Condensed interim Financial Statements

Blue Gold Tailing Technologies Ltd.

For the three month period ended December 31, 2012
(Unaudited- expressed in Canadian dollars)

Notice to Reader

The accompanying unaudited condensed interim financial statements of Blue Gold Tailing Technologies Ltd. (the "Company") for the three months ended December 31, 2012, 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.

Blue Gold Tailing Technologies Ltd.
Condensed interim statement of financial position
(Unaudited - expressed in Canadian dollars)
December 31, 2012

	December 31, 2012	September 30, 2012 (Audited)
ASSETS		
Current		
Cash and cash equivalents	$239,744	$242,312
Receivable	85,396	8,192
Due from related parties (Note 6)	377,702	189,302
Inventory	14,739	-
Prepaid expenses & deposits	325,864	67,076
	1,043,446	506,882
Property, plant and equipment (Note 7)	541,155	261,906
	$1,584,601	$768,789
LIABILITIES		
Current		
Payables and Accruals	315,344	177,954
Promissory notes payables (Note 8)	2,639,200	1,378,431
	2,954,544	1,556,385
Other Liability	-	18,938
	2,954,544	1,575,323
Shareholders' equity		
Share capital (note 9)	1	1
Deficit	(1,369,944)	(806,536)
	(1,369,943)	(806,535)
	$1,584,601	$768,789

Going concern (Note 2)
Commitments (Note 11)
Other matters (Note 13)

On behalf of the Board

"Alfredo Albi" "Raj Kurichh"

See accompanying notes to the financial statements.

Blue Gold Tailing Technologies Ltd.
Condensed interim statement of loss and comprehensive loss

(Unaudited - expressed in Canadian dollars)
From October 1, 2012 to December 31, 2012

	Three months ended December 31, 2012
Revenue	-
Cost of goods sold	-
Gross Margin	-
Expenses	
Professional fees, consulting and advisory	216,486
Salary and wages	272,024
Office	88,451
Travel and lodging	63,942
Meals & entertainment	19,958
Advertising and promotion	25,847
Insurance	5,785
Amortization	6,132
Freight and shipping	2,361
Bank service charges	1,564
Exchange gains and losses	-
	702,551
Loss before finance income (expense)	(702,551)
Finance Income (expense)	
Other income (note 8)	242,975
Interest expense (note 8)	(103,833)
	139,142
Loss and comprehensive loss	(563,408)
Loss per share	($563,408)

Blue Gold Tailing Technologies Ltd
Condensed interim statement of changes in equity

(Unaudited - expressed in Canadian dollars)
From October 1, 2012 to December 31, 2012

	Shares	Share Capital	Deficit	Total $
Balance at September 30, 2012	1	$1	($806,536)	($806,535)
Net loss and comprehensive loss			(563,408)	(563,408)
Balance at December 31, 2012	1	$1	($1,369,944)	($1,369,943)

See accompanying notes to the financial statements.

Blue Gold Tailing Technologies Ltd
Condensed interim statement of cash flows
(Unaudited - expressed in Canadian dollars)
From October 1, 2012 to December 31, 2012

	December 31, 2012
Cash and equivalents derived from (applied to)	
Operating	
Net loss for the period	(563,408)
Items not affecting cash	
Amortization of property, plant and equipment	6,132
Discount to fair value of promissory notes net of accretion	(139,142)
	(696,418)
Changes in non-cash operating assets and Liabilities	
Sales tax receivables	(77,204)
Prepaid expenses and deposits	(258,788)
Inventory	(14,739)
Other liabilities	(18,938)
Payables and accruals	137,300
	(928,787)
Investing	
Acquisition of property, plant and equipment	(285,381)
Advances to related parties, net (Note 7)	(188,400)
	(473,781)
Financing	
Proceeds from issuance of promissory notes	1,400,000
Issuance of capital stock	-
	1,400,000
Net increase in cash and cash equivalents	(2,568)
Cash and cash equivalents, beginning period	242,312
Cash and cash equivalents, end of period	$239,744

See accompanying notes to the financial statements.

1. Nature of operations

Blue Gold Tailing Technologies Ltd. (the “Company” or “Blue Gold”), was incorporated to become a water treatment company that will use nanotechnology solutions to clean waste water and recover precious metals from mine tailings. The Company was incorporated under the laws of the Province of Ontario on April 13, 2012.

The address of the Company’s corporate head office and principal place of business is 2660 Meadowvale Blvd. Suite 6B, Mississauga, Ontario, Canada.

