ARRIS HOLDINGS INC.

Financial Statements

September 30, 2012

(Expressed in Canadian Dollar)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arris Holdings Inc.

We have audited the accompanying financial statements of Arris Holdings Inc., which comprise the statements of financial position as at September 30, 2012, September 30, 2011 and October 1, 2010 and the statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years ended September 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Arris Holdings Inc. as at September 30, 2012, September 30, 2011 and October 1, 2010 and its financial performance and its cash flows for the years ended September 30, 2012 and 2011, in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
January 7, 2013

ARRIS HOLDINGS INC.
Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	September 30, 2012	September 30, 2011	October 1, 2010
			(Note 13)	(Note 13)
		$	$	$
Assets				
Current assets				
Cash		6,302	1,686	-
Investments	4	-	-	1,063,260
Notes receivable	7	-	30,000	50,736
HST receivable		10,071	3,447	4,936
		16,373	35,133	1,118,932
Exploration and evaluation assets	6	-	10,907	-
Total assets		16,373	46,040	1,118,932
Liabilities and shareholders' equity (deficiency)				
Current liabilities				
Bank indebtedness		-	-	11,358
Accounts payable and accrued liabilities	8,9	130,949	44,417	40,177
		130,949	44,417	51,535
Shareholders' equity (deficiency)				
Share capital	5	1,724,000	1,724,000	1,544,000
Share-based payment reserve	5	-	-	40,000
Deficit		(1,838,576)	(1,722,377)	(516,603)
		(114,576)	1,623	1,067,397
Total liabilities and shareholders' equity (deficiency)		16,373	46,040	1,118,932

Nature of operations and going concern (Note 1)
Subsequent event (Note 9)

See accompanying notes to the financial statements

Approved and authorized for issuance by the Board of Directors on January 7, 2013:

"Chand Jagpal"
Director

"Lucky Janda"
Director

ARRIS HOLDINGS INC.
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Year ended September 30, 2012	2011
		$	$ (Note 13)
Expenses			
Consulting	9	35,000	60,050
Office and administration		3,257	15,648
Occupany cost	9	27,881	24,000
Professional fees		10,023	20,635
Trust and filing fees		15,036	13,104
Loss before other items		(91,197)	(133,437)
Impairment of exploration and evaluation assets	6	(10,907)	–
Loss provision for note receivable	7	(25,000)	–
Gain (Loss) from disposition of investments		10,905	(262,750)
Net and comprehensive loss		(116,199)	(396,187)
Loss per share, basic and diluted		(0.01)	(0.02)
Weighted average number of outstanding shares		21,583,372	20,871,043

See accompanying notes to the financial statements

Arris Holdings Inc.
Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars except for number of shares)

		Share capital				
	Note	**Number**	**Amount**	**Share-based payment reserve**	**Deficit**	**Shareholders' equity (deficiency)**
			$	$	$	$
Restated balance, October 1, 2010	13	19,583,372	1,544,000	40,000	(516,603)	1,067,397
Shares issuance - warrant exercise		2,000,000	180,000	(40,000)	–	140,000
Capital restructuring	4	–	–	–	(809,587)	(809,587)
Loss for the year		–	–	–	(396,187)	(396,187)
Restated balance, September 30, 2011		21,583,372	1,724,000	–	(1,722,377)	1,623

Restated balance, September 30, 2011	13	21,583,372	1,724,000	–	(1,722,377)	1,623
Loss for the year		–	–	–	(116,199)	(116,199)
Balance,September 30, 2012		21,583,372	1,724,000	–	(1,838,576)	(114,576)

See accompanying notes to the financial statements

ARRIS HOLDINGS INC.
Statements of Cash Flows
(Expressed in Canadian Dollars)

