Golden Cariboo Resources Ltd.

FINANCIAL STATEMENTS

For the years ended September 30, 2012 and 2011

(Expressed in Canadian Dollars)

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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 statements of financial position as at September 30, 2012, September 30, 2011 and October 1, 2010, and the statements of comprehensive loss/income, changes in equity, and cash flows for the years ended September 30, 2012 and September 30, 2011, 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 International Financial Reporting Standards, 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 overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Golden Cariboo Resources Ltd. as at September 30, 2012, September 30, 2011 and October 1, 2010, and its financial performance and its cash flows for the years ended September 30, 2012 and September 30, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates that the Company has a working capital deficiency of $1,283,325 and an accumulated deficit of $11,399,810. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO CANADA LLP"

Chartered Accountants
Vancouver, BC
January 25, 2013

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Expressed in Canadian Dollars

	September 30, 2012	September 30, 2011	October 1, 2010
Assets			
Current assets:			
Cash	**$ 12**	$ 7,772	$ 8,017
Amounts receivable	**2,091**	7,352	1,269
Prepaid expenses (note 13)	**2,000**	2,000	2,000
Total current assets	**4,103**	17,124	11,286
			-
Non-current assets			
Due from related parties (note 13)	**-**	-	3,036
Equipment (note 6)	**-**	-	15,839
Investments (note 7)	**2,266,020**	2,284,593	1,686,142
Total non-current assets	**$ 2,266,020**	$ 2,284,593	$ 1,705,017
Total assets	**$ 2,270,123**	$ 2,301,717	$ 1,716,303
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	**$ 505,244**	$ 501,316	$ 648,586
Due to related parties (note 13)	**782,184**	657,296	293,672
Current portion of obligation under finance lease (note 8)	**-**	-	7,462
Total current liabilities	**1,287,428**	1,158,612	949,720
Obligation under finance lease (note 8)	**-**	**-**	13,531
Total liabilities	**1,287,428**	1,158,612	963,251
Shareholders' equity			
Share capital (note 10)	**10,227,559**	10,227,559	10,227,559
Share-based payment reserve (note 11)	**1,494,997**	1,494,997	1,306,032
Accumulated other comprehensive loss	**659,949**	692,626	563,175
Accumulated deficit	**(11,399,810)**	(11,272,077)	(11,343,714)
Total shareholders' equity	**982,695**	1,143,105	753,052
Total liabilities and shareholders' equity	**$ 2,270,123**	$ 2,301,717	$ 1,716,303

Approved on behalf of the board:

"J. Frank Callaghan" — J. Frank Callaghan, Director

"Andrew Rees" — Andrew Rees, Director

 The accompanying notes form an integral part of these financial statements

Expressed in Canadian Dollars

		2012		2011
Expenses				
Amortization		**-**		3,058
Interest on lease obligation		**-**		2,987
Management fees (note 13)		**60,000**		60,000
Office and miscellaneous (note 13)		**1,203**		570
Professional fees		**36,091**		73,665
Rent (note 13)		**3,974**		6,453
Public relations and advertising		**1,138**		3,007
Salaries and benefits (note 13)		**26,713**		40,927
Share based payments (note 11)		**-**		188,965
Transfer agent and filing fees		**8,862**		20,728
Travel		**3,380**		1,699
	$	**141,361**	$	402,059
Other items:				
Disposal of Mineral property (note 9)		**-**		(450,000)
Interest		-		(2)
Gain on sale of marketable securities (note 7)		**(18,297)**		-
Recovery from termination of lease (note 8)		**-**		(4,694)
Income (loss) for the year before income taxes		**(123,064)**		52,637
Income tax recovery (expense) (note 18)		**(4,669)**		19,000
Net Income (loss) after income tax	**$**	**(127,733)**	$	71,637
Unrealized gain on marketable securities		**139,653**		129,451
Realized gain on marketable securities		**(172,330)**		-
Total comprehensive income (loss)	**$**	**(160,410)**	$	201,088
Gain per common share basic and diluted	**$**	**(0.02)**		0.01
Weighted average number of shares outstanding		**7,085,969**		7,085,969

