

Rocmec Mining Inc.

(Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

To the shareholders of
Rocmec Mining Inc.:

We have audited the accompanying consolidated financial statements of **Rocmec Mining Inc.**, which comprise the consolidated balance sheets as at September 30, 2013 and 2012 and the consolidated statements of earnings and comprehensive loss, changes in equity and cash flows for the years then ended, 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 consolidated financial statements in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

***Independent Auditor's Report** (cont'd)*

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Rocmec Mining Inc.** as at September 30, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to in the consolidated financial statements, which describes facts and circumstances indicating the existence of a material uncertainty that may cost significant doubt about the Company's ability to continue as a going concern.

Others Matters

The consolidated financial statements of **Rocmec Mining Inc.** as at September 30, 2012 have been audited by another auditor who has expressed on these financial statements an unmodified opinion dated on March 11, 2013.



[1]

Montréal, Québec
January 28, 2014

Limited Liability Partnership
Chartered Professional Accountants

[1] CPA Auditor, CA, Public Accountancy permit No. A121724

Rocmec Mining Inc.
(Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

(In Canadian dollars)

Year ended September 30	**2013**	**2012**
ASSETS		
CURRENT ASSETS		
Cash	**$ 51,293**	$ -
Funds held for exploration	**-**	25,961
Accounts receivable and other receivables (Note 6)	**1,000**	39,960
Sales taxes receivable	**19,372**	5,729
Advance to a partner in a joint venture, without interest (Note 8)	**-**	96,805
Tax credit and redeemable right receivable	**14,702**	88,727
Prepaid expenses and deposits	**-**	2,089
	86,367	259,271
NON CURRENT		
Property, plant and equipment (Note 7)	**355,209**	605,023
Investment in a joint venture (Note 8)	**733,718**	656,121
Exploration and evaluation assets (Note 9)	**8,650,140**	8,500,999
Security deposits	**948**	7,388
	9,740,015	9,769,531
TOTAL ASSETS	**$ 9,826,382**	$ 10,028,802
LIABILITIES		
CURRENT		
Accounts payable and other liabilities (Note 10)	**$ 2,751,837**	$ 2,080,772
Deposit	**22,000**	-
Loans (Note 11)	**19,934**	26,567
Indemnity payable to subscribers (Note 12)	**6,187,352**	6,088,158
Current portion of long term debt (Note 13)	**1,199,720**	27,244
Current portion of debentures (Note 14)	**1,900,000**	1,700,000
	12,080,843	9,922,741
NON CURRENT		
Debt (Note 13)	**13,832**	714,320
Debentures (Note 14)	**529,773**	586,000
	543,605	1,300,320
TOTAL LIABILITIES	**12,624,448**	11,223,061
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 15)	**40,873,171**	40,426,344
Contributed surplus	**9,150,019**	7,677,646
Warrants (Note 15)	**522,639**	1,643,233
Equity component of convertible debentures	**879,824**	826,574
Deficit	**(54,223,719)**	(51,768,056)
TOTAL SHAREHOLDER'S DEFICIENCY	**(2,798,066)**	(1,194,259
TOTAL LIABILITIES AND SHAREHOLDER'S DEFICIENCY	**$ 9,826,382**	$ 10,028,802

CONTIGENCIES (Note 19)

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

ON BEHALF OF THE BOARD OF DIRECTORS

(s) Paul A. Girard , Director

(s) Emile P. Molgat , Director

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE LOSS

(In Canadian dollars)

