GOLDEN CROSS RESOURCES INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

I. Vellmer Inc.
Chartered Accountant*

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Independent Auditor's Report

To the shareholders of
Golden Cross Resources Inc.

Report on the Financial Statements
I have audited the accompanying financial statements of Golden Cross Resources Inc., which comprise the balance sheets as at September 30, 2011 and 2010 and statements of operations and deficit, and statements of 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
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the financial statements present fairly, in all material respects, the financial position of Golden Cross Resources Inc. as at September 30, 2011 and 2010, and their financial performance and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

The accompanying financial statements have been prepared using Canadian generally accepted accounting principles assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred substantial losses and has not yet reached self-sustaining operations, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to their planned financing and other matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

December 9, 2011	"I Vellmer Inc."
Vancouver, Canada	Chartered Accountant

GOLDEN CROSS RESOURCES INC.

BALANCE SHEETS
AS AT SEPTEMBER 30

	2011	2010
ASSETS		
Current		
Cash and cash equivalents	$ 591,782	$ 185,257
Other receivables	3,876	2,334
Prepaid expenses	2,000	1,083
	597,658	188,674
Mineral property (Note 3)	37,500	37,500
Website development costs	1,300	2,400
	$ 636,458	$ 228,574
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 5(f))	$ 7,715	$ 7,241
Shareholders' equity		
Capital stock (Note 4)	1,223,128	761,215
Contributed surplus (Note 4)	267,816	35,102
Deficit	(862,201)	(574,984)
	628,743	221,333
	$ 636,458	$ 228,574

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Tom Kennedy" Director *"Lance Morginn"* Director

The accompanying notes are an integral part of these financial statements.

GOLDEN CROSS RESOURCES INC.
STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED SEPTEMBER 30

		2011		2010
EXPENSES				
Consulting	$	32,759	$	12,240
Investor and shareholder communications		10,172		-
Mineral exploration costs (Note 3)		2,755		3,221
Office, rent and miscellaneous		63,452		29,218
Professional fees		32,788		27,514
Stock-based compensation		127,427		30,477
Transfer agent and filing fees		15,081		14,524
Travel and entertainment		4,570		-
Net loss before other items:		(289,004)		(117,194)
Future income tax recovery (Note 8)		-		14,210
Interest income		1,787		-
Net loss for the year		(287,217)		(102,984)
Deficit, beginning of year		(574,984)		(472,000)
Deficit, end of year	$	(862,201)	$	(574,984)
Basic and diluted loss per common share	$	(0.02)	$	(0.01)
Weighted average number of common shares outstanding, basic and diluted		14,729,899		9,662,255

The accompanying notes are an integral part of these financial statements.

GOLDEN CROSS RESOURCES INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED SEPTEMBER 30

	2011	2010
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the year	$ (287,217)	$ (102,984)
Items not affecting cash:		
Stock-based compensation	127,427	30,477
Future income tax recovery	-	(14,210)
Website amortization	1,100	-
Change in non-cash working capital items:		
Other receivables	(1,542)	3,950
Prepaid expenses	(917)	(1,083)
Accounts payable and accrued liabilities	474	1,975
Cash used in operating activities	(160,675)	(81,875)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Website development	-	(2,400)
Cash used in investing activities	-	(2,400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	576,000	190,000
Share issuance costs	(8,800)	-
Cash provided by financing activities	567,200	190,000
Change in cash during the year	406,525	105,725
Cash and cash equivalents, beginning of year	185,257	79,532
Cash and cash equivalents, end of year	$ 591,782	$ 185,257

Supplemental disclosures with respect to cash flows (Note 6)

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Golden Cross Resources Inc. (the "Company") was incorporated in British Columbia under the Business Corporations Act on June 20, 2006. The Company is primarily engaged in the acquisition, exploration, development and production of mineral properties.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing on reasonable terms and to commence profitable operations in the future. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. These financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

	2011	2010
Working capital	$ 589,943	$ 181,433
Deficit	(862,201)	(574,984)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. As at September 30, 2011 the Company had $116,782 in cash (2010 - $185,257) and $475,000 in cash equivalents (2010 - $nil).

