Condensed Interim Financial Statements

NANOSTRUCK TECHNOLOGIES INC.

For the three month period ended December 31, 2014 and 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, 2014, 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

(Expressed in Canadian Dollars)

	Notes	December 31, 2014	September 30, 2014
		$	$
Assets			
Current assets			
Cash and cash equivalents		**22**	8,405
Sales tax receivable		**184,431**	172,444
Prepaid expenses and deposits		**155,671**	155,671
		340,124	336,520
Property, plant and equipment	7	**43,750**	48,780
		383,874	385,300
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**1,707,239**	1,467,881
Short term loan	9	**397,723**	273,402
		2,104,962	1,741,283
Shareholders' equity (deficit)			
Share capital	8	**7,291,552**	7,291,552
Contributed surplus		**5,566,187**	5,566,187
Deficit		**(14,578,827)**	(14,213,722)
Total shareholders' deficit		**(1,721,088)**	(1,355,983)
		383,874	385,300

Nature of operations (Note 1), Going concern (Note 2), Commitments (Note10), Contingencies (Note 13), and Subsequent events (Note 14)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

"Bundeep Singh Rangar"

"Stephen John McCann"

NanoStruck Technologies Inc.

Condensed interim statements of loss and comprehensive loss

(Expressed in Canadian dollars)

	Notes	Three months ended December 31 2014	December 31 2013
		$	$
Revenue		**-**	-
Cost of revenue		**-**	-
		-	-
Expenses			
Professional fees, consulting and advisory		**2,082**	145,823
Salaries and wages		**215,739**	122,838
Office		**84,673**	67,475
Travel and lodging		**29,657**	56,455
Meals and entertainment		**-**	11,750
Advertising and promotion		**-**	34,706
Research and development		**-**	143,207
Transfer agent and filing fees		**3,000**	23,226
Insurance		**16,220**	13,963
Amortization	**7**	**5,030**	11,505
Freight and shipping		**-**	837
Bank service charges		**883**	1,512
Share-based payments		**-**	106,662
		357,284	739,959
Loss before finance charges		**(357,284)**	(739,959)
Finance charges			
Interest expense (income)		**7,821**	226
		7,821	226
Loss and comprehensive loss		**(365,105)**	(740,185)
Basic and diluted loss per share		**(0.004)**	(0.009)
Weighted average number of common shares outstanding		**94,658,046**	78,078,442

See accompanying notes to the consolidated financial statements.

NanoStruck Technologies Inc.

Condensed interim statements of changes in equity

(Expressed in Canadian dollars)

	Share capital								
	Number of shares		**Amount ($)**		**Contributed Surplus**		**Deficit**		**Total**
					$		$		$
Private Blue Gold Tailing Technologies Ltd.									
Balance at September 30, 2012	**1**		**1**		**-**		**(806,536)**		**(806,535)**
Public NanoStruck Technologies Inc.									
Balance at September 30, 2013	**78,040,802**		**6,302,191**		**4,683,469**		**(9,094,093)**		**1,891,567**
Share based payments					89,906				89,906
Shares issued to consultants	111,706		16,756						16,756
Net loss and comprehensive loss for the period							(740,185)		(740,185)
Balance at December 31, 2013	**78,152,508**	**-**	**6,318,947**	**-**	**4,773,375**	**-**	**(9,834,278)**	**-**	**1,258,044**
Balance at September 30, 2014	**94,658,046**	**-**	**7,291,552**	**-**	**5,566,187**	**-**	**(14,213,722)**	**-**	**(1,355,984)**
Net loss and comprehensive loss for the period	-	-	-	-	-		(365,105)		(365,105)
Balance at December 31, 2014	**94,658,046**	**-**	**7,291,552**	**-**	**5,566,187**	**-**	**(14,578,827)**	**-**	**(1,721,089)**

See accompanying notes to the consolidated financial statements.

NanoStruck Technologies Inc.

