Stripping Costs in the Production Phase of a Surface Mine*** - IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset.

Each of the new standards, IFRS 10 to 13, IFRIC 20 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards effective October 1, 2015

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new standards will have on its financial statements or whether to early adopt the new requirements.

4. CASH AND CASH EQUIVALENTS

At September 30, 2011 cash and cash equivalents included an investment in a redeemable guaranteed investment certificate ("GIC") at a fair value of $156,930 and with an interest rate at 0.95% per annum. There were no cash equivalents at September 30, 2012.

	September 30, 2012	September 30, 2011	October 1, 2010
Cash in bank	$ 68,925	$ 21,292	$ 34
Guaranteed investment certificates	–	156,930	496,679
	$ 68,925	$ 178,222	$ 496,713

a) MINERAL PROPERTIES

Expenditures on interests in mineral properties are considered exploration and evaluation assets.

		Babine Project
Acquisition costs		
Balance, October 1, 2010	$	–
Cash paid for acquisition of property		13,000
Staking fees		36,353
Shares issued as property payment		35,500
Balance, September 30, 2011		84,853
Staking fees and title maintenance costs		8,767
Shares issued as property payment		36,000
Balance, September 30, 2012	$	129,620
Exploration costs		
Balance, October 1, 2010	$	–
Consulting		15,317
Geophysical survey		139,334
Other		1,243
Balance, September 30, 2011		155,894
Consulting		11,575
Geophysical		1,905
Less: Mineral exploration tax credit received		(46,768)
Balance, September 30, 2012	$	122,606
Total Mineral Properties, September 30, 2012	$	252,226

During October 2010, the Company staked twenty-four mineral claims located in British Columbia, covering an area of 6,782 hectares known as the Babine Project.

On November 2, 2010, the Company expanded its mineral tenure within its Babine Project area by four claims covering an area of 925 hectares. The newly acquired claims were sold to the Company for a cash purchase price of $8,000.

On December 9, 2010, the Company issued 100,000 shares to a consultant for assistance in acquiring the Babine Project. The fair value of these shares was $18,000.

On February 2, 2011, the Company expanded its mineral tenure by three claims covering an area of 1,314 hectares. The three claims were acquired by the Company for a cash purchase price of $5,000.

On February 7, 2011, the Company further expanded its mineral tenure by fifteen claims covering an area of 3,323 hectares. The Company agreed to issues 300,000 common shares as consideration for the fifteen claims. The common shares were issued in three tranches of 100,000 each, issued 4, 8 and 12 months from the date of TSX Venture Exchange acceptance. On August 24, 2011, 100,000 shares were issued in connection with this agreement, valued at $17,500. On October 21, 2011, a further 100,000 shares were issued, valued at $17,000. On March 14, 2012, the remaining 100,000 shares were issued, valued at $19,000.

5. MINERAL PROPERTY EXPLORATION (continued)

On February 22, 2011, the Company staked four claims covering an area of 1,313 hectares.

On May 4, 2011, the Company staked thirty-eight claims covering an area of 16,769 hectares.

On June 20, 2011, the Company staked four claims covering an area of 1,426 hectares.

On November 16, 2011, the Company staked nine claims covering an area of 4,160 hectares.

As of September 30, 2012, the Company owns 104 claims covering 38,542 hectares in the Babine Project area.

6. SHARE CAPITAL AND STOCK OPTIONS

a) Authorized

Unlimited number of voting common shares without par value

b) Issued and fully paid

Refer to the Statement of Changes in Equity.

c) Stock Options

The Company has established a stock option plan for directors, employees, and consultants. 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, 2012, the Company had stock options outstanding and exercisable to acquire an aggregate of 850,000 common shares summarized as follows. All of these options vested upon grant. The options have a weighted average remaining life of 0.83 years.

	Number of Options	Weighted Average Exercise Price	Expiry Date
Balance, October 1, 2010	680,000	$0.15	January 8, 2013
Granted: Director’s Options	170,000	$0.15	October 18, 2015
Balance, September 30, 2011 and 2012	850,000	$0.15	

7. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2012, the Company incurred the following related party transactions measured at the exchange amounts, which were the amounts agreed upon by the transacting parties and are on terms and conditions similar to those for arms length transactions:

The Company paid office services, facilities and rent of $18,000 (2011 - $18,000) to a corporation with common directors. The Company paid management fees of $60,000 (2011 - $60,000) to a corporation owned by a director of the Company.

The remuneration of the Company's directors and other key management:

	2012	2011
Management fees	$ 60,000	$ 60,000
Share-based payments	–	22,068
Total	$ 60,000	$ 82,068

At September 30, 2012, accounts payable and accrued liabilities includes $3,360 (2011: $1,855) for amounts due to a law firm of which a director is a member.