Year ended September 30	**2013**	2012
ADMINISTRATIVE AND GENERAL OPERATING EXPENSES		
Salaries and fringe benefits	**$ 361,409**	$ 196,456
Stock-based compensation	**179,298**	290,101
Insurance	**42,484**	57,221
Bank charges	**2,662**	3,310
Trustee fees and registration	**61,678**	50,037
Management fees	**-**	13,820
Patents fees	**3,718**	10,445
Professional fees	**542,026**	407,871
Rent	**21,546**	23,600
Maintenance and repairs	**1,653**	-
Stationary and office expenses	**25,131**	41,101
Telecommunications	**6,020**	6,926
Travelling and promotion	**42,878**	22,438
Amortization of property, plant and equipment	**249,814**	278,991
Gain on disposal of property, plant and equipment	**-**	(432)
Loss (gain) on evaluation of precious metal	**(6,633)**	1,020
Write-off of a tax credit receivable	**88,727**	-
Bad debts	**38,960**	-
Loss (gain) on debt settlement	**(7,410)**	738,362
Tax of part XII.6 and III.4	**-**	84,427
Indemnities to subscribers (Note 13)	**99,194**	583,209
OPERATING LOSS	**(1,753,155)**	(2,808,903)
Interest on debentures and debts	**(621,443)**	(848,543)
Financing charges and other interests	**(68,058)**	8,744
Amortization of discount on issuance of debentures	**-**	(40,000)
Share of results in the joint-venture (Note 8)	**(42,253)**	624,721
LOSS BEFORE INCOME TAXES	**(2,484,909)**	(3,081,469)
INCOME TAXES		
Deferred income taxes	**43,365**	-
TOTAL NET LOSS AND COMPREHENSIVE LOSS	**$ (2,441,544)**	$ (3,081,469)
NET LOSS PER SHARE		
Basic	**(0.0494)**	(0.0775)
Diluted	**(0.0494)**	(0.0775)
Weighted average number of shares outstanding	**49,418,936**	39,767,824

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

Rocmec Mining Inc.

(Exploration Stage Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In Canadian dollars)

Year ended September 30, 2013 and 2012

	Number of shares #	Share capital	Contributed surplus	Warrants	Equity component of convertible debentures	Deficit	Total equity
Balance as at October 1st, 2012	44,961,479	$ 40,426,344	$ 7,677,646	$ 1,643,233	$ 826,574	$ (51,768,056)	$ (1,194,259)
Shares issued by private investment	7,566,024	512,499	-	-	-	-	512,499
Shares issued by flow-through private investment	655,768	44,135	-	-	-	-	44,135
Shares and bonds issued to settle debentures and debts	557,362	62,674	-	-	-	-	62,674
Issuance of convertible debenture	-	-	-	-	53,250	-	53,250
Value attributed to warrants on investment	-	(172,481)	-	172,481	-	-	-
Options granted – Stock-based compensation	-	-	179,298	-	-	-	179,298
Warrants expired	-	-	1,293,075	(1,293,075)	-	-	-
Other issuance expenses	-	-	-	-	-	(14,119)	(14,119)
Net loss and comprehensive loss	-	-	-	-	-	(2,103,201)	(2,441,544)
Balance as at September 30, 2013	53,740,633	$ 40,873,171	$ 9,150,019	$ 522,639	$ 879,824	$ (53,885,376)	$ (2,798,066)

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

Rocmec Mining Inc.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (cont'd)

(In Canadian dollars)

Year ended September 30, 2013 and 2012

	Number of shares #	Share capital	Contributed surplus	Warrants	Equity component of convertible debentures	Deficit	Total equity
Balance as at October 1st, 2011	31,782,586	$ 38,746,525	$ 6,689,079	$ 1,310,819	$ 1,045,419	$ (48,598,580)	$ (806,738)
Shares issued by private investment	5,125,001	623,750	-	-	-	-	623,750
Shares issued by flow-through private investment	2,428,214	339,950	-	-	-	-	339,950
Shares and warrants issued to settle debentures and debt	5,625,678	1,033,633	-	494,491	-	-	1,528,154
Expired or settled convertible debentures	-	-	218,845	-	(218,845)	-	-
Value attributed to warrants on financings	-	(317,544)	-	317,544	-	-	-
Options granted – Stock-based compensation	-	-	290,101	-	-	-	290,101
Warrants expired	-	-	479,621	(479,621)		-	-
Other issuance expenses	-	-	-	-	-	(88,007)	(88,007)
Net loss and comprehensive loss	-	-	-	-		(3,081,469)	(3,081,469)
Balance as at September 30, 2012	$ 44,961,479	$ 40,426,344	$ 7,677,646	$ 1,643,233	$ 826,574	$ (51,768,056)	$ (1,194,259)

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

Rocmec Mining Inc.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in Canadian dollars)

