THELON CAPITAL LTD.

Management's Discussion and Analysis

For the Year Ended September 30, 2012

(Expressed in Canadian Dollars)

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, fluctuations in commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and economic return; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty in meeting anticipated program milestones; uncertainty as to timely availability of permits and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions, which are based on information available at the time these assumptions are made. The forward looking statements contained herein are subject to change after the date of this MD&A, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations for satisfactory closing of the Jellico Property.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of the operating results and financial condition of Thelon Capital Ltd. (the "Company" or "Thelon") for the year ended September 30, 2012 is prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the audited financial statements for the year ended September 30, 2012.

The Company is an exploration stage resource company in the province of British Columbia. The diverse backgrounds and experience of the Company's management will facilitate the ongoing corporate and exploration growth. The Management team will continue to evolve as the Company grows as a mining exploration company.

The Company currently has one exploration project with significant potential to acquire 100% of the Jellico Property which consists of approximately 6,000 acres of coal mineral and surface rights located in the Campbell and Clairborne counties in the State of Tennessee, whenever the Company has to the ability to close the transaction.

This MD&A is prepared as at January 28, 2013. All dollar figures stated herein are expressed in Canadian dollars unless otherwise noted.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR at www.sedar.com.

DESCRIPTION OF THE BUSINESS

Pursuant to a resolution passed by the shareholders, the common shares of Thelon Capital Ltd. commenced trading on the TSX Venture Exchange on February 4, 2010 and the common shares of Thelon Ventures Ltd. were delisted. The Company also consolidated its share capital on a ten old for one new basis. The Company is incorporated under the Company Act of British Columbia.

Thelon is an exploration stage resource company. The Company holds interests in certain mineral properties and on the basis of information available to date may not have economically viable reserves. The underlying value of the mineral interests and related deferred exploration expenditures is dependent upon the existence and economic recovery of such reserves in the future, confirmation of the Company's interest in the underlying mineral claims, and the ability to raise long-term financing.

Operations at this time are focused on the review of existing mineral interests, potential acquisitions of additional mineral properties, and sourcing of potential financing for the Company.

The Company's corporate office and principal place of business is at Suite 609 – 475 Howe Street, Vancouver, British Columbia, V6C 2B3.

The Company is a reporting issuer under applicable securities legislation in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol THC.

MINERAL INTERESTS

Jellico Project

On May 27, 2010, the Company entered into a Letter of Agreement to acquire 100% of the Jellico Coal Property which consists of approximately 6,000 acres of coal mineral and surface rights in Campbell and Clairborne counties in the State of Tennessee.

The Company entered into a Share Purchase Agreement on December 14, 2010, amended on March 16, 2011 and August 8, 2011, to purchase 100% of the issued and outstanding shares of Clear Fork Mining Company who owns 100% of the Jellico Coal property. The purchase price is:

- 7,000,000 common shares (issued);
- US$1,000,000 (paid) on signing;
- US$3,000,000 (US$2,736,374 paid) due December 15, 2011;
- take over debt obligations of the vendor of approximately US$4,800,000 effective December 15, 2011; and
- issue a promissory note to the vendor for US$8,485,000 due in 10 years bearing interest at a rate of 6% per annum, interest paid monthly, with an annual payment starting on or before December 31, 2013 of 10% of the principal upon closing.

A bonus of $50,000 was paid to a company controlled by a director on this transaction. This transaction is subject to finder's fees in accordance with TSX Venture Exchange policy and subject to TSX Venture Exchange approval.

Portions of the property have had extensive sampling and drilling by previous operators as recently as 2009, and it is thought to contain multiple coal seams of high quality metallurgical, as well as, compliant steam coals. DRC Coal LLC has a surface mining operation on the southern boundary of the property producing from the Blue Gem, Jellico, and Rex coal seams.

Historical reserve and coal analysis data provided in a July 2009 report by A.R Leamon CPG TN estimate inferred coal reserves of approximately 12,000,000 tons in place. Coal quality analysis conducted from core holes and test pits on the property between 1992 and 2007 have shown favorable sulfur, ash, and BTU values consistent with high quality metallurgical coals being produced in the area. This historical information is not NI 43-101 complaint.

