

Interim condensed consolidated financial statements of

Blue Gold Water Technologies Ltd.

June 30, 2013

(unaudited)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Blue Gold Water Technologies Ltd.

Interim condensed consolidated statements of financial position

(in Canadian dollars)

(unaudited)

	Note	June 30, 2013	September 30, 2012
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,665,701	242,312
Other receivables		112,347	8,192
Prepaid expenses and deposits		419,185	67,076
		2,197,234	317,580
Property, plant and equipment	11	1,114,674	261,906
Intangible assets	9	1,470,000	-
Exploration and evaluation assets	8	37,500	-
Due from related party	10	354,298	189,302
		5,173,706	768,788
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	14	612,195	177,954
Promissary notes payable		-	1,378,431
		612,195	1,556,385
Other liability		-	18,938
		612,195	1,575,323
Shareholders' equity			
Share capital		10,589,898	1
Contributed surplus		2,711,036	-
Deficit		(8,739,423)	(806,536)
Total shareholders' equity		4,561,511	(806,535)
		5,173,706	768,788

Commitments (Note 13)

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Approved on behalf of the Board:

Alfredo Albi

Bundeep Singh Rangar

Blue Gold Water Technologies Ltd.

Interim condensed consolidated statements of loss and comprehensive loss

(in Canadian dollars)
(unaudited)

Interim condensed consolidated statements of loss and comprehensive loss

	Note	3 months ended		9 months ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
		\$	\$	\$	\$
Revenue		-	-	35,400	-
Cost of revenue		-	-	27,912	-
		-	-	7,488	-
Expenses					
Professional fees, consulting and advisory		161,921	99,684	335,530	99,684
Salaries and wages		212,903	138,914	810,668	138,914
Share based payments	12	256,500	-	256,500	-
Office		34,232	97,969	355,637	97,969
Travel and Lodging		47,224	51,216	235,249	51,216
Meals and entertainment		11,560	-	49,330	-
Advertising and promotion		64,321	13,118	104,313	13,118
Research and development		119,127	-	254,755	-
Transfer agent and filing fees		9,887	-	9,887	-
Insurance		18,831	3,051	32,884	3,051
Depreciation and amortization		53,720	-	68,720	-
Freight and shipping		-	193	7,545	193
Bank service charges		765	460	3,009	460
Exchange gain or loss		(1,904)	-	(494)	-
		989,086	404,606	2,523,534	404,606
Loss before finance expense		(989,086)	(404,606)	(2,516,045)	(404,606)
Finance expense					
Interest expense		153,270	-	153,270	-
Reverse takeover transaction costs	15	7,961,833	-	8,312,845	-
		8,115,103	-	8,466,115	-
Loss and comprehensive loss		(9,104,189)	(404,606)	(10,982,161)	(404,606)
Basic and diluted loss per share		(0.12)	(404,606)	(0.14)	(404,606)
Weighted average number of common shares outstanding		78,040,802	1	78,040,802	1

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Blue Gold Water Technologies Ltd.

Interim condensed consolidated statements of changes in equity

(in Canadian dollars)

(unaudited)

	Note	Share capital		Contributed Surplus	Deficit	Total
		Number of shares	Amount			
			\$	\$	\$	\$
Golden Cross Resources Inc.						
Balance at May 29, 2013, prior to reverse takeover		29,138,659	5,924,634	496,708	(2,296,958)	4,124,384
Private Blue Gold Tailing Technologies Ltd.						
Balance at September 30, 2012		1	1	-	(806,536)	(806,535)
Purchase of intellectual property		30,518,075	1,500,000	-	-	1,500,000
Builder common shares		48,105,519	89,860	-	-	89,860
Shares issued to directors		23,103,293	172,582	-	-	172,582
Balance at May 29, 2013, prior to reverse takeover transaction		101,726,888	1,762,443		(806,536)	955,907
Public Blue Gold Water Technologies Ltd.						
Blue Gold Tailing Technologies Ltd. prior to reverse takeover		101,726,888	1,762,443	-	(806,536)	955,907
Removal of Blue Gold Tailing Technologies share capital		(101,726,888)	-	-	-	-
Golden Cross Resources Inc. share equity		29,138,659	5,924,634	496,708	(2,296,958)	4,124,384
Elimination of Golden Cross Resources Inc. share equity		-	(5,924,634)	(496,708)	5,346,232	(1,075,110)
Valuation of reverse takeover transaction		-	5,864,137	2,020,696	-	7,884,833
Shares issued upon amalgamation		38,000,000	546,368	-	-	546,368
Private placement		7,857,143	1,728,572	-	-	1,728,572
Fair value of the warrants issues with the private placement		-	-	471,428	-	471,428
Share issuance costs		-	(137,822)	(37,588)	-	(175,410)
Shares issued as finders fees		3,000,000	810,000	-	-	810,000
Warrants exercised		45,000	16,200	-	-	16,200
Share based payments		-	-	256,500	-	256,500
Net loss and comprehensive loss for the period		-	-	-	(10,982,161)	(10,982,161)
Balance at June 30, 2013	12	78,040,802	10,589,898	2,711,036	(8,739,423)	4,561,511