Condensed interim statements of cash flows

(Expressed in Canadian dollars)

	Notes	Three months ended December 31 2014	December 31 2013
		$	$
Net loss		**(365,105)**	(740,185)
Adjustments for non-cash items:			
Amortization		**5,030**	11,505
Accrued interest	9	**7,821**	-
Share-based payments			106,662
Changes in non-cash working capital items:			
Sales tax receivable		**(11,987)**	(45,873)
Prepaid expenses and deposits			24,020
Inventory			
Accounts payables and accrued liabilities		**239,358**	(33,104)
Cash flows used in operating activities		**(124,883)**	(676,975)
Cash flows from investing activities			
Purchases of property, plant and equipment		**-**	(4,180)
Advances to related party		**-**	(9,201)
Cash flows used in investing activities		**-**	(13,381)
Cash flows from financing activities			
Short term loan	9	**116,500**	-
Cash flows from financing activities		**116,500**	-
Net increase (decrease) in cash		**(8,383)**	(690,356)
Cash and cash equivalents, beginning of year		**8,405**	1,027,605
Cash and cash equivalents, end of year		**22**	337,249

See accompanying notes to the consolidated financial statements.

1. Nature of operations

Nanostruck Technologies Inc. (formally known as Blue Gold Water Technologies Ltd.) (the "Company"), was incorporated in British Columbia under the Business Corporations Act on June 20, 2006 under the name Golden Cross Resources Inc. The Company's main focus is the business of water remediation and tailings processing, using nanotechnology solutions to clean 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, L5N 7E6. The Company's shares are listed on the CSE exchange under the symbol NSK.

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 consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company has incurred losses to date of $14,578,827 and had a working capital deficit of $1,764,838 as at December 31, 2014 (deficit of $1,404,763 – September 30, 2014). The Company does not currently have any revenue-generating assets.

The Company, therefore, reduced all of its expenditure and has limited such expenditure to external essential costs only. Whilst operating in this manner the Company continues to explore and develop further revenue and funding targets which could lead for the eventual improvement in the Company's cash position going forward.

Given the uncertainty over the future funding the Directors recognize that there is a material uncertainty that casts significant doubt over the Company's ability to operate as a going concern. These financial statements do not contain the adjustments that would be necessary if the Company was unable to continue as a going concern. Such

3. Significant accounting policies

adjustments would include presenting assets at their recoverable amounts, which would be likely to result in further provisions to the current carrying amounts in these consolidated financial statements and to providing for further liabilities that might arise on a break up basis of preparation.

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The accounting principles applied in the preparation of these consolidated 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 April 20, 2015.

(a) Basis of Consolidation

Golden Cross Acquisition and Blue Gold Tailing Technologies amalgamated on May 29, 2013 forming Blue Gold Tailings Technologies (BGTT). BGTT is the operating company and accounting parent and 100% owned legal subsidiary of Nano Struck Technologies Inc., which changed its name from Blue Gold Water Technologies Inc. (formerly Golden Cross Resources Inc.) on October 3, 2014.

(b) 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.

(c) 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.

(d) 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

3. Significant accounting policies (continued)

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.

In situations where the Company issues units, the value of warrants is included in the contributed surplus. The fair value of warrants included in units are determined using the Black-Scholes option pricing model.

In accordance with IFRIC 19, when debt is extinguished with equity, the difference between the carrying amount of the debt extinguished and the fair value of the equity is recognized in the consolidated statement of loss and comprehensive loss.

(a) 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;

3. Significant accounting policies (continued)

c. Held-to-maturity investments; and
d. 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 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

3. Significant accounting policies (continued)

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 is presented in profit or loss, if applicable.

Financial liabilities

The Company's financial liabilities include accounts payable & accrued liabilities and short term loan. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

(b) New accounting standards adopted

As required by the IASB, effective October 1, 2013, the Company adopted the following standards and amendments to IFRS:

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 replaced 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.

3. Significant accounting policies (continued)

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.

There was no impact to the Company's consolidated financial statements on the adoption of these standards

Additionally, the IASB revised the following standards that are effective for the Company's financial year as indicated:

IFRS 9 Financial Instruments

This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures

De-recognition. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39.

The effective date is for annual periods beginning on or after January 1, 2018. The Company is currently assessing what impact the application of this standard or amendments will have on the consolidated financial statements of the Company.

(c) Property, plant and equipment

3. Significant accounting policies (continued)

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.

(d) 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.

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

3. Significant accounting policies (continued)

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 cost of disposal 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.

(f) 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 carry forwards that are probable, and for which taxable profit will

3. Significant accounting policies (continued)

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.

(g) 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.

(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.

