Financial Statements
(Expressed in Canadian dollars)

BLUE GOLD WATER TECHNOLOGIES LTD.

Year ended September 30, 2013
and
Period from incorporation on April 13, 2012 to
September 30, 2012

Collins Barrow
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Blue Gold Water Technologies Ltd.

We have audited the accompanying financial statements of Blue Gold Water Technologies Ltd., which comprise the balance sheet as at September 30, 2013 and the statements of changes in equity, loss and comprehensive loss, and cash flows for the year ended September 30, 2013 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Blue Gold Water Technologies Ltd. as at September 30, 2013, and its financial performance and its cash flows for the year ended September 30, 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The financial statements of NanoStruck Technologies Inc. for the year ended September 30, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on January 4, 2013.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
January 28, 2014
Toronto, Ontario

Blue Gold Water Technologies Ltd.

Statements of financial position

(in Canadian dollars)

	Note	**September 30, 2013**	September 30, 2012
		$	$
Assets			
Current assets			
Cash and cash equivalents		**1,027,605**	242,312
Other receivables		**90,308**	8,192
Inventory		**71,222**	-
Prepaid expenses and deposits		**302,251**	67,076
		1,491,386	317,580
Property, plant and equipment	11	**946,734**	261,906
Intangible assets	9	**100,000**	-
Due from related party	10	-	189,302
		2,538,120	768,788
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**646,553**	196,892
Promissory notes payable	12	**-**	1,378,431
		646,553	1,575,323
Shareholders' equity			
Share capital	13	**6,302,191**	1
Contributed surplus	13	**4,683,469**	-
Deficit		**(9,094,093)**	(806,536)
Total shareholders' equity		**1,891,567**	(806,535)
		2,538,120	768,788

See accompanying notes to the financial statements.

Approved on behalf of the Board:

"Bundeep Singh Rangar"

"Alfredo Albi"

Blue Gold Water Technologies Ltd.

Statements of loss and comprehensive loss

(in Canadian dollars)

	Note	Year Ended September 30 2013	Period from April 13, 2012 to September 30 2012
		$	$
Revenue		**35,400**	-
Cost of revenue		**27,912**	-
		7,488	-
Expenses			
Professional fees, consulting and advisory		**481,115**	288,367
Salaries and wages		**1,095,794**	383,236
Office		**471,859**	200,817
Travel and lodging		**279,882**	104,763
Meals and entertainment		**53,151**	17,161
Advertising and promotion		**109,885**	15,051
Research and development		**416,064**	-
Transfer agent and filing fees		**59,066**	-
Insurance		**45,849**	8,390
Amortization		**51,679**	9,661
Freight and shipping		**8,016**	1,523
Bank service charges		**4,106**	952
Bad debt		**426,332**	-
Exchange gain or loss		**284**	184
		3,503,080	1,030,105
Loss before finance charges		**(3,495,592)**	(1,030,105)
Finance charges			
Interest income	12	**(172,278)**	(223,569)
Reverse takeover transaction costs	6	**4,964,243**	-
		4,791,965	(223,569)
Loss and comprehensive loss		**(8,287,557)**	(806,536)
Basic and diluted loss per share		**(0.42)**	(806,536)
Weighted average number of common shares outstanding		**19,510,201**	1

See accompanying notes to the financial statements.

Blue Gold Water Technologies Ltd.

Statements of changes in equity

(in Canadian dollars)

