

**GOLDEN CROSS RESOURCES INC.**

**Financial Statements**

**For The Years Ended September 30, 2012 and 2011**

# **I. Vellmer Inc.**

## **Chartered Accountant\***

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\*denotes an incorporated professional

### **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 statements of financial position as at September 30, 2012 and 2011 and October 1, 2010 and the statements of net loss and comprehensive loss, the statements of changes in shareholders' equity and the statements of cash flows for the for the years ended September 30, 2012 and 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*

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

January 22, 2012  
Vancouver, Canada

"I Vellmer Inc."  
Chartered Accountant

**GOLDEN CROSS RESOURCES INC.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	September 30, 2012	September 30, 2011 (Note 13)	October 1, 2010 (Note 13)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents (Note 4)	\$ 1,338,295	\$ 591,782	\$ 185,257
Other receivables (Note 5)	13,803	3,876	2,334
Notes receivable (Note 6)	1,385,006	-	-
Prepaid expenses	-	2,000	1,083
	2,737,104	597,658	188,674
<b>Non-current assets</b>			
Exploration and evaluation assets (Note 7)	37,500	37,500	37,500
	\$ 2,774,604	\$ 635,158	\$ 226,174
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities (Notes 8 & 10)	\$ 18,704	\$ 7,715	\$ 7,241
	18,704	7,715	7,241
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (Note 9)	3,260,474	1,237,338	775,425
Share subscriptions received (Note 16)	563,920	-	-
Reserves	471,969	267,816	35,102
Deficit	(1,540,463)	(877,711)	(591,594)
	2,755,900	627,443	218,933
	\$ 2,774,604	\$ 635,158	\$ 226,174

Nature of operations (Note 1)

Subsequent events (Note 16)

The financial statements were authorized for issue by the board of directors on January 22, 2013 and were signed on its behalf by:

*"Thomas Kennedy"*

Thomas Kennedy, Director

*"Lance Morqinn"*

Lance Morqinn, Director

The accompanying notes are an integral part of these financial statements

**GOLDEN CROSS RESOURCES INC.**  
**Statements of Net Loss and Comprehensive Loss**  
**For The Years Ended September 30, 2012 and 2011**  
**(Expressed in Canadian Dollars)**

	<b>2012</b>	<b>2011</b>
		(Note 13)
<b>Expenses</b>		
Accounting and administration	\$ 64,270	\$ 25,425
Consulting	101,466	32,759
Mineral exploration costs	3,556	2,755
Office and miscellaneous	60,250	36,227
Professional fees	53,289	32,788
Share-based payments	60,309	127,427
Shareholder communication and promotion	72,523	10,872
Transfer agent and filing fees	19,715	15,081
Travel	17,670	4,570
<b>Loss Before Other Items</b>	<b>453,048</b>	<b>287,904</b>
<b>Other Items</b>		
Amortized discount on notes receivable (Note 6)	217,269	-
Interest income	(7,565)	(1,787)
<b>Net Loss and Comprehensive Loss for year</b>	<b>\$ 662,752</b>	<b>\$ 286,117</b>
<b>Basic and Diluted Loss Per Common Share</b>	<b>\$ 0.03</b>	<b>\$ 0.02</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>25,543,768</b>	<b>14,729,899</b>

The accompanying notes are an integral part of these financial statements

**Golden Cross Resources Inc.**  
**Statements of Changes in Shareholders' Equity**  
**For the Years Ended September 30, 2012 and 2011**  
**(Expressed in Canadian Dollars)**