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Blue Gold Water Technologies Ltd.

Interim condensed consolidated statements of cash flows

(in Canadian dollars)

(unaudited)

	Note	3 months ended		9 months ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
		\$	\$	\$	\$
Cash flows from operating activities					
Net loss		(9,104,189)	(404,606)	(10,982,161)	(404,606)
Adjustments for non-cash items:					
Share based compensation		256,500	-	256,500	-
Reverse takeover transaction costs		7,884,833	-	7,884,833	-
Depreciation and amortization		53,720	-	68,720	-
Changes in non-cash working capital items		331,689	(99,764)	(189,837)	(99,764)
Cash flows from operating activities		(577,446)	(504,370)	(2,961,944)	(504,370)
Cash flows from investing activities					
Purchase of other property, plant and equipment		(390,663)	(190,376)	891,488	(190,376)
Cash flows used in investing activities		(390,663)	(190,376)	891,488	(190,376)
Cash flows from financing activities					
Issuance of shares		2,024,582	1	3,105,760	1
Increase in amounts due from related party		(4,500)	177,130	(164,996)	177,130
Increase (decrease) in promissary note payable		-	602,275	-	602,275
Cash flows from financing activities		2,020,082	779,406	2,940,764	779,406
Cash acquired on acquisition of Golden Cross Resources Inc.		553,081	-	553,081	-
Net increase in cash		1,605,054	84,660	1,423,389	84,660
Cash, beginning of period		60,647	-	242,312	-
Cash, end of period		1,665,701	84,660	1,665,701	84,660

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended June 30, 2013 and 2012

1. Nature of business

Blue Gold Water Technologies Ltd. (the "Company" or "Blue Gold"), was incorporated in British Columbia under the Business Corporations Act on June 20, 2006 under the name Golden Cross Resources Inc. The Company's main focus is the business of water remediation and tailings processing, using nanotechnology solutions to clean waste water and recover precious metals from mine tailings. The Company is also still engaged in the acquisition, exploration, development and production of mineral properties. The Company's corporate head office and principal place of business is 2660 Meadowvale Blvd. Suite 6B, Mississauga, Ontario, Canada.

The Company has not yet determined whether its 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.

2. Going concern

These condensed unaudited interim consolidated 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 operations 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 and further fund operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate additional financing in the future, 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 operations, the net realizable value of its assets may be substantially less than the amounts recorded on the statements of financial position. These condensed unaudited interim consolidated 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.

There is significant doubt about the Company's use of the going concern assumption as the Company does not currently have revenue-generating assets and has a working capital of \$1,585,039 as at June 30, 2013 (deficit of \$1,238,805 – September 30, 2012) and has incurred losses to date of \$10,982,161 (\$806,536 – September 30, 2012). Furthermore, unlike the water treatment business, there is some uncertainty as to whether the Company's use of nanotechnology solutions can economically recover precious metals from mine tailings and therefore there is doubt as to future income and cash flows from operations.

The Company estimates that it has sufficient working capital to cover administrative expenses for the next twelve months. The Company is actively pursuing funds for project development and to cover other expenses. In the event the Company is unable to arrange appropriate financing, the carrying value of the Company's assets could be subject to material adjustment. Furthermore, certain market conditions may cast significant doubt upon the validity of the going concern assumption.

