Financial Statements

(Expressed in Canadian Dollars)

GOLDEN CARIBOO RESOURCES LTD.

(An Exploration Stage Company)

Years ended September 30, 2011 and 2010

Tel: 604 688 5421
Fax: 604 688 5132
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Golden Cariboo Resources Ltd.

We have audited the accompanying financial statements of Golden Cariboo Resources Ltd., which comprise the balance sheets as at September 30, 2011 and 2010, the statements of operations and deficit, other comprehensive income, accumulated other comprehensive income and cash flows for the years then ended, and 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 Canadian generally accepted accounting principles, 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.

Auditor's 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 the auditor's 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, the auditor considers 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 presentation of the financial statements.

We believe that the audit evidence we have obtained 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 Golden Cariboo Resources Ltd. as at September 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the accompanying financial statements which indicates that the company had accumulated losses to date totaling $11,272,076 and had a working capital deficiency of $1,141,488 at September 30, 2011. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt regarding the ability of the Company to continue operating as a going concern.

"BDO CANADA LLP"

Chartered Accountants
January 25, 2012

GOLDEN CARIBOO RESOURCES LTD.

(An Exploration Stage Company)
Balance Sheets
(Expressed in Canadian dollars)

September 30, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 7,772	$ 8,017
Amounts receivable	7,352	1,269
Prepaid expenses (note 8(a))	2,000	2,000
	17,124	11,286
Due from related party (note 8(b))	-	3,036
Equipment (note 3)	-	15,839
Investments (note 12)	2,284,593	1,686,142
Mineral properties (note 5)	-	-
Oil and gas properties (note 6)	1	1
	$ 2,301,718	$ 1,716,304
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 7(f))	$ 501,316	$ 648,586
Due to related parties (note 8(b))	657,296	293,672
Current portion of obligation under capital lease (note 4)	-	7,462
	1,158,612	949,720
Obligation under capital lease (note 4)	-	13,531
	1,158,612	963,251
Shareholders' equity (deficiency):		
Share capital (note 7)	10,227,559	10,227,559
Contributed surplus (note 7)	1,494,997	1,306,032
Accumulated other Comprehensive Income (note 12)	692,626	563,175
Deficit	(11,272,076)	(11,343,713)
	1,143,106	753,053
	$ 2,301,718	$ 1,716,304

Going concern (note 1)
Commitments (note 7(f))
See accompanying notes to financial statements.

Approved on behalf of the Board:

"Frank Callaghan"
Director

"Andrew Rees"
Director

GOLDEN CARIBOO RESOURCES LTD.

(An Exploration Stage Company)
Statements of Operations and Deficit
(Expressed in Canadian dollars)
Years ended September 30, 2011 and 2010

	2011	2010
Administration costs:		
Amortization	$ 3,058	$ 7,221
Interest on lease obligation	2,987	6,898
Management fees (note 8)	60,000	60,000
Office and miscellaneous	570	1,215
Professional fees	73,665	47,370
Rent (note 8)	6,453	(765)
Public relations and advertising	3,007	2,439
Salaries and benefits (note 8)	40,927	52,823
Stock based compensation	188,965	-
Transfer agent and filing fees	20,728	20,902
Travel	1,699	-
	402,059	198,103
Other expenses (income):		
Interest	(2)	156
Gain on sale of marketable securities (Note 12)	-	(200,276)
Recovery from BCMETC	-	(8,845)
Recovery from termination of lease	(4,694)	
Disposal of Mineral property (note 5)	(450,000)	(650,000)
	(454,696)	(858,965)
Net Income before income taxes	52,637	660,862
Future income tax recovery (note 9)	19,000	28,800
Net Income	71,637	689,662
Deficit, beginning of year	(11,343,713)	(12,033,375)
Deficit, end of year	$ (11,272,076)	$ (11,343,713)
Basic and diluted earnings (loss) per share (note 2(i))	$ 0.01	$ 0.10
Weighted average number of shares outstanding (note 7)	7,085,969	7,085,969

See accompanying notes to financial statements.

GOLDEN CARIBOO RESOURCES LTD.