The accompanying notes form an integral part of these financial statements

Expressed in Canadian Dollars

	Common shares	Share Capital	Share based payments reserves	Accumulated other comprehensive loss	Deficit	Total
Balance at October 1, 2010	**7,085,969**	**$10,227,559**	**$1,306,032**	**$563,175**	**$(11,343,714)**	**$753,052**
Loss for the year	-	-	-	-	71,637	71,637
Share based payments	-	-	188,965	-	-	188,965
Unrealized gain (loss) on marketable securities	-	-	-	129,451	-	129,451
Balance at September 30, 2011	**7,085,969**	**$10,227,559**	**$1,494,997**	**$692,626**	**$(11,272,077)**	**$1,143,105**
Loss for the year	-	-	-	-	(127,733)	(127,733)
Realized gain on marketable securities	-	-	-	(172,330)	-	(172,330)
Unrealized gain (loss) on marketable securities, net of tax	-	-	-	139,653	-	139,653
Balance at September 30, 2012	**7,085,969**	**$10,227,559**	**$1,494,997**	**659,949**	**$(11,399,810)**	**$982,695**

The accompanying notes form an integral part of these financial statements

Expressed in Canadian Dollars

		2012		2011
Cash flows from operating activities				
Income/(Loss) for the year	**$**	**(127,733)**	$	71,637
Items not involving cash				
Amortization		**-**		3,058
Deferred income tax expense (recovery)		**4,669**		(19,000)
Gain on disposal of marketable securities		**(18,297)**		-
Gain on disposal of mineral properties		**-**		(450,000)
Gain on termination of lease		**-**		(4,694)
Share based payments		**-**		188,965
Changes in non-cash working capital:				
Amounts receivable		**5,261**		(6,083)
Accounts payable and accrued liabilities		**3,927**		(147,270)
Related Parties		**52,538**		42,244
Total cash inflows (outflows) from operating activities	**$**	**(79,635)**	$	(321,143)
Cash flows from financing activities				
Amounts received from related parties		**72,350**		321,380
Payment on capital lease		**-**		(3,518)
Total cash inflows from financing activities	**$**	**72,350**	$	317,862
Cash flows from investing activities				
Proceeds from sale of marketable securities, net of cost		**343,010**		-
Purchase of investment		**(343,485)**		-
Due from related parties		**-**		3,036
Total cash inflows (outflows) from investing activities	**$**	**(475)**		3,036
Total decrease in cash during the year		**(7,760)**	$	(245)
Cash at the beginning of the year		**7,772**	$	8,017
Cash at the end of the year	**$**	**12**		7,772

The accompanying notes form an integral part of these financial statements

1. CORPORATE INFORMATION

The Company was incorporated on October 6, 1988 under the Company Act (British Columbia). Its principal business activities are the exploration and development of resource properties. The Company is listed on the NEX Board of the TSX Venture Exchange, under the symbol GCC-H.

The address of the Company's corporate office and principal place of business is 1500-625 West Hastings Street, Vancouver British Columbia, Canada.

2. BASIS OF PREPARATION

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of these financial statements.

This is the first time that the Company has prepared its annual financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 19.

The financial statements were authorized for issue by the Board of Directors on January 25, 2013.

b) Basis of Measurement

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets.

The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

c) Going Concern of Operations

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 discharges its liabilities in the ordinary course of business. At September 30, 2012, the Company has a working capital deficiency of $1,283,325 (September 30, 2011: $1,141,488), has an accumulated deficit of $11,399,810 (September 30, 2011: $11,272,077) and expects to incur further losses in the development of its business. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's continuing operations and its ability to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the ability of the Company to continue to obtain debt or equity financing in the short term, the continued support of related parties, and ultimately, on locating economically recoverable ore reserves in its mineral properties. Continuing operations are also dependant on the Company being able to dispose of its marketable securities, which are currently subject to a cease trade order, in an orderly manner. Management plans to complete the exploration and development of its mineral properties to ensure the Company can generate sustainable, long-term profitability, and obtain additional financing. Management believes the Company will be successful at securing additional funding, and, with its exploration and development program, it 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.

