# DECLAN RESOURCES INC.

## CONDENSED INTERIM FINANCIAL STATEMENTS
**(Unaudited - Expressed in Canadian dollars)**

## NINE MONTHS ENDED JUNE 30, 2013 AND 2012

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

**In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed interim financial statements of Declan Resources Inc. as at June 30, 2013 and June 30, 2012, notes to interim condensed consolidated financial statements and the related Management's Discussion and Analysis.**

**DECLAN RESOURCES INC.**
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

| | June 30, 2013 | September 30, 2012 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash (Note 5) | $ 144,225 | $ 3,650,417 |
| Receivables (Note 6) | 161,038 | 105,183 |
| Exploration advances (Note 7) | 207,737 | 207,789 |
| Prepaid expense (Note 8) | 13,635 | 13,635 |
| | 526,635 | 3,977,024 |
| **Exploration and evaluation assets** (Note 9) | 2,483,944 | 2,483,944 |
| | $ 3,010,579 | $6,460,968 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (Note 10) | $ 843,428 | $ 737,699 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 11) | 13,737,183 | 13,737,183 |
| Share-based payment reserve | 606,802 | 492,261 |
| Deficit | (12,176,834) | (8,506,175) |
| | 2,167,151 | 5,723,269 |
| | $ 3,010,579 | $ 6,460,968 |

**Nature of operations and going concern** (Note 1)
**Subsequent events** (Note 17)

These condensed interim financial statements are authorized for issue by the Board of Directors on August 26, 2013.

They are signed on the Company's behalf by:

/s/ Michelle Gahagan Director /s/ Garry Clark Director

*The accompanying notes are an integral part of these condensed interim financial statements.*

**DECLAN RESOURCES INC.**
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian dollars)
NINE MONTHS ENDED JUNE 30

| | Three months ended June 30, 2013 | Three months ended June 30, 2012 | Nine months ended June 30, 2013 | Nine months ended June 30, 2012 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Consulting | $ 15,000 | $ - | $ - | $ - |
| Interest expense | 3529 | - | - | 35,268 |
| Investor relations | 3,494 | - | 14,971 | - |
| Management fees | 23,824 | 68,000 | 109,000 | 198,325 |
| Office and miscellaneous | 59,668 | 20,591 | 151,747 | 41,358 |
| Professional fees | 12,771 | 59,906 | 166,862 | 251,954 |
| Property investigation | - | 5,741 | 10,000 | 5,741 |
| Resource property exploration (Note 9) | 862,228 | - | 2,795,955 | 296,701 |
| Share-based compensation | - | - | 114,541 | - |
| Transfer agent and filing fees | 42,181 | 15,983 | 57,475 | 38,237 |
| Travel | 75,235 | 39,734 | 271,986 | 135,466 |
| Loss before other item | (1,094,401) | (209,955) | (3,692,537) | (1,003,050) |
| **Other item** | | | | |
| Foreign exchange gain (loss) | 438 | - | 5,202 | - |
| Interest income | (3,529) | 1,461 | 16,676 | 12,046 |
| | $ (1,097,492) | $ (208,494) | $ (3,670,659) | $ (991,004) |
| **Basic and diluted loss per common share** | $ (0.01) | $ (0.00) | $ (0.03) | $ (0.01) |
| **Weighted average number of common shares outstanding** | 108,353,676 | 82,333,105 | 108,353,676 | 82,333,105 |

*The accompanying notes are an integral part of these condensed interim financial statements.*