(An Exploration Stage Company)
Statements of Cash Flows
(Expressed in Canadian dollars)
Years Ended September 30, 2011 and 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Net Income for the year	$ 71,637	$ 689,662
Items not involving cash:		
Gain on disposal of marketable securities	-	(200,276)
Gain on disposition of mineral properties (note 5)	(450,000)	(600,000)
Amortization	3,058	7,221
Future income tax recovery	(19,000)	(28,800)
Stock based compensation	188,965	-
HST impact on capital lease	-	1,603
Gain on termination of lease	(4,694)	-
Changes in non-cash working capital:		
Amounts receivable	(6,083)	2,333
Accounts payable and accrued liabilities	(147,270)	(9,778)
	(363,387)	(138,035)
Financing activities:		
Due to related parties	363,624	(225,761)
Payments on capital lease	(3,518)	(7,613)
	360,106	(233,374)
Investing activities:		
Proceeds from sale of marketable securities	-	357,776
Due from related party	3,036	(2,602)
Termination of capital lease	-	-
Reclamation deposits	-	20,068
	3,036	375,242
Increase (decrease) in cash	(245)	3,833
Cash, beginning of year	8,017	4,184
Cash, end of year	$ 7,772	$ 8,017
Supplementary information		
Non-cash operating, financing, and investing activities:		
Interest paid	$ -	$ 569
Taxes paid	$ -	$ -
Disposal of mineral property interest	$ (450,000)	$ (600,000)
Settlement of lease liability	$ 11,650	$ -
Marketable securities	$ 450,000	$ 600,000
Equipment	$ (15,839)	$ (7,221)

See accompanying notes to the financial statements.

GOLDEN CARIBOO RESOURCES LTD.

(An Exploration Stage Company)
Statements of Other Comprehensive Income and Accumulated Other Comprehensive Income
(Expressed in Canadian dollars)

Years ended September 30, 2011 and 2010

Statements of Other Comprehensive Income

	2011	2010
Net Income for the year	$ 71,637	$ 689,662
Unrealized gain on available-for-sale investment (note 12)	129,451	310,009
Comprehensive Income	$ 201,088	$ 999,671

Statements of Accumulated Other Comprehensive Income

	2011	2010
Accumulated Other Comprehensive Income, Opening	$ 563,175	$ 361,666
Realized gain on available-for-sale investment (Note 12)	-	(108,500)
Unrealized gain on available-for-sale investment (Note 12)	129,451	310,009
Accumulated Other Comprehensive Income, Ending	$ 692,626	$ 563,175
Deficit	$ (11,272,026)	$ (11,343,713)
Total Accumulated Other Comprehensive Income & Retained deficit	$ (10,579,400)	$ (10,780,538)

See accompanying notes to financial statements.

1. Nature of operations and ability to continue as a going concern

Golden Cariboo Resources Ltd. (the "Company") is an exploration stage company incorporated under the laws of British Columbia and its principal business activities include the exploration and development of oil and gas properties in Canada.

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. At September 30, 2011, the Company has a working capital deficiency of $1,141,488 (September 30, 2010: $938,434), has an accumulated deficit of $11,272,076 (September 30, 2010: $11,343,713) and expects to incur further losses in the development of its business. These conditions raise significant doubt as to the ability of the Company to continue operating as a going concern.

The Company's continuing operations and the ability of the Company to discharge its liabilities and fulfill its commitments as they come due is dependent upon the continued support of its related parties, the ability of the Company to continue to obtain equity financing and, ultimately, on identifying, evaluating, and negotiating an acquisition of, a participation in, or an investment of an interest in an oil and gas property. In the event that the Company decides to engage in the exploration and development of its current oil and gas properties, the Company's ability to meet its future obligations will depend on the existence, discovery and successful exploitation of economically recoverable reserves in its oil and gas properties, obtaining the necessary equity financing to complete the development and the attainment of profitable production from the properties.

Management believes the Company will be successful at securing additional funding and believe they will be able to continue to operate as a going concern for the foreseeable future. There can, however, be no assurance that such plans will be successful.

If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations. Furthermore, failure to continue as a going concern would require the restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

2. Significant accounting policies

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Cash and cash equivalents:

Cash and cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a term to maturity of three months or less at acquisition, that are readily convertible to specified amounts of cash. The company does not have any term deposits at September 30, 2011 (2010: $Nil).