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant areas requiring the use of management estimates relate to determination of stock-based compensation, impairment of assets, asset retirement obligations, future income taxes and bi-furcation of units issued into share and warrant components. Actual results could differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Capital transactions costs

In accordance with EIC-94, the Company defers direct and incremental costs incurred in connection with the issuance of share capital and other capital transactions as a non-current asset and charges the costs against share capital when the capital transaction is completed or to operations when the capital transaction is abandoned.

Mineral properties

The Company capitalizes the acquisition costs of mineral claims. Mineral claims acquired for share consideration are recorded at the fair value of the shares issued at the date of acquisition. Exploration and development expenses incurred prior to determination of the feasibility of mining operations, periodic option payments and administrative expenditures are expensed as incurred.

The Company is in the process of exploring its mineral property and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based on current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitability revenues from the property or from the sale of the property. Amounts shown for properties represents costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have any significant asset retirement obligations.

Environmental costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier completion of a feasibility study or the Company's commitment of a plan of action based on the then known facts.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Stock-based compensation

The Company recognizes stock-based compensation expense for the estimated fair value of equity-based instruments granted to both employees and non-employees. Compensation costs attributable to stock options or similar equity instruments granted to employees are measured at the fair value at the grant date, and expensed over the expected vesting period. Transactions in which goods or services are received from non-employees in exchange for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

Financial instruments

The Company classifies all financial instruments either as held to maturity, available-for-sale, held for trading, loans and receivables or other financial liabilities. Financial assets classified as held to maturity, loans and other receivables and financial liabilities other than those held for trading are measured at amortized cost. Available for sale financial instruments are measured at fair market value with temporary unrealized gains and losses recorded in other comprehensive income. Realized losses and other than temporary unrealized losses on available-for-sale financial assets are recognized in the statement of operations. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations for the period.

The Company has designated its cash as held-for-trading and receivables as loans and receivables. Accounts payable and accrued liabilities have been classified as other financial liabilities.

The Company provides disclosure that enables users to evaluate (a) the significance of financial instruments for the entity's financial position and performance and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and the balance sheet date and how the entity manages those risks. The Company currently does not have any hedges in place.

Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income (loss) is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale. The Company had no "other comprehensive income or loss" transactions during the years ended September 30, 2011 and 2010 and no opening or closing balances for "accumulated other comprehensive income or loss" relating to the respective years.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Dilutive loss per share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year and does not include outstanding options and warrants.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) effective at the date of the renouncement, thereby reducing share capital.

If a company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

Share purchase warrants

The Company bi-furcates units consisting of common shares and share purchase warrants using the residual value approach whereby it first measures the common share component of the unit at fair value using market prices as input values and then allocates any residual amount to the warrant component of the unit. The residual value of the warrant component is credited to contributed surplus. When warrants are exercised, the corresponding residual value is transferred from contributed surplus to capital stock.

Mining Tax Credits

The Company accounts for accrued tax credits on eligible exploration expenditures as a deduction from its exploration expenditures, which are charged to operations. The exploration tax credits are accrued in the year when the exploration expenditures are incurred and the tax credit is applied for, provided there is reasonable assurance that the tax credit will be realized.

Future income taxes

The Company uses the asset and liability method of accounting for income taxes whereby future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using tax rates expected to apply to the taxable income in the years in which those temporary differences are expected to be settled. Due to the uncertainty regarding the Company's future profitability, the future tax benefits of its losses have been fully reserved for and no net tax benefit has been recorded in the financial statements.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Website development costs

Website development costs are recorded at cost and amortized over their estimated useful lives at a rate of 33% straight line per annum.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future accounting changes

International financial reporting standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with international financial reporting standards ("IFRS") for Canadian enterprises with public accountability ("PAEs"). The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. The use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company is currently evaluating the impact that this new standard may have on the financial statements of the Company.