		Year ended September 30,	
	Note	**2012**	**2011**
Cash (used in) provided by:		$	$
			(Note 13)
Operating activities			
Loss for the period		(116,199)	(396,187)
Items not involving cash			
Impairment of exploration and evaluation assets	6	10,907	-
Loss on provision for note receivable	7	25,000	
Loss (gain) from disposition of investments		(10,905)	262,750
Changes in non-cash operating working capital			
HST receivable		(6,624)	1,489
Investments		-	(3,169)
Accounts payable and accrued liabilities		86,532	4,239
Cash used in operating activities		(11,289)	(130,878)
Financing activities			
Shares issuance		-	140,000
Cash provided by investing activities		-	140,000
Investing activities			
Acquisition of exploration and evaluation assets		-	(10,907)
Cash transferred to Cielo under the Arrangement Agreement	4	-	(5,907)
Proceeds received from disposition of investments		10,905	-
Proceeds received from collection of note receivable	7	5,000	20,736
Cash provided by investing activities		15,905	3,922
Increase in cash		4,616	13,044
Cash (bank indebtedness), beginning of year		1,686	(11,358)
Cash, end of year		6,302	1,686
Supplementary information:			
Cash paid for interest		-	-
Cash paid for income taxes		-	-

See accompanying notes to the financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Arris Holdings Inc. (the "Company" or "AHI") was incorporated on October 30, 2009 in British Columbia, Canada. The company is an exploration stage company and its principal activity is the exploration and development of mineral properties. The Company's office is at Suite 200 – 8338 120th Street, Surrey, BC, V3W 3N4. The Company's common shares are currently traded on Canadian National Stock Exchange (the "CNSX") under the symbol "AAF".

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including IFRS 1, First-time Adoption of IFRS. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 13 discloses the impact of the transition to IFRS on the Company's reported financial position as at October 1, 2010 and September 30, 2011 and comprehensive loss for the year ended September 30, 2011, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended September 30, 2011. This is the first time that the Company has prepared its financial statements in accordance with IFRS. Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP").

These financial statements were approved and authorized by the Board of Directors on January 7, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at their fair value. These financial statements are presented are in Canadian dollars, unless otherwise noted.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Fair value through profit or loss ("FVTPL") - Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. They are subsequently measured at fair value with changes in fair value recognized in profit or loss. The Company designates its investments as fair value 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 subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company has designated its HST receivable and its notes receivable as loan and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities and that the Company intends to hold to maturity. These assets are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company does not hold any held-to-maturity financial assets.

Available-for-sale – These consist of non-derivative financial assets that are designated as available-for sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company designates its marketable securities as available-for-sale.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, decommissioning, restoration and similar liabilities and contingent liabilities.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of expenditures as exploration and evaluation expenditures or operating expenses;
- the classification of financial instruments; and
- the determination of the functional currency of the Company.

Exploration and evaluation assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation assets (continued)

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company’s estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company’s estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company’s estimates of reclamation costs, are charged to profit or loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company’s accounting policy for exploration and evaluation assets.

As at September 30, 2012 and 2011, the Company did not have any restoration and environment obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

The carrying amount of the Company's assets (which include the notes receivable and an exploration and evaluation asset) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

<u>Current income tax:</u>

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

<u>Deferred income tax:</u>

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Accounting standards issued by not yet effective

IFRS 9, Financial Instruments, introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

IFRS 10, Consolidated Financial Statements, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12, Consolidation—Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements.

IFRS 11, Joint Arrangements, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12, Disclosure of Interests in Other Entities, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting standards issued but not yet effective (continued)

IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after October 1, 2012 with earlier application permitted.

IAS 19, Employee Benefits, has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in other comprehensive income as they arise, without subsequent recycling to net income. This is consistent with the Company's current accounting policy. Past service cost (which will now include curtailment gains and losses) will no longer be recognized over a service period but instead will be recognized immediately in the period of a plan amendment. Pension benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component will be calculated based on the net defined benefit asset or liability. A number of other amendments have been made to recognition, measurement and classification including redefining short term and other long-term benefits, guidance on the treatment taxes related to benefit plans, guidance on risk/cost sharing features, and expanded disclosures.

IAS 32, Financial Instruments: Presentation. These amendments address inconsistencies when applying the offsetting requirements, and is effective for annual periods beginning on or after January 1, 2014.