(c) Mineral properties:

Consistent with prior periods, mineral property acquisition costs include the cash consideration paid and the fair value of common shares issued on acquisition, based on the trading price of the shares on the date of the agreement to issue the shares.

Recoveries for option payments or shares received are recorded on receipt, as the payments or shares received under the agreement are made at the sole discretion of the optionee.

Mineral property assets are reviewed for impairment when changes in circumstances suggest their carrying value has become impaired. If impairment exists, the asset will be written down to fair value. Fair value is determined using a discounted cash flow forecast analysis. Amounts shown for mineral properties represent costs incurred to date, less recoveries and write-downs, and do not necessarily reflect present or future values.

The Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, but these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

(d) Asset retirement obligations:

The Company records a liability for the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed if a reasonable estimate of fair value can be determined. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the asset retirement cost, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

2. Significant accounting policies (continued)

(d) Asset retirement obligations (continued):

The company has asset retirement obligations for which the obligations cannot be reasonably estimated at this time. The asset retirement obligation is primarily associated with the Company's 5% working interest in an Indian oil and gas permit located in the Sarcee area (current net book value $1). While there will be a legal asset retirement obligation (that is, land and environmental remediation and/or removal of assets), the final date of removal of the related assets and the cost to do so cannot be reasonably determined at this time.

The company has also not incurred significant asset retirement obligations in connection with its previous mineral property exploration, accordingly no asset retirement obligation is recorded.

(e) Flow-through shares:

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company follows the recommendations of the Emerging Issues Committee ("EIC") of the Canadian Institute of Chartered Accountants ("CICA") with respect to flow-through shares, as outlined in EIC-146. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made.

(f) Stock-based compensation:

The Company has a stock-based compensation plan. The Company follows the Canadian Institute of Chartered Accountants Handbook Section 3870, "*Stock-Based Compensation and Other Stock-Based Payments*", which requires the use of the fair value method to calculate all stock-based compensation associated with the granting of stock options.

The value of stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on the date of expiry of the option. Expected volatility is based on the historical volatility of the share price of the Company. These estimates involve inherent uncertainties and the application of management judgment. In addition, the Company is required to estimate the expected forfeiture rate and only recognize an expense for those options expected to vest. As a result, if other assumptions had been used, the recorded stock-based compensation expense could have been different from that reported.

2. Significant accounting policies (continued)

(f) Stock-based compensation (continued):

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

(g) Share capital and share issuance costs:

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted market price on the date the agreement to issue the shares is reached and announced.

(h) Future income taxes:

The Company accounts for income taxes using the asset and liability method. Under this method of tax allocation, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and loss carry forwards. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change is substantively enacted. A valuation allowance is recorded to reduce future income tax assets recognized by the amount of any future income tax benefits that, based on available evidence, are not expected to be realized.

(i) Earnings/ (Loss) per share:

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. The treasury stock method assumes that for purposes of determining the weighted average shares outstanding for the calculation of dilutive per share amounts, the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price for the period. Diluted loss per share would not differ from basic loss per share as the effect of the exercise of 708,957 options (2010: Nil) would be anti-dilutive.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to assumptions used in determining the fair value of non-cash stock-based compensation, the determination of impairment in mineral properties, valuation allowance relating to future tax assets, and calculation of penalties owing to the Canada Revenue Agency for Part XII.6 tax. Actual results could differ from those estimates.

2. Significant accounting policies (continued)

(k) Financial instruments:

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument.

Held-for-trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are measured at fair value with the change in the fair value recognized in income..

Available-for-sale

Financial assets classified as available-for-sale are carried at fair value (where determinable based on market prices of actively traded securities) with changes in fair value recorded in other comprehensive income until it is realized or impaired. Available-for-sale securities are written down to fair value through earnings whenever it is necessary to reflect an other than temporary impairment. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are added to its fair value.

Held-to-maturity and Loans and Receivables

Financial instruments that have a fixed maturity date, where the Company intends and has the ability to hold the instrument to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Loans and receivables are measured at amortized cost using the effective interest method.

Other financial liabilities

Other financial liabilities are initially measured at fair value and subsequently measured at amortized cost, with any resulting premium or discount from the face value being amortized to income or expense using the effective interest method.