3. MINERAL PROPERTIES

	Balance, September 30, 2009	Additions/ (Recoveries)	Balance, September 30, 2010	Additions/ (Recoveries)	Balance, September 30, 2011
Holy Cross Property					
Acquisition costs					
Cash payment	$ 25,000	$ -	$ 25,000	$ -	$ 25,000
Share payment	12,500	-	12,500	-	12,500
	$ 37,500	$ -	$ 37,500	$ -	$ 37,500

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

On September 26, 2006, the Company entered into a property purchase agreement with Aegean Marine Consultants Ltd. ("Aegean") pursuant to which the Company acquired a 100% interest in the Holy Cross mineral resource property located in the Omineca Mining Division of British Columbia, Canada, in consideration of a cash payment of $25,000 and issuance of 5,000,000 common shares of the Company with a value of $12,500. Aegean is controlled by a former Officer and Director of the Company.

During the years ended September 30, 2011 and 2010, the following exploration expenditures were charged to operations:

	2011	2010
Geological consulting	$ 1,817	$ 2,002
IP and Magnetometer survey	187	844
Other	751	375
	$ 2,755	$ 3,221

4. CAPITAL STOCK

	Number of Shares		Amount		Contributed Surplus
Authorized					
Unlimited number of common shares without par value					
Unlimited number of preferred shares without par value					
Issued					
Balance, September 30, 2009	9,336,502	$	585,425	$	4,625
Private placements	3,100,000		155,000		-
Exercise of warrants	700,000		35,000		-
Stock-based compensation	-		-		30,477
Future income taxes on exploration expenditures renounced to flow-through shareholders	-		(14,210)		-
Balance, September 30, 2010	13,136,502		761,215		35,102
Private placement	2,655,000		398,250		132,750
Share issue costs	-		(11,814)		3,014
Exercise of options	900,000		45,000		-
Reclassify contributed surplus on exercise of options			30,477		(30,477)
Stock-based compensation	-		-		127,427
Balance, September 30, 2011	16,691,502	$	1,223,128	$	267,816

The Company has no preferred shares issued and outstanding at September 30, 2011 and 2010.

Escrowed shares

As at September 30, 2011, there were no common shares held in escrow. 447,374 common shares were released from escrow during the fiscal year.

As at September 30, 2010, 447,374 of the Company’s issued common shares were subject to an escrow agreement. Pursuant to the terms of the escrow agreement, 10% of the escrowed shares were released upon the Company’s shares being listed for trading on the CNSE stock exchange, on May 29, 2008 and a further 15% of these shares are to be released every 6 months thereafter.

Share issuance

During the year ended September 30, 2011, the Company:

a) Completed a non-brokered private placement 2,655,000 units at the price of $0.20 per unit for gross cash proceeds of $531,000. Each unit is comprised of one common share and one share purchase warrant; each share purchase warrant entitles the holder to acquire one additional common share at a price of $0.30 until May 19, 2013.

   The Company paid $8,800 cash and issued 44,000 warrants as a finder’s fee. The finder warrants have the same terms as the share purchase warrants issued under the private placement. The finder warrants were valued at an estimated fair value of $3,014 on the issuance date of the private placement using the Black-Scholes option-pricing model. In applying the Black-Scholes option-pricing model, the Company assumed a risk free interest rate of 1.69%, an expected life of 2 years, an annualized volatility of 118%, and a dividend rate of 0%.

b) Issued 900,000 common shares at $0.05 per share from the exercise of options for gross proceeds of $45,000 to an Officer and 3 Directors of the Company.

4. CAPITAL STOCK (cont'd…)

Share issuance (cont'd…)

During the year ended September 30, 2010, the Company:

a) Completed a non-brokered private placement of 3,000,000 units at the price of $0.05 per unit for gross cash proceeds of $150,000. Each unit is comprised of one common share and one share purchase warrant; each share purchase warrant entitles the holder to acquire one additional common share at a price of $0.05 until August 27, 2012.

b) Completed a non-brokered private placement of 100,000 units at the price of $0.05 per unit for gross cash proceeds of $5,000. Each unit is comprised of one common share and one share purchase warrant; each share purchase warrant entitles the holder to acquire one additional common share at a price of $0.05 until September 10, 2012.

c) Issued 700,000 common shares at $0.05 per share from the exercise of warrants for gross proceeds of $35,000. 50,000 of the warrants were exercised by the wife of an officer of the Company for gross proceeds of $2,500.

