DECLAN RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

SEPTEMBER 30, 2013 AND 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Declan Resources Inc.

We have audited the accompanying consolidated financial statements of Declan Resources Inc., which comprise the consolidated statements of financial position as at September 30, 2013 and 2012 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Declan Resources Inc. as at September 30, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Declan Resources Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

January 24, 2014

DECLAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT SEPTEMBER 30

	Note	2013	2012
ASSETS			
Current			
Cash	5	$ 48,824	$ 3,650,417
Receivables	6	84,656	105,183
Exploration advances	7	205,982	207,789
Prepaid expenses	8	7,843	13,635
		347,305	3,977,024
Exploration and evaluation assets	9	2,969,531	2,483,944
		$ 3,316,836	$ 6,460,968
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10	$ 593,829	$ 737,699
Notes payable	11	538,325	-
		1,132,154	737,699
SHAREHOLDERS' EQUITY			
Share capital	13	14,164,249	13,737,183
Share-based payment reserve	13	792,537	492,261
Deficit		(12,772,104)	(8,506,175)
		2,184,682	5,723,269
		$ 3,316,836	$ 6,460,968

Nature of operations and going concern (Note 1)
Subsequent events (Note 19)

These consolidated financial statements are authorized for issue by the Board of Directors on January 24, 2014.

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 consolidated financial statements.

DECLAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
YEAR ENDED SEPTEMBER 30

	Note	2013	2012
EXPENSES			
Consulting fees		$ 32,500	$ 3,755
Exploration and evaluation expenditures	9	3,024,016	1,033,194
Finance fees		34,046	35,268
Foreign exchange loss		23,250	1,533
Insurance		5,225	17,500
Investor relations		26,924	16,870
Management fees		102,000	222,325
Office and miscellaneous		184,938	56,853
Professional fees		178,691	352,994
Property investigation costs		15,625	8,741
Share-based compensation	13	300,276	198,439
Transfer agent and filing fees		24,055	30,518
Travel		331,831	169,789
Operating loss		(4,283,377)	(2,147,779)
Exploration advances recovery	9	-	181,699
Exploration and evaluation assets written-off	9	-	(1,594,000)
Interest income		17,448	48,389
Loss and comprehensive loss for the year		$ (4,265,929)	$ (3,511,691)
Basic and diluted loss per common share		$ (0.04)	$ (0.04)
Weighted average number of common shares outstanding		109,061,470	88,370,795

The accompanying notes are an integral part of these consolidated financial statements.

DECLAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
YEAR ENDED SEPTEMBER 30

		2013		2012
CASH FLOWS USED IN OPERATING ACTIVITIES				
Loss for the year	$	(4,265,929)	$	(3,511,691)
Items not affecting cash:				
Share-based compensation		300,276		276,639
Exploration and evaluation assets written-off		-		1,594,000
Exploration and evaluation advances written-off (recovered)		-		(181,699)
Interest accretion		17,871		34,117
Changes in non-cash working capital:				
Decrease (increase) in receivables		20,527		(79,467)
Decrease in exploration advances		1,807		-
Decrease (increase) in prepaid expenses		5,792		(13,635)
(Decrease) in accounts payable and accrued liabilities		(201,644)		(131,584)
Net cash used in operating activities		(4,121,300)		(2,013,320)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Exploration and evaluation assets		(72,747)		(1,000,000)
Acquisition of Talos				(90,323)
Purchase of cash on acquisition of subsidiary				126,633
Net cash used in investing activities		(72,747)		(963,690)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of share capital		-		7,243,350
Share issue costs		-		(544,734)
Deferred financing costs		-		(30,971)
Notes payable received		600,000		-
Fees paid on notes payable		(7,546)		-
Notes payable repaid		-		(300,000)
Net cash from financing activities		592,454		6,367,645
Increase (decrease) in cash for the year		(3,601,593)		3,390,635
Cash, beginning of the year		3,650,417		259,782
Cash, end of the year	$	48,824	$	3,650,417
Supplemental Disclosure of Cash Flow Information:				
Shares paid for interest payments	$	-	$	1,151
Shares issued for exploration and evaluation assets		300,000		594,000
Shares issued for finder fee		55,066		-
Share subscriptions received in advance		-		257,450
Shares issued as a loan bonus		72,000		-
Common shares and options issued for acquisition of Talos		-		2,280,500
Exploration and evaluation asset acquisitions included in accounts payable		57,774		-
Deferred financing cost included in accounts payable		-		30,971
Allocation of deferred financing costs to share capital		-		40,813
Interest and income taxes		-		-

The accompanying notes are an integral part of these consolidated financial statements.

DECLAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Note	Number of Shares	Share Capital	Share Subscription	Share-based Payments Reserves	Deficit	Total Equity (Deficiency)
Balance, September 30, 2011		31,754,959	$ 4,079,851	$ 257,450	$ 215,622	$ (4,994,484)	$ (441,561)
Loss and comprehensive loss		-	-	-	-	(3,511,691)	(3,511,691)
Share-based compensation		-	-	-	198,439	-	198,439
Shares issued for exploration and evaluation assets	9	2,700,000	594,000	-	-	-	594,000
Shares issued for private placement	13	50,000,000	7,500,000	(257,450)	-	-	7,242,550
Shares issued for warrants exercised		4,000	800	-	-	-	800
Shares issued for acquisition of Talos Minerals Ltd.	4	24,470,002	2,202,300	-	-	-	2,202,300
Options issued for acquisition of Talos Minerals Ltd.		-	-	-	78,200	-	78,200
Share issue costs		-	(616,518)	-	-	-	(616,518)
Recovery of shares	9	(575,285)	(23,250)				(23,250)
Balance, September 30, 2012		108,353,676	13,737,183	-	492,261	(8,506,175)	5,723,269
Loss and comprehensive loss		-	-	-	-	(4,265,929)	(4,265,929)
Share-based compensation		-	-	-	300,276	-	300,276
Shares issued as a loan bonus	11	2,400,000	72,000	-	-	-	72,000
Shares issued for exploration and evaluation assets	9	4,000,000	300,000	-	-	-	300,000
Shares issued as a finders' fee	9	734,211	55,066	-	-	-	55,066
Balance, September 30, 2013		115,487,887	$ 14,164,249	$ -	$ 792,537	$ (12,772,104)	$ 2,184,682

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Declan Resources Inc. ("the Company") was incorporated on August25, 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 Company is a mineral exploration company focused on acquiring, exploring and developing exploration and evaluation assets in Sierra Leone and Canada. In conducting operations in Sierra Leone, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments in an emerging market. Among other things, the Company's results may be adversely affected by changes in political and social conditions in Sierra Leone, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation. The Company has recently begun investigating exploration and evaluation assets in Canada (Note 9).

At the date of the consolidated 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 consolidated 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 consolidated 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 raised additional financing subsequent to year end (Note 19), however, it estimates that it will need additional capital to operate for the upcoming year. The Company believes such financing will be available as required, however, there can be no assurance that the Company will be successful in its future financing attempts. These material uncertainties may cast doubt on the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

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

These consolidated financial statements were authorized by the Audit Committee and Board of Directors of the Company on January 24, 2014.

2. BASIS OF PRESENTATION (cont'd…)

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and for certain financial assets measured at fair value as explained in the significant accounting policies set out in Note 3.

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent and of its subsidiaries.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Talos Minerals Ltd.	Canada	100%	Holding Company
Revonah Resources (SL) Ltd.	Sierra Leone	85%	Exploration in Sierra Leone
Greenstone Minerals (SL) Ltd.	Sierra Leone	85%	Exploration in Sierra Leone

Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. 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 year, 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) Exploration and evaluation assets

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about its projects. Management has determined that of 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.

2. BASIS OF PRESENTATION (cont'd…)

Use of estimates and judgments (cont'd…)

ii) Share-based compensation

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

iii) Deferred income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. The Company has adequately provided for all income tax obligations, however, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the Company's provision for deferred income taxes.

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 consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd...)

Financial assets (cont'd...)

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 each reporting date. Financial assets are impaired when there is any objective evidence as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the instruments have been impacted. 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.

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 and notes payable 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets (cont'd...)

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.

Impairment

At the end of each reporting period, the carrying value of 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 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of 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 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 pursuant to a stock option plan. 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. It is recognized over the vesting period, using the graded vesting method, as an expense, with a corresponding increase to reserves in shareholders' equity. Expected volatility is based on historical volatility (based on the expected life of the options), adjusted for any expected changes due to publicly available information. No expense is recognized for awards that ultimately do not vest. If and when stock options are ultimately exercised, the amount of cash received as well as the applicable amount of the associated reserve is transferred to share capital.