These financial statements do not reflect any additional adjustments to the recoverability and classification of certain recorded asset amounts, classification of certain liabilities and changes to the statements of loss and comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended June 30, 2013 and 2012

3. Amalgamation

On May 29, 2013 Golden Cross Resources Inc. ("Golden Cross") purchased the assets of a private company called Blue Gold Tailing Technologies Ltd. ("Tailings"). The amalgamated company was then named Blue Gold Water Technologies (the "Company" or "Blue Gold"). As a result of this amalgamation, the former shareholders of Tailings were considered to have acquired control of the Company as a result of their controlling share ownership in the resulting entity, the assumption of management of the Company by Tailings's management team and as a result of Tailings's control of the Company's Board of Directors post amalgamation.

The amalgamation transaction was accounted for as a reverse take-over ("RTO") transaction that did not constitute a business combination for accounting purposes under IFRS. Tailings was deemed to be the acquirer. These consolidated financial statements are a continuation of the consolidated financial statements of Tailings. The carrying amounts of Tailings's assets and liabilities are included in these consolidated financial statements and the 2012 comparative figures are those of Tailings.

For financial reporting purposes, the Company is considered a continuation of Tailings, the legal subsidiary, except with regard to authorized and issued share capital, which is that of Golden Cross, the legal parent. The consolidated statements of financial position, loss and comprehensive loss, changes in equity and cash flows includes the full results of operations of Tailings for the period from October 1, 2012 to June 30, 2013 and the results of operations of Golden Cross from the closing date, May 29, 2013 to June 30, 2013.

The Company's consolidated financial statements include the accounts of the Company, the results of Tailings for 2012 have been prepared by management. They are presented in accordance with International Financial Accounting Standards ("IFRS"). Intercompany accounts and transactions have been eliminated upon consolidation.

These unaudited interim statements do not include all the disclosure included in annual financial statements, and accordingly, should be read in conjunction with Tailings's annual financial statements for the year ended September 30, 2012, which can be found in the Golden Cross information circular. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire year.

Comparative amounts are those of Tailings and figures as of June 30, 2012 reflect the results of its operations from its inception in April 2012. Certain comparative amounts have been reclassified to conform to the current year presentation.

Acquisition

Pursuant to the amalgamation agreement each of the 101,726,888 issued and outstanding common shares of Tailings immediately before the effective date of the transaction, May 29, 2013, were exchanged for 0.373549223 of Golden Cross shares totaling 38,000,000 common shares issued by Golden Cross to Tailings shareholders.

The transaction was not considered to be an acquisition of a business but as an acquisition of assets and assumption of liabilities in a reverse take-over transaction.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended June 30, 2013 and 2012

3. Amalgamation (continued)

Based on the statement of financial position of Golden Cross at the time of the reverse takeover, the net assets at estimated fair value that were acquired by Blue Gold were \$546,368 and the resulting transaction cost charged to the statement of loss and comprehensive loss is as follows:

	Amount \$
<i>Consideration</i>	
Fair value of shares	6,410,505
Fair value of warrants	2,020,696
	<u>8,431,201</u>
<i>Assets</i>	
Cash	553,081
Accounts receivable	6,430
Prepaid expenses and deposits	61,478
Mineral properties	37,500
Total assets	<u>658,489</u>
<i>Liabilities</i>	
Accounts payable and accrued liabilities	112,121
Total liabilities	<u>112,121</u>
Total net assets/(liabilities)	<u>546,368</u>
<i>Unidentifiable assets acquired</i>	
Transaction cost	7,884,833
Total net identifiable assets and transaction cost	<u>8,431,201</u>

The initial accounting for the acquisition has only been provisionally determined as at June 30, 2013. The Company is continuing its review of the acquisition during the measurement period. If new information obtained within one year from the acquisition date, about facts and circumstances that existed at the acquisition date, identifies additional items or adjustments to the provision amounts, then the acquisition accounting will be revised.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended June 30, 2013 and 2012

4. Significant accounting policies

Statement of compliance

These condensed unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), specifically, they have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The condensed unaudited interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the audited financial statements for the year ended September 30, 2012.

The accounting principles applied in the preparation of these financial statements included herein have been applied consistently for each of the periods presented. These condensed unaudited interim consolidated financial statements have been authorized for issuance by the Company's Board of Directors on August 29, 2013.