	Note	Share capital Number of shares	Amount ($)	Contributed Surplus	Deficit	Total
		Note 12	Note 12	$	$	$
Private Blue Gold Tailing Technologies Ltd.						
Balance, beginning of period		-	-	-	-	-
Shares issued upon incorporation		1	1	-	-	1
Net loss and comprehensive loss		-	-	-	(806,536)	(806,536)
Balance at September 30, 2012		**1**	**1**	**-**	**(806,536)**	**(806,535)**
Purchase of intellectual property		30,518,075	100,000	-	-	100,000
Builder common shares		48,105,519	89,860	-	-	89,860
Shares issued to current and former directors		23,103,293	172,582	-	-	172,582
Balance at May 29, 2013, prior to reverse takeover transaction		**101,726,888**	**362,443**	**-**	**(806,536)**	**(444,093)**
Public Blue Gold Water Technologies Ltd.						
Removal of Blue Gold Tailing Technologies Ltd. share capital		(101,726,888)	-	-	-	-
Shares issued on RTO to Blue Gold Tailing Technologies Ltd. Shareholders		38,000,000	-	-	-	-
Issued on RTO to Golden Cross shareholders- shares		29,138,659	4,486,828	-	-	4,486,828
Issued on RTO to Golden Cross shareholders- warrants		-	-	3,329,540	-	3,329,540
Issued on RTO to Golden Cross shareholders- options		-	-	304,113	-	304,113
Private placement		7,857,143	1,209,859	-	-	1,209,859
Fair value of the warrants issued with the private placement		-	-	990,141	-	990,141
Share issuance costs		-	(96,464)	(78,945)	-	(175,409)
Shares issued as finders fees		3,000,000	461,945	-	-	461,945
Warrants issued to Agent		-	(138,620)	138,620	-	-
Warrants exercised		45,000	16,200	-	-	16,200
Net loss and comprehensive loss		-	-	-	(8,287,557)	(8,287,557)
Balance at September 30, 2013	**12**	**78,040,802**	**6,302,191**	**4,683,469**	**(9,094,093)**	**1,891,567**

See accompanying notes to the financial statements.

Blue Gold Water Technologies Ltd.

Statements of cash flows

(in Canadian dollars)

	Note	**Year Ended September 30 2013**	Period from April 13, 2012 to September 30 2012
Cash flows from operating activities			
Net loss		**(8,287,557)**	(806,536)
Adjustments for non-cash items:			
Reverse takeover transaction costs		**4,536,231**	-
Amortization		**51,679**	9,661
Discount to Fair value of promissory notes net of accretion		**(172,278)**	(223,569)
Bad debts		**426,334**	-
Shares issued for service		**172,584**	-
Changes in non-cash working capital items:			
Other Receivables		**(75,686)**	(8,192)
Inventory		**(71,222)**	-
Prepaid expenses and deposits		**(173,697)**	(67,076)
Accounts payables and accrued liabilities		**426,550**	177,954
Cash flows from operating activities		**(3,167,062)**	(917,758)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(736,508)**	(252,629)
Cash acquired on acquisition of Golden Cross Resources Inc.	6	**553,081**	-
Advances to related party		**(237,032)**	(189,302)
Cash flows used in investing activities		**(420,459)**	(441,931)
Cash flows from financing activities			
Private placement		**2,200,000**	1
Issuance of builder shares		**89,860**	-
Share issue expenses		**(175,409)**	-
Warrants exercised		**16,200**	-
Proceeds from issuance of promissory notes		**2,242,164**	1,602,000
Cash flows from financing activities		**4,372,815**	1,602,001
			-
Net increase in cash		**785,293**	242,312
Cash and cash equivalents, beginning of year		**242,312**	-
Cash and cash equivalents, end of year		**1,027,605**	242,312

See accompanying notes to the financial statements.

1. Nature of operations:

Blue Gold Water Technologies Ltd. (the "Company" or "Blue Gold"), was incorporated in Ontario under the Business Corporations Act on April 13, 2012. Blue Gold Tailing Technologies Inc. became a public entity by way of a three-cornered amalgamation between the Golden Cross Resources Inc., a public listed company whose shares were listed for trading on the Canadian Securities Exchange ("CSE") formally Canadian National Stock Exchange ("CNSX"). Golden Cross Acquisition Inc. and Blue Gold Tailing Technologies Inc. The amalgamated company was then named Blue Gold Water Technologies Ltd. (the "Company" or "Blue Gold"). This transaction was completed on May 29, 2013 and constituted a reverse takeover transaction pursuant to the terms of the CNSX. Refer to Note 6 for Reverse take over transaction on May 29, 2013.The Company's main focus is the business of water remediation and tailings processing, using nanotechnology solutions to clean wastewater and recover precious metals from mine tailings. The Company's corporate head office and principal place of business is 2660 Meadowvale Blvd. Suite 6B, Mississauga, Ontario, Canada.

2. **Going concern:**

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 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 asses 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 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 $844,833 as at September 30, 2013 (deficit of $1,257,743 – September 30, 2012) and has incurred losses to date of $9,094,083 ($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 two to three 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.

3. Significant accounting policies:

Statement of Compliance

These 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 IFRS Interpretations Committee ("IFRIC").

The accounting principles applied in the preparation of these financial statements included herein have been applied consistently for each of the periods presented. These financial statements have been authorized for issuance by the Company's Board of Directors on January 28, 2014.