Share-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of equity instruments issued, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of share-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 by providing for 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 neither 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 balance sheet 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. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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.

New standards, amendments and interpretations to existing standards not yet effective

The following standards, amendments to standards and interpretations have been issued but are not effective:

IFRS 9, Financial instruments

This standard 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 change due to own credit risk out of earnings and recognize the change in other comprehensive income. The IASB has deferred a mandatory effective date for IFRS 9 pending the finalization of requirements on impairment, classification and measurement.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards, amendments and interpretations to existing standards not yet effective (cont'd…)

IFRS 10, Consolidated Financial Statements

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

IFRS 10 is applicable for periods beginning on or after January 1, 2013.

IFRS 11, Joint Arrangements

This standard 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. IFRS 11 is applicable for periods beginning on or after January 1, 2013.

IFRS 12, Disclosure of Involvement with Other Entities

This standard 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 interests on its financial position, financial performance and cash flows. IFRS 12 is applicable for periods beginning on or after January 1, 2013.

IFRS 13, Fair Value Measurement

This standard 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. IFRS 13 is applicable for periods beginning on or after January 1, 2013.

IAS 27, Separate Financial Statements

This standard 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. IAS27 is applicable for periods beginning on or after January 1, 2013.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards, amendments and interpretations to existing standards not yet effective (cont'd…)

IAS 28, Investments in Associates and Joint Ventures

This standard prescribes the accounting for investment in associates and sets out the requirements for the application of the equity 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). IAS28 is applicable for periods beginning on or after January 1, 2013.

IAS 32, Financial instruments: presentation

The amendments to this standard focused on four main areas:

i) the meaning of "currently has a legally enforceable right of set-off";

ii) the application of simultaneous realization and settlement;

iii) the offsetting of collateral amount; and

iv) the unit of account for applying the offsetting requirements.

IAS32 is applicable for periods beginning on or after January 1, 2013.

The Company has not yet early adopted any of these standards and expects the impact, if any, that these standards might have on its consolidated financial statements to be minimal.

4. ACQUISITION OF TALOS MINERALS LTD.

The Company acquired an 85% interest in certain Sierra Leone mineral properties (Note 9) through the purchase of100% 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

4. ACQUISITION OF TALOS MINERALS LTD. (cont'd…)

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		September 30, 2013		September 30, 2012
Canadian dollar denominated deposits	$	34,057	$	3,510,096
United States dollar denominated deposits		13,850		140,320
Leones denominated deposits		917		1
Total	$	48,824	$	3,650,417

6. RECEIVABLES

In Canadian dollars		September 30, 2013		September 30, 2012
GST receivable	$	24,105	$	53,566
Other receivables		60,478		14,582
Interest receivable		73		37,035
Total	$	84,656	$	105,183

7. EXPLORATION ADVANCES

In Canadian dollars		September 30, 2013		September 30, 2012
Exploration advances	$	205,982	$	207,789
Total	$	205,982	$	207,789

8. PREPAID EXPENSES

In Canadian dollars		September 30, 2013		September 30, 2012
Prepaid rent	$	-	$	5,000
Prepaid management fees		-		6,000
Prepaid other		7,843		2,635
Total	$	7,843	$	13,635

9. EXPLORATION AND EVALUATION ASSETS

The details of exploration and evaluation assets and expenditures during the years ended September 30, 2013 and 2012 are as follows:

Acquisition costs

Schedule of exploration and evaluation assets for the year ended September 30, 2013 is as follows:

		Firebag River Property 9(a)		Patterson Lake Property 9(b)		Sierra Leone Properties 9(c)		Total
Acquisition costs								
Balance, September 30, 2012	$	-	$	-	$	2,483,944	$	2,483,944
Additional costs:								
Cash		-		120,000		-		120,000
Other		1,807		63,780		-		65,587
Shares		-		300,000		-		300,000
Total acquisition costs, September 30, 2013	$	1,807	$	483,780	$	2,483,944	$	2,969,531

Schedule of exploration and evaluation assets for the year ended September 30, 2012 is as follows:

		Sierra Leone Properties 9(c)		Tanzania Morogoro 9(d)		Tanzania Handeni 9(e)		Total
Acquisition costs								
Balance, September 30, 2011	$	-	$	-	$	-	$	-
Additional costs:								
Cash		-		500,000		500,000		1,000,000
Shares and options		2,483,944		264,000		330,000		3,077,944
		2,483,944		764,000		830,000		4,077,944
Written-off		-		(764,000)		(830,000)		(1,594,000)
Total acquisition costs, September 30, 2012	$	2,483,944	$	-	$	-	$	2,483,944