2. Significant accounting policies (continued)

(k) Financial instruments (continued):

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding:

Cash and cash equivalents	Held-for-trading
Amounts receivable	Loans and receivables
Due from related party	Loans and receivables
Investments	Available-for-sale
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended in June 2009. It established revised standards for the disclosure of financial instruments, implementing a three-tier hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs is described below.

Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 – fair values are based on inputs other than quoted prices included in level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.
The required disclosures are included in Note 11

(l) Derivatives and Hedge Accounting

The Company currently does not have derivative instruments and accordingly is not impacted by CICA Handbook Section 3865, Hedges.

(m) Comprehensive Income

Comprehensive income is composed of the Company's earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, all net of income taxes. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income which is presented as a component of shareholders' equity (deficiency).

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(n) Accounting Pronouncements Not Yet Adopted

Business Combinations

In January 2009, the CICA issued Section 1582 – Business Combinations, which replaces Section 1581 – Business Combinations, and Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests, which replace Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. As well acquisition costs are not part of the consideration and are to be expensed when incurred. These new sections are not expected to have a material impact on the Company's financial condition or operating results.

3. Equipment

Equipment is recorded at cost. Amortization is provided annually at a rate calculated to write off assets over their estimated useful lives. Equipment of the Company consisted of photocopiers under capital lease amortized on a straight line basis over the term of the lease of 5 years. During the year ended September 30, 2011, a company with a common director entered into a new lease agreement for photocopiers, and as a condition of the lease agreement, the remainder of the lease under the Company's name was settled in full and terminated (note 4).

			September 30, 2011
	Cost	Accumulated Amortization	Net Book Value
Equipment under capital lease	$ -	$ -	$ -

			September 30, 2010
	Cost	Accumulated Amortization	Net Book Value
Equipment under capital lease	$ 35,097	$ 19,258	15,839

(Expressed in Canadian dollars)

4. Obligations under capital lease

	September 30, 2011	September 30, 2010
Obligations under capital lease - 31.77% per annum, expiring February 1, 2013, repayable in monthly payments of $402 comprised of principal and interest, collateralized by related equipment. Lease was terminated during the year ended September 30, 2011.	$ -	$ 7,879
Obligations under capital lease - 23.30% per annum, expiring February 15, 2013, repayable in monthly payments of $612 comprised of principal and interest, collateralized by related equipment. Lease was terminated during the year ended September 30, 2011.	-	13,114
	-	20,993
Less: current portion	-	(7,462)
Balance, end of period	$ -	$ 13,531

During the year ended September 30, 2011, a company with a common director entered into a new lease agreement for photocopiers made available to the Company, and as a condition of the lease agreement, the remainder of the lease under the Company's name was paid in full and terminated. (note 8)

The monthly lease payments were allocated among other companies related through common directors. As such, the Company recovers a portion of the cost for lease payments. The Company recovered a total of $4,880 (2010 – $11,708) in interest and principal payments for photocopier leasing costs incurred during the year ended September 30, 2011.

(Expressed in Canadian dollars)

5. Mineral properties, assets held for sale

During the year ended September 30, 2009, the Company entered into an asset sale agreement with Barkerville Gold Mines Ltd. (formerly International Wayside Gold Mines Ltd.) ("BGM"), a related party by common directors. The company agreed to sell its interest in the Cariboo Properties located near Barkerville, BC for a total consideration of $2,300,000. The terms of the agreement are as follows:

(i) Cash payment of $600,000 on the closing date of BGM's purchase of the Company's interest in the Cariboo Properties (received);

(ii) Issuance of $600,000 worth of BGM's common shares on the closing date at a deemed price per share equal to the closing price of such shares on the TSX Venture Exchange on the day preceding the date of issuance of such shares (received);

(iii) Issuance of $600,000 worth of BGM's common shares on the first anniversary of the closing date at a deemed price per share equal to the closing price of such shares on the TSX Venture Exchange on the day preceding the date of issuance of such shares (received); and

(iv) During the year ended September 30, 2010, the Company entered into a letter agreement with BGM whereby BGM agreed to pay $50,000 cash as an advance on the outstanding balance of the purchased price payable per (iii) of the terms of the asset sale agreement above. The parties agree that following payment of the $50,000 from BGM to the Company, the outstanding balance would be reduced to $450,000 which was paid in 2011 by the issuance of shares on the second anniversary of the closing date at a deemed price per share of $1.33, equal to the closing price of such shares on the TSX Venture Exchange on the day preceding the date of issuance of such shares.