The property and surrounding area has well-established power, logistics, and transportation infrastructure including mine access roads, several secondary county roads, and a railroad parallel to Tennessee State Highway 90, which extends through the property.

The Company's immediate objectives are to close the transaction, begin the necessary drilling to define additional coal reserves, and complete a National Instrument 43-101 report of measured and indicated mineable coal reserves on the property.

Closing is to occur upon the final payment of US$303,626.

At September 30, 2012, the Company has been unable to make the required payments to close the transaction. Although the vendor has not demanded payment, a written extension has not been received; therefore, at September 30, 2012, the Company has recorded an impairment of $5,819,820 against the accumulated costs to reflect the uncertainty around completion of the acquisition.

(Expressed in Canadian Dollars)

This transaction is subject to finder's fees in accordance with TSX Venture Exchange policy and subject to TSX Venture Exchange approval.

Athabasca Basin Property

By agreement dated March 9, 2005, the Company entered into an option agreement to acquire a 100% interest (subject to a 3% smelter royalty) in three mineral prospecting permits totaling approximately 120,000 hectares, located in the Athabasca Basin, Saskatchewan.

Consideration is cash of $100,000 (paid) and 1,000,000 common shares (issued).

By agreement dated August 9, 2006, the Company entered into an option agreement with Triex Minerals Corporation ("Triex"), in which Triex can acquire up to an 80% interest in the Athabasca Basin Properties located in northern Saskatchewan. Triex earned an initial 51% interest in the Property at which time a Joint Venture was formed, by incurring $250,000 in expenditures on the property before December 1, 2006, of which $90,000 may be paid in the form of direct payments to the Company. During the year ended September 30, 2007, Triex paid $80,385 in direct payments to the company and incurred the required amount of expenditures on the property in order to satisfy the First Option.

Triex can earn an additional 9% interest by incurring $1,500,000 before September 1, 2008 (completed), an additional 10% interest by incurring $1,200,000 before April 30, 2010 (completed), and an additional 10% interest by incurring $3,100,000 before April 30, 2013 (completed).

Thelon and Triex formed a 20%-80% joint venture. The Company's investment in the Joint Venture was recorded at the carrying value of the Athabasca Basin Property.

During the year ended September 30, 2011, management decided not to continue with this project and accordingly wrote off the accumulated costs.

SELECTED ANNUAL INFORMATION

The following table provides selected annual audited financial information that should be read in conjunction with the audited financial statements and notes:

	September 30, 2012 (IFRS)	September 30, 2011 (IFRS)	September 30, 2010 (GAAP)
Other income	$ 221	$ 476	$ -
Administrative expenses	$ 576,465	$ 1,858,110	$ 749,352
Impairment of mineral interest	$ 5,819,820	$ -	$ -
Write down of abandoned mineral properties, net of recovery	$ -	$ 512,322	$ 3,055,482
Write off of deposit on option to purchase	$ 1,725,061	$ -	$ -
Loss for the year	$ 8,114,516	$ 2,387,326	$ 3,804,434
Basic and diluted loss per share	$ 0.19	$ 0.07	$ 0.43

(Expressed in Canadian Dollars)

RESULTS OF OPERATIONS

The Company's net loss for the year ended September 30, 2012 was $8,114,516 as compared to a net loss of $2,387,326 for the year ended September 30, 2011. The largest items to account for the loss in the current year is the impairment of mineral interest relating to the Jellico Project in the amount of $5,819,820 (September 30, 2011 – nil) and the write off of the deposit to purchase a 100% interest in a private Tennessee mining company of $1,725,061 (September 30, 2011 – nil). The Company was unable to raise the money to complete the transactions. The previous year, the Company wrote off abandoned properties totaling $523,155 with no write downs in the current year.

Administrative expenses in the current year were one third of what they were in the previous year. For the year ended September 30, 2012, administrative expenses were $576,465 as compared to $1,858,110 last year. All expense categories except director fees had decreased reflecting an overall decrease in activity.

For the year ended September 30, 2012, director fees were $24,000 compared to $23,000 for the year ended September 30, 2011; this difference reflects one director that received compensation for all months except the first month of the prior fiscal year.