Year ended September 30	2013	2012
OPERATING ACTIVITIES		
Net loss and comprehensive loss	**$ (2,441,544)**	$ (3,081,469)
Adjustments		
Share of results in the joint venture	**42,253**	(624,721)
Stock-based compensation	**179,298**	290,101
Interest expense capitalized on convertible debentures	**62,674**	456,474
Amortization of discount on issuance of debentures	**184,415**	40,000
Amortization of property, plant and equipment	**249,814**	278,991
Gain on disposal of property, plant and equipment	**-**	(432)
Loss (gain) on valuation of precious metal	**(6,633)**	1,020
Write-off of a tax credit	**88,727**	-
Gain (loss) on settlement of debts	**(7,410)**	738,362
Indemnities to subscribers	**99,194**	538,209
Future income tax	**(43,365)**	-
Changes in working capital (Note 20)	**777,686**	711,656
Cash flows from operating activities	**(814,891)**	(606,809)
INVESTING ACTIVITIES		
Advance to a joint venture partner company	**(23,045)**	(96,805)
Advance to a joint venture	**-**	(31,400)
Proceeds from property, plant and equipment disposal	**-**	720
Tax credits collected	**-**	296,794
Deferred exploration and development charges	**(163,843)**	(301,375)
Cash flows from investing activities	**(186,888)**	(132,066)
FINANCING ACTIVITIES		
Issuance (repayment) of loans, debts and debentures	**529,369**	(199,000)
Repayments of indemnities payable to subscribers	**-**	(18,000)
Long-term debt repayment	**(27,247)**	(25,898)
Debentures repayment	**-**	(2,500)
Shares issuance cost	**(14,119)**	(88,007)
Debts and debentures issuance cost	**(17,526)**	-
Issuance of shares and warrants	**556,634**	963,700
Cash flows from financing activities	**1,027,111**	630,295
NET CHANGE IN CASH AND CASH EQUIVALENTS	**25,332**	(108,580)
CASH AND CASH EQUIVALENTS AT BEGINNING OF EXERCISE	**25,961**	134,541
CASH AND CASH EQUIVALENTS AT END OF EXERCISE	**$ 51,293**	$ 25,961

Supplemental cash flows information (Note 20)

The accompanying notes form an integral part of these consolidated financial statement

1. STATUTE OF INCORPORATION AND NATURE OF OPERATIONS

Rocmec Mining Inc. (the "Company") specializes in the exploration of metal in mining sites located in Quebec and in Peru.

Rocmec Mining Inc. is incorporated under Part 1A of the Quebec Business Corporation Act and continued under the Quebec Business Corporations Act. The address of the Company's registered office and its principal place of business is 500-7055 Taschereau boulevard, Brossard (Quebec) J4Z 1A7. The Company's shares are listed on the TSX Venture Exchange under the symbol "RMI".

The consolidated financial statements of the year ended September 30, 2013 (including comparatives statements) were approved and authorized for issue by the Board of Directors on January 23, 2014.

2. GOING CONCERN

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

Given that the Company has not yet found a mineral property containing mineral deposits that are economically recoverable, the Company has not generated any income or cash flows from its mining exploration operations. As at September 30, 2013, the Company has cumulated deficit of $54,223,719 ($51,768,056 as at September 30, 2012). As at September 30, 2013, the Company has a working capital deficiency. The Company's current liquidity position is not sufficient to fund next year's administrative and exploration expenses. These conditions raise significant doubt regarding the Company's ability to continue as a going concern and the use of the going concern assumption.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing by issuing common shares or other alternative funding to further explore its mineral properties and to reimburse its short and long term loans. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future. Management is assessing its alternatives in terms of financing options including the renegotiations of the terms of its loans and assessing its alternatives strategic changes which include the disposal of its rights or part of it on the Rocmec 1 property and the reduction of its discretionary expenses.

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

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared using the accounting policies as set out in the previous audited annual financial statements.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

3.2 Basis of evaluation

These consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale financial instruments which are measured at fair value.

3.3 Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiary's functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

4.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 9, Financial instruments
The replacement standard (IFRS 9) is being issued in phases. To date, the sections dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These sections will be effective for annual periods beginning on or after January 1st, 2015. Further sections dealing with impairment methodology and hedge accounting are still being developed. Management has yet to assess the impact of this new standard on the consolidated financial statements. However, they do not expect to implement IFRS 9 until all of its sections have been published and they can comprehensively assess the impact of all changes.