**DECLAN RESOURCES INC.**
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian dollars)
NINE MONTHS ENDED JUNE 30

| | 2013 | 2012 |
|---|---|---|
| **CASH FLOWS USED IN OPERATING ACTIVITIES** | | |
| Loss for the period | $ (3,670,659) | $ (991,004) |
| Items not affecting cash: | | |
| Share-based compensation | 114,541 | 34,117 |
| Changes in non-cash working capital: | | |
| Receivables | (55,855) | (62,919) |
| Exploration advances | 52 | - |
| Accounts payable and accrued liabilities | 105,729 | (258,567) |
| Net cash used in operating activities | (3,506,192) | (1,278,373) |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | |
| Acquisition and exploration of mineral properties | - | (1,000,000) |
| Net cash used in investing activities | - | (1,000,000) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Shares issued for cash | - | 7,243,350 |
| Share issue costs | - | (575,705) |
| Notes payable | - | (300,000) |
| Net cash from financing activities | - | 6,367,645 |
| **Increase/(Decrease) in cash** | (3,506,192) | 4,089,272 |
| **Cash, beginning of the period** | 3,650,417 | 259,782 |
| **Cash, end of the period** | $ 144,225 | $ 4,349,054 |
| **Supplemental Disclosure of Cash Flow Information:** | | |
| Cash paid for interest | $ - | $ 1,151 |
| Shares issued for exploration and evaluation assets | - | 594,000 |
| Deferred financing cost applied to share capital | - | 71,784 |
| Share subscriptions applied to share capital | - | 257,450 |

*The accompanying notes are an integral part of these condensed interim financial statements.*

**DECLAN RESOURCES INC.**
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian dollars)

| | Number of Shares | Share Capital | Share Subscription | Reserves | Deficit | Total Equity (Deficit) |
|---|---|---|---|---|---|---|
| **Balance, September 30, 2011** | 31,754,959 | $ 4,079,851 | $ 257,450 | $215,622 | $(4,994,484) | $ (441,561) |
| Loss and comprehensive loss | - | - | - | - | (991,004) | (991,004) |
| Shares issued for exploration and evaluation assets | 2,700,000 | 594,000 | - | - | - | 594,000 |
| Shares issued for private placement | 50,000,000 | 7,500,000 | (257,450) | - | - | 7,242,550 |
| Shares issued for warrants exercised | 4,000 | 800 | - | - | - | 800 |
| Share issue costs | - | (616,518) | - | - | - | (616,518) |
| **Balance, June 30, 2012** | 84,458,959 | $ 11,558,133 | - | 215,622 | (5,985,488) | 5,788,267 |
| **Balance, September 30, 2012** | 108,353,676 | 13,737,183 | - | 492,261 | (8,506,175) | 5,723,269 |
| Share-based payments | - | - | - | 114,541 | - | 114,541 |
| Loss and comprehensive loss | - | - | - | - | (3,670,659) | (3,670,659) |
| **Balance, June 30, 2013** | 108,353,676 | $ 13,737,183 | $ - | $606,802 | $(12,176,834) | $2,167,151 |

*The accompanying notes are an integral part of these condensed interim financial statements.*

## 1. NATURE OF OPERATIONS AND GOING CONCERN

DECLAN RESOURCES INC. ("the Company") was incorporated on August 25, 2005 under the Laws of British Columbia. The Company's head office and registered and records office address is Suite 302 – 1620 West 8th Ave, Vancouver, BC, V6J 1V4, Canada. The Company is traded on the TSX Venture Exchange ("TSX-V").

The condensed interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company, unless otherwise indicated.

The Company is a mineral exploration company focused on acquiring, exploring and developing exploration and evaluation assets in Sierra Leone.

At the date of the financial statements, the Company has not identified a known body of commercial grade mineral on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on exploration and evaluation assets is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

The condensed interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

The Company estimates it has sufficient working capital to continue operations for the upcoming year.

## 2. BASIS OF PRESENTATION

These condensed interim financial statements, including comparatives have been prepared in accordance with International Accounting Standards ("IAS") 1, "Presentation of Financial Statements" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

## 2. BASIS OF PRESENTATION (cont'd…)

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value as explained in the accounting policies set out in Note 3. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these condensed consolidated interim financial statements are in accordance with IFRS.