Advertising and promotion was $64,079 for the year ended September 30, 2012 compared to $226,518 last year. Bank charges and interest decreased to $4,340 this year from $11,169 last year. Consulting fees decreased from $396,951 last year to $209,400 this year. Legal and accounting fees decreased from $99,119 last year to $82,191 this year. Office and administration costs were $65,458 this year compared to $82,567 last year. The largest item to decrease was the share-based compensation; for the year ended September 30, 2012 it was a credit of $1,812 compared to a charge of $592,578 last year. Shareholder relations decreased from $236,710 last year to $49,195 this year. Transfer agent and exchange fees decreased from $53,202 last year to $21,286 this year, and lastly travel decreased from $120,361 last year to $42,975 this year.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Accounting Standard		Total Interest Income		Net Loss		Loss Per Share
September 30, 2012	IFRS	$	55	$	(7,663,255)	$	(0.18)
June 30, 2012	IFRS	$	54	$	(108,093)	$	(0.00)
March 31, 2012	IFRS	$	54	$	(167,657)	$	(0.01)
December 31, 2011	IFRS	$	58	$	(175,511)	$	(0.00)
September 30, 2011	IFRS	$	55	$	(839,900)	$	(0.02)
June 30, 2011	IFRS	$	34	$	(563,166)	$	(0.01)
March 31, 2011	IFRS	$	387	$	(385,669)	$	(0.01)
December 31, 2010	IFRS	$	-	$	(598,591)	$	(0.03)

FOURTH QUARTER RESULTS OF OPERATIONS

The Company's net loss for the three months ended September 30, 2012 was $7,663,255 as compared to a net loss of $839,900 for the three months ended September 30, 2011. The increase in net loss for the quarter is a direct result of the impairment of mineral interest relating to the Jellico Project in the amount of $5,819,820 (September 30, 2011 – nil) and the write off of the deposit to purchase a 100% interest in a private Tennessee mining company of $1,725,061 that occurred at the year-end. During the three months ended September 30, 2011, the Company had a write off of abandoned properties of $523,155.

Administrative expenses for the last quarter of this year were $121,891 compared to $310,571 for the same quarter last year.

LIQUIDITY

The Company does not have any cash flow from operations or any production of mineral resources; accordingly, it must rely on equity financing to fund operations. The Company's access to exploration financing when the financing is not transaction specific is always uncertain. There can be no assurance of continued access to any equity funding.

The Company's cash on hand decreased from $428,550 as at September 30, 2011 to having cheques written in excess of the bank balance of $9,099 as at September 30, 2012. The Company had a working capital surplus of $190,525 as at September 30, 2011 compared to a working capital deficiency of $407,276 as at September 30, 2012.

The Company's current asset balance of $41,862 (September 30, 2011 - $542,757) is comprised of cash of $nil (September 30, 2011 - $428,550), amounts receivable of $444 (September 30, 2011 - $1,623), HST receivable from the Canada Revenue Agency of $11,304 (September 30, 2011 - $15,831), advances to related parties of $4,514 (September 30, 2011 - $59,339), and prepaid expenses of $25,600 (September 30, 2011 - $37,414).

The Company's current liabilities total $449,138 (September 30, 2011 - $352,232) is made up of cheques written in excess of the bank balance of $9,099 (September 30, 2011 - $nil), outstanding accounts payable and accrued liabilities relating to administrative and exploration expenses of $338,779 (September 30, 2011 - $313,914), promissory note payable of $10,000 (September 30, 2011 - $nil), and amounts due related parties of $91,260 (September 30, 2011 - $38,318).

As of the date of this MD&A, the Company has insufficient working capital to meet its ongoing financial obligations for the coming year. There can be no assurance that future financings will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs. If the Company is unable to obtain the financing necessary to support its operations, it may be unable to continue as a going concern. The Company currently has no commitments for any credit facilities such as revolving credit agreements or lines of credit that could provide additional working capital, and substantial doubt exists regarding the Company's ability to continue as a going concern. The Company has no long term debt, capital lease obligations, operating leases, or any other long term obligations.

PROPOSED TRANSACTIONS

There are no proposed assets or business acquisitions or disposition, other than those in the ordinary course of business, before the board of directors for consideration.