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option shall not be less than the greater of the closing market price of the Company's shares on (a) the trading day immediately prior to the day of the grant, and (b) the date of the grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2009	-	$ 0.00
Granted	900,000	0.05
Exercised	-	0.00
Expired / forfeited	-	0.00
Balance, September 30, 2010	900,000	$ 0.05
Granted	1,400,000	0.18
Exercised	(900,000)	0.05
Expired / forfeited	-	0.00
Balance, September 30, 2011	1,400,000	$ 0.18

As at September 30, 2011 the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
1,400,000	$ 0.18	March 1, 2013

4. CAPITAL STOCK (cont'd…)

Stock options (cont'd…)

As at September 30, 2010 the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
900,000	$ 0.05	July 21, 2012

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, September 30, 2009	2,800,000	$	0.05
Granted	3,100,000		0.05
Exercised	(700,000)		0.05
Expired / forfeited	(2,100,000)	$	0.05
Balance, September 30, 2010	3,100,000	$	0.05
Granted	2,699,000		0.30
Exercised	-		0.00
Expired / forfeited	-		0.00
Balance, September 30, 2011	5,799,000	$	0.17

The following warrants to acquire common shares were outstanding at September 30, 2011:

Number of Shares	Exercise Price	Expiry Date
3,000,000	$ 0.05	August 27, 2012
100,000	$ 0.05	September 10, 2012
2,699,000	$ 0.30	May 19, 2013
5,799,000		

The following warrants to acquire common shares were outstanding at September 30, 2010:

Number of Shares	Exercise Price	Expiry Date
3,000,000	$ 0.05	August 27, 2012
100,000	$ 0.05	September 10, 2012
3,100,000		

4. CAPITAL STOCK (cont'd…)

Stock-based compensation

For stock options granted to employees, officers, directors and consultants, the Company recognizes as an expense the estimated fair value of the stock options granted. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model.

For the year ended September 30, 2011, the Company recognized $127,427 (2010 - $30,477) as stock-based compensation to operations and the offset was credited to contributed surplus. The stock based compensation relates to the grant of 1,400,000 stock options during fiscal 2011 (2010 – 900,000 stock options) to officers, directors and consultants with vesting provided on the date of grant. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2011	2010
Risk-free interest rate	1.790%	1.483%
Expected life of options	1.5 Years	2 Years
Annualized volatility	111%	138%
Dividend rate	Nil	Nil
Fair value of options granted	$ 0.091	$ 0.034

5. RELATED PARTY BALANCES AND TRANSACTIONS

The Company had the following balances and transactions with related parties during the year ended September 30, 2011:

a) Paid or accrued geological consulting fees of $900 (2010 - $2,002) to a director of the Company.

b) Paid or accrued professional fees of $nil (2010 - $5,625) to a director of the Company.

c) Paid or accrued accounting fees of $19,570 (2010 - $11,630) to a company controlled by an officer of the Company and paid or accrued administrative fees of $8,000 (2010 - $nil) to the spouse of this officer of the Company.

d) Paid or accrued office rent of $10,250 (2010 - $9,500) and administrative fees of $nil (2010 - $1,500) to a director of the Company.

e) Granted 500,000 stock options to officers and directors (2010 – 900,000) at a fair value of $0.091 per stock option (2010 - $0.034).

f) Included in accounts payable were $1,680 (2010 - $1,260) due to an officer of the Company and $349 (2010 - $123) due to a director of the Company. There are no interest, security or repayment terms relating to these accounts payables due to related parties.

These transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

6. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2011	2010
Cash paid for income taxes during the year	$ -	$ -
Cash paid for interest during the year	$ -	$ -

During the year ended September 30, 2011, the Company issued 44,000 warrants valued at $3,014 as a finder's fee (see further Note 4). There were no significant non-cash investing or financing transactions during the year ended September 30, 2010.

7. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, pursue exploration of its mineral property interest and to maintain a flexible capital structure for the benefits of its stakeholders. In the management of capital, the Company includes shareholders' equity in the definition of capital. The Company's capital was $682,743 as at September 30, 2011 (2010 - $221,333) with an increase in the amount of capital of $461,410 during fiscal 2011 (2010 – 103,283).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets. Management reviews the capital structure on a regular basis to ensure that the Company's capital management objectives are achieved.

There were no changes in the Company's approach to capital management during the year ended September 30, 2011. The Company is not subject to externally imposed capital requirements.

8. INCOME TAXES

The provision for income taxes differs from the result which would be obtained by applying the statutory income tax rate of 27.00% (2010 – 29.00%) to income before income taxes. The difference results from the following items:

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2011	2010
Loss before income taxes	$ (287,217)	$ (102,984)
Expected income tax recovery at statutory rates	$ (77,549)	$ (29,865)
Permanent timing differences	33,065	8,084
Temporary timing differences	744	934
Change in valuation allowance due to change in statutory rates	13,500	5,753
Unrecognized benefit of non-capital losses	30,240	884
Total income tax recovery	$ -	$ (14,210)

8. INCOME TAXES (cont'd…)

Details of future income tax assets and liabilities are as follows:

		2011		2010
Future income tax assets (liabilities):				
Non-capital loss carryforwards	$	140,000	$	99,600
Share issuance costs		4,000		2,300
Mineral properties		42,000		44,400
Future income tax assets		186,000		146,300
Less: Valuation allowance		(186,000)		(146,300)
Net future income tax assets	$	-	$	-

The Company has available for deduction against future taxable income non-capital losses of approximately $520,000. These losses, if not utilized, will expire through 2031. Subject to certain restrictions, the Company also has approximately $156,000 resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

During the year ended September 30, 2010, the Company renounced $49,000 of Canadian exploration expenditures to these flow-through share investors and recognized a future income tax recovery of $14,210 in operations. As at September 30, 2010, the Company did not have any outstanding commitments to incur or to renounce Canadian exploration expenditures on account of flow-through share issuances.

9. FINANCIAL INSTRUMENTS

The Company classified its cash as held for trading, which are measured at fair value. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Company's financial instruments and risk exposures are summarized below.

Credit risk
Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. Management believes that the credit risk concentration with respect to receivables is minimal.

Liquidity risk
Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. As at September 30, 2011, the Company had a working capital of $589,973. All of the Company's financial liabilities are classified as current and may mature within the next fiscal period. The Company is considered to be in the exploration stage. Thus it is dependent on obtaining regular financings in order to continue its exploration stage. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

9. FINANCIAL INSTRUMENTS (cont'd…)

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) *Interest rate risk*
The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions. The interest rate risks on cash are not considered significant.

(b) *Foreign exchange rate risk*
The Company does not have significant foreign exchange risk as all its activities are carried out in Canada and all its financial assets and liabilities are denominated in Canadian dollars.

Sensitivity analysis
The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of these financial instruments.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by credit risk, liquidity risk or market risk.

Fair Value

In June 2009, the CICA amended Section 3862, Financial Instruments – Disclosures, that includes additional disclosure requirements about fair value measurements for financial instruments and liquidity risk disclosures effective for fiscal years ending after September 30, 2009. Enhanced fair value measurements entail a three-level hierarchy that takes into account the significance of the inputs used in making the fair value measurements. The amendment clarifies that liquidity risk relates to financial liabilities that are settled by delivering cash or another financial asset. Enhanced liquidity risk disclosures include a maturity analysis for derivative financial liabilities based on how an entity manages liquidity risk. The Company has included the disclosure recommended by the new handbook sections in Note 9 to these financial statements.

CICA Handbook Section 3862 "Financial Instruments – disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

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

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 591,782	$ -	$ -	$ 591,782
Accounts payable and accrued liabilities	(7,715)	-	-	(7,715)
Total	$ 584,067	$ -	$ -	$ 584,067

Hedges

The Company does not have any hedges in place as at September 30, 2011 and 2010.