2. Going concern

The financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) and on the basis of the going concern assumption, meaning the Company will be able to realize it assets and discharge its liabilities in the normal course of operations.

There is significant doubt about the Company’s use of the going concern assumption because as at December 31, 2012 the Company has a working capital deficiency of $1,911,098 (September 30, 2012 $1,049,503) and losses incurred to date of $1,369,944. 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’s ability to continue as a going concern is dependent upon its ability to raise additional financing to further fund operations. Although the Company has been successful to date in doing so, there is no assurance that it will manage to obtain additional financing in the future.

To date, the Company received proceeds from promissory notes of $3,002,000 (September 30, 2012 $1,602,000) issued by Golden Cross Resources Inc. (“Golden Cross”) (see Note 8). In addition, on November 30, 2012, the Company entered into a merger agreement with Golden Cross, a publicly listed company on the Canadian National Stock Exchange (“CNSX”), which will result in a public listing for Blue Gold. Management expects that this will allow Blue Gold access to funding through the public markets and will settle the current amounts owing to Golden Cross. The transaction is pending shareholder approvals.

There is no assurance that management’s initiatives will be successful and uncertainty remains as to the ability of the Company to continue operating as a going concern for the next twelve months.

The carrying amounts of the assets, liabilities, revenues and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

3. Summary of significant accounting policies

a) 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 and the notes attached thereto, for the years ended September 30, 2012 filed as part of Management information circular and uploaded on Sedar (www.sedar.com) on February 22, 2013.

The accounting principles applied in the preparation of these financial statements included herein have been applied consistently for each of the periods presented.

b) Basis of preparation

These financial statements have been prepared on a historical cost basis.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest bearing investments with maturities of 90 days or less than the original date of acquisition.

d) Financial instruments

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

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

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

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

Financial assets and liabilities are measured subsequently as described below.

3. Summary of significant accounting policies (continued)

Financial assets

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

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

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

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

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

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

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.

3. Summary of significant accounting policies (continued)

Impairment of financial assets

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables are presented in profit or loss, if applicable.

Financial Liabilities

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

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

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

Major improvements and extraordinary repairs that extend the life of an asset are capitalized; other repairs and maintenance are expensed. When assets are retired or otherwise disposed of, their carrying values and accumulated depreciation are removed from the accounts. Assets

3. Summary of significant accounting policies (continued)

that are not available for production, where development and installation is not substantially complete, are not amortized.

f) Impairment of property, plant and equipment

Assets are grouped at the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets, known as cash generating unit. 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 cost 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 recognized in prior periods may no longer exist. An impairment charge is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

g) Income taxes

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

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

3. Summary of significant accounting policies (continued)

h) 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 recognised as an expense on a straight-line basis over the lease term, except where 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 recognised as an expense in the period in which they are incurred. Related expenses, such as maintenance and insurance expenses are charged to income as incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised 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.

i) Earnings per share

The basic earnings/loss per share have been calculated using the profit or loss attributable to the shareholder of the company as the numerator. The weighted average number of shares used as the denominator for the calculation was 1 for the reporting period.

4. Significant management judgments and estimates

Management judgments

The following are significant management judgments in applying the accounting policies of the Company and information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Recognition of deferred tax assets
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.

Estimation uncertainty

Impairment
In assessing impairment, management must determine the level at which independent cash flows exist, the asset or an asset grouping. Estimates of the recoverable amount of each asset or cash-generating unit is determined; based on expected future cash flows and uses

(Unaudited- expressed in Canadian dollars)

an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

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

5. Accounting standards issued but not yet effective

Several new standards, interpretations 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, 2012, and have not been applied in preparing these financial statements. Many of these are not applicable or inconsequential to the Company and have been excluded from the discussion below. The Company is currently assessing the impact of standards that may be applicable on the financial statements.

The following standards or interpretations have been issued by the IASB and IFRIC 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 Measurements	January 1, 2013
IFRS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities	January 1, 2014

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

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

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

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

(Unaudited- expressed in Canadian dollars)

Company will start the application of IAS 32 in the consolidated financial statements effective from January 1, 2014. The Company has not yet evaluated the impact on the financial statements as a result of adopting this Standard.

6. Related party transactions

	31-Dec-12 Net Book Value	30-Sep-12 Net Book Value
Due from Blue Gold Holdings Inc (1)	$292,992	$189,302
Due from Director (2)	$51,875	-
Due from contractors of the Company (3)	32,835	-
	$377,702	$189,302

(1) Amount due from Blue Gold Holdings Inc. in which the director of Blue Gold Tailing Technologies Ltd. was a director. This amount was unsecured, non-interest bearing with no fixed terms of repayment.
(2) Amount due from director of the Company. This amount was unsecured, non-interest bearing with no fixed terms of repayment.
(3) Amount due from contractors of the Company. These contractors were also directors of Blue Gold Holdings Inc. This amount was unsecured, non-interest bearing with no fixed terms of repayment.