	Share Capital		Share Subscription Received	Reserves	Deficit (Note 13)	Total Shareholders' Equity
	Number of Shares	Amount				
<b>Balance, as at October 1, 2010</b>	13,136,502	\$ 775,425	\$ -	\$ 35,102	\$ (591,594)	\$ 218,933
Net loss and comprehensive loss for the year	-	-	-	-	(286,117)	(286,117)
Private placement	2,655,000	398,250	-	132,750	-	531,000
Share issue costs	-	(8,800)	-	-	-	(8,800)
Stock options exercised	900,000	45,000	-	-	-	45,000
Fair value of finder's warrants issued	-	(3,014)	-	3,014	-	-
Fair value of stock options exercised	-	30,477	-	(30,477)	-	-
Fair value of share-based payments	-	-	-	127,427	-	127,427
<b>Balance as at September 30, 2011</b>	<b>16,691,502</b>	<b>\$ 1,237,338</b>	<b>\$ -</b>	<b>\$ 267,816</b>	<b>\$ (877,711)</b>	<b>\$ 627,443</b>
<b>Balance, as at September 30, 2011</b>	16,691,502	\$ 1,237,338	\$ -	\$ 267,816	\$ (877,711)	\$ 627,443
Net loss and comprehensive loss for the year	-	-	-	-	(662,752)	(662,752)
Private placements	18,412,774	1,950,645	-	107,143	-	2,057,788
Share issuance costs	-	(45,808)	-	-	-	(45,808)
Fair value of finders' warrants issued	-	(36,701)	-	36,701	-	-
Warrants exercised	3,100,000	155,000	-	-	-	155,000
Share subscription received	-	-	563,920	-	-	563,920
Fair value of share-based payments	-	-	-	60,309	-	60,309
<b>Balance as at September 30, 2012</b>	<b>38,204,276</b>	<b>\$ 3,260,474</b>	<b>\$ 563,920</b>	<b>\$ 471,969</b>	<b>\$ (1,540,463)</b>	<b>\$ 2,755,900</b>

The accompanying notes are an integral part of these financial statements

**GOLDEN CROSS RESOURCES INC.**  
**Statements of Cash Flows**  
**For The Years Ended September 30, 2012 and 2011**  
**(Expressed in Canadian dollars)**

	2012	2011
<b>Operating Activities</b>		
Net loss for year	\$ (662,752)	\$ (286,117)
Add items not affecting cash:		
Share-based payments	60,309	127,427
Amortized discount on notes receivable	217,269	-
Changes in non-cash working capital items:		
Other receivables	(9,927)	(1,542)
Prepaid expenses	2,000	(917)
Accounts payable and accrued liabilities	10,989	474
	<b>(382,112)</b>	<b>(160,675)</b>
<b>Financing Activities</b>		
Share subscription received	563,920	-
Shares issued for cash	2,212,788	576,000
Share issuance costs	(45,808)	(8,800)
	<b>2,730,900</b>	<b>567,200</b>
<b>Investing Activities</b>		
Notes receivable	(1,602,275)	-
	<b>(1,602,275)</b>	<b>-</b>
Increase in cash during year	746,513	406,525
Cash and cash equivalents, beginning of year	591,782	185,257
Cash and cash equivalents, end of year	\$ 1,338,295	\$ 591,782
<b>Supplemental Cash Flow Information:</b>		
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

**GOLDEN CROSS RESOURCES INC.**  
**Notes to Financial Statements**  
**For The Years Ended September 30, 2012 and 2011**  
**(Expressed in Canadian dollars)**

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**1. NATURE 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's principal office is located at Suite 804 – 750 West Pender Street, Vancouver, BC, V6C 2T7.

The Company is in the process of exploring its mineral property and has not yet determined whether the mineral property contains ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets 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 or proceeds from the sale of all or an interest in its mineral claims.

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 ability of the Company to continue as a going concern is dependent upon its ability to obtain financing on reasonable terms and to attain profitable operations from the mineral properties or the proceeds from the disposition of those properties. 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 substantially less than the amounts recorded on the statements of financial position. These financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company estimates it has sufficient working capital to continue operations for the next fiscal year.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

**Statement of compliance and conversion to International Financial Reporting Standards**

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), and in accordance with International Accounting Standard ("IAS") 34, and IFRS 1, First Time Adoption of IFRS.

These are the Company's first IFRS annual financial statements prepared in accordance with IFRS for the year ending September 30, 2012. Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Policies ("Cdn GAAP"). Cdn GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting and measurement methods previously applied in the GAAP financial statements to comply with IFRS. Note 13 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended September 30, 2011.

These financial statements have been authorized for issuance by the Company's board of directors; the board of directors has the power to amend these financial statements after issuance, if applicable.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

**Basis of preparation**

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. These financial statements are presented in Canadian dollars unless otherwise noted.

**Significant accounting judgments, estimates and assumptions**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. These financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

**Judgements:**

- None

**Estimates:**

- Determination of the recoverability of the carrying value of exploration and evaluation assets;
- Fair value measurements for financial instruments and share-based compensation and other equity-based transactions;
- Recognition and valuation of provisions for restoration and environmental liabilities; and
- Recoverability and measurement of deferred tax assets and liabilities.