(a) 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. They are presented in Canadian dollars unless otherwise noted.

(b) 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.

(c) 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.

3. Significant accounting policies (continued):

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.

(d) 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.

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 September 30, 2013 and September 30, 2012.

3. Significant accounting policies (continued):

(e) 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 contributed surplus. The fair value of share-based payments is determined using a Black-Scholes option 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 contributed surplus to share capital.

(f) 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 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:

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

3. Significant accounting policies (continued):

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, other receivables (excluding HST receivables) and due from related party 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.

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.

3. Significant accounting policies (continued):

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 accounts payable & accrued liabilities and promissory notes payable. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

(g) 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
Furniture and fixtures	Straight line over 5 years
Computer and electronics	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 amortization are removed from the accounts. Assets that are in progress, where development and installation is not substantially complete, are not amortized.

3. Significant accounting policies (continued):

(h) Intangible assets

Intangible assets consist of patent applications 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 once they are available for use. 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.

(i) Impairment of property, plant and equipment and intangible assets

Asset 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 an 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.

(j) 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).

3. Significant accounting policies (continued):

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.

(k) 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.

(l) Share capital

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

(m) Basic and diluted loss per share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of the diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive

3. Significant accounting policies (continued):

effect on the loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by application of the treasury stock method. Since the Company has losses, the exercise of outstanding options and warrants has not been included in this calculation as it 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. During the periods ended September 30, 2013 and 2012, all outstanding warrants and share options were anti dilutive.

For 2012, the weighted average number of shares used as the denominator for the calculation was 1 for the reporting period.

(n) 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.

(o) Foreign exchange

The Company's functional and presentation currency is the Canadian dollar. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date. Foreign exchange gains and losses are included in the statement of loss and comprehensive loss.

(p) Research and development

The Company incurs costs associated with the design and development of new products. Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized if each of the following criteria are met: i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, ii) its intention to complete the intangible asset and use or sell it, iii) its ability to use or sell the intangible asset, iv) how the intangible asset will generate probable future economic benefits, v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise they are expensed as incurred.

(q) Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year. In 2012 statement of financial position, the other liabilities of $18,938 were reclassified as promissory notes payable.

4. Significant management judgments and estimates:

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 continent liabilities at the date of the financial statements and reported amounts of expenses during the reporting year. 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:

Impairment of property, plant & equipment and intangible assets – 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.

Fair value measurements for share-based payments and other equity-based transactions.

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 remediation and mining tailings recovery equipment.

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.

(Expressed in Canadian dollars)

Recognition and valuation of provisions for restoration and environmental liabilities.

5. 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 year ended September 30, 2013, 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	*Financial Instruments: Amendment Regarding Offsetting Financial Assets and Financial Liabilities*	January 1, 2013
IFRS 9	*Financial Instruments*	January 1, 2015
IFRS 13	*Fair Value Measurement*	January 1, 2013
IAS 32	*Financial Instruments: Offsetting Financial Assets and Financial Liabilities*	January 1, 2014
IFRS 10	*Consolidated Financial Statements*	January 1, 2013
IFRS 11	*Joint Arrangements*	January 1, 2013
IFRS 12	*Disclosure of Interests in Other Entities*	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.

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.

IFRS 13 Fair Value Measurement: This standard defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements.

IAS 32 Financial Instruments: Offsetting Financial Assets and Financial Liabilities: The amendment provides further clarification on the application of the offsetting requirements.

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 Arrangements ("IFRS 11"), IFRS 12 Disclosures of interests in 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.

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.

IFRS 12 Disclosure of Interests 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.

6. Amalgamation:

On May 29, 2013 Golden Cross Resources Inc. ("Golden Cross"), a public listed company whose shares were listed on the Canadian Securities Exchange ("CSE"), formally Canadian National Stock Exchange ("CNSX") purchased the assets of a private company called Blue Gold Tailing Technologies Ltd. ("Tailings"). The amalgamated company was then named Blue Gold Water Technologies Ltd. (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 management team and as a result of Tailings 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 accounting acquirer. 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 carrying amounts of Tailings assets and liabilities are included in these financial statements and the 2012 comparative figures are those of Tailings.

The 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 September 30, 2013 and the results of operations of Golden Cross from the closing date, May 29, 2013 to September 30, 2013.

(Expressed in Canadian dollars)

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.