(Expressed in Canadian Dollars)

OFF-BALANCE SHEET ARRANGEMENTS

None

TRANSACTIONS WITH RELATED PARTIES

The Company has identified certain directors and senior officers as key management personnel. The following table lists the compensation costs paid to key management personnel and companies owned by key management personnel for the years ended September 30, 2012 and 2011:

	Consulting	Director fees	Office and Administration	Share-Based Compensation	Travel	September 30, 2012 Total
BUA Capital Management Ltd.	$ 81,000	$ -	$ -	$ -	$ 11,100	$ 92,100
BUA Group Holdings Ltd.	-		59,560	-	-	59,560
Geoff Watson	-	12,000	-	-	-	12,000
GRW Inc. (formerly Complete Communications Inc.)	37,000		-	-	-	37,000
Jason Walsh	-	12,000	-	-	-	12,000
	$ 118,000	**$ 24,000**	**$ 59,560**	**$ -**	**$ 11,100**	**$ 212,660**

	Consulting	Director fees	Office and Administration	Share-Based Compensation	September 30, 2011 Total
BUA Capital Management Ltd.	$ 57,500	$ -	$ -	$ 146,984	$ 204,484
BUA Group Holdings Ltd.	-		62,304	-	62,304
Complete Communications Inc.	27,000	-	-	-	27,000
Geoff Watson	-	11,000	-	32,702	43,702
George Heard	-	-	-	155,920	155,920
Jason Walsh	-	12,000	-	-	12,000
John Roozendahl	-	-	-	16,351	16,351
	$ 84,500	$ 23,000	$ 62,304	$ 351,957	$ 521,761

BUA Capital Management Ltd. and BUA Group Holdings Ltd. are private companies controlled by the President of the Company, Jason Walsh.

GRW Inc. (formerly Complete Communications Inc.) is a private company controlled by a director, Geoff Watson.

At September 30, 2012, the Company was owed $4,514 (September 30, 2011 - $4,514) from BUA Group Holdings Ltd.

At September 30, 2012, the Company owed $8,348 (September 30, 2011 – $(54,825)) to BUA Capital Management Ltd.; $26,504 (September 30, 2011 - $38,318) to Jason Walsh; $1,000 (September 30, 2011 – nil) to Geoff Watson; and $61,000 (September 30, 2011 - $Nil) to Thelon Diamond Company Limited, a private company with common directors controlled by Jason Walsh.

Amounts due to or from related parties are unsecured, do not bear interest and are classified as a current asset or liability due to their nature and expected time of repayment; accordingly the fair value cannot be practicably determined.

At September 30, 2012, $2,000 in director fees for the month ended September 30, 2012 were not paid and are included in accounts payable and accrued liabilities.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, amounts receivable, amounts due to/from related parties, cheques issued in excess of bank balance, accounts payable and accrued liabilities, and promissory note payable approximate their carrying values due to the immediate or short-term nature of these instruments.

Fair value hierarchy

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The Company's financial assets are not subject to material financial risks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at September 30, 2012 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs and close its major transaction. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

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.

Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company is not exposed to interest rate price risk as it does not have any cash and cash equivalents at September 30, 2012 which bear interest.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to cash, and accounts payable and accrued liabilities that are denominated in US dollars. The balance to close its major transaction is also denominated in US dollars.

	September 30, 2012 **USD**	**September 30, 2011** **USD**	**October 1, 2010** **USD**
Cash	**$ -**	$ 267	$ -
Accounts payable and accrued liabilities	**$ 96,054**	$ 156,468	$ -

At September 30, 2012, financial instruments were converted at a rate of $1.00 Canadian to US$1.0176.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would not significantly affect its cash position at this time. If and when the Company closes its major transaction, a 5% change in the absolute rate of exchange for US dollars would significantly affect its cash position.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

OTHER RISKS AND UNCERTAINTIES

The Company is an exploration stage company with respect to its mineral interests. Based on the information available to date, the Company has not yet determined whether its mineral interests contain economically recoverable reserves. The recoverability of the amounts shown for mineral interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production.

In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's mineral interests.

Risks associated with exploration stage companies

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has not proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development. The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of it equity or debt securities or joint venture agreements to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.

Exploration and development

At this time, the Company's primary mineral property is in the exploration stage and the Company does not have an operating history with respect to its exploration activities. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions.