These condensed consolidated interim financial statements were authorized by the audit committee and Board of Directors of the Company on August 26, 2013.

### Use of estimates and judgments

The preparation of this condensed consolidated interim financial statement requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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:

i) The carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probably mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

ii) Share-based payments

The fair value of stock options issued are subject to the limitation of Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

### Determination of Functional Currency

The functional currency is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency for the parent Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Foreign exchange

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are recognized through profit or loss.

### Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. 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.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

The Company has not classified any financial assets as held-to-maturity or available for sale.

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 a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash as fair value through profit and loss. The Company’s receivables are classified as loans and receivables.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Financial instruments** (cont'd...)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Other financial liabilities:* These liabilities are initially recognized at fair value less directly attributable costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

**Exploration and evaluation assets**

Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Costs incurred before the Company has obtained the legal rights to explore an area are recognized through profit or loss.

Costs related to exploration costs of exploration and evaluation assets, incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to operations as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

Any option payments received by the Company from third parties are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

**Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Fair value measurement**

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less cost to sell, based on fair value or disclosures about those measurements), except for: share based-payment transactions within the scope of IFRS 2 Share-based payment; leasing transactions within the scope of IAS 17 Leases: measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of assets

**Provision for environmental rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the rehabilitation 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 rehabilitation asset is depreciated on the same basis as related assets.

The Company's estimates of reclamation 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 the related asset with a corresponding entry to the rehabilitation 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 or loss.

**Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Loss per share** (cont'd)

period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Share-based payment transactions**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

**Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect both accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Application of new International Financial Reporting Standards**

A number of new standards, amendments to standards and interpretations are effective as at June 30, 2013, and have been applied in preparing this condensed interim financial statement.

Accounting standards issued and effective January 1, 2013

Consolidated financial statements

IFRS 10, *Consolidated Financial Statements*, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard:

i.) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements.

ii.) defines the principle of control, and establishes control as the basis for consolidation

iii.) sets out how to apply the principle of control to identify whether an investor controls and investee and therefore must consolidate the investee

iv.) sets out the accounting requirements for the preparation of consolidation financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation-Special Purpose Entities.

Joint Arrangements

IFRS 11, *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

Disclosure of involvement with other entities

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effect of those interest on its financial position, financial performance and cash flows.

Separate financial statements

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

Investment in associates and joint ventures

IAS 28 Investments in Associates and Joint Ventures prescribes the accounting for investment in associates and sets out the requirements for the application of the entity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture)

(Unaudited - Expressed in Canadian dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Future accounting pronouncements**

Financial instruments

IFRS 9 Financial Instruments was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entitles would be required to reverse the portion of the fair value due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for annual periods beginning on or after January 1, 2015.

## 4. ACQUISITION OF TALOS MINERALS LTD.

The Company acquired an 85% interest in certain Sierra Leone mineral properties (Note 9) through the purchase of 100% of the voting shares of Talos Minerals Ltd. ("Talos") in exchange for the issue of 24,470,002 common shares valued at $2,202,300 and 1,500,000 stock options valued at $78,200.

On July 12, 2012, the Company purchased 100% of the shares of Talos. The transaction was treated as an asset acquisition. A summary of the net assets acquired is as follows:

| | |
|---|---|
| Cash | $ 126,633 |
| Receivables | 21,716 |
| Deposits | 207,789 |
| Exploration and evaluation assets | 2,483,944 |
| Accounts payable and accrued liabilities | (17,459) |
| Loans payable | (400,000) |
| Due to Declan | (130,000) |
| Net assets acquired | $ 2,292,623 |
| Consideration paid: | |
| Common shares | $ 2,202,300 |
| Stock options | 78,200 |
| Other acquisition costs | 12,123 |
| Total consideration paid | $ 2,292,623 |