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 $4,046,195 and the resulting transaction cost charged to the statement of loss and comprehensive loss is as follows:

	Amount $
Consideration	
Fair value of shares	4,486,828
Fair value of warrants (Note 13)	3,329,540
Fair value of share options	304,113
	8,120,481
Assets	
Cash	553,081
Accounts receivable	6,430
Prepaid expenses and deposits	61,478
Due from Blue Gold Tailings	3,448,317
Total assets	4,069,306
Liabilities	
Accounts payable and accrued liabilities	23,111
Total liabilities	23,111
Total net assets/(liabilities)	4,046,195
Unidentifiable assets acquired	4,074,286
Transaction costs	889,957
Total unidentifiable assets and transaction costs	4,964,243

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 a result of the amalgamation with Golden Cross Resources Ltd, which owned the Holy Cross Property 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.

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. The property had a carrying value of $37,500 in the books of Golden Cross and was written down to Nil by the Company at the date of reverse acquisition.

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

9. Intangible Assets:

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 to use 5 patents applications from Holdings, including a patent held by the University of Saskatchewan, payable by the issuance of 30,518,075 shares. The value of the intangible assets was valued at management's estimate of fair value of the asset. As part of the agreement with the University, the Company is required to:

a. Pay an annual license fee of $20,000 on every anniversary of the effective date of the agreement; and
b. Pay milestone payments of $50,000 upon 1st application of licensed product in a pilot scale and an additional $50,000 upon 2nd application of licensed product in a pilot scale; and
c. Pay royalties:
    a. 5% of sales revenue; and
    b. 25% of sublicense compensation.

The annual license fee of $20,000 is due and outstanding. The milestone payments and royalties will become due when the Company makes a pilot sale and commercial sales.

The Company has the option to acquire the patents for $1. This amount was paid subsequent to the balance sheet date.

The Company is in the process of re-filing its patent applications as on the date of the Balance sheet.

(Expressed in Canadian dollars)

10. Related party transactions:

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

	Sep 30, 2013	Sep 30, 2012
	$	$
Due from Blue Gold Holdings Ltd., a related party with similar directors	**-**	189,302

The balance as at September 30, 2013 was written off and recorded as a bad debt. 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 the share's trading price. 20,217,309 of these common shares were issued to founders of Blue Gold. In addition, as part of consultancy agreements the Company issued 23,103,293 shares to the current and former directors.

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 to use 5 patents applications from Holdings, including a patent held by the University of Saskatchewan, payable by the issuance of 30,518,075 shares.

(b) The following is the detail of remuneration/ consulting paid to related parties:

Name of Officer / Director	**Position**	**Category**	**Amt Paid ($)**
Alfredo Albi	Director, CFO	Consulting fees	150,700
Rocky Bellotti	Director	Professional Fees (1)	61,000
David Rowson	Director, Ex-CEO	Consulting fees (2)	15,000
Bundeep Singh Rangar	Director, Interim CEO	Consulting Fees	22,500
Board Fees Accrual	Directors	Accrual (4)	10,000
John Morita	Director	Consulting fees	5,100
Raj Kurichh	Director, Officer	Consulting fees (3)	85,000
Lance Morgan	Ex-Director	Consulting Fees	4,000
Derek Blackburn	Former Director	Consulting Fees (5)	62,500

(1) Amounts paid to Bellotti Capital Partners, in which Rocky Bellotti is an officer, for advisory fees $57,000 and Board fees $4,000.
(2) Amount paid as Consulting fees effective May 29^{th} 2013 to August 31, 2013.
(3) Consulting Fees paid to Raj Kurichh in shares $57,527 and in cash $27,473.
(4) Board fees accrued for 5 directors for 2 months.
(5) Consulting Fees paid to Derek Blackburn in shares $57,527 and $4,973 in cash.

(Expressed in Canadian dollars)

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the year ended September 30, 2013.