2. BASIS OF PREPARATION (CONTINUED)

c) Going Concern of Operations (continued)

If the Company is unable to obtain adequate additional financing, the continued support of related parties, or dispose of its marketable securities, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

The underlying value and the recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete development, and upon future profitable production from or the proceeds from the disposition of its mineral properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS balance sheet at October 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

b) Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and Evaluation Expenditures

Acquisition costs to obtain the legal right to explore a property are capitalized. Direct expenditures costs such as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase are also capitalized. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as ‘mines under construction’. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is considered.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

d) Financial Instruments

Financial Assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

These assets, including cash and amounts receivable are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-For-Sale Investments

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (continued)

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities and due to related parties. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured.

e) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

f) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, preferred shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

h) Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

i) Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Diluted loss per share would not differ from basic loss per share as the effect of the exercise of options and warrants would be anti-dilutive.

j) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Share-based Payments (continued)

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment 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 behavioural considerations.

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

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

k) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2011 or later periods.

The Company has early adopted the amendments to IFRS 1 which replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs'. This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011; however, the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition.

The following new standards, amendments and interpretations, that have not been early adopted in these financial statements, will or may have an effect on the Company's future results and financial position:

- IFRS 9 Financial Instruments

  IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

- IFRS 11 Joint Arrangements

  IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. This standard is applicable for annual periods beginning on or after January 1, 2013 but is available for early adoption so long as IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (2011) and IAS 28 Investments in Associates and Joint Ventures (2011) are also early applied. The Company is in the process of assessing the impact that the adoption of this standard may have on its financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Standards, Amendments and Interpretations Not Yet Effective (continued)

- **IFRS 13 Fair Value Measurement**

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. Management has yet to assess the impact that IFRS 13 is likely to have on the Company's financial statements.

- Amendment to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 revise the presentation of other comprehensive income (OCI). Separate subtotals are required for items which may subsequently be recycled through profit or loss and items that will not be recycled through profit or loss. The standard is effective for annual periods beginning on or after July 1, 2012. The Company is in the process of evaluating the impact of the amendments on the presentation of the income statement.

- Amendment to IAS 32 Financial Instruments: Presentations

The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realization and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. The standard is effective for annual periods beginning on or after January 1, 2014. The Company is in the process of evaluating the impact that the adoptions of this standard may have on its financial statements.

- Amendment to IFRS 7, Financial Instruments Disclosure

Amended standard IFRS 7 Financial Instruments: Disclosures outlines the disclosures required when initially applying IFRS 9 Financial Instruments. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact that the adoptions of this standard may have on its financial statements.

The following new standards, amendments and interpretations, that have not been early adopted in these financial statements, will not have a foreseeable effect on the Company's results and financial position:

- IAS 12: Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 (Effective for periods beginning on or after January 1, 2012)
- IFRS 10 Consolidated Financial Statements (Effective for periods beginning on or after January 1, 2013)
- IFRS 12 Disclosure of Interests in Other Entities (Effective for periods beginning on or after January 1, 2013)
- IAS 27 Separate Financial Statements (Effective for periods beginning on or after January 1, 2013)
- IAS 28 Investments in Associates and Joint Ventures (Effective for periods beginning on or after January 1, 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (Effective for periods beginning on or after January 1, 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (Effective for periods beginning on or after January 1, 2013)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Golden Cariboo Resources Ltd. makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i) Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

ii) Valuation of Investment

The Company's available-for-sale investment consists of an investment in common shares of Barkerville Gold Mines Ltd. ("Barkerville"). On August 14, 2012, Barkerville was subject to a cease trade order which prevents the Company from selling shares. The last trading price of Barkerville was $1.22 per share. Management has reviewed the share price as at September 30, 2012 for indications of impairment and fair value. Based on this analysis the fair value of $1.22 per share was considered appropriate. Note 7.

iii) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

5. CASH AND CASH EQUIVALENTS

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

Expressed in Canadian Dollars

6. 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 consists of photocopiers under finance lease amortized on a straight line basis over the term of the lease of 5 years. During the year ended September 30, 2011 the lease was terminated and photocopiers were returned.

			September 30, 2011 and 2012	October 1, 2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment under capital lease	$ -	$ -	$ -	$15,839

7. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment consists of an investment in common shares of Barkerville Gold Mines Ltd. (formerly International Wayside Gold Mines Ltd.) ("Barkerville"), and therefore has no fixed maturity date or coupon rate.