**Exploration and evaluation assets**

Exploration and evaluation costs include the acquisition costs of mineral interests and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenses incurred before the Company has obtained the legal rights to explore an area and prior to determination of the feasibility of mining operations are expensed as incurred. Government tax credits received are deducted from exploration expenditure.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

**Share-based payments**

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of share-based payments is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When options are exercised, their fair value is reclassified from reserves to share capital.

**Financial instruments**

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

***Financial assets***

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and subsequently measured at amortized cost less any provisions for impairment. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost using the effective interest rate method. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of net loss.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

**Financial instruments (continued)**

*Financial assets (continued)*

*De-recognition of financial assets* - A financial asset is derecognized when the contractual right to the asset's cash flows expires, or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

*Financial liabilities and equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

*Other financial liabilities* - This category includes amounts due to related parties and trade payables and other liabilities, all of which are recognized at amortized cost. The Company classified its accounts payable and accrued liabilities as other financial liabilities.

*De-recognition of financial liabilities*

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

*Share purchase warrants*

The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach, whereby it measures the common share component of the unit at fair value using market prices as input values and then allocates the residual value of the units over the fair value of the common shares to the warrant component. The value of the warrant component is credited to reserves.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

**Impairment of assets**

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

**Impairment of assets (continued)**

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

**Income taxes**

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Deferred income tax***

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

**Restoration and environmental obligations**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets. The Company evaluated its restoration costs to be \$nil as at September 30, 2012 and 2011 and October 1, 2010.

**Share Capital**

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

**Basic and diluted loss per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. 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 earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions including the exercise of options and warrants that would be anti-dilutive

The calculation also excludes common shares that are being held in escrow at period end where the terms of release are dependent on requirements other than the passage of time.

### **3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

#### **IFRS 9 “Financial Instruments”**

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. This new standard is effective for annual periods beginning on or after January 1, 2013.

The Company is currently assessing the impact that these standards will have on the financial statements.

#### **IFRS 10 “Consolidated Financial Statements”**

IFRS 10, Consolidated Financial Statements (“IFRS 10”) was issued by the IASB on May 12, 2011 and will replace IAS 27, Consolidated and Separate Financial Statements (“IAS 27”), and SIC-12, Consolidation – Special Purpose Entities (“SIC-12”). Concurrent with IFRS 10, the IASB issued IFRS 11, Joint Ventures; IFRS 12, Disclosures of Involvement with Other Entities; IAS 27, Separate Financial Statements, which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; IAS 28, Investments in Associates and Joint Ventures, which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impact of IFRS 10 on its financial statements.

#### **IFRS 11 “Joint Arrangements”**

IFRS 11, Joint Arrangements (“IFRS 11”), introduces new accounting requirements for joint arrangements, replacing IAS 31, Interests in Joint Ventures. It eliminates the option of accounting for jointly controlled entities by proportionate consolidation. The Company intends to adopt IFRS 11 in its consolidated financial statements for the annual period beginning on January 1, 2013. The Company is assessing the impact of IFRS 11 on its financial statements.

#### **IFRS 12 “Disclosure of Interest in Other Entities”**

IFRS 12, Disclosure of Interest in Other Entities (“IFRS 12”), was issued by the IASB on May 12, 2011. The new standard includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities, and replaces existing disclosure requirements. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 12 on its financial statements.

#### **IFRS 13 “Fair Value Measurement”**

IFRS 13, Fair Value Measurement (“IFRS 13”) was issued by the IASB on May 16, 2011. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement so assumptions that market participants would use should be applied in measuring fair value. The new standard is effective for annual periods on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard on its financial statements.

**GOLDEN CROSS RESOURCES INC.**  
**Notes to Financial Statements**  
**For The Years Ended September 30, 2012 and 2011**  
**(Expressed in Canadian dollars)**

**3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

**IFRIC 20 “Stripping costs in the Production Phase of a Surface Mine”**

October 24, 2011 the IASB has issued IFRIC Interpretation 20 clarifying when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

**4. CASH AND CASH EQUIVALENTS**

The components of cash and cash equivalents are as follows:

	September 30, 2012	September 30, 2011	October 1, 2010
Cash at bank	\$ 838,295	\$ 116,782	\$ 185,257
Guaranteed investment certificates	500,000	475,000	-
	<b>\$ 1,338,295</b>	<b>\$ 591,782</b>	<b>\$ 185,257</b>

**5. OTHER RECEIVABLES**

Other receivables consist of HST receivable, interest receivable and other non-trade receivables. All other receivables are non-interest bearing, unsecured with no stated repayment terms.