11. Property, plant and equipment

	Construction in Progress	Manufacturing Equipment	Furniture & Fixture	Computer & Electronics	Leasehold Improvements	Total
	$	$	$	$	$	$
Cost						
Balance as at September 30, 2012	181,094	1,537	19,457	23,323	46,156	271,567
Additions made during the year	584,395	146,461	728	-	4,924	736,508
Disposals during the year	-	-	-	-	-	-
Total cost on September 30, 2013	**765,489**	**147,998**	**20,185**	**23,323**	**51,080**	**1,008,075**
Accumulated Amortization						
Balance as on 30th September 2013	-	51	2,173	3,887	3,550	9,661
Charge for the year	-	29,503	4,037	7,775	10,365	51,680
Amortisation on disposals	-	-	-	-	-	-
Total Acc.Amortization on September 30, 2013	**-**	**29,554**	**6,210**	**11,662**	**13,915**	**61,341**
Net Book Value on September 30, 2013	**765,489**	**118,444**	**13,975**	**11,661**	**37,165**	**946,734**

Balance as at September 30, 2012

	Construction in Progress	Manufacturing Equipment	Furniture & Fixture	Computer & Electronics	Leasehold Improvements	Total
	$	$	$	$	$	$
Cost						
Balance on April 13, 2012	-	-	-	-	-	-
Additions made during the period	181,094	1,537	19,457	23,323	46,156	271,567
Disposals during the period	-	-	-	-	-	-
Total cost on September30, 2012	**181,094**	**1,537**	**19,457**	**23,323**	**46,156**	**271,567**
Accumulated Amortization						-
Balance on April 13, 2012	-	-	-	-	-	-
Charge for the period	-	51	2,173	3,887	3,550	9,661
Amortization on disposals	-	-	-	-	-	
Total Acc Amortization on September 30, 2012	**-**	**51**	**2,173**	**3,887**	**3,550**	**9,661**
Net Book Value on September 30, 2012	**181,094**	**1,486**	**17,284**	**19,436**	**42,606**	**261,906**

12. Promissory notes:

The promissory notes payable as at September 30, 2012 were with Golden Cross Resources Inc. (a related party) and are comprised of interest free loans as follows:

Term	Maturity Date	Face Value	Fair Value at Issuance	Interest Accretion	Amortized Cost
1 year	June 25, 2013	$ 1,102,000	$ 910,745	$ 50,826	$ 961,571
1 year	August 31, 2013	150,000	123,967	2,140	126,107
1 year	September 21, 2013	350,000	289,255	1,498	290,753
		$ 1,602,000	$ 1,323,967	$ 54,464	$ 1,378,431

The promissory notes were initially measured at fair value and were subsequently measured at amortized cost using the effective interest rate method. The face value of the notes was discounted by $278,033 to reflect their fair value as at the issuance date of the notes. This amount was recorded as other income on the statement of loss and comprehensive loss. The discount will amortize to interest expense over the term of the loans (365 days) based on the effective interest rate method.

At September 30, 2012 the fair value of the promissory notes using a discounted cash flow method was $1,378,431 applying a discount rate of 21% and an assumption that the promissory notes will be repaid at maturity

13. Share capital

The Company is authorized to issue an unlimited number of common shares. As at September 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 Blue Gold Holdings, whereby Tailings purchased right to the University of Saskatchewan license and the license to use 4 patent applications for a total consideration of 30,518,075 of Tailings common shares. The shares issued as consideration for the patents acquired are measured based on the fair value of the patents.

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 totalling $262,442. The share issued as consideration for services are measured on the basis of the services rendered.

In addition to the completion of its acquisition on May 29, 2013, of all the outstanding shares of Blue Gold Tailing Technologies Ltd., Tailings completed a concurrent private placement of 7,857,143 units at $0.28 (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 $1,209,859 was allocated to the fair value of the shares and $990,141 was allocated to the value of the warrants. Finder’s fees amounting to $154,000 were paid to Bellotti Capital Partners Inc. and an individual on portions of the gross proceeds.

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, 550,000 warrants were issued to Bellotti Capital Partners Inc. and 3,928,572 warrants were issued to Tailings shareholders, for a total of 4,478,572 warrants.

A total of 17,247,711 shares were placed in escrow in accordance with CNSX policy.

(Expressed in Canadian dollars)

The amalgamation was subject to a finders fee of 3,000,000 common shares of Golden Cross for a total value of $461,945. These costs were expensed during the year and included under transaction costs of reverse take over. A further 9,000,000 common shares were allocated by the board of directors of the Company as earn out share for employees and consultants as the Company achieves certain milestones in the future. The milestones for earn out shares will be determined by the Company at a future date.

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-replacement options	950,000	0.48
Exercised	-	-
Expired	-	-
Forfeited	-	-
Balance, September 30, 2013	950,000	0.48

Options outstanding				**Options exercisable**	
Range of exercise prices	Awards outstanding	Remaining contractual life (years)	Exercise price	Number of options exercisable	Exercise price
$0.48	950,000	4	$0.48	950,000	$0.48

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.