Basis of preparation

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

Principles of consolidation

These condensed unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Golden Cross Resources Inc., since May 29, 2013. The comparative figures for June 30, 2012, are those of Blue Gold and figures as of June 30, 2012 reflect the results of its operations from its inception in April 2012. All intercompany transactions and balances have been eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash held on deposit with banks, other highly liquid short-term interest bearing investments with maturities of 90 days or less than the original date of acquisition and bank overdrafts.

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.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended June 30, 2013 and 2012

4. Significant accounting policies (continued)

Restoration and environmental obligations

The Company recognized 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.

Restoration and environmental obligations (continued)

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 at June 30, 2013 and September 30, 2012.

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 share option reserve. 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.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended June 30, 2013 and 2012

4. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial asset and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Held-to-maturity investments; and
- Available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, sales tax receivable and due from related parties fall into this category of financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at fair value with gain or losses recognized in profit or loss. The Company has no financial assets in this category.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company has no financial assets in this category.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)
For the nine months ended June 30, 2013 and 2012

4. Significant accounting policies (continued)

Financial Instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Available-for-sale financial assets are measured at the fair value and the net change in fair value is recognized in other comprehensive income and reported within the available-for-sale reserve within equity. The Company has no financial assets in this category.

Impairment of financial assets

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

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. Impairment of receivables are presented in profit or loss, if applicable.

Financial liabilities

The Company's financial liabilities include payables and accruals and promissory notes payable.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization. Cost includes expenditures directly related to the acquisition of the asset, which includes costs to bring the asset to a working condition for its intended use. If major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Amortization of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

Assets are amortized using the straight-line method over their estimated useful lives up to their residual value and both useful lives and residual values are reviewed annually. The estimated useful lives for the current and comparative periods are as follows:

Manufacturing and equipment	Straight line over 15 years
Computer and electronics	Straight line over 3 years
Furniture and fixtures	Straight line over 5 years
Leasehold improvements	Over the term of the lease, which is five years

Major improvements and extraordinary repairs that extend the life of an asset are capitalized; other repairs and maintenance are expensed. When assets are retired or otherwise disposed of, their carrying values and accumulated depreciation are removed from the accounts. Assets that are not available for production, where development and installation is not substantially complete, are not amortized.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended June 30, 2013 and 2012

4. Significant accounting policies (continued)

Intangible assets

Intangible assets consist of patents and licenses which are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives of 25 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of property, plant and equipment

Assets are grouped at the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets, known as cash-generating units. Hence, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment. An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit, and then determines and appropriate interest rate for the calculation of the expected present value of the cash flows.

The impairment loss reduces the asset or is charged pro-rata on the basis of the carrying amount of each asset in the cash-generating unit. All the assets are assessed whether there is any indication that an impairment loss is recognized in prior periods may no longer exist.

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.

Income taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in net income (loss) except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case the related tax is recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or recoverable for the current year based on substantively enacted tax rates at the reporting date. Deferred income tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences") and loss carryforwards that are probable, and for which taxable profit will be available against which the asset can be realized. Deferred income tax assets and liabilities are measured using substantively enacted tax rates that are anticipated to be in effect when the differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that substantive enactment occurs. Deferred income taxes are reviewed at each reporting date and to the extent that the company does not consider it probable that a deferred income tax asset will be recovered, a deferred tax asset is not recognized.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended June 30, 2013 and 2012

4. Significant accounting policies (continued)

Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. Related expense such as maintenance and insurance expense are charged to income as incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

Earnings/loss per share

The basic earnings/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.

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. Revenue is recognized net of any applicable discounts or other allowances.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended June 30, 2013 and 2012

5. Significant management judgments and estimates

The preparation of the Company's condensed unaudited interim consolidated 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. The condensed unaudited interim consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments 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 judgments 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:

Recognition of deferred tax assets and liabilities – the extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Determination of the recoverability of the carrying value of exploration and evaluation assets.

Recognition and valuation of provisions for restoration and environmental liabilities.

Fair value measurements for financial instruments and share-based compensation and other equity-based transactions.