**6. NOTES RECEIVABLE**

As at September 30, 2012, the Company advanced \$1,602,275 to Blue Gold Tailing Technologies Ltd., Blue Gold Holdings Ltd. and BG Holdings Ltd. (“Blue Gold Group”) pursuant to several agreements dated between June 25, 2012 and September 20, 2012. The notes receivable are repayable without interest within one year from the date of issuance. If Blue Gold Group fails to repay the Company within the one year term, interest will start to accrue on the amount owing at a rate of 21% per annum compounded annually.

Up to \$1,600, 000 of the notes receivable are secured by a general security agreement with a floating charge and security interest on all Blue Gold Group’s assets, rights, interests and properties.

The notes receivable were issued to the Blue Gold Group in connection with a letter of intent whereby the Company and the Blue Gold Group are to effect a business combination, the ultimate form of which was yet to be determined. The Company and the Blue Gold Group signed an amalgamation agreement thereto on November 21, 2012 (see Note 16 – Subsequent Events).

The notes receivable are measured at amortized cost using the effective interest method. During the year ended September 30, 2012, a discount of \$217,269 (2011 - \$nil) has been recorded.

**GOLDEN CROSS RESOURCES INC.**  
**Notes to Financial Statements**  
**For The Years Ended September 30, 2012 and 2011**  
**(Expressed in Canadian dollars)**

**6. NOTES RECEIVABLE (continued)**

	September 30, 2012	September 30, 2011	October 1, 2010
Principal balance of notes receivable	\$ 1,602,275	\$ -	\$ -
Accumulated amortization of discount	(217,269)	-	-
	<b>\$ 1,385,006</b>	<b>\$ -</b>	<b>\$ -</b>

**7. EXPLORATION AND EVALUATION ASSETS**

**Holy Cross Property**

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.

**Acquisition costs**

	September 30, 2012	September 30, 2011	October 1, 2010
Balance, beginning of year	\$ 37,500	\$ 37,500	\$ 37,500
Additions	-	-	-
Balance, end of year	<b>\$ 37,500</b>	<b>\$ 37,500</b>	<b>\$ 37,500</b>

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.

**Exploration and evaluation expenditures**

During the years ended September 30, 2012 and 2011, the following exploration and evaluation expenditures were charged to operations:

	2012	2011
Geological consulting	\$ 3,556	\$ 1,817
IP and Magnetometer survey	-	187
Other	-	751
	<b>\$ 3,556</b>	<b>\$ 2,755</b>



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**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	September 30, 2012	September 30, 2011	October 1, 2010
Accounts payable and accrued liabilities	\$ 12,257	\$ 5,686	\$ 5,858
Amounts due to related parties	6,447	2,029	1,383
<b>Balance, end of year</b>	<b>\$ 18,704</b>	<b>\$ 7,715</b>	<b>\$ 7,241</b>

Accounts payable and accrued liabilities are non-interest bearing, unsecured and with no stated repayment terms.

**9. SHARE CAPITAL**

**Authorized**

Unlimited number of common shares without par value.

**Issued and fully paid**

During the year ended September 30, 2012, the Company:

- a) Completed a private placement of 8,000,000 units at \$0.075 per unit for total proceeds of \$600,000 in February 2012. Each unit consists of one common share and one transferable common share purchase warrant entitling the holder thereof to acquire one additional common share at a price of \$0.10 per share for a period of five years. 140,000 of these units were issued to a person related to the Company's chief financial officer.
- b) Completed a private placement of 10,412,774 units at \$0.14 per unit for total proceeds of \$1,457,788 in tranches from June to August of the fiscal year 2012. Each unit consists of one common share and one-half of one transferable common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one additional common share at a price of \$0.18 per share for a period of two years. The units were bifurcated; the shares component was valued at a fair value of \$1,350,645, and the residual value of \$107,143 was allocated to the warrants component.

The Company paid finders' fees of \$45,808 and issued 315,000 finders' warrants having the same terms as the private placement warrants. The agent warrants were valued at a total of \$36,701 using the Black-Scholes option pricing model with risk free interest rates of 0.99% to 1.20% per annum, expected stock price volatility of 143% to 151%, expected dividend yield of 0% and expected life of 2 years. 300,000 of these units were issued to directors or companies controlled by directors.