In accordance with EIC-161 "Discontinued Assets", costs driven from the ownership of these mineral properties are the only remaining substantial continuing operations of the Company. Therefore these expenses are not disclosed as a discontinued operation in the statement of operations and comprehensive income and deficit.

6. Oil and gas properties:

	September 30, 2011	September 30, 2010
Balance, beginning of period	$ 1	$ 1
Balance, end of period	$ 1	$ 1

(Expressed in Canadian dollars)

7. Share capital

(a) Authorized:

Unlimited common shares without par value.

(b) Issued and outstanding:

	Number of shares	Amount
Balance, September 30, 2011, 2010, and 2009	7,085,969	$10,227,559

(c) Share purchase options:

The Company has an incentive stock option plan (the “Plan”) that allows it to grant options to its employees, directors, consultants and management company employees. Under the terms of the Plan, the exercise price of each option will not be lower than the market price of the Company’s shares on the TSX at the time of grant, less the applicable discount as provided by the policies of the TSX, provided that the exercise price will not be less than $0.10 per share. In the context of the Plan, market price is the last closing price of the Company’s shares on the day immediately preceding the date on which the directors grant and publicly announce the options, subject to adjustment in certain circumstances in accordance with the policies of the TSX.

Options have a maximum term of five years and terminate thirty to ninety days following the termination of the optionee’s employment or term of engagement, except in case of retirement or death. Pursuant to the Plan, the aggregate number of common shares for which options may be granted will not exceed 10% of the issued and outstanding common share capital.

Vesting of options is determined by the Board of Directors at the time the options are granted. Options issued to consultants providing investor relations activities must vest in stages over twelve months with no more than one-quarter of the options vesting in any three-month period.

On February 15, 2011, the Company granted options to directors, officers, employees and consultants of the Company to purchase up to an aggregate of 708,597 common shares in the capital stock of the Company at a price of $0.285 per common share for a period of five years vesting immediately. The weighted average remaining contractual life of the options outstanding at September 30, 2011 is 4.38 years (2010: Nil years).

During the year ended September 30, 2010, 280,239 options expired leaving zero options outstanding.

(Expressed in Canadian dollars)

7. Share capital (continued)

(c) Share purchase options (continued):

The continuity of share purchase options for the year, all of which are exercisable, is as follows:

Expiry Date	Exercise price	Outstanding at September 30, 2010	Granted	Exercised	Cancelled/ Expired	Outstanding at September 30, 2011
February 15, 2016	$ 0.285		708,597	-	-	708,597
		-	708,597	-	-	708,597
Weighted average exercise price		-	$0.285	-	-	$ 0.285

Expiry Date	Exercise price	Outstanding at September 30, 2009	Granted	Exercised	Cancelled/ Expired	Outstanding at September 30, 2010
February 21, 2010	$ 1.00	280,239	-	-	(280,239)	-
		280,239	-	-	(280,239)	-
Weighted average exercise price		$ 1.00	-	-	$1.00	-

During the years ended September 30, 2011 708,597 (2010: $nil) stock options were granted to directors, officers, employees and consultants of the Company, for a weighted average fair value of $188,965 (2010: $nil).

The weighted average fair value of the options granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

(Expressed in Canadian dollars)

7. Share capital (continued)

(c) Share purchase options (continued):

	2011	**2010**
Expected volatility	163%	-
Average Risk-free interest rate	2.77%	-
Expected dividend yield	$nil	-
Expected life of the options	5 years	-
Weighted average grant date fair value	$0.27	-

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(d) Share purchase warrants:

During the year ended September 30, 2011 and 2010, the Company did not grant any share purchase warrants.

There are no share purchase warrants outstanding at September 30, 2011 and 2010.

(e) Escrow shares:

At September 30, 2011, a total of 6,250 (2010 – 6,250) of the issued and outstanding shares are held in escrow and may not be released without the consent of the regulatory authorities.