Impairment – in assessing impairment, management must determine the level at which independent cash flows exist, the asset or an asset grouping. Estimates of the recoverable amount of each asset or cash generating unit is determined; based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets – management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of water filtration and mining tailings recovery equipment.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended June 30, 2013 and 2012

6. Accounting standards issued but not yet effective

Several new standards, interpretation and amendments to existing standards have been issued by the IASB and IFRIC that are mandatory but not yet effective for the period ended June 30, 2012, and have not been applied in preparing these financial statements. Many of these are not applicable or inconsequential to the Company and have been excluded from the discussion below. The Company is currently assessing the impact of standards that may be applicable on the financial statements.

The following standards or interpretations have been issued by the IASB and IFRC and are effective in the annual period beginning on or after the date shown:

IFRS 7	<i>Financial Instruments: Amendment Regarding Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2013
IFRS 9	<i>Financial Instruments</i>	January 1, 2015
IFRS 13	<i>Fair Value Measurements</i>	January 1, 2013
IAS 32	<i>Financial Instruments: Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2014
IFRS 10	<i>Consolidated Financial Statements</i>	January 1, 2013
IFRS 11	<i>Joint Arrangements</i>	January 1, 2013
IFRS 12	<i>Disclosure of Interest in Other Entities</i>	January 1, 2013

IFRS 7 Financial Instruments: Amendment Regarding Offsetting Financial Assets and Financial Liabilities: This amendment enables users of the financial statements to better compare financial statements prepared in accordance with IFRS and US Generally Accepted Accounting principles. The Company will start the application of IFRS 7 in the financial statements effective from January 1, 2013. The Company has not yet evaluated the impact to the financial statements as a result of adopting this Standard.

IFRS 9 Financial Instruments: This standard replaces the current IAS 39 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The Company will start the application of IFRS 9 in the financial statements effective from January 1, 2015. The Company has not yet evaluated the impact on the financial statements as a result of adopting this Standard.

IFRS 13 Fair Value Measurements: This standard defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. The Company will start the application of IFRS 13 in the consolidated financial statements effective from January 1, 2013. The Company has not yet evaluated the impact on the financial statements as a result of adopting this Standard.

IAS 32 Financial Instruments: Offsetting Financial Assets and Financial Liabilities: The amendment provides further clarification on the application of the offsetting requirements. The Company will start the application of IAS 32 in the consolidated financial statements effective from January 1, 2014. The Company has not yet evaluated the impact on the financial statements as a result of adopting this Standard.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended June 30, 2013 and 2012

6. Accounting standards issued but not yet effective (continued)

IFRS 10 Consolidated Financial Statements: This standard 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 11"), IFRS 12 *Disclosures of Involvement with Other Entities* ("IFRS 12"), 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* ("IAS 28"), 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 has not yet evaluated the impact on the financial statements as a result of adopting this Standard.

IFRS 11 Joint Arrangements: This standard 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 has not yet evaluated the impact on the financial statements as a result of adopting this Standard.

IFRS 12 Disclosure of Interest in Other Entities: This 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 has not yet evaluated the impact on the financial statements as a result of adopting this Standard.

7. Other receivables

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

8. Exploration and evaluation assets

Holy Cross Property

As part of the amalgamation on May 29, 2013, the Company acquired a 100% interest in the Holy Cross mineral resource property located in the Omineca Mining Division of British Columbia, Canada, at fair value of \$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.

No exploration and evaluation expenditures were incurred or charged to operations since May 29, 2013.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)
For the nine months ended June 30, 2013 and 2012

9. Intangible Assets

During the year the Company purchased the exclusive rights to use and market certain technologies and intellectual property rights from a related party. Patents are expected to have a life of 25 years and these intangibles are currently being amortized over a 25 year period.

	2013		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Intangible assets	1,500,000	30,000	1,470,000

10. Related party transactions

The following balances were outstanding at the end of the reporting period:

	June 30, 2013	September 30, 2012
	\$	\$
Due from Blue Gold Holdings Ltd., a related party with similar directors	354,298	189,302

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

The Company issued 48,105,519 builder common shares in consideration for \$89,860 cash as builder common shares to related parties, offered at between \$0.02 and \$0.05 per share, below market rates. 20,217,309 of these common shares were issued to founders of Blue Gold.

