Condensed Interim Financial Statements

NANOSTRUCK TECHNOLOGIES INC.

For the three month period ended December 31, 2013
(Unaudited – expressed in Canadian dollars)

Notice to Reader

The accompanying unaudited condensed interim financial statements of NanoStruck Technologies Inc. (the "Company") for the three months ended December 31, 2013, have been prepared by management and approved by the Board of Directors of the Company. These statements have not been audited, reviewed or verified by Company's external auditors or any other accounting firm.

NanoStruck Technologies Inc.

Condensed interim statements of financial position

(Unaudited- expressed in Canadian Dollars)

		Three months ended	
	Note	**December 31, 2013**	**September 30, 2013**
		$	$
Assets			
Current assets			
Cash and cash equivalents		**337,249**	1,027,605
Other receivables	6	**136,180**	90,309
Inventory		**71,222**	71,222
Prepaid expenses and deposits		**278,232**	302,251
		822,883	1,491,387
Property, plant and equipment	8	**939,409**	946,734
Intangible assets		**100,000**	100,000
Due from related party	7	**9,201**	-
		1,871,493	2,538,121
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**613,448**	646,553
		613,448	646,553
Shareholders' equity			
Share capital	9	**6,318,948**	6,302,192
Contributed surplus	9	**4,773,375**	4,683,469
Deficit		**(9,834,279)**	(9,094,093)
Total shareholders' equity		**1,258,044**	1,891,568
		1,871,493	2,538,121

See accompanying notes to the condensed interim financial statements.

Approved on behalf of the Board:

"Bundeep Singh Rangar"

"Alfredo Albi"

NanoStruck Technologies Inc.

Condensed interim statements of loss and comprehensive loss

(Unaudited - expressed in Canadian dollars)

		Three months ended	
	Note	December 31, 2013	December 31, 2012
		$	$
Revenue		**-**	-
Cost of revenue		**-**	-
		-	-
Expenses			
Professional fees, consulting and advisory		**145,823**	216,486
Salaries and wages		**122,838**	169,359
Office		**67,475**	88,451
Travel and lodging		**56,455**	63,942
Meals and entertainment		**11,750**	19,958
Advertising and promotion		**34,706**	25,847
Research and development		**143,207**	102,665
Transfer agent and filing fees		**23,226**	-
Insurance		**13,963**	5,785
Amortization	**8**	**11,505**	6,132
Freight and shipping		**837**	2,361
Bank service charges		**1,511**	1,566
Share-based payments	**12**	**106,662**	-
		739,959	702,552
Loss before finance charges		**(739,959)**	(702,552)
Finance charges			
Interest expense		**226**	(139,142)
		226	(139,142)
Loss and comprehensive loss		**(740,185)**	(563,410)
Basic and diluted loss per share		**(0.01)**	(563,410)
Weighted average number of common shares outstanding		**78,078,442**	1

See accompanying notes to the condensed interim financial statements.

NanoStruck Technologies Inc.

Condensed interim statements of changes in equity

(Unaudited- expressed in Canadian dollars)

	Note	Share capital Number of shares	Share capital Amount ($)	Contributed Surplus	Deficit	Total
		Note 9	Note 9	$	$	$
Private Blue Gold Tailing Technologies Ltd.						
Balance at September 30, 2012		**1**	**1**	**-**	**(806,536)**	**(806,535)**
Net loss and comprehensive loss for the period		-	-	-	(563,410)	(563,410)
Balance at December 31, 2012		**1**	**1**	**-**	**(1,369,946)**	**(1,369,945)**
Public NanoStruck Technologies Inc.						
Balance at September 30, 2013	**9**	**78,040,802**	**6,302,192**	**4,683,469**	**(9,094,093)**	**1,891,568**
Share- based payments	**12**	-	-	89,906	-	89,906
Share issued to consultant	**12**	111,706	16,756	-	-	16,756
Net Loss and comprehensive loss for the period		-	-	-	(740,185)	(740,185)
Balance at December 31, 2013	**9**	**78,152,508**	**6,318,948**	**4,773,375**	**(9,834,279)**	**1,258,044**

See accompanying notes to the condensed interim financial statements.

NanoStruck Technologies Inc.

Condensed interim statements of cash flows

(Unaudited- expressed in Canadian dollars)

	Note	Three months ended December 31, 2013	Three months ended December 31, 2012
Cash flows from operating activities			
Net loss		**(740,185)**	(563,409)
Adjustments for non-cash items:			
Amortization		**11,505**	6,132
Share-based payments		**106,662**	-
Changes in non-cash working capital items:			
Other receivables		**(45,873)**	(77,204)
Prepaid expenses and deposits		**24,020**	(258,788)
Inventory		-	(14,739)
Accounts payables and accrued liabilities		**(33,105)**	48,432
Cash flows from operating activities		**(676,975)**	(859,577)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,180)**	(285,381)
Advances to related party		**(9,201)**	(118,379)
Cash flows used in investing activities		**(13,381)**	(403,760)
Cash flows from financing activities			
Promissory Notes		-	1,260,769
Cash flows from financing activities		**-**	1,260,769
Net decrease in cash		**(690,356)**	(2,568)
Cash and cash equivalents, beginning of period		**1,027,605**	242,312
Cash and cash equivalents, end of period		**337,249**	239,744

See accompanying notes to the condensed interim 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 CSE. On October 2, 2013 the Company changed its name to NanoStruck Technologies Inc. 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 unaudited condensed interim 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 $209,435 as at December 31, 2013 ($844,834 – September 30, 2013) and has incurred losses to date of $9,834,279. 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.