3. Significant accounting policies (continued)

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, 2014 and 2013, all outstanding warrants and share options were anti-dilutive.

(j) Foreign exchange

The Company's and its subsidiary'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.

(k) 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.

(l) 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

3. Significant accounting policies (continued)

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 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 Company evaluated its restoration costs to be $Nil at December 31, 2014 (December 31, 2013 - $Nil).

4. Significant management judgments and estimates

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

4. Significant management judgments and estimates (continued)

in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

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

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

Impairment – in assessing impairment, management must determine the level at which independent cash flows exist, the asset or an asset grouping. Estimates of the recoverable amount of each asset or cash generating unit is determined; Estimation uncertainty relates to assumptions about the value in use of such assets.

Useful lives of depreciable assets and intangible 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. Amalgamation

On May 29, 2013 Golden Cross Acquisition Inc. ("Golden Cross"), a subsidiary of Golden Cross Resources Inc. and Blue Gold Tailing Technologies Inc. ("Tailing") amalgamated. The amalgamated company was then named Blue Gold Tailings Technologies Ltd. ("Tailings") and is legal subsidiary of the Company. As a result of this amalgamation, the former shareholders of Tailing 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 Tailing's management team and as a result of Tailing's control of the Company's Board of Directors post amalgamation.

The transaction was accounted for as a reverse take-over ("RTO") transaction that did not constitute a business combination for accounting purposes under IFRS. Tailing was deemed to be the acquirer.

(Unaudited - expressed in Canadian dollars)

5. Amalgamation (continued)

For financial reporting purposes, the Company is considered a continuation of Tailing, the legal subsidiary, except with regard to authorized and issued share capital, which is that of the legal parent. The condensed interim statements of financial position, loss and comprehensive loss, changes in equity and cash flows includes the full results of operations of Tailing 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.

Acquisition

Pursuant to the amalgamation agreement each of the 101,726,888 issued and outstanding common shares of Tailing immediately before the effective date of the transaction, May 29, 2013, were exchanged for 0.373549223 of Golden Cross shares totalling 38,000,000 common shares issued by Golden Cross to Tailing 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 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 9)	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 net unidentifiable assets and transaction costs	4,964,243

(Unaudited - expressed in Canadian dollars)

6. Related party transactions

The following is the detail of remuneration/ consulting paid / accrued (excluding out of pocket expense) to related parties during the three month ended December 31, 2014:

Name of Officer/Director	Position	Nature of Payment	Oct 1 - Dec 31, 2014 Fees Accrued/Paid ($)	Balance unpaid as at Dec 31 2014 incl. Expenses ($)
Bundeep Singh Rangar	Chairman, Interim CEO	Consulting Fees	63,000	91,191
Raj Kurichh	Director, Officer	Consulting Fees	37,500	94,021
Richard Goldman	CFO	Consulting Fees	21,239	-
Steve McCann	Director, Chair of Audit Committee	Board Fees	5,500	11,333
Brij Chadda	Director	Board Fees	4,500	9,750
Marty Bernholz	Director	Board Fees	4,500	9,750
IndusView UK Ltd	A company with common Director	Consulting fees	7,500	125,263
Michael Morris	Strategic Advisor	Consulting fees	30,000	77,520

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the three months ended December 31, 2014 and 2013.

7. Property, plant and equipment

	Manufacturing Equipment	Furniture & Fixtures	Computer & Electronics	Leasehold Improvements	TOTAL
	$	$	$	$	$
COST					
Balance as at September 30, 2014	34,319	20,185	29,335	51,080	134,919
Additions made during the year	-	-	-	-	-
Total cost on December 31, 2014	**34,319**	**20,185**	**29,335**	**51,080**	**134,919**
ACCUMULATED AMORTIZATION					
Balance as at September 30, 2014	34,319	10,247	17,294	24,279	86,139
Charge for the year	-	1,009	1,430	2,591	5,030
Total Accumulated Amortization on December 31, 2014	**34,319**	**11,256**	**18,724**	**26,870**	**91,169**
Net Book Value as at December 31, 2014	**-**	**8,929**	**10,611**	**24,210**	**43,750**

(Unaudited - expressed in Canadian dollars)

8. Share capital

a) The Company is authorized to issue an unlimited number of common shares.

b) As at December 31, 2014 the Company has 94,658,046 common shares issued and outstanding.