On January 16, 2013, Tailings entered into an exclusive license and assignment agreement with Blue Gold Holdings Ltd. ("Holdings"), a related party with similar directors, whereby Tailings has purchased a license and assignment of the license granted to Holdings by the University of Saskatchewan for total consideration of \$1,500,000, payable by the issuance of 30,518,075 of Tailings common shares at a price of \$0.04915 per common share.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)
For the nine months ended June 30, 2013 and 2012

11. Property, plant and equipment

	2013		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Construction in progress	920,470	-	920,470
Manufacturing equipment	147,998	22,252	125,746
Furniture and fixtures	20,185	5,200	14,985
Computer and electronics	23,323	9,718	13,605
Leasehold improvements	51,080	11,212	39,868
	1,163,056	48,381	1,114,674

	2012		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Equipment under construction	181,094	-	181,094
Manufacturing equipment	1,537	51	1,486
Furniture and fixtures	19,457	2,173	17,284
Computer and electronics	23,323	3,887	19,436
Leasehold improvements	46,156	3,550	42,606
	271,567	9,661	261,906

12. Share capital

The Company is authorized to issue an unlimited number of common shares. As at June 30, 2013 the Company has 78,040,802 common shares issued and outstanding.

On January 16, 2013, Tailings entered into an exclusive license and assignment agreement with Holdings, whereby Tailings purchased a license and an assignment of the license granted to Holdings by the University of Saskatchewan for total consideration of \$1,500,000, payable by the issuance of 30,518,075 of Tailings common shares at a price of \$0.04915 per common share.

Blue Gold issued 48,105,519 builder common shares and 23,103,293 common shares for share based compensation in consideration of cash and services totaling \$262,443.

In addition to the completion of its acquisition on May 29, 2013, of all the outstanding shares of Blue Gold Tailing Technologies Ltd., BGTTL completed a concurrent private placement of 7,857,143 units at \$0.38 (post-consolidated) per unit, raising a total of \$2,200,000 in gross proceeds. Each unit is comprised of one common share and one half non-transferrable common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share (post consolidated) at an exercise price of \$0.38. Of the \$2,200,000 in gross proceeds \$1,728,572 was allocated to the fair value of the shares and \$471,428 was allocated to the value of the warrants. Finder's fees amount to \$154,000 were paid to Bellotti Capital Partners Inc. and an individual on portions of the gross proceeds.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)
For the nine months ended June 30, 2013 and 2012

12. Share capital (continued)

Pursuant to the amalgamation agreement each of the 101,726,888 issued and outstanding common shares of Tailings immediately before the effective date of the transaction, May 29, 2013, were exchanged for 0.373549223 of Golden Cross shares totaling 38,000,000 common shares issued by Golden Cross to Tailings shareholders. In addition, 3,928,572 warrants were issued to Belotti Capital Partners and 550,000 warrants were issued to Tailings shareholders, for a total of 4,478,572.

45,857,143 of the common shares issued were issued to the former shareholders of Tailings, 17,247,711 of which were placed in escrow in accordance with CNSX policy.

The amalgamation was subject to a finders fee of 3,000,000 common shares of Golden Cross at a deemed value of 0.27 for a total value of \$810,000. These costs were expensed during the quarter.

Options

The Company's stock option plan allows for 10% of the issued share capital at any point in time, of the outstanding shares at the time plan shares are reserved for issuance as a result of the grant of an option. The Board of Directors of the Company may terminate the Plan at any time provide that the termination does not alter the terms or conditions of any options granted or impair the right of any shareholder. Amendments to any provisions of the plan are subject to any necessary regulatory approvals unless the effect of such amendment is intended to reduce (but not to increase) the benefits of this plan to service providers. The options issued have vested immediately.

Share purchase options outstanding	Number of options	Weighted average exercise price
Balance, September 30, 2012	-	-
Granted	950,000	0.40
Exercised	-	-
Expired	-	-
Forfeited	-	-
Balance, June 30, 2013	950,000	0.40

Range of exercise prices	Awards outstanding	Options outstanding		Options exercisable	
		Remaining contractual life (years)	Exercise price	Number of options exercisable	Exercise price
\$0.40	950,000	5	\$0.40	950,000	\$0.40

Option pricing models require the input of highly subjective assumptions included the expected price volatility. Changes subjective input assumptions can materially affect the fair value estimate and therefore the existing models may not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)
For the nine months ended June 30, 2013 and 2012

12. Share capital (continued)

The fair value of the stock options granted during the nine months ended June 30, 2013 of \$256,500 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	June 30, 2013
Options granted	950,000
Strike price	\$0.40
Risk free interest rate	1.63%
Expected life (years)	5
Vesting period (years)	-
Expected volatility	65%
Expected dividends	-