(Expressed in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Exploration and evaluation expenditures

Schedule of exploration and evaluation expenditures for the year ended September 30, 2013 is as follows:

	Firebag River Property 9(a)	Patterson Lake Property 9(b)	Sierra Leone Properties 9(c)	Expenditure Total for Year
Exploration and evaluation expenditures				
Assays	$ -	$ -	$ 88,578	$ 88,578
Camp	-	-	91,538	91,538
Consulting fees	-	-	462,485	462,485
Drilling and exploration	-	-	958,358	958,358
Field crew and related expenses	-	-	220,889	220,889
Geological	-	-	723,972	723,972
Licences and permits	-	-	20,105	20,105
Supplies and miscellaneous	-	-	380,329	380,329
Travel and accommodation	-	-	77,762	77,762
September 30, 2013	$ -	$ -	$ 3,024,016	$ 3,024,016

Schedule of exploration and evaluation expenditures for the year ended September 30, 2012 is as follows:

	Sierra Leone Properties 9(c)	Tanzania Morogoro 9(d)	Tanzania Handeni 9(e)	Expenditure Total for Year
Exploration and evaluation expenditures				
Camp	$ 275,761	$ -	$ -	$ 275,761
Consulting fees	91,659	6,532	74,824	173,015
Drilling and exploration	76,910	-	-	76,910
Equipment rental	-	-	15,200	15,200
Field crew and related expenses	25,346	300	23,306	48,952
Geological	215,158	-	85,603	300,761
Supplies and miscellaneous	47,833	-	56,838	104,671
Travel and accommodation	3,826	600	33,498	37,924
September 30, 2012	$ 736,493	$ 7,432	$ 289,269	$ 1,033,194

(Expressed in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

a) Firebag River Property

During fiscal 2013, the Company entered into a property option agreement, completed subsequent to year end (Note 19), to acquire a 100% interest in the Firebag River Property located in Alberta, Canada. To acquire the property, the Company must make cash payments of $85,000, issue 5,000,000 common shares and complete an exploration work commitment of $3,000,000 as follows:

	Acquisition in Cash	Acquisition in Shares	Exploration Work Commitments
On signing of agreement	$ 45,000	-	$ -
On approval of agreement by the TSX-V	40,000	1,500,000	-
November 5, 2014	-	1,500,000	500,000
November 5, 2015	-	2,000,000	1,000,000
November 5, 2016	-	-	1,500,000
Total	$ 85,000	5,000,000	$ 3,000,000

The Company received regulatory approval on November 5, 2013

The Optionor retained a 2% Net Smelter Royalty ("NSR") and 4% Gross Overriding Royalty with respect to the production from the property.

738,750 common shares will be issued as finder's fee as follows: 626,250 shares upon TSX-V approval and 112,500 shares upon the first anniversary if the Company proceeds past the first year's work program.

b) Patterson Lake Property

On September 9, 2013, the Company entered into a property option agreement to acquire a 100% interest in the Patterson Lake Property located in Saskatchewan, Canada. To acquire the property, the Company must make cash payments of $250,000, issue 4,000,000 common shares and complete an exploration work commitment of $650,000 as follows:

	Acquisition in Cash	Acquisition in Shares	Exploration Work Commitments
September 9, 2013 (paid)	$ 40,000	-	$ -
September 17, 2013 (paid)	80,000	-	-
September 20, 2013 (issued)	-	4,000,000	-
March 17, 2014	65,000	-	-
August 31, 2014	-	-	200,000
September 17, 2014	65,000	-	-
August 31, 2015	-	-	200,000
August 31, 2016	-	-	250,000
Total	$ 250,000	4,000,000	$ 650,000

734,211common shares, valued at $55,066, were issued as a finder's fee.

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

c) Sierra Leone Properties

The Company acquired 85% of the issued and outstanding shares of Revonah Resources (SL) Ltd. ("Revonah") and Greenstone Minerals (SL) Ltd. ("Greenstone") through the acquisition of Talos (Note 4).Revonah and Greenstone hold interests in certain exploration licenses located in Sierra Leone.