- c) Issued 3,100,000 shares for warrants exercised for total proceeds of \$155,000. 18,500 of these warrants were exercised by a party related to a director of the Company.

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**9. SHARE CAPITAL (continued)**

**Issued and fully paid (continued)**

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

- a) Completed a non-brokered private placement of 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 three Directors of the Company.

**Stock options**

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant.

The changes in options during the years ended September 30, 2012 and 2011 are as follows:

	2012		2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	1,400,000	\$ 0.18	900,000	\$ 0.05
Options granted	500,000	0.14	1,400,000	0.18
Options exercised	-	-	(900,000)	0.05
Options expired/forfeited	(600,000)	0.18	-	-
Options outstanding and exercisable, end of year	1,300,000	\$ 0.16	1,400,000	\$ 0.18

Details of options outstanding as at September 30, 2012 are as follows:

Expiry Date	Number of Options	Exercise Price
March 1, 2013	800,000	\$ 0.18
July 30, 2017	500,000	0.14
	1,300,000	\$ 0.16

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**9. SHARE CAPITAL (continued)**

**Stock options (continued)**

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

As at October 1, 2010 the following stock options were outstanding:

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

The weighted average life of the options outstanding and exercisable at September 30, 2012 in 2.12 years (2011 – 1.42 years, 2010 – 1.8 years). All of the stock options outstanding as at September 30, 2012 and 2011 and October 1, 2010 were exercisable.

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, 2012, the Company recognized \$60,309 (2011 - \$127,427) as stock-based compensation to operations and the offset was credited to reserves. The stock based compensation relates to the grant of 500,000 stock options during fiscal 2012 (2011 – 1,400,000 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:

	2012	2011
Risk-free interest rate	1.300%	1.790%
Expected life of options	5 Years	1.5 Years
Annualized volatility	131%	111%
Dividend rate	Nil	Nil
Fair value of options granted	\$ 0.121	\$ 0.091

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**9. SHARE CAPITAL (continued)**

**Share Purchase Warrants**

The changes in warrants during the years ended September 30, 2012 and 2011 are as follows:

	2012		2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of year	5,799,000	\$ 0.17	3,100,000	\$ 0.05
Warrants granted	13,521,387	0.13	2,699,000	0.30
Warrants exercised	(3,100,000)	0.05	-	-
Warrants outstanding and exercisable, end of year	16,220,387	\$ 0.16	5,799,000	\$ 0.17

The weighted average contractual life of the warrants is 2.92 years.

The following table summarizes the warrants outstanding at September 30, 2012:

Number of Warrants	Exercise Price	Expiry Date
2,699,000	0.30	May 19, 2013
8,000,000	0.10	February 28, 2017
1,628,266	0.18	June 29, 2014
1,296,023	0.18	August 17, 2014
2,597,098	0.18	August 30, 2014
<u>16,220,387</u>		

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
	\$ 0.05	September 10, 2012
100,000		
<u>2,699,000</u>	\$ 0.30	May 19, 2013
5,799,000		

The following warrants to acquire common shares were outstanding at October 1, 2010:

Number of Shares	Exercise Price	Expiry Date
3,000,000	\$ 0.05	August 27, 2012
<u>100,000</u>	\$ 0.05	September 10, 2012
3,100,000		

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**10. RELATED PARTY TRANSACTIONS**

(a) The following amounts due to related parties are included in accounts payable and accrued liabilities:

	September 30, 2012	September 30, 2011	October 1, 2010
Company controlled by an officer of the Company	\$ 2,800	\$ 1,680	\$ 1,260
Director of the Company	3,647	349	123
<b>Balance, end of year</b>	<b>\$ 6,447</b>	<b>\$ 2,029</b>	<b>\$ 1,383</b>

The amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

(b) The compensation of management personnel during the years ended September 30, 2012 and 2011:

	2012	2011
Consulting fees to directors of the Company	\$ 30,322	\$ 900
Accounting fees to a company controlled by an officer of the Company	21,700	19,570
Office administration fees to a relative of an officer	-	8,000
Rent to a director of the Company	5,000	10,250
Share based compensation	-	45,509
<b>Balance, end of year</b>	<b>\$ 57,022</b>	<b>\$ 84,229</b>

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the years ended September 30, 2012 and 2011.