Financial statement presentation

In June 2011, the IASB and the Financial Accounting Standards Board ("FASB") issued amendments to standards to align the presentation requirements for other comprehensive income ("OCI"). The IASB issued amendments to IAS 1 "Presentation of Financial Statements" to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for fiscal years beginning on or after September 1, 2012.

(Expressed in Canadian dollars)

4. CORPORATE RESTRUCTURING

On January 5, 2010, the Company acquired an equity portfolio from its former parent company, RTN Stealth Software Inc. in exchange for the issuance of 17,583,372 of the Company's common shares. The fair value of the equity portfolio as at September 30, 2010 was $1,063,260.

On March 1, 2011, the Company and Cielo Gold Corp. ("Cielo"), formerly a wholly owned subsidiary of the Company, entered into an agreement to proceed with a corporate restructuring by way of a statutory plan of arrangement. In exchange for transferring the Company's interest in its equity portfolio with a fair value of $803,679 and cash of $5,907, Cielo issued 21,583,372 of its common shares to the Company. These shares were distributed to the shareholders of the Company on a pro-rata basis. On June 9, 2011, Cielo obtained the approval from the CNSX to list its common shares on the CNSX.

As a result of the corporate restructuring, Cielo was deconsolidated from the Company on June 9, 2011. The fair value of the equity portfolio and cash transferred as at June 9, 2011 totaling $809,586 was charged to deficit as a distribution to shareholders of the Company.

5. CAPITAL STOCK

Authorized
Unlimited number of common shares and Class A and Class B preferred shares without par value.

Issued and outstanding
At September 30, 2012 and 2011, there were 21,583,372 issued and fully paid common shares.

Warrants and stock options
As at September 30, 2012 and 2011, the Company had no warrants and stock options outstanding.

Share-based payment reserve
The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

6. EXPLORATION AND EVALUATION ASSET

On March 22, 2011 the Company acquired five mineral claims (the "Maggie Gold Property") located near Squamish, British Columbia for cash consideration of $7,500.

As at September 30, 2012 the Company fully impaired the Maggie Gold Property.

The Maggie Gold Property	**Acquisition Costs**	**Accumulated Deferred Exploration Costs**	**Total**
	$	$	$
Balance, September 30, 2010	-	-	-
Addition	7,500	3,407	10,907
Balance, September 30, 2011	7,500	3,407	10,907
Impairment	(7,500)	(3,407)	(10,907)
Balance, September 30, 2012	-	-	-

(Expressed in Canadian dollars)

7. NOTES RECEIVABLE

As at September 30, 2011, the Company had a $5,000 note receivable from its former subsidiary, Cielo. The note was unsecured and non-interest bearing. During the year ended September 30, 2012, the note was received (Note 8).

As at September 30, 2011, the Company had a $25,000 note receivable from a third party. The note was unsecured and non-interest bearing. During the year ended September 30, 2012, due to uncertainty over the ability to collect the amount, the Company has provided for an allowance for the note and recorded a loss provision of $25,000.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2012	**September 30, 2011**
	$	$
Trade payables	14,692	217
Accrued liabilities	116,257	44,200
	130,949	44,417

9. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2012, the Company incurred rent expense of $27,881 (2011 - $24,000) and consulting fees of $35,000 (2011 - $60,000) to companies controlled by the President of the Company.

As at September 30, 2012, the Company's accounts payable and accrued liabilities balance included $105,280 owing to companies controlled by the President of the Company (2011 -$33,000) and $4,428 owing to a director of the Company (2011 - $Nil). The amounts are unsecured, non-interest bearing and due on demand.

As at September 30, 2011, the Company had $5,000 owing from Cielo which was collected during the year (Note 6). The note was unsecured and non-interest bearing.

Subsequent to September 30, 2012, the Company received a $15,432 loan from a company controlled by the President of the Company. The loan is unsecured, due on demand and does not bear any interest.

10. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the exploration and development of its exploration and evaluation asset and to sustain future development of the business. The capital structure of the Company consists of cash and common shares.