Upon the properties reaching the pre-feasibility stage, the Company has the right of first refusal to acquire the remaining 15% interest.

d) Morogoro area of Tanzania

On May 2, 2011, the Company entered into an option agreement, subsequently amended, with companies owned by a former common director to acquire an 80% interest in a prospective property in the Morogoro area of east central Tanzania (the "MEG South Property") for payments of $2,000,000 over four years, the issuance of 1,200,000 common shares and an exploration work commitment of $3,250,000 to be expended over the next five years.

During fiscal 2012, the Company paid $500,000 and issued 1,200,000 common shares valued at $264,000.

As of September 30, 2012, management decided to discontinue exploration on the property and the Company recorded a write-off of $764,000.

e) Handeni area of Tanzania

On May 2, 2011, the Company entered into an option agreement with companies owned by a former director to acquire an 80% interest in a prospective property in the Handeni area of Tanzania (the "Handeni North 500 Property") for cash payments of $3,000,000 over three years, the issuance of 1,500,000 common shares and an exploration work commitment of $6,500,000 to be expended over the next five years.

During fiscal 2012, the Company paid $500,000 and issued 1,500,000 common shares valued at $330,000.

The Company terminated the Handeni agreement on October 7, 2012, and wrote off $830,000 as at the year ended September 30, 2012.

The Company had previously entered into an agreement to have its exploration management functions in Tanzania performed by a company controlled by a former director of the Company (resigned in December 2011). Pursuant to the agreement, the Company was to pay all of the operating costs and disbursements incurred on behalf of the Company. The compensation under the agreement is $1,500 per day, subject to adjustment by the Company. The agreement was terminated on March 7, 2012 whereby certain property payments and exploration commitments were reduced and extended, and all amounts owed to the former director and a company controlled by the former director, have been waived. In addition, 575,285 escrowed common shares, with a value of $23,250, of the Company were cancelled. A total recovery of $181,699 was recorded by the Company for the year ended September 30, 2012.

(Expressed in Canadian dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Falling due within the next twelve months	September 30, 2013	September 30, 2012
Accounts payable	$ 159,829	$ 287,699
Loans payable	400,000	400,000
Accrued liabilities	34,000	50,000
Total	$ 593,829	$ 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. NOTES PAYABLE

Falling due within the next twelve months	September 30, 2013	September 30, 2012
Notes payable	$ 538,325	$ -
Total	$ 538,325	$ -

On July 5, 2013, the Company issued notes payable for proceeds of $600,000, of which $300,000 was from directors, bearing interest at 12% per annum, payable in cash. A loan bonus of 2,400,000 common shares was issued at a value of $72,000 to the lenders which offset the notes payable resulting in an effective rate of interest of approximately 24%. The notes mature one year from date of issuance and are secured by promissory notes. Total fees of $7,546 were paid in association with the notes. The loans bonus and fees will be accreted to finance fees, over the term of the notes.

On May 13, 2011, the Company issued notes payable for proceeds of $300,000, of which $150,000 was from a former director, bearing interest at 10% per annum payable in cash. A loan bonus of 226,414 common shares was issued at a value of $49,811 to the lenders which offset the notes payable resulting in an effective rate of interest of approximately 27%. The loan bonus was accreted to interest over the term of the loan. The loan was paid off in full on October 14, 2011.

During the year ended September 30, 2013, the Company booked $16,175 (2012 - $1,151) and $17,871 (2012 - $34,117) in interest and accretion costs, respectively, recorded in finance fees.

12. 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:

(Expressed in Canadian dollars)

12. INCOME TAXES (cont'd...)

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

	2013	2012
Loss before income taxes	$ (4,265,929)	$ (3,511,691)
Expected income tax (recovery)	(1,088,000)	(891,000)
Change in statutory, foreign tax, foreign exchange rates and other	(85,000)	(119,000)
Permanent difference	(287,000)	51,000
Share issue costs	-	(156,000)
Tax impact on acquisition of Talos Minerals Ltd.	-	(191,000)
Change in unrecognized deductible temporary differences and other	1,460,000	1,306,000
Total income taxes	**$ -**	**$ -**

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

	2013	2012
Deferred tax assets:		
Non-capital losses	$ 1,051,000	$ 729,000
Deferred financing costs (share issue costs)	120,000	164,000
Canadian eligible capital	3,000	-
Exploration and evaluation assets	2,755,000	1,580,000
Unrealized deferred tax assets	$ 3,929,000	$ 2,473,000

As at September 30, 2013, the Company has non-capital losses carry forward for income tax purposes of approximately $3,973,000 which may be deducted against future years' taxable income expiring through to 2033. The Company has mineral exploration and development expenditures of approximately $9,272,000 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.