**11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

During the year ended September 30, 2012, the Company issued 315,000 warrants valued at \$36,701 as a finder's fee (see Note 9). During the year ended September 30, 2011, the Company issued 44,000 warrants valued at \$3,014 as a finder's fee.

**12. FINANCIAL RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

**12. FINANCIAL RISK MANAGEMENT (continued)**

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

The Company's secondary exposure to risk is on its notes receivable. The Company has entered into an amalgamation agreement with the Blue Gold Group, the notes receivable debtors (see Note 16), and upon amalgamation the notes receivable will be eliminated, hence effectively reducing any credit risk. The Company has further secured the notes by a general security agreement with a floating charge and security interest on all of Blue Gold Group's assets, rights, interests and properties. The amalgamation agreement is subject to shareholder and regulatory approval, which the Company is actively pursuing.

The Company's other exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at September 30, 2012, the Company had a working capital of \$2,718,400. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

As at September 30, 2012, all of the Company's non-derivative financial liabilities are due within one year.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal.

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**12. FINANCIAL RISK MANAGEMENT (continued)**

**Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. The Company's capital was \$2,755,900 as at September 30, 2012 (2011 – \$627,443, 2010 - \$218,933) with an increase in the amount of capital of \$2,128,457 during fiscal 2012 (2011 – \$408,510).

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, 2012.

The Company is not subject to any externally imposed capital requirements.

**Classification of financial instruments**

Financial assets included in the statements of financial position are as follows:

	September 30, 2012	September 30, 2011	October 1, 2010
<b>Loans and other receivables:</b>			
Cash and cash equivalents	\$ 1,338,295	\$ 591,782	\$ 185,257
Notes receivable	1,385,006	-	-
Other receivables	6,216	1,726	-
	<b>\$ 2,729,517</b>	<b>\$ 593,508</b>	<b>\$ 185,257</b>

Financial liabilities included in the statements of financial position are as follows:

	September 30, 2012	September 30, 2011	October 1, 2010
<b>Other financial liabilities:</b>			
Accounts payable and accrued liabilities	\$ 12,257	\$ 5,686	\$ 1,383
Due to related parties	6,447	2,029	5,858
	<b>\$ 18,704</b>	<b>\$ 7,715</b>	<b>\$ 7,241</b>

**Fair value**

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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**12. FINANCIAL RISK MANAGEMENT (continued)**

**Fair value (continued)**

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash and cash equivalents are classified as level 1. Notes receivables and all other financial assets and liabilities are classified as level 3, and their classification has not changed during the fiscal years of 2012 and 2011.

Notes receivable were valued using the effective interest rate method and an estimated interest rate of 21% compounded annually. Other receivables' and accounts payable and accrued liabilities' fair value is estimated to be their carrying value due to their short term nature.

**13. TRANSITION TO IFRS**

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS commencing with its first condensed interim financial statements under IFRS for the three months ended December 31, 2011. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", October 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

**Exemptions applied**

The Company has applied the following optional transition exemption to full retrospective application of IFRS:

- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 1, 2002 and vested before the date of transition to IFRS. The Company had no options that had not vested on the date of transition.

The Company has applied the following mandatory transition exemption:

- In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the transition date are consistent with its Canadian GAAP estimates as at that date.

**Reconciliation of Canadian GAAP to IFRS**

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRS as of the same date. In addition, an explanation is required to any material adjustments to cash flows to the extent that they exist. The analysis which follows represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted:



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**13. TRANSITION TO IFRS (continued)**

**Reconciliation of Canadian GAAP to IFRS (continued)**

- IFRS does not permit an entity to recognise the costs of developing a website which is used solely or primarily for promoting and advertising its own products and services, as an asset. As a result the website development costs asset was written down to \$nil at October 1, 2010. Additionally, the amortization charge associated with the website development costs asset under Cdn GAAP as at the transition date has been reduced to \$nil for the years ended September 30, 2012 and 2011.
- Under Canadian GAAP, in the fiscal year of 2010, the Company recognized a deferred income tax benefit of \$14,210 on the renouncement of Canadian exploration expenditures to flow-through shareholders as income and as a reduction of share capital. Under IFRS this deferred income tax benefit is not recognized in profit and loss and share capital. As a result, the Company has restated both share capital and deficit as at October 1, 2010.