	Barkerville Gold Mines Ltd.		
	Number of Shares		Fair Value
October 1, 2010	1,519,047	$	1,686,142
Addition	338,346		450,000
Revaluation	-		148,451
September 30, 2011	1,857,393	$	2,284,593
Disposal	(404,100)		(343,485)
Addition	404,100		343,485
Revaluation	-		(18,573)
September 30, 2012	1,857,393	$	2,266,020

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 Gold Mines Ltd. ("Barkerville"). The proceeds from the sale of the shares were applied to purchase 404,100 units at $0.85 in Barkerville through the concurrent private placement, with each unit comprising of one common share and one half of one common share purchase warrant. 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. This transaction resulted in the realization of a previously unrealized gain included in accumulated other comprehensive income of $172,330 (2011: $Nil) and resulted in a gain of $18,297 (2011: $Nil) in comprehensive loss.

At September 30, 2012, the fair value of a Barkerville share was $1.22 per share (2011:$1.23 quoted market per share), which represents an unrealized mark-to-market gain of $139,653 (2011: $129,451) net of future income tax expense of $4,669 (2011: $19,000 gain), recorded in other comprehensive loss.

Expressed in Canadian Dollars

7. AVAILABLE-FOR-SALE INVESTMENT (CONTINUED)

As at August 14, 2012, Barkerville was subject to a cease trade order which prevents the Company from selling shares. The last trading price of Barkerville was $1.22 per share. Management has reviewed the share price as at September 30, 2012 for indications of impairment and fair value. Based on this analysis the fair value of $1.22 per share was considered appropriate.

8. OBLIGATION UNDER FINANCE LEASE

	September 30, 2011 and 2012	October 1, 2010
Obligations under finance 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 finance 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.

The monthly lease payments were allocated among other companies related through common directors. As such, the Company recovered a portion of the cost for lease payments. The Company recovered a total of $Nil (2011 – $4,880) in interest and principal payments for photocopier leasing costs incurred during the year ended September 30, 2012 and 2011.

9. MINERAL PROPERTIES

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. During the year ended September 30, 2011 the Company received the final consideration of $450,000 worth of BGM's common shares, under the purchase agreement.

Subject to regulatory approval, on January 18, 2012 the Company entered into an option agreement with Golden Valley Mines Ltd. ("Golden Valley") and Integra Gold Corp. ("Integra") in respect of a portfolio consisting of twelve properties located in the Abitibi Greenstone Belt. Regulatory approval was not yet received as at September 30, 2012.

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).

Expressed in Canadian Dollars

10. SHARE CAPITAL AND RESERVES

a) Common Shares

The Company is authorized to issue an unlimited number of common shares, without par value.

The holders of common shares are entitled to dividends which are declared from time to time, entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

	Number of Shares	Amount
Balance October 1, 2010, September 30, 2011 and 2012	**7,085,969**	**$ 10,227,559**

b) Share Purchase warrants

There were no share purchase warrants outstanding as at September 30, 2012, 2011 and October 1, 2010.

c) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's balance sheet include 'Share-based payment reserve', 'Accumulated Other Comprehensive Loss/Income' and 'Accumulated Deficit'.

'Share-based payment reserve' is used to recognize the value of stock option grants and share warrants prior to exercise.

'Accumulated Other Comprehensive Loss/Income' includes an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings from period to period.

11. SHARE-BASED PAYMENTS

a) Option Plan Details

Pursuant to the policies of the TSX-V, the Company may grant incentive stock options to its officers, directors, employees and consultants. TSX-V policies permit the Company's directors to grant incentive stock options for the purchase of shares of the Company to persons in consideration for services. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual (maximum of 2% to any consultant). The exercise price of stock options is determined by the board of directors of the Company at the time of grant and may not be less than the closing price of the Company's shares on the trading day immediately preceding the date on which the option is granted and publicly announced, less an applicable discount, and may not otherwise be less than $0.10 per share. Options have a maximum term of five years and terminate 90 days following the termination of the optionee's employment, except in the case of retirement, death or disability, in which case they terminate one year after the event. Vesting periods of options is determined at the time of granting of the options at the discretion of the board of directors. Once approved and vested, options are exercisable at any time.