## 5. CASH

| In Canadian dollars | | June 30, 2013 | | September 30, 2012 |
|---|---|---|---|---|
| Canadian dollar denominated deposits | $ | 80.708 | $ | 3,510,096 |
| United States dollar denomination deposits | | 51,474 | | 140,320 |
| Leones denominated deposits | | 12,043 | $ | 1 |
| Total | $ | 144,225 | $ | 3,650,417 |

## 6. RECEIVABLES

| In Canadian dollars | | June 30, 2013 | | September 30, 2012 |
|---|---|---|---|---|
| GST receivable | $ | 158,154 | $ | 53,566 |
| Other Receivables | | 2,567 | | 14,582 |
| Interest receivable | | 317 | | 37,035 |
| Total | $ | 161,038 | $ | 105,183 |

## 7. EXPLORATION ADVANCES

| In Canadian dollars | | June 30, 2013 | | September 30, 2012 |
|---|---|---|---|---|
| Exploration advances, Sierra Leone | $ | 207,737 | $ | 207,789 |
| Total | $ | 207,737 | $ | 207,789 |

## 8. PREPAID EXPENSE

| In Canadian dollars | | June 30, 2013 | | September 30, 2012 |
|---|---|---|---|---|
| Prepaid rent | $ | 5,000 | $ | 5,000 |
| Prepaid management fees | | 6,000 | | 6,000 |
| Prepaid other | | 2,635 | | 2,635 |
| Total | $ | 13,635 | $ | 13,635 |

(Unaudited - Expressed in Canadian dollars)

## 9. EXPLORATION AND EVALUATION ASSETS

The details of exploration expenditures expensed during the nine months ended June 30, 2013 and 2012 are as follows:

a) Acquisition costs

Schedule of resource property interests for the period ended June 30, 2013 is as follows:

| | Sierra Leone Properties 9(c) | Total |
|---|---|---|
| **Acquisition costs** | | |
| Balance, September 30, 2012 | $ 2,483,944 | $ 2,483,944 |
| Additional costs: | - | - |
| Total acquisition costs, Balance, June 30, 2013 | $ 2,483,944 | $ 2,483,944 |

b) Exploration costs

Schedule of resource property exploration for the period ended June 30, 2013 is as follows:

| | Expenditure Total for Period | Nine-month period ended June 30, 2013 |
|---|---|---|
| **Exploration costs** | | |
| Consulting fees | $ 103,939 | $ 361,847 |
| Drilling and exploration fees | 227,686 | 959,785 |
| Field crew and related expenses | 51,033 | 157,733 |
| Geological | 179,474 | 535,431 |
| Supplies and miscellaneous | 83,534 | 408,259 |
| Travel and accommodation | 216,562 | 372,902 |
| Resource property exploration, June 30, 2013 | $ 862,228 | $ 2,795,955 |

(Unaudited - Expressed in Canadian dollars)

## 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| Falling due within the next twelve months | | June 30, 2013 | | September 30, 2012 |
|---|---|---|---|---|
| Accounts payable | $ | 393,428 | $ | 287,699 |
| Loans payable, non-interest bearing, demand | | 400,000 | | 400,000 |
| Accrued liabilities | | 50,000 | | 50,000 |
| Total | $ | 843,428 | $ | 737,699 |

The average credit period of purchases is one month. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 11. SHARE CAPITAL AND RESERVES

### a) Authorized share capital

An unlimited number of common shares without par value.

### b) Issued share capital

In the nine months ended June 30, 2013, there were no shares issued.

### c) Stock options

Pursuant to the policies of the TSX-V, the Company may grant incentive stock options to its officers, directors, employees and consultants. The Company has implemented a fixed Stock Option Plan (the "Plan") whereby the Company has reserved 10% of the issued shares for issuance under the Plan. Options have a maximum term of five years and terminate after a certain number of days following the termination of the optionee's term/employment, except in the case of death, in which case they terminate one year after the event. Vesting is determined by the Board of Directors.