Property title

Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties it owns, controls, or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral interests may be subject to prior unrecorded agreements or transfers or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of the Company's mineral interests which, if successful, could impair development and operations. This situation may by exacerbated due to the large number of title transfers historically involved with some properties.

Licenses and permits

The Company will require licenses and permits from various governmental authorities regarding the Company's mineral interests. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations for its mineral interests. Failure to obtain and maintain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration and development work which may result in its losing its interest in the subject property.

Operating hazards and risks

Fires, power outages, labour disputes, flooding explosions, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labour are some of the risks involved in exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expense and delays in the activities of the Company, and may render the Company's properties uneconomic. The Company has no liability insurance and the Company may become subject to liability for pollution, cave-ins, or hazards against which it cannot insure, or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect of the Company's financial position.

Competition

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical and financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable.

Profitability of operations

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time as production is achieved from its properties, if production is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

Foreign currency risk

At this time, the Company's primary mineral interest is located in the United States. Future changes in exchange rates could materially affect the viability of exploring and development this property.

Market risks

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices have fluctuated widely in recent years. The marketability and price of minerals which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These factors include delivery uncertainties related to the proximity of its reserves to processing facilities, and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals, and many other aspects of the mining business. Declines in mineral prices may have a negative effect of the Company.

Future financings

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The Company's available sources of funds are: existing cash; the further sale of equity capital; and the offering by the Company of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in dilution to current shareholders.

Going concern

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its mineral exploration programs.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") are for the year ended September 30, 2012. The Company previously prepared its annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing the financial statements for the year ended September 30, 2012, management has amended certain accounting policies and measurement methods previously applied in the Canadian GAAP financial statements to comply with IFRS.
The financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, the financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of the financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all years presented in the financial statements. They have also been applied in preparing an opening IFRS statement of financial position at October 1, 2010 for the purpose of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards ("IFRS 1")*.

FIRST TIME ADOPTION OF IFRS

Transition to IFRS

The Company's first annual financial statements prepared in accordance with IFRS are for the year ended September 30, 2012. The accounting policies have been applied in preparing the financial statements for the year ended September 30, 2012, the comparative information for the year ended September 30, 2011, and the preparation of an opening statement of financial position on the transition date of October 1, 2010.

First time adoption

The guidance for the first time adoption of IFRS is set out in IFRS 1. *First-time Adoption of International Financial Reporting Standards*. Under IFRS 1, changes in accounting policies resulting from the adoption of IFRS are applied retrospectively at the transition date with all adjustments to deficit unless certain optional exemptions are applied. The Company has applied the following optional exemptions to its opening statement of financial position at October 1, 2010:

Share-based payments

IFRS 1 does not require first-time adopters to apply IFRS 2, *Share-Based Payments*, 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 Transition Date. The Company has elected not to apply IFRS 2 to awards that vested prior to October 1, 2010.

Business combinations

IFRS1 indicates that a fist-time adopter may elect not to apply IFRS 3 Business Combination retrospectively to business combination that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 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 statement of financial position as at the Transition Date.

Estimates

IFRS 1 requires that an entity's estimates under IFRS for the comparative periods must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates for the comparative periods are consistent with its Canadian GAAP estimates for the same date.

Changes in accounting policies

The Company has changed certain accounting policies to be consistent with IFRS effective September 30, 2012, the Company's first annual IFRS reporting date.

Impairment of (non-financial) assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS also requires the reversal of any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced. Canadian GAAP prohibits the reversal of impairment losses.

The Company's accounting policies related to impairment of assets have been changed to reflect these differences. There is no impact on the Company's financial statements.

Decommissioning liability (asset retirement obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the Company's financial statements.

Share-based compensation

In certain circumstances, IFRS requires a different measurement of share-based compensation than Canadian GAAP. In particular, IFRS requires that each tranche (that vests separately) must be treated as a separate grant and that an estimate of forfeitures be included in the determination of the expense associated with stock option grants.

The Company's accounting policies related to share-based payments have been changed to reflect these differences (see reconciliation of Canadian GAAP to IFRS).