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:

	2012	2011
Combined statutory tax rate	25.38%	27.00%
Expected income tax recovery	$ 37,177	$ 33,953
Non-deductible expenses and others	(149)	(5,986)
Rate change	(550)	(2,311)
Change in unrecognized deferred income tax assets	(36,478)	(25,656)
Income tax recovery	$ –	$ –

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

	2012	2011
Non-capital losses	$ 173,638	$ 130,728
Mineral properties	38,414	38,415
Share issue costs	–	6,431
	212,052	175,574
Unrecognized deferred income tax assets	(212,052)	(175,574)
Net deferred income tax asset	$ –	$ –

8. INCOME TAXES (continued)

The Company has non-capital losses for income tax purposes of approximately $695,000 which may be carried forward and offset against future taxable income. The non-capital losses expire as follows:

Year	
2027	$ 1,000
2028	47,000
2029	134,000
2030	176,000
2031	165,000
2032	172,000
	$ 695,000

As at September 30, 2012, the Company has approximately $406,000 (2011: $394,000) 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, 2012, the Company had capital resources consisting of cash and cash equivalents. 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.

The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period.

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:

		September 30, 2012		September 30, 2011		October 1, 2010
Fair value through profit or loss (i)	$	68,925	$	178,222	$	496,713
Other financial liabilities (ii)		14,000		6,855		10,138

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

Fair value

As at September 30, 2012 the Company's financial instruments consist of cash and cash equivalents, 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, 2012 were calculated as follows:

	Balance at September 30, 2012 $	Quoted Prices in Active Markets for Identical Assets (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Financial Assets:				
Cash and cash equivalents	68,925	68,925	–	–

The Company believes that the recorded value of accounts payable approximate their current fair values because of their nature and relatively short maturity dates or durations.

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 out of 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. 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.

11. OPERATING SEGMENT INFORMATION

The Company's operations are limited to a single industry segment being the acquisition, exploration and development of mineral properties. The Company has mineral properties located in Canada in the Province of British Columbia.

12. SUBSEQUENT EVENTS

a) On November 21, 2012, the Company closed a non-brokered private placement sale of 800,000 units at a price of $0.08 per unit. Each unit consists of one share and one-half of a share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one additional common share at a price of $0.12 for a period of 18 months, expiring May 20, 2014.

b) On November 29, 2012, the Company closed a non-brokered private placement sale of 450,000 units at a price of $0.08 per unit. Each unit consists of one share and one-half of a share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one additional common share at a price of $0.12 for a period of 18 months, expiring May 26, 2014.

c) On January 8, 2013, 680,000 stock options expired unexercised.

13. ADOPTION OF IFRS

a) Transition to IFRS

The Company has adopted IFRS effective October 1, 2011 with a transition date of October 1, 2010. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP.

The comparative information presented in these first annual financial statements for the year ended September 30, 2011 and the opening financial position as at October 1, 2010 (the "Transition Date") have been prepared in accordance with the accounting policies referenced in Note 3 and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1").

b) Initial elections upon adoption

The Company adopted IFRS in accordance with IFRS 1 which requires the retrospective application of IFRS at the Transition Date with all adjustments to assets and liabilities taken to deficit, subject to mandatory exceptions and the application of optional exemptions. The IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS by the Company are explained as follows:

(i) Share-based payments – The Company elected under IFRS 1 to apply IFRS 2, *Share-Based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.

(ii) Business combinations – The Company elected under IFRS 1 to not to apply IFRS 3, *Business Combinations* retrospectively to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

(iii) Compound financial instruments – The Company has elected under IFRS 1 not to retrospectively separate the liability and equity components of any compound instruments for which the liability component is no longer outstanding at the Transition Date.

c) Estimates

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used at the Transition Date are consistent with estimates made at the same date under Canadian GAAP.

d) Reconciliation between Canadian GAAP and IFRS

In preparing the Company's IFRS Transition Date statement of financial position management noted that no adjustments were necessary to be made by the Company previously in its financial statements prepared in accordance with previous Canadian GAAP.

13. ADOPTION OF IFRS

d) Reconciliation between Canadian GAAP and IFRS

The opening October 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position		October 1, 2011 Canadian GAAP		Effect of IFRS Transition		October 1, 2011 IFRS
Total Assets	$	506,983	$	–	$	506,983
Total Liabilities	$	10,138	$	–	$	10,138
Total Shareholders' Equity	$	496,845	$	–	$	496,845
Total Liabilities and Shareholders' Equity	$	506,983	$	–	$	506,983

The September 30, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position		September 30, 2011 Canadian GAAP		Effect of IFRS Transition		September 30, 2011 IFRS
Total Assets	$	435,537	$	–	$	435,537
Total Liabilities	$	6,855	$	–	$	6,855
Total Shareholders' Equity		428,682		–		428,682
Total Liabilities and Shareholders' Equity	$	435,537	$	–	$	435,537

IFRS 1 also requires reconciliation disclosures that explain how the transition from Canadian GAAP to IFRS has affected the Company's previously reported comprehensive income (loss) for the year ended September 30, 2011. As management noted that no reconciling adjustments were made, an explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's comprehensive income (loss) is not included in the accompanying notes.

Statement of Comprehensive Loss		September 30, 2011 Canadian GAAP		Effect of IFRS Transition		September 30, 2011 IFRS
Revenue	$	–	$	–	$	–
Total expenses	$	(166,096)	$	–	$	(166,096)
Total other items		40,365		–		40,365
Net loss and comprehensive loss	$	(125,731)	$	–	$	(125,731)

There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.