As of June 30, 2013, the Company had outstanding stock options enabling the holders to acquire further common shares as follows:

| Number of options | Number of Vested and exercisable | Exercise price | Weighted average remaining life (years) | Expiry Date |
|---|---|---|---|---|
| 1,500,000 | 1,000,000 | $ 0.15 | 2.00 | July 12, 2015 |
| 4,850,000 | 3,233,333 | $ 0.16 | 4.16 | September 11, 2017 |
| 500,000 | 166,667 | $ 0.15 | 4.33 | November 8, 2017 |
| 100,000 | 33,333 | $ 0.10 | 4.41 | December 3, 2017 |
| 6,950,000 | 4,433,333 | | | |

(Unaudited - Expressed in Canadian dollars)

## 11. SHARE CAPITAL AND RESERVES (cont'd)

### c) Stock options (cont'd)

A summary of the Company's stock options is presented below:

| | Number of Outstanding Options | Weighted Average Exercised Price |
|---|---|---|
| Balance, September 30, 2011 | 1,144,370 | $ 0.21 |
| Granted | 6,350,000 | 0.16 |
| Forfeited | (1,144,370) | 0.21 |
| Balance, September 30, 2012 – outstanding and exercisable | 6,350,000 | 0.16 |
| Granted | 600,000 | 0.14 |
| Balance, June 30, 2013 - outstanding | 6,950,000 | 0.16 |
| Balance, June 30, 2013 - exercisable | 2,516,667 | $ 0.16 |

### d) Share purchase warrants

As of June 30, 2013, the following warrants were outstanding:

| Expiry Date | Weighted average Contractual Life Remaining | Outstanding | Price |
|---|---|---|---|
| January 15, 2015 | 1.58 | 6,950,100 | $ 0.25 (i) |
| January 15, 2015 | 1.58 | 496,543 | $ 0.15 (ii) |
| | | 7,446,643 | |

(i) The exercise price of these warrants is $0.20 in the first two years and $0.25 for the remaining three years.
(ii) The exercise price of these warrants is $0.20 in the first two years and $0.15 for the remaining three years.

(Unaudited - Expressed in Canadian dollars)

## 11. SHARE CAPITAL AND RESERVES (cont'd)

### d) Share purchase warrants (cont'd)

A summary of the Company's warrants is presented below:

| | Number of Outstanding Warrants | Weighted Average Exercised Price |
|---|---|---|
| Balance, September 30, 2011 | 14,739,640 | $ 0.20 |
| Granted | 50,000,000 | 0.30 |
| Exercised | (4,000) | 0.20 |
| Balance September 30, 2012 | 64,735,640 | 0.29 |
| Expired | 57,288,997 | |
| Balance, June 30, 2013 | 7,446,643 | 0.29 |

### e) Share-based payments

During the nine months ended June 30, 2013 the Company granted 600,000 (2012 - nil) stock options with a fair value of $56,127. The Company expensed a total of $114,541 relating to options issued prior to the current period.

The options were valued using the Black-Scholes option pricing model under the following weighted average assumptions:

| | 2013 | 2012 |
|---|---|---|
| Risk free interest rate | 1.3% | - |
| Stock price volatility | 102% | - |
| Expected life of options | 3.47 years | - |

### f) Escrow shares

As at June 30, 2013, nil (June 30, 2012 - 2,271,174) common shares were held in escrow.

(Unaudited - Expressed in Canadian dollars)

## 12. RELATED PARTY TRANSACTIONS

a) The Company's related parties consist of companies owned in whole or in part by executive officers and directors as follows:

| Name | Position and nature of transactions |
|---|---|
| Wayne Tisdale | President and CEO |
| Michelle Gahagan | Chairman of the Board |
| Craig McLean | Director |
| Michael Curtis | Director |
| Gordon King | Director |
| Garry Clark | Director |
| Jamal Shallop | Director of subsidiaries, Greenstone Resources SL and Revonah Resources SL |
| Tyson King | Director of subsidiary, Talos Minerals Ltd. |
| John Parker | CFO |

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

| Nine months ended | June 30, 2013 | June 30, 2012 |
|---|---|---|
| Management services | $ 93,000 | $ 198,325 |
| Geological Consulting | 128,559 | 240,000 |
| Accounting services | 52,000 | 41,800 |
| Total | $ 273,559 | $ 480,125 |

Included in accounts payable at June 30, 2013 is $400,000 (2012-$Nil) owing to a company controlled by a director and to a director, non-interest bearing and payable on demand.