(f) Flow-through shares:

The Canada Revenue Agency ("CRA") has reviewed Canadian exploration expenditures ("CEE") incurred by the Company that were renounced on certain flow-through shares issued for taxation years 2000 through 2003. During the year ending September 30, 2008, upon completion of the review, the Company was assessed and has recorded in the financial statements approximately $49,000 in additional Part XII.6 tax and accrued interest relating to flow-through share issuances for these fiscal years. The CRA has not indicated to Management it will be conducting an examination for taxation years after 2003. Between taxation years 2004 and 2008, the Company has estimated $1.32 million flow-through share proceeds were raised in excess of qualifying flow-through share expenditures incurred over this period. The Company has failed to incur these expenditures within the time period required during the 2004 – 2008 fiscal years.

The company did not issue any flow through shares during the fiscal years ending September 30, 2011 and 2010. Per the flow-through subscription agreements with investors, the Company was to incur CEE's by December 31, 2007 equal to the amount that was renounced. During the year ended September 30, 2011 the Company paid $180,000 (2010: $Nil) to the CRA for part payment of penalties and interest outstanding, and accrued an

(Expressed in Canadian dollars)

7. Share capital (continued)

(f) Flow-through shares: (continued)

additional $Nil in penalties and interest in 2011 (2010: $Nil), as a result, management has estimated and recorded interest and penalties related to Part XII.6 taxes payable and unremitted amounts owing to the CRA of $375,888 (2010: $558,388). The company is continuing to review its compliance with respect to flow through shares issuances, and has filed voluntary disclosure with the CRA.

The Company anticipates that it will settle the remaining $375,888 to the flow through share investors once the CRA has completed its review of the Company's flow through renunciations. The Company has estimated the flow through investor liability at the maximum marginal tax rate of the investors, which is calculated by management to be 43.7%. The final outcome of the voluntary disclosure is unknown at the date of the financial statements.

(g) Contributed surplus:

Balance, September 30, 2010 and 2009	$	1,306,032
Fair value of options granted		188,965
Balance, September 30, 2011	$	1,494,997

8. Related parties

A summary of the amounts charged to the Company by officers, directors, and companies with common directors is as follows:

		September 30, 2011		September 30, 2010
Management fees	$	60,000	$	60,000
Equipment Rentals	$	-	$	-
Salaries and Wages	$	40,927	$	52,823
Rent	$	6,453	$	(765)[1]

[1]Included in rent is a recovery from related entities of $4,880 (2010 - $11,708) relating to equipment under a capital lease. Transactions are recorded at the exchange amount agreed upon between related parties.

During the year ended September 30, 2011, a company with a common director entered into a new lease agreement for photocopiers made available to the Company, and as a condition of the lease agreement, the remainder of the lease under the Company's name was paid in full and terminated resulting in a recovery of $4,694 (2010 - $Nil) of the remaining obligation. The transaction was measured at the carrying amount of the lease obligation on the date of the settlement ($18,509).

(Expressed in Canadian dollars)

8. Related parties (continued)

The Company has entered into a management agreement with the Company's president whereby the Company agreed to pay a management fee of $5,000 per month until the agreement is terminated. The agreement can be terminated by providing two months notice.

(a) Prepaid expenses:

As at September 30, 2011, included in prepaid expenses is $2,000 (2010 - $2,000) for rent to a company with a common director.

(b) Balances receivable/payable:

The amounts due from/to related parties, which are non-interest bearing, unsecured and due on demand, are comprised of the following:

	September 30, 2011	September 30, 2010
Receivable:		
Due from companies with common directors	$ -	$ 3,036
Payable:		
Due to directors	$ 176,000	$ 20,000
Due to companies with common directors	$ 481,296	$ 273,672
	$ 657,296	$ 293,672

9. Income taxes

(a) The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	September 30, 2011	September 30, 2010
	27.00%	28.88%
Income tax benefit (provision) computed at statutory rate	$ (14,000)	$ (190,800)
Permanent differences	(51,000)	2,600
Non-taxable portion of capital gains	-	25,000
Effect of reduction in statutory rates	5,000	26,000
Change in valuation allowance in the year	79,000	166,000
Future income tax recovery	$ 19,000	$ 28,800

(Expressed in Canadian dollars)

9. Income taxes (continued)

(b) The significant components of the Company's future income tax assets and liabilities are as follows:

	September 30, 2011	September 30, 2010
Future income tax assets:		
Losses carried forward	$ 419,000	$ 366,000
Mineral properties	484,000	596,000
Obligation under capital lease	-	5,000
Total future income tax assets	903,000	967,000
Future income tax liability:		
Equipment under capital lease	-	(4,000)
Marketable securities	(99,000)	(80,000)
Total future income tax liabilities	(99,000)	(84,000)
Valuation allowance	(804,000)	(883,000)
	$ -	$ -

At September 30, 2011, the Company has operating loss carry forwards for income tax purposes of approximately $1,590,000 that expire at various dates to 2031.