Expressed in Canadian Dollars

11. SHARE-BASED PAYMENTS (CONTINUED)

The following is a summary of changes in options from October 1, 2010 to September 30, 2012:

	September 30, 2012		September 30, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	708,597	$0.285	-	-
Granted	-	-	708,597	$0.285
Cancelled	(45,000)	$0.285	-	-
Balance, end of period	663,597	$0.285	708,597	$0.285
Vested and Exercisable	663,597		708,597	

These options will expire on February 15, 2016 and have weighted average remaining contractual life of 3.38 years as at September 30, 2012.

b) Fair Value of Options Issued During the Period

There were no options granted during the year ended September 30, 2012. The weighted average fair value at grant date of options granted during the year-ended September 31, 2011 was $188,965.

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended September 30, 2011 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
02/15/2011	02/15/2016	$0.285	$0.285	2.77%	5 years	163%	Nil%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

c) Escrow Shares

At September 30, 2012, a total of 6,250 (2011 – 6,250) of the issued and outstanding shares are held in escrow and may not be released without the consent of the regulatory authorities.

11. SHARE-BASED PAYMENTS (CONTINUED)

d) 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 year ending September 30, 2012 and the fiscal years ending September 30, 2011 and 2010. Per the flow-through subscription agreements with investors, the Company was to incur CEE by December 31, 2007 equal to the amount that was renounced. During the year ended September 30, 2012 the Company paid $Nil (2011: $180,000) to the CRA for part payment of penalties and interest outstanding, and accrued an additional $Nil in penalties and interest in 2012 (2011: $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 (2011:$375,888). 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 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.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Process:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Expressed in Canadian Dollars

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest risk, and equity price risk.

Foreign Currency Risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The company does not have significant exposure to foreign exchange rate fluctuation.

Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Equity Price Risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings. The available-for-sale investment in the common shares of Barkerville Gold Mine Ltd. is monitored by Management with decisions on sale taken at Board level. A 10% decrease in the fair value of Barkerville Gold Mines Ltd. would result in a $226,602 decrease in equity.

b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand. The Company considers this risk to be immaterial.

c) Liquidity Risk

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet short term expected operational expenses. To achieve this objective expenditures are monitored as necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure. The Company is reliant on the continued support of related parties to meet short-term financing requirements and to meet obligations as they become due.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Book Value at September 30, 2012	Within 1 Year	2 to 5 years	Over 5 Years	Total
Accounts Payable	505,244	505 244	-	-	505,244
Due to related parties	782,184	782,184	-	-	782,184

	Book Value at September 30, 2011	Within 1 Year	2 to 5 years	Over 5 Years	Total
Accounts Payable	501,316	501,316	-	-	501,316
Due to related parties	657,296	657,296	-	-	657,296

Expressed in Canadian Dollars

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Liquidity Risk (continued)

Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying amounts for cash and cash equivalents, amounts receivable, trade and other payables, and due to related parties approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable marker data (unobservable inputs).

The available-for-sale investment was previously based on quoted prices and was therefore considered to be Level 1. On August 13, 2012, this investment was transferred to Level 3 as discussed below.

Fair value measurements at

	September 30 using					
	Level 1		Level 2		Level 3	
	2012	2011	2012	2011	2012	2011
Financial assets						
Investments	-	2,284,593	-	-	2,266,020	-
	-	2,284,593	-	-	2,266,020	-

Level 3 fair value measurements at September 30

	CTO available-for-sale investments	
	2012	2011
Opening balance	-	-
Net gains and losses recognised in other comprehensive income	-	-
Disposals	-	-
Transfer into Level 3 from Level 1 due to CTO on BGM shares	2,266,020	-
Closing balance	2,266,020	-

The fair value of the cease traded securities is adjusted for systematic market changes occurring up to September 30, 2012 and discounted for illiquidity of the securities brought on by the cease trade order (“CTO”).

Expressed in Canadian Dollars

13. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount. Related party transactions have been listed below, unless they have been disclosed elsewhere in the financial statements.

a) **Key Management Compensation**

		September 30,	
	Note	**2012**	2011
Management fees charged by CEO	(i)	**$ 60,000**	$ 60,000
Salaries charged by CFO		**$ 9,700**	$ 13,492
Share based payments		**$ -**	$ 174,298

b) **Other Related Party Transactions**

	September 30,		
	2012		2011
Salaries and Wages	**$ 13,767**		$ 27,435
Rent	**$ 3,974**	(ii)	$ 6,453
Office and others	**$ 1,064**		$ -

(i) 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.