The fair value of the stock options granted during the year ended September 30, 2013 of $304,113 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	September 30, 2013
Options granted	950,000
Strike price	$0.48

(Expressed in Canadian dollars)

Risk free interest rate	1.63%
Expected life (years)	5
Vesting period (years)	-
Expected volatility (based on comparable)	81%
Expected dividends	-

Warrants

Issue Date	Warrants	Exercise Price	Exercised Warrants	Exercise Date
29-May-13	4,000,000	$0.20		
29-May-13	814,133	$0.36		
29-May-13	648,012	$0.36		
29-May-13	1,258,549	$0.36	45,000	06-Jun-13
29-May-13	2,160,686	$0.36		
29-May-13	231,402	$0.36		
29-May-13	1,945,935	$0.38		
29-May-13	628,218	$0.38		
29-May-13	223,215	$0.38		
29-May-13	4,478,572	$0.38		
Total	**16,388,722**			

The fair value of the warrants was calculated using the Black-Scholes warrant-pricing model with the following assumptions:

Strike Price	**$0.20**	**$0.36**	**$0.38**	**$0.38**
Issued on	RTO	RTO	RTO	Pvt. placement
Number of Warrants	4,000,000	5,112,782	2,797,368	4,478,572
Market Price	$0.49	$0.49	$0.49	$0.49
Risk Free Interest Rate	1.63%	1.63%	1.63%	1.63%
Expected Life (years)	3.75	1.25	2.00	2.00
Expected volatility*	81%	81%	81%	81%
Expected dividends	-	-	-	-

* Based on comparable entities

(Expressed in Canadian dollars)

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	

14. Commitments

Operating leases and consulting agreement:

Future minimum payments under operating leases for premises & equipment and payments under a consultancy agreement are approximately as follows:

	September 30, 2013 $
Due within one year	281,882
Due from one to five years	139,265
Due after five years	-
	421,147

In addition, the Company made a commitment to issue 223,412 shares to a consultant on satisfaction of predetermined criteria. Subsequent to year-end, 111,706 shares were issued.

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.

15. 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.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due.

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 September 30, 2013, the Company had a working capital of $844,833 (September 30, 2012 – deficit of $1,257,743).

The accounts payables and accrued 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 not exposed to interest rate risk.

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, contributed surplus net of accumulated deficit. The Company's capital was $1,891,567 as at September 30, 2013 (September 30, 2012 – $(806,536)) with an increase in the amount of capital of $2,698,103 during the year ended September 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 year ended September 30, 2013. The Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

a. To maintain and safeguard it's accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to support its mine tailings, water remediation and NanoSan.
b. To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.
c. To obtain the necessary financing, if and when it is required.

In the management of capital, the Company includes shareholders' equity in the definition of capital. The Company is not exposed to externally imposed capital requirements.

In order to maximize ongoing development efforts, the Company does not pay dividends. Notwithstanding the risks described in notes 1 and 2 of the financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

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

16. Subsequent events:

Subsequent to year-end:

1. The Company changed its name to NanoStruck Technologies Inc. and began trading at CNSX under the new trading symbol "NSK".
2. The Company began trading on OTCQX(R) under the ticker symbol "NSKTF".
3. The Company issued 6,620,000 share options with an exercise price of $0.15 per share. The options are exercisable for 3 years from the date of the grant and are subject to vesting over 12 months with one quarter of the options vesting each quarter.

(Expressed in Canadian dollars)

17. Income taxes

(a) As at September 30, 2013, no deferred tax assets are recognized on the following temporary differences, as it is not probable that sufficient future taxable profit will be available to realize such assets:

	2013	2012
Tax Losses carried forward	1,327,000	275,000
Other	51,000	0
Deferred taxes not recognized	(1,378,000)	(275,000)
	-	-

(b) The following table reconciles the difference between income tax expense amount that would result based on the statutory income tax rate of 26.5% (2012-27.25%) and the effective income tax expense reported:

	2013	2012
Statutory tax rate	26.50%	27.25%
Recovery of income taxes based on statutory tax rate	(2,196,000)	(220,000)
Adjustments to expected income tax benefit		
Non-deductible items	1,386,000	(55,000)
Current year deductible temporary differences	810,000	275,000
Income tax expense	-	-