Warrants

Issue Date	Warrants	Exercise Price	Exercised Warrants	Exercise Date
29-Feb-12	4,000,000	\$0.20		
28-Jun-12	814,133	\$0.36		
17-Aug-12	648,012	\$0.36		
30-Aug-12	1,258,549	\$0.36	45,000	06-Jun-13
19-Oct-12	2,160,686	\$0.36		
06-Nov-12	231,402	\$0.36		
07-May-13	1,945,935	\$0.38		
13-May-13	628,218	\$0.38		
24-May-13	223,215	\$0.38		
29-May-13	4,478,572	\$0.38		
Total	16,388,722			

These warrants, if not exercised, will expire as follows:

Expiry date	Total warrants issued	Exercise price
June 27, 2014	814,133	\$0.36
August 17, 2014	648,012	\$0.36
August 30, 2014	1,258,549	\$0.36
October 19, 2014	2,160,686	\$0.36
November 6, 2014	231,402	\$0.36
May 7, 2015	1,945,935	\$0.38
May 13, 2015	628,218	\$0.38
May 24, 2015	223,215	\$0.38
May 29, 2015	4,478,572	\$0.38
February 28, 2017	4,000,000	\$0.20
	16,388,722	

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the nine months ended June 30, 2013 and 2012

13. Commitments

Operating leases

Future minimum payments under operating leases for premises and equipment are approximately as follows:

	June 30, 2013	September 30, 2012
	\$	\$
Due within one year	101,882	69,047
Due from one to five years	-	167,258
Due after five years	-	-
	<u>101,882</u>	<u>236,305</u>

The Company is also required to pay its share of maintenance, taxes and other costs of the leased premises. The Company has the option to renew the lease for another three years.

14. Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity price risk). 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:

Credit Risk

Credit risk is the risk that a customer or a related party receivable will be unable to pay the Company in full when an amount becomes due. The Company does not have material exposure to customer credit risk as there has been minimal revenue generated. However, the Company has risk that the related party receivable will be collected. The Company's other exposure to risk is on its other receivables. This risk is minimal as other receivables consist primarily of refundable government goods and services taxes.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company was recapitalized through its amalgamation (refer to notes 2 and 3 of the financial statements).

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities to ensure it has sufficient funds available to meet current and foreseeable financial requirements. As at June 30, 2013, the Company had a working capital of \$1,585,039 (September 30, 2012 – deficit of \$1,238,805).

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)
For the nine months ended June 30, 2013 and 2012

14. Financial instruments and risk management (continued)

The Company's financial obligations include accounts payable and accrued liabilities which are summarized in the following table:

	June 30, 2013	September 30, 2012
	\$	\$
Trade payables:		
Current	195,112	7,163
30 to 90 days	19,934	71,570
Over 90 days	295,149	8,340
Accrued liabilities	102,000	90,881
Promissory notes	-	1,378,431
	612,195	1,556,385

As at June 30, 2013, all of the Company's non-derivative financial liabilities are due within one year.

Foreign currency risk

Foreign exchange risk is the risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not have material exposure to these risks as the extent of business transaction in foreign currencies is minimal.

Interest rate risk

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

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 \$4,561,511 as at June 30, 2013 (September 30, 2012 – \$(806,535)) with an increase in the amount of capital of \$5,368,046 during the nine months ended June 30, 2013.

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 nine months ended June 30, 2013. The Company is not subject to any externally imposed capital requirements.

Blue Gold Water Technologies Ltd.

Notes to the condensed interim consolidated financial statements (Unaudited)
For the nine months ended June 30, 2013 and 2012

14. Financial instruments and risk management (continued)

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:

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 receivable and all other financial assets and liabilities are classified as level 3, and their classification has not changed during the nine months ended June 30, 2013 and fiscal year of 2012.

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.

15. Reverse takeover transaction costs

The Acquisition gain and expenses by nature for the period ended June 30, 2013 consist of the following:

	3 months ended June 30, 2013	9 months ended June 30, 2013
Professional fees associated with the reverse takeover transaction	77,000	428,012
Reverse takeover transaction costs	7,884,833	7,884,833
	7,961,833	8,312,845