13. SHARE CAPITAL AND RESERVES

a) Authorized share capital

An unlimited number of common shares without par value.

13. SHARE CAPITAL AND RESERVES (cont`d…)

b) Issued share capital

During the year ended September 30, 2013, the Company:

i) issued 2,400,000 common shares with a value of $72,000 as a loan bonus (Note 11);

ii) issued 4,000,000 common shares with a value of $300,000 as option payments pursuant to the Patterson Lake option agreement (Note 9); and

iii) issued 734,211 common shares with a value of $55,066 as a finders' fee pursuant to the Patterson Lake option agreement (Note 9).

During the year ended September 30, 2012, the Company:

i) issued 50,000,000 units pursuant to a non-brokered private placement for total proceeds of $7,500,000. Each unit consisted of one common share of the Company and one share purchase warrant having a one year term for purchasing of one further common share at exercise price of $0.30 per share. Finder's fees paid totalled $517,707. As at September 30, 2011, the Company had received $257,450 of advance subscriptions and had incurred $71,784 in costs related to the financing.

ii) issued 2,700,000 common shares valued at $594,000 as option payments pursuant to the Morogoro and Handeni option agreements (Note 9).

iii) issued 4,000 common shares pursuant to warrants exercised for gross proceeds of $800.

iv) issued 24,470,002 common shares with a value of $2,202,300 for the acquisition of 100% of Talos Minerals Ltd. (Note 4).

v) recorded a recovery of 575,285 common shares valued at $23,250 pursuant to an arbitration settlement (Note 9).

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 ten 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.

(Unaudited - Expressed in Canadian dollars)

13. SHARE CAPITAL AND RESERVES (cont`d…)

c) Stock options (cont'd…)

At September 30, 2013, the Company had outstanding stock options enabling the holders to acquire further common shares as follows:

	Number of vested and exercisable	Exercise price	Weighted average remaining life (years)	Expiry Date
1,500,000	1,000,000	$ 0.15	3.78	July 12, 2017
4,150,000	2,766,667	$ 0.16	3.95	September 11, 2017
500,000	333,333	$ 0.15	4.11	November9, 2017
100,000	66,667	$ 0.10	4.18	December3, 2017
6,250,000	4,166,667			

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	6,350,000	0.16
Granted	600,000	0.14
Forfeited	(700,000)	0.16
Balance, September 30, 2013 – outstanding	6,250,000	$ 0.16
Balance, September 30, 2013 – exercisable	4,166,667	$ 0.16

d) Share purchase warrants

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

Expiry Date	Weighted Average Contractual Life Remaining	Outstanding	Exercise Price
January 15, 2015	1.29	6,850,100	$ 0.25
January 15, 2015	1.29	442,208	0.15
		7,292,308	

(Unaudited - Expressed in Canadian dollars)

13. 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 Exercise Price
Balance, September 30, 2011	14,739,640	$ 0.20
Granted	50,000,000	0.30
Exercised	(4,000)	0.25
Balance, September 30, 2012	64,735,640	0.29
Expired	(57,443,332)	0.29
Balance, September 30, 2013	7,292,308	$ 0.24

e) Share-based payments

During the year ended September 30, 2013, the Company granted 600,000 (2012 - 6,350,000) stock options with a fair value of $61,931 (2012 - $617,242) or $0.10 (2012 - $0.10) per option. During the year ended September 30, 2013, the Company expensed $300,276 (2012 - $198,439) as share-based compensation. These will vest over a period of 18 months.

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%	1.2%
Expected dividend yield	-	-
Stock price volatility	123%	93%
Expected life of options	5.0 years	4.9 years
Forfeiture rate	-	-

f) Escrow shares

As at September 30, 2013, Nil (2012 - 560,300) common shares were held in escrow.

(Expressed in Canadian dollars)

14. RELATED PARTY TRANSACTIONS

The Company's key management personnel consist of directors, officers and companies owned in whole or in part by officers and directors. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

Compensation of Key Management Personnel

Year ended	September 30, 2013	September 30, 2012
Management services	$ 54,000	$ 194,325
Investor relations	-	4,382
Interest	8,088	35,268
Geological consulting	-	240,000
Share-based compensation	227,680	229,586
Accounting services	66,500	64,300
Total	$ 356,268	$ 767,861

The geological consulting amount of $Nil (2012 - $240,000) represents amounts advanced to companies controlled by a former director.