Year of Expiry	$
2026	513,000
2027	336,000
2028	328,000
2030	199,000
2031	214,000
	$ 1,590,000

10. Segment disclosures

As at September 30, 2011, the Company considers its business to comprise a single operating segment, being exploration of resource properties, within the geographic area of Canada.

11. Management of capital and financial instruments

Financial instruments

The Company is exposed to certain financial risks, including credit risk, liquidity risk, and market risk. There has been no change in the exposure to risk, nor its objectives, policies and process for managing risk from the previous year.

Fair value

The carrying values of cash and cash equivalents, amounts receivable, accounts payable and due to/from related parties approximate their fair values because of the short-term maturity of these instruments. The Company's investments have been adjusted to their fair value based on their market price (note 12).

Credit Risk

Credit risk is the risk that arises when a party to a financial instrument will be unable to discharge its obligations. The Company's financial assets exposed to credit risk are cash and cash equivalents, amounts receivable and amounts due from related parties.

Cash is placed with major financial institutions rated in the two highest grades by nationally recognized rating agencies. Amounts receivable (excluding GST-HST receivables) and amounts due from related parties are assessed for impairment based on the individual characteristics (credit history, ability to repay) of each counterparty. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk through the management of its capital structure, more specifically, the issuance of new common shares and loans from related parties. However, without further equity financing, it is unlikely that the Company will be able to meet the obligations associated with its financial liabilities in the upcoming year.

Year of expiry	Accounts payable and accrued liabilities	Related party balances	Total
Within 1 year	$ 501,316	$ 657,296	$ 1,158,612

11. Management of capital and financial instruments (continued):

Market Risk

Market risk is comprised of three components: currency risk, interest rate risk and commodity price risk.

Currency Risk

The Company is not subject to foreign currency risk since historically, it does not enter into foreign currency transactions with third parties.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's financial assets and liabilities subject to interest rate risk include cash and cash equivalents and accounts payable and accrued liabilities however this risk is mitigated due to their short-term maturity. The Company does not hold any term deposits subject to interest rate risk.

Commodity Price Risk

The value of the Company's resource properties is related to the price of oil and gas, and the outlook for these commodities. Oil and gas prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. The Company has elected not to actively manage commodity risk at this time, and the Company is not subject to any commodity risk.

Other Price Risk

The Company holds investments in common shares of publicly traded companies which give rise to market risk and share price variance. The Company monitors the trading of the companies in order to minimize this risk. A 1% increase/decrease in the market price would have an impact of ±$22,800 on other comprehensive income..

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide opportunities for growth benefiting its shareholders and key stakeholders. The company's capital structure is comprised of components of shareholders' equity, as well as loans from related parties, cash and cash equivalents and receivables. Since the company is in the exploration stage, in order to maintain or adjust its capital structure, the Company may issue new shares, obtain further financing from related companies or dispose of assets. The company is not subject to externally imposed capital restrictions and there were no changes in the Company's approach to capital management during the year.

(Expressed in Canadian dollars)

11. Management of capital and financial instruments (continued):

Capital Management (continued)

The Company's capital under management includes:

		September 30, 2011		September 30, 2010
Cash and cash equivalents	$	7,772	$	8,017
Amounts receivable		7,352		1,269
Prepaid expenses		2,000		2,000
Accounts payable and accrued liabilities		(501,316)		(648,586)
Due from (to) related parties		(657,296)		(290,636)
	$	**(1,141,488)**	**$**	**(927,936)**
Shareholders' Equity				
Share capital	$	10,227,559	$	10,227,559
Contributed surplus		1,494,997		1,306,032
Accumulated other comprehensive Income		692,626		563,175
Less Deficit		(11,272,076)		(11,343,713)
	$	**1,143,106**	**$**	**753,053**

Fair Value

The Company's financial instruments are classified based on the hierarchy of inputs as follows:

		Level 1		Level 2		Level 3
Cash	$	7,772	$	-	$	-
Investments		2,284,593		-		-

During the year ended September 30, 2011, there were no significant transfers between level 1 and 2 (2010: no significant transfers).