## 13. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the nine months ended June 30, 2013 is based on the loss attributable to common shareholders of $3,670,659 (2012 - $991,004) and a weighted average number of common shares outstanding of 108,353,676 (2012 – 82,333,105).

## 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

*Financial risk management*

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.

## 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

*Financial risk management* (cont'd)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and notes payable.

The Company classified its cash as fair value through profit or loss; receivables as loans and receivables; and accounts payable and accrued liabilities and notes payable as other financial liabilities. The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, and accounts payable and accrued liabilities and notes payable approximate their book values because of the short-term nature of these instruments.

*Financial instrument risk exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of harmonized sales tax due from the Canada Revenue Agency. The Company does not believe it has a material exposure to credit risk.

*Liquidity risk*

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand.

*Interest rate risk*

The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates. The effect of a 1% change in rate approximates $1,442.

*Foreign exchange risk*

The Company expects to continue to raise equity predominantly in Canadian dollars. As such, it is subject to risk due to fluctuations in the exchange rates between the U.S. and Canadian dollars. The Company does not enter into derivative financial instruments to mitigate its exposure to foreign currency risk. The effect of a 1% change in the foreign exchange rate on the Company's cash held in foreign currencies would be approximately $4,434.

## 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

*Commodity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

## 15. MANAGEMENT OF CAPITAL

The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions.

The Company expects its current capital resources will be sufficient to carry its operations through its current operating year but in order to carry out new exploration programs the Company will need to raise additional capital through equity financing.

There have been no changes to the Company's approach to capital management during the nine months ended June 30, 2013.

## 16. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets interests in Sierra Leone. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets that have been disclosed in Note 9.

(Unaudited - Expressed in Canadian dollars)

## 17. SUBSEQUENT EVENTS

On July 10, 2013, the Company issued 2,400,000 of common shares at $0.05 per share for a total consideration of $120,000. The holders of these securities must not trade the securities before November 11, 2013 per Policy 3.2 of the Exchange.

## 18. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

The net loss for accounting purposes differs from the taxable income as follows:

| | 2012 | 2011 |
|---|---|---|
| Loss before income taxes | $ (3,511,691) | $ (2,882,028) |
| Expected income tax (recovery) | (891,000) | (778,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | (119,000) | 69,000 |
| Permanent difference | 51,000 | 102,000 |
| Share issue costs | (156,000) | (33,000) |
| Tax impact on acquisition of Talos Minerals Ltd. | (191,000) | - |
| Change in unrecognized deductible temporary differences and other | 1,306,000 | 640,000 |
| Total income taxes | **$ -** | **$ -** |

Significant components of the Company's unrecorded deferred tax assets are shown below:

| | 2012 | 2011 |
|---|---|---|
| Deferred tax assets: | | |
| Non-capital losses | $ 729,000 | $ 365,000 |
| Deferred financing costs (share issue costs) | 164,000 | 59,000 |
| Exploration and evaluation assets | 1,580,000 | 743,000 |
| Unrealized deferred tax assets | $ 2,473,000 | $ 1,167,000 |

As at September 30, 2012, the Company has non-capital losses carry forward for income tax purposes of approximately $2,870,000 which may be deducted against future years' taxable income expiring through to 2032. The Company has mineral exploration and development expenditures of approximately $5,785,000 available to reduce certain types of taxable income of future years. The Company has not recognized any deferred tax assets as it is not probable they will be realized.