Reconciliation of Canadian GAAP to IFRS

In preparing its opening IFRS statement of financial position at October 1, 2010, comparative information for the year ended September 30, 2011, and financial statements for the year ended September 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position is set out in the table on the following page:

(Expressed in Canadian Dollars)

	October 1, 2010			September 30, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets						
Current						
Cash	$ 668	$ -	$ 668	$ 428,550	$ -	$ 428,550
Amounts receivable	-	-	-	1,623	-	1,623
HST receivable	17,883	-	17,883	15,831	-	15,831
Due from related parties	-	-	-	59,339	-	59,339
Prepaid expenses	5,514	-	5,514	37,414	-	37,414
	24,065	-	24,065	542,757	-	542,757
Non-current						
Equipment	2,862	-	2,862	2,068	-	2,068
Mineral interests	489,822	-	489,822	5,777,664	-	5,777,664
Deposit on option to purchase	-	-	-	1,687,294	-	1,687,294
	$ 516,749	$ -	$ 516,749	$ 8,009,783	$ -	$ 8,009,783
Liabilities						
Current						
Accounts payable and accrued liabilities	$ 99,610	$ -	$ 99,610	$ 313,914	$ -	$ 313,914
Promissory note payable	34,401	-	34,401	-	-	-
Due to related party	35,411	-	35,411	38,318	-	38,318
	169,422	-	169,422	352,232	-	352,232
Shareholders' Equity						
Share capital	12,819,147	-	12,819,147	21,642,026	-	21,642,026
Share subscriptions receivable	-	-	-	(60,409)	-	(60,409)
Share subscriptions received	15,000	-	15,000	-	-	-
Reserves	2,329,347	-	2,329,347	3,273,451	5,976	3,279,427
Accumulated deficit	(14,816,167)	-	(14,816,167)	(17,197,517)	(5,976)	(17,203,493)
	347,327	-	347,327	7,657,551	-	7,657,551
	$ 516,749	$ -	$ 516,749	$ 8,009,783	$ -	$ 8,009,783

The adoption of IFRS has had no impact in the net cash flows of the Company; accordingly, no reconciliation for the Statements of Cash Flows has been presented.

The changes in accounting policies resulting from the Company's adoption of IFRS had no significant impact on the financial statements for these comparative periods, other than an increase in the comprehensive loss for the year ended September 30, 2011 and a transfer within equity due to a change in the fair value of options issued:

		Year ended September 30, 2011
Comprehensive loss per Canadian GAAP	$	2,381,350
Adjustment on adoption of IFRS		5,976
Comprehensive loss per IFRS	$	2,387,326

Notes on reconciliation of Canadian GAAP to IFRS

Under Canadian GAAP, the Company measured share-based payments related to share purchase options at the fair value of the options granted using the Black-Scholes option pricing model and recognized this expense over the vesting period of the underlying options and agents warrants. For the purpose of accounting for share-based payment transactions, an individual is classified as an employee when the individual is consistently represented to be an employee under law. The fair value of the options granted to employees is measured at the date of grant. The fair value of options granted to contractors, consultants, and agents are measured on the date the services are completed. Forfeitures are recognized as they occur.

IFRS 2 requires the Company to measure share-based payments 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 using the graded method; however, for options granted to non-employees, IFRS requires that share-based payments be measured at the fair value of the services received unless the fair value cannot be reliably measured. For the purpose of accounting for share-based payment transactions, an individual is classified as an employee when the individual is an employee for legal or tax purposes (a direct employee) or provides services similar to those performed by a direct employee. This definition of an employee is broader than that previously applied by the Company; accordingly, certain contractors and consultants are classified as employees under IFRS.

No share purchase options were reclassified; however, share purchase options expensed over a vesting period were adjusted under IFRS using the graded method.

SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

Financial assets

The Company classifies its financial assets into categories, at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in profit or loss in the statement of comprehensive loss. Cash is classified as a fair value through profit and loss financial asset.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has classified amounts receivable and advance to related parties as loans and receivables.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss. The Company has not classified any financial assets as held-to-maturity investments.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in the statement of comprehensive loss. The Company has not classified any financial assets as available-for-sale.