IFRS 10, Consolidated financial statements
IFRS 10, Consolidated financial statements replaces IAS 27, Consolidated and Separate Financial Statements. SIC-12, Consolidation and Special Purpose Entities will be removed at the time of entry into force of IFRS 10. This standard defines control as the basis of the consolidation. In addition, IFRS 10 includes a new definition of control consisting in 3 elements: a) the power over the issuing entity; b) the exposure or the right to variable returns because of the links with the issuing entity; c) the investor's ability to demonstrate power over the issuing entity to influence on the amount of the returns achieved. Comprehensive guidance's have been added to IFRS 10 in order to handle complex cases.

These standards as well as changes relating to transitional provisions are effective for the years beginning on or after January 1st, 2013 with earlier adoption permitted provided IFRS 10, IFRS 11, IFRS 12, IAS 27 (revised) and IAS 28 (revised) are applied at the same time. The management anticipate that the enforcement of these standards may affects the amounts recorded in consolidated financial statements. The management is currently conducting a detailed analysis to determine the impact of applying these standards.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (cont'd)

IFRS 13, Fair value measurement
IFRS 13 provides guidance on establishing fair values and introduces consistent disclosure requirements. Fair value is defined by IFRS 13 as 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. IFRS 13 also requires extensive disclosures to help users of the financial statements assess. In regards to existing IFRSs, the directives on the fair value measurement and presentation vary according to standards being considered, and often do not suggest a clear assessment basis and also lack of consistency when it comes to disclosing information. IFRS 13 will be effective for the years beginning on or after January 1st, 2013 with earlier adoption permitted. The Company is currently reviewing the potential influences of this standard on its accounts.

IAS32, Offsetting Financial Assets and Financial Liabilities
The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- The meaning of "currently has a legally enforceable right of set-off"
- That some gross settlement systems may be considered equivalent to net settlement.

The Amendments are effective for annual periods beginning on or after October 1st, 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Company's consolidated financial statements from these Amendments.

IFRS 7, Disclosures – Offsetting Financial Assets and Financial Liabilities
Qualitative and quantitative disclosures have been added to IFRS 7 "Financial Instruments: Disclosures" (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The Amendments are effective for annual reporting periods beginning on or after January 1st, 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. Management does not anticipate a material impact on the Company's consolidated financial statements from these Amendments.

Annual Improvements 2009-2012
The Annual Improvements 2009-2012 made several minor amendments to a number of IFRSs. The amendments relevant to the Company are summarised below:

Clarification of the requirements for opening statement of financial position:

- Clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
- Addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:

- Clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- Requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (cont'd)

Annual Improvements 2009-2012 (cont'd)

Tax effect of distribution to holders of equity instruments:

- Addresses a perceived inconsistency between IAS 12 "Income Taxes" (IAS 12) and IAS 32 "Financial Instruments: Presentation" (IAS 32) with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction
- Clarifies that the intention of IAS 32 is to follow the requirements in IAS 12 for accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

Segment information for total assets and liabilities:

- Clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The Annual Improvements noted above are effective for annual periods beginning on or after October 1st, 2013. Management does not anticipate a material impact on the Company's consolidated financial statements from these Amendments.

4.2 Reporting standards, amendments and interpretations of standards published and early adopted

At the date of approval on these consolidated financial statements, the Company as elected to early adopt IFRS 11 "Joint Arrangement" in replacement of IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities-Non-Monetary Contributions by Ventures".

IFRS 11 requires that joint ventures be accounted for using the equity method and eliminates the need for proportionate consolidation.

Along with the adoption of IFRS 11, the Company has early adopted IFRS 12 "Disclosure of Interests in Other Entities", IAS 27(amended) "Consolidated Separate Financial Statements" and IAS 28 (amended) "Investments in Associates and Joint Ventures".

The early adoption of these standards allowed the investment in the joint venture to be accounted using the equity method.

4.3 Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary; Rocmec Technologies Inc. The subsidiary is currently inactive.