(Expressed in Canadian dollars)

12. Investments

	2011			2010		
	Number of shares	At Initial Valuation	Fair Value	Number of shares	At Initial Valuation	Fair Value
International Wayside Gold Mines Ltd.	1,857,393	$1,492,500	$2,284,593	1,519,047	$1,042,500	$1,686,142

During the year ended September 30, 2011, the Company received 338,346 (2010: 535,714) common shares in connection with an asset sale agreement (note 5) with Barkerville Gold Mines Ltd. (formerly International Wayside Gold Mines Ltd) ("BGM"), a related party by common directors, valued at $450,000 (2010: $600,000), the market value as at April 8, 2011 (2010: April 8, 2010). During the year ended September 30, 2011, the Company did not sell any shares. During the year ended September 30, 2010, the Company sold 350,000 shares for total proceeds of $357,776, which resulted in the realization of previously unrealized gains included in accumulated other comprehensive income of $108,500 and resulted in a gain on disposal of $200,276 which was recognized in the statement of operations and deficit.

The fair value of the securities is marked-to-market based on the closing price of the securities as traded on active markets with changes in the fair value reflected net of tax in the Statement of Other Comprehensive Loss. At September 30, 2011 the quoted market price of the shares was $1.23 per share (2010: $1.11 per share) which represents an unrealized mark-to-market gain of $129,451 (2010: $310,009), net of taxes of $19,000 (2010: $28,800), which has been recorded in other comprehensive income.

13. Subsequent events

On December 5, 2011 the Company entered into an agreement to sell 404,100 common shares at $0.85, at a price equal to a concurrent private placement being completed by Barkerville Goldmines Ltd. ("Barkerville"). The proceeds from the sale of the shares were applied to purchase 404,100 units at $0.85 in Barkerville's through the concurrent private placement, with each unit comprising of one common share and one half of one common share purchase warrant. As a result of this transaction, the Company's shareholding in Barkerville is unchanged, however the Company has obtained 202,050 warrants exercisable at $1.10 per share until July 17, 2013.

On January 18, 2012 the Company entered into an option agreement with Golden Valley Mines Ltd. and Integra Gold Corp. in respect of a portfolio consisting of twelve properties located in the Abitibi Greenstone Belt.

Under the Agreement the Company can acquire a 70% interest in certain properties (the "GZZ Option") located in the Abitibi Greenstone Belt of northwestern Québec and northeastern Ontario (the "GZZ Properties") held by Golden Valley.

Subject to net smelter return royalty interests and advance royalty interests in favour of the original vendors (one of which is a director and officer of Golden Valley), the Company can acquire a 70% interest in certain properties located in the Abitibi Greenstone Belt of northwestern Québec (the "GZZ-I Option"); these properties are subject to a 30% interest held by Integra pursuant to a joint venture agreement between Integra and Golden Valley (the "GZZ-I Properties"). Golden Valley will be operator during the option phase.

In order to maintain in force the Option the Company has to:

(i) Issue to Golden Valley 9.9% of Company's issued share capital (the "Share Interest");

(ii) Incur expenditures in an aggregate amount of $4,500,000 over a 5 year period (the "Expenditures") to be allocated between the GZZ Properties and the GZZ-I Properties as the Company may determine provided that no more than $4,000,000 of the Expenditures shall be incurred with respect to the GZZ Properties and at least $500,000 of the Expenditures shall be incurred with respect to the GZZ-I Properties; and

(iii) Reimburse Golden Valley for all costs related to the preparation of any technical reports. Golden Valley has the right, but not the obligation to participate in future financings of the Company in order to maintain its Share Interest.

Upon the GZZ Option being exercised, Golden Valley shall retain a 30% free carried interest to production in respect of the GZZ Properties. Upon the GZZ-I Option being exercised, Golden Valley and Integra shall retain a combined 30% free carried interest to production (22.5% Golden Valley/7.5% Integra).