Transaction costs associated with fair value through profit or loss 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.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value, with changes in fair value recognized in the statement of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

Other financial liabilities

This category includes accounts payable and accrued liabilities which are recognized at amortized cost. The Company has classified cheques issued in excess of bank balance, accounts payable and accrued liabilities, promissory note payable, and due to related parties as other financial liabilities.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position is comprised of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Mineral interests

The Company is in the exploration stage with respect to its investment in mineral interests. Acquisition costs for mineral interests, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral interests pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are capitalized. After a property is determined by management to be commercially feasible, acquisition costs and deferred expenditures on the property will be transferred to property, plant, and equipment as mine and mill costs. Prior to transfer the assets will be tested for impairment. The costs related to a property from which there is production, will be depleted and amortized using the unit-of-production method.

A mineral interest acquired under an option agreement where payments are made at the sole discretion of the Company is capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral interest until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee; accordingly, they are accounted for when receipt is reasonably assured.

Capitalized costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of mineral interests is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

Property, plant, and equipment

Property, plant, and equipment ("PPE") is carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE 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.

Property, plant, and equipment are depreciated annually at the following rates using the declining-balance method when the asset becomes available for use, and in the year of acquisition, only one-half of normal rates are used:

Furniture and fixtures	20%
Computer equipment	30%

An item of PPE 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 the statement of comprehensive loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's 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 pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

Common shares

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

Equity units

Proceeds received on the issuance of units comprised of common shares and warrants are allocated on the residual value method where proceeds are allocated to the common shares up to their fair value as determined by the current quoted trading price of the announcement date, and the balance, if any, to the reserve for the warrants.

Non-monetary consideration

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

Share-based compensation

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (a direct employee) or provides services similar to those performed by a direct employee (a consultant). The fair value is measured at grant date and recognized over the period during which the options vest.

The fair value of the options granted to employees 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 actual number of share options that are expected to vest.

The fair value of share options granted to non-employees is recognized as an expense in the statement of comprehensive loss and is recorded at the fair value of the services received, unless they are related to the issuance of shares. The amount related to the issuance of shares is recorded as a reduction of share capital.

When the value of services received in exchange for the share-based compensation cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All share-based compensation is reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Equity reserves

Where share options or warrants expire or are cancelled, the fair value previously recognized is transferred from the equity reserve to accumulated deficit.

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 is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

An obligation to incur restoration, rehabilitation, and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the legal or constructive obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount, or timing of the underlying cash flows needed to settle the obligation.

The Company has no material restoration, rehabilitation, and environmental costs as the disturbance to date is minimal.

Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end, adjusted for amendments to the tax payable with regards to previous years.

Deferred tax is provided using the statement of financial position liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

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

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

The Company operates in a single reportable segment being the acquisition, exploration, and development of mineral interests.

The Company's mineral interest in the Jellico Project which has been impaired by the Company's inability to raise the money to close the transaction is located in the United States. All other significant assets are located in Canada.

CRITICAL ACCOUNTING ESTIMATES

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. For the year ended September 30, 2012, impairments of non-financial assets were $7,544,881 (September 30, 2011 – $523,155).

Useful life of property, plant, and equipment

Property, plant, and equipment are depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of equipment. Total carrying value of property, plant, and equipment at September 30, 2012 was $1,499 (September 30, 2011 - $2,068).

Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's statement of comprehensive loss. For the year ended September 30, 2012, the Company recognized share-based compensation expense (reversal) of $(1,812) (September 30, 2011 - $592,578).

CRITICAL JUDGMENTS USED IN APPLYING ACCOUNTING POLICIES

In the preparation of these financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements:

Mineral interests

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral interests. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral interests under exploration and subject to different accounting treatment. As at September 30, 2012 and September 30, 2011, management had determined that no reclassification of mineral interests was required.

Income taxes

The measurement of deferred income tax assets requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following accounting pronouncements have been released but have not yet been adopted by the Company:

IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements (IFRS 10). IFRS 10, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 10 replaces Standing Interpretations Committee 12 Consolidation – Special Purpose Entities (SIC 12) and IAS 27 Consolidated and Separate Financial Statements (IAS 27). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights. Management has not yet determined the potential impact that the adoption of IFRS 10 will have on the Company's financial statements.

IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities (IFRS 12). IFRS 12, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. Management has not yet determined the potential impact that the adoption of IFRS 12 will have on the Company's financial statements.

IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value, and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

(Expressed in Canadian Dollars)

Other

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to revise the way in which other comprehensive income is presented. The Company does not believe the changes resulting from the amended standard will have an impact on its financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

In June 2011, the IASB issued amendments to IAS 19 Employee Benefits, with revised requirements for pensions and other postretirement benefits, termination benefits, and other changes. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. The amended standard is effective for annual periods beginning on or after January 1, 2013.

In May 2011, the IASB issued IFRS 11 Joint Arrangements, in addition to IFRS 10 and IFRS 12 as discussed above. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

In October 2011, the IASB issued IFRIC 20 Stripping Costs in the production phase of a surface mine. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

CAPITAL RESOURCES

Common shares

	Number		Issued Price		Amount
Balance at October 1, 2010	**10,715,973**			**$**	**12,819,147**
Issued for mineral interest	7,033,333	$	0.31		2,168,333
Issued for cash (private placements)	17,246,220	$	0.32		5,550,515
Stock options exercised	557,500	$	0.21		116,750
Warrants exercised	6,516,948	$	0.23		1,473,698
Agents warrants exercised	293,791	$	0.25		73,448
Shares issued for debt	14,666	$	0.45		6,600
Fair value of agent warrants exercised	-	$	-		51,355
Fair value of stock options exercised	-	$	-		84,674
Share issue costs	-	$	-		(702,494)
Balance at September 30, 2011	**42,378,431**			**$**	**21,642,026**
Warrants exercised	450,000	$	0.25		112,500
Agents warrants exercised	12,000	$	0.25		3,000
Fair value of agent warrants exercised	-	$	-		2,098
Balance at September 30, 2012 and January 28, 2013	**42,840,431**			**$**	**21,759,624**

(Expressed in Canadian Dollars)

Escrow Shares

Currently 4,167 shares (September 30, 2012 – 4,167) are held in escrow.

Warrants

	Number of Warrants		Weighted Average Exercise Price
Balance at October 1, 2010	**4,241,282**	**$**	**0.34**
Warrants granted	17,246,220	$	0.81
Warrants exercised	(6,516,948)	$	0.23
Warrants expired	(10,000)	$	0.25
Balance at September 30, 2011	**14,960,554**	**$**	**0.89**
Warrants exercised	(450,000)	$	0.25
Warrants expired	(658,000)	$	0.30
Balance at September 30, 2012	**13,852,554**	**$**	**0.85**
Warrants expired	(3,268,332)	$	0.35
Balance at January 28, 2013	**10,584,222**	**$**	**1.25**

Expiry Date	Number of Warrants		Exercise Price
March 7, 2013	3,612,000	$	1.25
April 11, 2013	6,972,222	$	1.25
	10,584,222	**$**	**1.25**

Agent Warrants

	Number of Warrants		Weighted Average Exercise Price
Balance at October 1, 2010	**-**	**$**	**-**
Agent warrants granted	1,322,561	$	0.76
Agent warrants exercised	(293,791)	$	0.25
Balance at September 30, 2011	**1,028,770**	**$**	**0.90**
Agent warrants exercised	(12,000)	$	0.25
Balance at September 30, 2012	**1,016,770**	**$**	**0.82**
Warrants expired	(275,875)	$	0.35
Balance at January 28, 2013	**740,895**	**$**	**1.25**

(Expressed in Canadian Dollars)

Expiry Date	Number of Warrants	Exercise Price
March 7, 2013	252,840	$ 1.25
April 11, 2013	488,055	$ 1.25
	740,895	**$ 1.25**

Stock Options

	Number of Options	Weighted Average Exercise Price
Balance at October 1, 2010	**1,075,000**	**$ 0.20**
Options granted	2,645,000	$ 0.34
Options exercised	(557,500)	$ 0.21
Balance at September 30, 2011	**3,162,500**	**$ 0.32**
Options expired	(622,500)	$ 0.20
Balance at September 30, 2012	**2,540,000**	**$ 0.82**
Options expired	(1,715,000)	$ 0.30
Balance at January 28, 2013	**825,000**	**$ 0.43**

Grant Date	Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
April 11, 2011	April 11, 2013	$ 0.45	500,000	500,000
May 6, 2011	May 6, 2013	$ 0.45	125,000	125,000
September 14, 2011	September 14, 2013	$ 0.38	200,000	200,000
		$ 0.43	**825,000**	**825,000**

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.