4.4 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.4 Financial instruments (cont'd)

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at fair value net of transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Available for sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the consolidated statement of comprehensive loss as part of finance income, if need be. When an available for-sale asset is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the consolidated statement of comprehensive loss and are included in other gains or losses.

Financial liabilities at amortized cost
Financial liabilities are initially measured at amortized cost. The financial liabilities are then measured at amortized cost using the effective interest method.

The financial liabilities are classified as current if the payment is redeemable within 12 months. If not, they are considered as non-current liabilities.

The Company has classified its financial instruments as follows:

Categories	***Financial instruments***
Loans and receivables	Funds held for exploration Account receivable and other receivables Advance to a company partner in a joint venture
Financial liabilities at amortized cost	Accounts payable and other payables Loans Indemnity payable to subscribers Debt Debentures

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.4 Financial instruments (cont'd)

Convertible debentures
The component part of convertible debentures issued by the Company is classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is classified as an equity instrument.

At the date of issue, the liability component is recognized at fair value, which is estimated using the prevailing market interest rate for similar non-convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest method until extinguished upon conversion or at maturity.

The value of the conversion option classified as equity is determined at the issuance date by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. When and if the conversion option is exercised, the equity component of convertible debentures will be transferred to share capital. If the conversion option remains unexercised at the maturity date of the convertible debenture, the equity component of the convertible debentures will be transferred to contributed surplus. No gain or loss is recognised upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible debentures are allocated to the liability and equity components in proportion to the initial carrying amounts. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible debentures using the effective interest method.

Impairment of financial assets
At each reporting date of the consolidated statement of financial position, the Company assesses whether there is objective evidence that a financial asset, except for those at fair value through profit or loss, is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a ''loss event'') and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated. If such evidence exists, the Company recognizes an impairment loss, as follows:

4.5 Net loss per share

The calculation of the net loss per share is based on the weighted average number of shares outstanding for each year. The basic net loss per share is calculated by dividing the loss attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by adjusting earnings attributable to common equity holders of the Company, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares which include options, warrants and convertible debentures. Dilutive potential common shares shall be deemed to have been converted into common shares at the beginning of the period or, if later, the date of issue of the potential common shares.

For the purpose of calculating diluted earnings per share, the Company assumes the exercise of all dilutive options, warrants and conversion of debentures of the Company. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the year. The convertible debenture is antidilutive whenever its interest (net of tax and other changes in income or expense) per ordinary share obtainable on conversion exceeds basic earnings per share. At the end of the reporting year, the diluted earnings per share is equal to the basic earnings per share as a result of the anti-dilutive effect of the outstanding options, warrants and convertible debentures, their conversion would impact in a reduction of the loss per share.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and funds held for exploration, which represent the balance on flow-through financing not spent according to the restrictions imposed by these financing arrangements. The Company has to dedicate these funds to Canadian mining properties exploration.

4.7 Tax credit and redeemable right receivable

The Company is entitled to a refundable credit on duties for losses under the *Mining Tax Act*. This refundable credit on duties for losses is applicable on exploration costs incurred in the Province of Quebec.

Furthermore, the Company is entitled to a refundable tax credit for resources for mining companies on qualified exploration expenditures incurred. The credit on duties and the exploration tax credit have been applied against the exploration costs incurred as stated in IAS 20.

4.8 Exploration and evaluation expenses and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, the costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties reduced by refundable tax credits and credits on duties related to these expenses are charged to the cost of exploration and evaluation assets to the extent management considers it is probable that the costs will be recovered through future development or the sale of the property. Expenses related to exploration and evaluation include salaries related to geological studies and planning of surface exploration programs, topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expense is recognized for these assets during the exploration and evaluation phase

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (Note 4.10); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are proven, exploration and evaluation assets related to the mining property are transferred to property and equipment in ''Mining assets under construction''. Before reclassification, exploration and evaluation assets are tested for impairment (Note 4.10) and any impairment loss is recognized in profit or loss.

To date, neither the technical feasibility nor the commercial viability of a mineral resource has been proven.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.9 Property, plant and equipment

Property, plant and equipment and intangible asset are recognized at cost less accumulated depreciation and impairment losses.