Included in receivables as at September 30, 2013 is $Nil (2012 - $14,582) due from a director of the Company.

Included in exploration advances as at September 30, 2013 is $205,982 (2012 - $196,670) of funds advanced to a director of Revonah and Greenstone for the acquisition of a property.

Included in accounts payable were amounts due to related parties at September 30, 2013 of $449,549 (2012 - $419,035).

In July 2013, the Company received $150,000 from a company controlled by a director and $150,000 from a director (Note 11). In July 2011, the Company received a $300,000 short-term loan from companies with common directors. The loan was repaid in October 2011.

15. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended September 30, 2013, is based on the loss attributable to common shareholders of $4,265,929 (2012 - $3,511,691) and a weighted average number of common shares outstanding of 109,061,470 (2012 - 88,370,795).

16. 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;

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk management (cont'd…)

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.

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, 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 goods and services tax due from the government and other receivables; the balances are in good standing as at September 30, 2013. 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. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities and loans payable. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions.

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. Interest rate risk is minimal as the Company does not have significant interest bearing assets or any interest bearing liabilities that are tied into market rates.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Foreign exchange risk

The Company expects to continue to raise equity predominantly in Canadian dollars. The Company's property exploration that occurs in Sierra Leone is conducted in Canadian dollars, U.S. dollars and, to a lesser degree, Sierra Leonean leone. As such, it is subject to risk due to fluctuations in the exchange rates of these currencies. The Company does not enter into derivative financial instruments to mitigate its exposure to foreign currency risk. The effect of a one percent change in the foreign exchange rate on the Company's cash held in foreign currencies would be minimal.

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.

Political uncertainty

In conducting operations in other countries, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

17. 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.

(Expressed in Canadian dollars)

17. MANAGEMENT OF CAPITAL (cont'd…)

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

There have been no changes to the Company's approach to capital management during the year ended September 30, 2013.

18. SEGMENTED INFORMATION

The Company operates in one industry segment being the acquisition and exploration of exploration and evaluation assets interests. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets.

	Canada	Sierra Leone	Total
Exploration and evaluation assets	$ 485,587	$ 2,483,944	$ 2,969,531
Total	$ 485,587	$ 2,483,944	$ 2,969,531

As at September 30, 2012, the Company's exploration and evaluation assets of $2,483,944 were located in Sierra Leone.

19. SUBSEQUENT EVENTS

Subsequent to September 30, 2013, the Company:

a) issued 15,000,000 units for total proceeds of $750,000. Each unit consisted of one common share and one share purchase warrant; each warrant entitles the holder to purchase one common share at a price of $0.10 per share for a one year period. Agents received fees of $49,525;

b) issued 2,360,000 common shares for proceeds of $236,000 on the exercise of warrants;

c) issued 6,200,000 stock options exercisable at $0.09 per share which expire on October 7, 2018. The options vest as follows: 1/3 immediately, 1/3 in nine months from the grant date, and 1/3 in 18 months from the grant date;

d) issued 1,000,000 stock options exercisable at $0.09 per share which expire on November 22, 2018. The options vest as follows: 1/3 immediately, 1/3 in nine months from the grant date, and 1/3 in 18 months from the grant date;

e) had 1,100,000 options exercisable at $0.16 and 500,000 options exercisable at $0.15 forfeit unexercised;

19. SUBSEQUENT EVENTS (cont'd…)

f) paid $85,000 and issued 1,500,000 common shares as option payments and issued 626,250 common shares as a finder's fee pursuant to the Firebag River Property options agreement (Note 9);

g) entered into a property option agreement to acquire a 70% interest in the Gibbon's Creek Property located in Saskatchewan, Canada. To acquire the property, the Company must make cash payments of $1,500,000 ($100,000 paid), issue 11,000,000 common shares (2,000,000 issued) and incur an aggregate of $6,500,000 in work commitments over four years. The Property is subject to a 2% NSR of which the Company may repurchase 1% for $1,000,000. 317,647 common shares were issued as a finder's fee; and

h) entered into a property option agreement to acquire a 100% interest in the North Star Property located in Saskatchewan, Canada. To acquire the property, the Company must make cash payments of $15,000 ($5,000 paid), and issue 1,500,000 common shares. The property is subject to a 2% NSR.