The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive loss:

	September 30, 2011	October 1, 2010
Shareholders' equity reconciliation		
Shareholders' equity reported under Canadian GAAP	\$ 628,743	\$ 221,333
Website development costs	(1,300)	(2,400)
Deferred income tax benefit on renouncement of Canadian exploration expenditures	-	-
Shareholders' equity under IFRS	\$ 627,443	\$ 218,933
		Year ended September 30, 2011
Reconciliation of comprehensive loss		
Comprehensive loss reported under Canadian GAAP		\$ 287,217
Website development costs		(1,100)
Deferred income tax benefit on renouncement of Canadian exploration expenditures		-
Comprehensive loss under IFRS		\$ 286,117

There are no differences between the statements of cash flows presented under Canadian GAAP and IFRS for the year ended September 30, 2011.

**14. SEGMENTED INFORMATION**

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties. All of the Company's non-current assets are located in Canada.

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**15. INCOME TAXES**

The provision for income taxes differs from the result which would be obtained by applying the statutory income tax rate of 25.00% (2011 – 25.00%) 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:

	2012	2011
<b>Loss before income taxes</b>	<b>\$ (662,752)</b>	<b>\$ (286,117)</b>
Expected income tax recovery at statutory rates	\$ (165,688)	\$ (71,529)
Permanent timing differences	65,863	30,616
Temporary timing differences	682	689
Unrecognized benefit of non-capital losses	99,143	40,224
<b>Total income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

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

	2012	2011
<b>Future income tax assets:</b>		
Non-capital loss carry forwards	\$ 229,000	\$ 130,000
Share issuance costs	11,000	3,700
Mineral properties	40,000	39,000
<b>Future income tax assets</b>	<b>280,000</b>	<b>172,700</b>
<b>Less: Valuation allowance</b>	<b>(280,000)</b>	<b>(172,000)</b>
<b>Net future income tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The Company has available for deduction against future taxable income non-capital losses of approximately \$915,000. These losses, if not utilized, will expire through 2032. Subject to certain restrictions, the Company also has approximately \$193,000 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.

**16. SUBSEQUENT EVENTS**

- (a) In October to November 2012, the Company completed a private placement, in tranches, of 9,250,253 units at \$0.14 per unit for total proceeds of \$1,295,035. Each unit consists of one common share and one-half of one transferable common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one additional common share at a price of \$0.18 per share for a period of two years. The Company paid finders' fees of \$41,687 and issued 169,050 finders' warrants.
- (b) Pursuant to two promissory note agreements, the Company advanced \$1,400,000 to the Blue Gold Group, \$800,000 on October 22, 2012 and \$600,000 on November 30, 2012 respectively (see Note 6). The notes become due one year after issuance and are non-interest bearing for up to one year and thereafter bear interest at 21% annually compounded. These notes are secured by a \$600,000 general security agreement with a floating charge and security interest on all Blue Gold Group's assets, rights, interests and properties.
- (c) Pursuant to an amalgamation agreement, dated November 21, 2012, the Company, through its newly incorporated 100% owned subsidiary Golden Cross Acquisitions Inc., and Blue Gold Tailing Technologies Ltd. ("Blue Gold") agreed to amalgamate in accordance with the following material terms:
- The amalgamation is subject to shareholder approval of the respective companies and regulatory approval;
  - Each of the 101,726,888 issued and outstanding common shares of Blue Gold immediately before the effective date shall be exchanged for 0.373549223 of Golden Cross shares and the Blue Gold shares exchanged in accordance with these provisions will be cancelled. The Golden Cross shares held by the Principals at the effective date shall be subject to escrow provisions and released at a rate of 10% at the date of first trading on a Canadian stock exchange after the amalgamation and 15% every 6 months thereafter;
  - Up to further 9,000,000 Golden Cross shares will be issuable to individuals designated by Blue Gold directors. These shares are earn-out shares to be released to the holders based on cumulative cash flow of the amalgamated company;
  - The amalgamated company will appoint new directors;
  - Golden Cross may complete a private placement of up to 14,285,714 units at a price of no less than \$0.14, each unit consisting of one common share and ½ share purchase warrant entitling the holder to purchase for each warrant one common share for two years at \$0.18;
  - The amalgamation is subject to finders fees of up to 3,000,000 common shares of Golden Cross on a post-consolidation basis;
  - Golden Cross will complete a 1 for 2 common shares consolidation before the effective date of the amalgamation. All of the above noted share information for Golden Cross is on a pre-consolidation basis.