There are no restrictions on the Company's capital and there were no changes in the Company's approach to capital management during the year.

(Expressed in Canadian dollars)

11. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	September 30, 2012	**September 30, 2011**
	$	$
Net loss before income taxes	(116,199)	(396,187)
Statutory tax rate	26%	27%
Expected income tax recovery at the statutory tax rate	(30,212)	(106,970)
Non-deductible items and other	3,665	-
Effect of changes in tax rates	(411)	(1,928)
Changes in valuation allowance	26,958	108,898
Income tax recovery	-	-

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	September 30, 2012	**September 30, 2011**
	$	$
Non-capital loss carry-forwards	165,550	139,887
Capital loss carry-forwards	42,764	42,695
Marketable securities	-	1,500
Exploration and evaluation asset	2,727	-
Valuation allowance	(211,040)	(184,082)
Net deferred income tax assets	-	-

The Company’s has $662,200 in non-capital tax losses which expire as follows:

Expires in	
	$
2030	84,548
2031	475,000
2032	102,652

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company’s primary exposure to credit risk is on its cash and notes receivable. As all of the Company’s cash is held with a Canadian chartered bank, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at September 30, 2012, the Company’s note receivable was held by one individual; therefore, there is a concentration of credit risk. As at September 30, 2012, the Company has recorded a loss provision for the note. The Company’s secondary exposure to risk is on its HST receivable from the Canadian government; as such, the credit risk is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company’s access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company’s is not exposed to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s exposure to interest rate risk is minimal.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	September 30, 2012	September 30, 2011
	$	$
Cash	6,302	1,686
Loans and receivables:		
Note receivable	-	30,000
HST receivable	10,071	3,447
	16,373	35,133

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial liabilities included in the statement of financial position are as follows:

	September 30, 2012	September 30, 2011
	$	$
Non-derivative financial liabilities:		
Trade payables	14,692	217

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
  Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at September 30, 2012 and 2011:

	As at September 30, 2012		
	Level 1	Level 2	Level 3
	$	$	$
Cash	6,302	-	-
	6,302	-	-

	As at September 30, 2011		
	Level 1	Level 2	Level 3
	$	$	$
Cash	1,686	-	-
	1,686	-	-

(Expressed in Canadian dollars)

13. TRANSITION TO IFRS

These are the Company's first annual financial statements prepared in accordance with IFRS as issued by the IASB. The policies set out in the Significant Accounting Policies section have been applied in preparing the statements of financial position for the years ended September 30, 2011 and October 1, 2010 and the statements of comprehensive loss for the year ended September 30, 2011. The Company adopted IFRS on October 1, 2011 with a transition date of October 1, 2010.

Exemptions applied

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of October 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

Impact of IFRS Transition

Impact to the statements of financial position and statements of changes in shareholders' equity (deficiency)

The IFRS transition had no impact to the company's statement of financial position and statement of changes in shareholders' deficiency as at October 1, 2010.

Reconciliation to the statement of financial position and statement of changes in shareholders' equity (deficiency) as at September 30, 2011:

	CGAAP	IFRS Transition	IFRS
	$	$	$
Deficit	(912,790)	(809,587)	(1,722,377)
Share capital	914,413	809,587	1,724,000

Impact to the statement of comprehensive loss

There was no impact to the statement of comprehensive loss for the year ended September 30, 2011.

Notes to the reconciliation

On June 9, 2011, the Company and Cielo, a former wholly owned subsidiary of the Company proceeded with a corporate restructuring by way of a statutory plan of arrangement. The Company's interest in a portfolio of marketable securities was transferred to Cielo in exchange for 21,583,372 Cielo's common shares. These shares were distributed to the shareholders of the Company on a pro-rata basis.

As a result of the corporate restructuring, Cielo was deconsolidated from the Company. The fair value of marketable securities and cash totaling $809,587 was charged to deficit as a distribution to shareholders of the Company in accordance with IFRS. The same amount was previously recorded as a reduction of share capital in accordance with CGAAP.