2. Going concern (continued):

The Company is currently seeking alternative financing for project development and working capital. In the event the Company is unable to arrange 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 unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the years ended September 30, 2013 and 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 unaudited condensed interim financial statements were authorized for issuance by the Board of Directors of the Company on March 3, 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) 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

(Unaudited - expressed in Canadian dollars)

3. Significant accounting policies (continued):

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.

(d) New accounting standards adopted

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 13	*Fair Value Measurement*	January 1, 2013
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 13 Fair Value Measurement: This standard defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements.

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.

3. Significant accounting policies (continued):

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.

There was no impact to the Company on the adoption of these standards.

(e) 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.

(f) 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

3. Significant accounting policies (continued):

of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(g) 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.

(h) 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.

(i) 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 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

3. Significant accounting policies (continued):

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 December 31, 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.

(j) 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.

(k) 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.

(l) 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.

(m) Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.

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 period. 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.

Recognition and valuation of provisions for restoration and environmental liabilities.

(Unaudited - expressed in Canadian dollars)

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 period ended December 31, 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 9	*Financial Instruments*	January 1, 2015
IAS 32	*Financial Instruments: Offsetting Financial Assets and Financial Liabilities*	January 1, 2014

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.

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

6. Other receivables:

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

7. Related party transactions:

(a) The following amounts are due from related parties:

	Dec 31, 2013	Sep 30, 2013
	$	$
Due from Director	**9,201**	-

(Unaudited - expressed in Canadian dollars)

(b) The following is the detail of remuneration/ consulting paid / accrued (excluding out of pocket expense) to related parties:

Name of Officer / Director	Position	Category	(Oct 1- Dec 31, 2013) Amt. Paid /accrued ($)
Bundeep Singh Rangar	Director, Interim CEO	Consulting Fees (1)	33,975
Rocky Bellotti	Ex-Director	Professional Fees (2)	27.675
Rajeev Agarwal	CFO	Consulting fees	30,240
Fred Albi	Director, COO	Consulting Fees	36,000
Board Fees Accrual	Directors	Accrual (3)	7,500
Raj Kurichh	Director, Officer	Consulting fees	22,500

(1) Amount paid for consultancy $26,475 and payment for a marketing consultant $7,500.
(2) Amounts paid to Bellotti Capital Partners, in which Rocky Bellotti is an officer, for advisory fees $14,250, Board fees $3,000 and payment for a consultant $10,425.
(3) Board fees accrued for 5 directors for 3 months.

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the three months ended December 31, 2013 and 2012.

Name of Officer / Director	Position	Category	(Oct 1- Dec 31, 2012) Amt. Paid /accrued ($)
Fred Albi	CFO	Consulting Fees	36,000

8. Property, plant and equipment

	Construction in Progress	Manufacturing Equipment	Furniture & Fixture	Computer & Electronics	Leasehold Improvements	Total
	$	$	$	$	$	$
Cost						
Balance as at September 30, 2013	765,489	147,998	20,185	23,323	51,080	1,008,075
Additions made during the period	35,727	-	-	5,279	743	41,749
Disposals during the period	-	(37,569)	-	-	-	(37,569)
Total cost on December 31, 2013	**801,216**	**110,429**	**20,185**	**28,602**	**51,823**	**1,012,255**
Accumulated Amortization						
Balance as on 30th September 2013	-	29,554	6,210	11,662	13,915	61,341
Charge for the period	-	5,521	1,009	2,383	2,591	11,505
Amortization on disposals	-	-	-	-	-	-
Total Accumulated Amortization on December 31, 2013	**-**	**35,075**	**7,219**	**14,045**	**16,506**	**72,846**
Net Book Value on December 31, 2013	**801,216**	**75,354**	**12,966**	**14,557**	**35,317**	**939,409**

(Unaudited - expressed in Canadian dollars)

9. Share capital

a. Authorized Share Capital: The Company is authorized to issue an unlimited number of common shares without par value.

b. As at December 31, 2013 the Company has 78,152,508 common shares issued and outstanding.

During the quarter ended December 31, 2013, as part of settlement agreement with a consultant, a total of 111,706 shares were issued.

As part of acquisition on May 29, 2013, 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.

c. 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.

During the period, 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 grant and are subject to vesting over 3 years with one quarter of options vesting each quarter. The fair value of the stock options granted during the period ended December 31, 2013 of $521,496 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	December 31, 2013
Options granted	6,620,000
Share price	$0.15
Strike price	$0.15
Risk free interest rate	1.13%
Expected life (years)	3
Expected volatility (based on comparable)	81%
Expected dividends	-

Share purchase options outstanding	Number of options	Weighted average exercise price
Balance, September 30, 2013	950,000	0.48
Granted	6,620,000	0.15
Exercised	-	-
Expired	-	-
Forfeited	-	-
Balance, December 31, 2013	7,570,000	0.19

Options outstanding				**Options exercisable**	
Range of exercise prices	Options outstanding	Remaining contractual life (years)	Exercise price	Number of options exercisable	Exercise price
$0.15	6,620,000	2.85	$0.15	-	$0.15
$0.48	950,000	4.40	$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.

d. 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**			

(Unaudited - 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	

10. 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:

	December 31, 2013 $
Due within one year	244,852
Due from one to five years	99,420
Due after five years	-
	344,272

In addition, the Company has a commitment to issue 111,706 shares to a consultant on satisfaction of predetermined criteria.

11. 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 December 31, 2013, the Company had a working capital of $209,435 (September 30, 2013 - $844,834).

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 $1,258,044 as at December 31, 2013 (September 30, 2013 – $1,891,568).

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 period ended December 31, 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

12. Share based payment

	December 31,2013 $	December 31, 2012 $
Share based payment on 6,620,000 options	89,906	-
Shares issued to consultant	16,756	-
	106,662	-