(ii) Included in rent is a recovery from related entities relating to equipment under a finance lease.

c) **Receivable and Payable**

	September 30,		October 1,
	2012	2011	2010
Due from related parties	**$ -**	$ -	$ 3,036
	-	-	3,036
Due to directors	**$ 246,194**	$ 176,000	$ 20,000
Due to companies with common directors	**$ 535,990**	$ 481,296	$ 273,672
	$ 782,184	$ 657,296	$ 293,672

These amounts are unsecured and non-interest bearing.

d) **Prepaid expenses**

As at September 30, 2012, included in prepaid expenses is $2,000 (2011 and 2010 - $2,000) for rent to a company with a common director.

Expressed in Canadian Dollars

14. CAPITAL MANAGEMENT

The Company monitors its cash, common shares and stock options as capital. The Company's objectives when maintaining capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future exploration and business development.

	2012	**2011**	**2010**
Cash	$ 12	$ 7,772	$ 8,017
Common shares	$ 10,227,559	$ 10,227,559	$ 10,227,559
Stock options	$ 1,494,997	$ 1,494,997	$ 1,306,032

The Company is not exposed to any externally imposed capital requirements and there have been no changes in the Company's capital management objectives.

15. SEGMENTAL REPORTING

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the Company's chief operating decision maker, and for which discrete financial information is available. The Company has determined that it has one reportable operating segment, the acquisition, exploration, development of mineral properties, all of which occurs within Canada. The Company's corporate head office earns nominal revenue that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment.

16. GAIN (LOSS) PER SHARE

	September 30	
	2012	2011
Income (loss) attributed to ordinary shareholders	$ (127,733)	$ 71,637
Weighted average number of common shares	7,085,969	7,085,969
Basic and diluted gain (loss) per share	(0.02)	0.01

The number of shares potentially issuable at September 30, 2012 that were not included in the computation of income / (loss) per share totaled 663,597 options (2011: 708,597). These were excluded from the calculation of diluted income / (loss) per share as the effect would be anti-dilutive.

17. EVENTS AFTER REPORTING PERIOD

On November 27, 2012, the Company completed a private placement of 6,000,000 units at a price of $0.25 per unit for total proceeds of $1,500,000. Each unit consists of one common share and one-half share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.35 per share for a period of one year from closing. To date, the Company has received all the proceeds and Finder's fees of $85,400 were paid.

Expressed in Canadian Dollars

18. INCOME TAXES

	September 30, 2012	September 30, 2011
	$	$
Net income (loss) before taxes	(123,064)	52,637
Income taxed at local statutory rates – 25.38% (2011 – 27.00%)	(31,000)	14,000
Non-deductible differences	-	51,000
Effect of reduction in statutory rate	-	(5,000)
Non-taxable portion of capital gains	(2,000)	-
Change in unrecognized deferred tax assets	37,669	(79,000)
Deferred tax expense (recovery)	4,669	(19,000)

Effective January 1, 2012, the Canadian Federal corporate tax rate decreased from 16.50% to 15.00%, and the British Columbia provincial tax rate remained the same at 10.00%.

Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at September 30, 2012 and 2011 are summarized as follows:

	September 30 2012	September 30 2011
	$	$
Losses carried forward	452,000	419,000
Marketable securities	(94,000)	(99,000)
Exploration and evaluation assets	484,000	484,000
Unrecognized deferred tax asset	(842,000)	(804,000)
Deferred tax liability	-	-

As at September 30, 2012, the Company has estimated non-capital losses and capital losses for Canadian income tax purposes of $1,733,000 and $156,000 that may be carried forward to reduce taxable income derived in future years, as summarized below:

Non-capital Canadian tax losses expiring as follows:

Year of Expiry	Taxable Losses
2026	513,000
2027	336,000
2028	328,000
2030	199,000
2031	217,000
2032	140,000
Total	1,733,000

19. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements for the year-ending September 30, 2012 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was October 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be September 30, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

OPTIONAL EXEMPTIONS

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

Share-based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

Lease

The Company has elected to apply the transitional provision of IFRIC 4 Determining whether an arrangement contains a Lease which permits no reassessment if previous GAAP has the same treatment as IFRS

MANDATORY EXCEPTIONS

Estimates

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

RECONCILIATIONS OF PRE-CHANGEOVER CANADIAN GAAP EQUITY AND COMPREHENSIVE INCOME TO IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared. There have been no changes within the statement of comprehensive income/loss from conversion to IFRS, therefore no reconciliations for the statement of comprehensive income/loss has been prepared.