Options

The Company's stock option plan allows for 10% of the issued share capital at any point in time. 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.

Share purchase options outstanding	Number of options	Weighted average exercise price
Balance, September 30, 2014	8,120,000	0.19
Granted	-	-
Exercised	-	-
Expired	-	-
Forfeited	-	-
Balance, December 31, 2014	8,120,000	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	7,170,000	1.67	$0.15		6,650,274	$0.15
$0.48	950,000	3.66	$0.48		950,000	$0.48
Total	8,120,000			**Total**	7,600,274	

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.

(Unaudited - expressed in Canadian dollars)

‘8. Share capital (continued)

Warrants

Warrants outstanding	Number of warrants
Balance, September 30, 2014	24,146,878
Granted	-
Exercised	-
Expired	(2,392,088)
Forfeited	
Balance, September 30, 2014	21,754,790

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

Expiry date	Total warrants issued	Exercise Price
07-May-15	1,945,935	$0.38
13-May-15	628,218	$0.38
24-May-15	223,215	$0.38
29-May-15	4,478,572	$0.38
28-Feb-17	4,000,000	$0.20
02-May-17	6,400,000	$0.13
19-Jun-17	1,453,850	$0.13
15-Jul-17	750,000	$0.13
21-Aug-17	1,875,000	$0.13
Total	**21,754,790**	

9. Short term loan

Pursuant to the loan agreement dated February 27, 2014, the Company arranged a short term loan for up to $500,000, out of which $376,500 has been advanced as of December 31,2014 (September 31, 2014 - $260,000). The loan bears an annual interest of 10% per annum payable on a quarterly basis in arrears, is unsecured, and is due on demand. The total amount of interest accrued during the three months ended December 31, 2014 was $7,821. Subsequent to December 31, 2014, the Company received additional funding as disclosed in Note 14.

10. Commitments

Operating leases and consulting agreements

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

(Unaudited - expressed in Canadian dollars)

10. Commitments (continued)

	December 31, 2014 $
Due within one year	98,902
Due from one to five years	40,662
Due after five years	-
	139,564

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.

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.

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, 2014, the Company had a negative working capital of $1,764,838 (September 30, 2014: negative $1,404,763). 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.

11. Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Company is exposed to interest rate risk on its Short Term Loan. The annual interest rate is set at 10%, however the Short Term Loan is payable upon demand.

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 (deficit) was ($1,721,089) as at December 301 2014 (September 30, 2014 – deficit of $1,355,983).

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 three months ended December 31, 2014. The Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

a) To maintain and safeguard accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds for its operational needs.
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.

12. Financial instruments and risk management (continued)

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.

13. Contingencies

The Company is aware that there is currently an ongoing investigation by Ontario Securities Commission (OSC) over the dealings of a private company, Holdings (Note 6) during the period July 2010 to April 2013, related to alleged breaches of Ontario Securities Law and conduct contrary to public interest. Holdings is not a subsidiary of the Company nor does the Company have any say in the affairs of Holdings.

During 2013, the Company issued shares to Holdings for the exclusive license and assignment agreement to the University of Saskatchewan license and patents (note 6). In addition, in 2013 the Company issued builder common shares and common shares in consideration for services provided (note 9). The OSC has raised concern over these dealings with Holdings. Holdings, as well as three of Holdings' founders, including Raj Kurichh, a director of the Company, have been named as respondents in the investigation.

The Company has not been named as a respondent and the OSC hearing has not commenced. Although the eventual outcome cannot be predicted, there is a possibility that there could be repercussions of the Company's dealings with Holdings or Raj Kurichh. As such the outcome or potential impact on the Company is not known at this time.

It should also be noted that the company's interim CEO instructed its legal counsel Bachhus Law to conduct a governance audit on July 3, 2013. The audit report was

(Unaudited - expressed in Canadian dollars)

13. Contingencies (continued)

prepared and submitted to the Company's Board by Bachhus Law on July 11, 2013, which implemented its recommendations, including the set up of a temporary Special Governance Committee with its own charter in Sept. 2013.

14. Subsequent events

The following advances were received against the Short Term Loan subsequent to December 31, 2014:

January 6, 2015	15,120
Previous Principal Balance	376,500
Total	$391,620

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