Transactions with key management personnel

Key management of the Company is the Chief Executive Officer and the Chief Financial Officer. Key management personnel remuneration includes $51,000 (September 30, 2012. $106,000):

The remuneration of the key executives is determined by the sole director having regard to the performance of individuals and market trends.

7. Property, plant and equipment

	Cost	Accumulated Amortization	31-Dec-12 Net Book Value	30-Sep-12 Net Book Value
Equipment under construction	$449,848	$0	$449,848	$181,094
Manufacturing equipment	15,327	818	14,509	1,486
Furniture and fixtures	19,611	3,153	16,458	17,284
Computer and electronics	23,323	5,830	17,493	19,436
Leasehold improvements	48,840	5,992	42,847	42,606
	$556,949	$15,793	$541,155	$261,906

(Unaudited- expressed in Canadian dollars)

8. Promissory notes payable

The promissory notes payable as at December 31, 2012 are comprised 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	$ 99,034	$ 1,009,779
1 year	August 31, 2013	150,000	123,967	8,701	132,668
1 year	September 21, 2013	350,000	289,255	16,809	306,064
1 year	October 23, 2013	$ 800,000	$ 661,157	$ 26,247	$ 687,404
1 year	December 5, 2013	600,000	495,868	7,417	503,285
		$ 3,002,000	$ 2,480,992	$ 158,208	$ 2,639,200

The promissory notes, due to Golden Cross Resources Inc. ("Golden Cross"), are interest free and due at various maturities noted above. If the Company fails to repay the amounts due at maturity, interest will start to accrue at a rate of 21% per annum compounded annually. The notes are secured by a general security agreement with a floating charge and security interest on all the Company's assets, rights, interests and properties.

The promissory notes were initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method. The face value of the notes has been discounted by $242,975 (September 30th, 2012 $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. Total interest expense accreted for the period was $103,833 (September 30, 2012 - $54,464).

At September 30, 2012 the fair value of the promissory notes using a discounted cash flow method is $2,639,200 (September 30, 2012 $1,378,431) applying a discount rate of 21% and an assumption that the promissory notes will be repaid at maturity.

9. Share capital

		2013
Authorized:		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued:		
1 common share	**$**	**1**

The Board of Directors may issue the preferred shares at any time in one or more series. The Board of Directors will fix the number of shares in such series and will determine the designation rights, privileges, restrictions and conditions attached to the shares.

(Unaudited- expressed in Canadian dollars)

10. 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).

Risk management

Risk management is carried out by the Company's management team with guidance by the Board of Directors.

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 no revenue generated. However, the Company has risk that the related party receivable will be collected.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial obligations as they become due. The Company's growth is financed through a combination of the cash flow from borrowing under existing promissory note facilities.

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.

The Company's financial obligations include promissory notes as described in Note 8, as well as accounts payable, which are summarized in the following table.

Trade payables:	
Current	$ 165,999
30 to 90 days	129,052
Over 90 days	20,293
	315,344
Promissory notes	3,002,000
	$ 3,317,344

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 does not have material exposure to these risks.

11. Commitments

Operating Leases

Future minimum payments under operating lease for premises are approximately as follows:

Due within one year	$	62,229
Due from one to five years		120,585
Due after five years		-
Promissory notes		182,814

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.

12. Other matters

On November 30, 2012, the shareholder of the Company entered into an agreement ("the Agreement") with Golden Cross to sell Blue Gold (the "Acquisition"). Pursuant to the share exchange ratio in the Agreement, Golden Cross intends to issue 38,000,000 common shares in exchange for all of the issued and outstanding shares of Blue Gold.

Golden Cross has further agreed to issue up to 9,000,000 shares to certain individuals designated by the directors of Blue Gold as earn-out or performance shares. These shares are to be released pursuant to a formula, which is set out in the Agreement, measuring the financial performance of the Company following the Acquisition.

The agreement is conditional upon the acquisition by the Company of intellectual property rights from Blue Gold Holdings Inc. and a corporate reorganization of Blue Gold Tailings Technologies Ltd.

On completion of the Acquisition, Golden Cross intends to change its name to "Blue Gold Water and Tailings Ltd". The Acquisition is subject to shareholder and regulatory approvals.