EXPLANATIONS FOR THE ADJUSTMENTS:

I) RECLASSIFICATION WITHIN EQUITY SECTION

Under Canadian GAAP, a balance within contributed surplus existed to record the issuance of equity-settled employee benefits. Upon adoption of IFRS, the balances in these accounts have been reclassified to Share-based payment reserve.

II) OIL AND GAS PROPERTIES

On transaction to IFRS, management determined that the Company's oil and gas property was fully impaired in accordance with IFRS 6 and IAS 36. As a result, the Company's oil and gas properties were reduced by $1 with a corresponding increase to accumulated deficit.

Expressed in Canadian Dollars

19 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION AS AT OCTOBER 1, 2010

		Canadian GAAP as reported		Effect of transition to IFRS		IFRS	
Assets							
Current assets:							
Cash	$	8,017	$	-	$	8,017	
Amounts receivable		1,269		-		1,269	
Prepaid expenses		2,000		-		2,000	
Total current assets		11,286		-		11,286	
Non-current assets							
Due from related parties		3,036		-		3,036	
Equipment		15,839		-		15,839	
Investments		1,686,142		-		1,686,142	
Oil and gas properties		1		(1)		-	II)
Total non-current assets	$	1,705,018	$ -	1	$	1,705,017	
Total assets	$	1,716,304	$ -	1	$	1,716,303	
Liabilities and Shareholders' Equity							
Current liabilities							
Accounts payable and accrued liabilities	$	648,586	$	-	$	648,586	
Due to related parties		293,672		-		293,672	
Current portion of obligation under capital lease		7,462		-		7,462	
Total current liabilities		949,720		-		949,720	
Obligation under capital lease		13,531		-		13,531	
Total liabilities		963,251		-		963,251	
Shareholders' equity							
Share capital		10,227,559		-		10,227,559	
Contributed Surplus		1,306,032		(1,306,032)		-	I)
Share-based payment reserve		-		1,306,032		1,306,032	I)
Accumulated other comprehensive loss		563,175		-		563,175	
Accumulated deficit		(11,343,713)		(1)		(11,343,714)	
Total shareholders' equity		753,053	-	1		753,052	
Total liabilities and shareholders' equity	$	1,716,304	$ -	1	$	1,716,303	

Expressed in Canadian Dollars

19 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2011

	Canadian GAAP as reported	Effect of transition to IFRS	IFRS	
Assets				
Current assets:				
Cash	$ 7,772	$ -	$ 7,772	
Amounts receivable	7,352	-	7,352	
Prepaid expenses	2,000	-	2,000	
Total current assets	17,124	-	17,124	
Non-current assets				
Due from related parties	-	-	-	
Investments	2,284,593	-	2,284,593	
Oil and gas properties	1	(1)	-	II)
Total non-current assets	$ 2,284,594	$ - 1	$ 2,284,593	
Total assets	$ 2,301,718	$ - 1	$ 2,301,717	
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	$ 501,316	$ -	$ 501,316	
Due to related parties	657,296	-	657,296	
Total liabilities	1,158,612	-	1,158,612	
Shareholders' equity				
Share capital	10,227,559	-	10,227,559	
Contributed Surplus	1,494,997	(1,494,997)	-	I)
Share-based payment reserve	-	1,494,997	1,494,997	I)
Accumulated other comprehensive loss	692,626	-	692,626	
Accumulated deficit	(11,272,076)	(1)	(11,272,077)	
Total shareholders' equity	1,143,106	- 1	1,143,105	
Total liabilities and shareholders' equity	$ 2,301,718	$ - 1	$ 2,301,717	