Cost includes all costs incurred initially to acquire an item of property and equipment or intangible asset, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part of it. Recognition of costs in the carrying amount of an item of property and equipment or intangible asset ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Day-to-day maintenance costs of property, plant and equipment are recognized in profit of loss when incurred. Day-today maintenance costs primarily include labour and consumables, and may also include the cost of small parts.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The periods applicable are as follows:

	Useful life
Equipment	5 and 7 years
Mill plant	10 years
Computer equipment	4 years
Automotive equipment	4 years
Leasehold improvements	Term of lease – 3 years
Telephone system	5 years

The Company owns an exclusive licence of a thermal fragmentation patented method. This licence is an intangible asset acquired separately which was entirely impaired in 2010.

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Depreciation ceases when an asset is classified as held for sale (or included in a group that is classified as held for sale) or when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or retired from active use, unless the asset is fully depreciated.

The depreciation cost for each period is recognized in net income, except for some property, plant and equipment related to exploration and evaluation activities from which the amortization is included in the exploration and evaluation asset carrying value when applied to specific exploration and evaluation projects.

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.10 Depreciation of property, plant and equipment and of exploration and evaluation assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, an asset or a cash-generating unit are reviewed for impairment. In addition, when technical feasibility and commercial viability of extracting a mineral resource are proven, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property, plant and equipment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances applies:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

An impairment loss is recognized in profit or loss for the amount by which the asset or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

The impairment loss reduces the asset or is charged pro-rata on the basis of the carrying amount of each asset in the cash-generating unit. All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset or cash generating unit's recoverable amount exceeds its carrying amount.

4.11 Capital assets under lease

Lease contracts under which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Other lease contracts are classified as operations leases and therefore are not recognized in the Company's consolidated statements of financial position.

Payments made under operation leases are recognized in net earnings using straight-line basis over term of the lease.

4.12 Joint venture

The joint venture is accounted for using the equity method, which reflects the proportionate interest in the joint venture's net assets. The functional currency of the joint venture is the U.S. dollar. According to the equity method, the investment in the joint venture is initially recognized at cost. Subsequently, the carrying value is increased or decreased to recognize the Company's share of the profit or loss of the joint venture and the exchange differences accounted for in other comprehensive income of the joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.13 Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources by the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets. Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in the consolidated financial statements since this may result in the recognition of income that may never be realized.

The Company's operations are regulated by government environmental protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. The Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible and are capitalized to the cost of exploration and evaluation assets as incurred. When the technical feasibility and commercial viability of extracting a mineral resource will be proven, a restoration provision will be recognized in the cost of the mining property when there will be constructive commitment that will have resulted from past events, it will be probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

4.14 Deferred income taxes

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recorded on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply on their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.14 Deferred income taxes (cont'd)

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Note 5 deals with the evaluation of management regarding the probability of future taxable income that will offset the deferred tax assets.

Deferred tax assets and liabilities are offset only when the Company has the right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

The Company recognizes a deferred tax liability for the flow-through shares for the taxable temporary difference that arises from difference between the carrying amount of the eligible expenditures capitalized in the statement of financial position and its tax basis and a deferred tax charge at the time when the eligible expenses are incurred and the Company has renounced to the right to tax deductions.

4.15 Equity

Share capital represents the amount received on the issuance of shares and any income tax benefit on the underlying profit to these issuance costs are presented to deficit. Shares issued for consideration other than cash are recorded at their fair value according to the quoted price on the day of the conclusion of the agreement.

Unit placements
Proceeds from unit placements are allocated between shares and warrants issued using their relative fair value determined using the Black-Scholes pricing model.

Flow-through placements
Issuance of flow-through shares represents in substance an issue of ordinary shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as flow-through shares obligation in the statement of financial position. The proceeds received from flow-through placements are allocated between shares, warrants and the flow-through shares obligation using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to their fair value at the date of issuance and the residual proceeds are allocated to the flow-through shares obligation.

Warrants
These amounts represent the allocation to warrants of the proceeds from unit placements. Charges related to warrants are transferred to share capital upon exercise. The expired warrants are transferred to contributed surplus.

Contributed surplus
Contributed surplus includes charges related to share options and brokers' options until such equity instruments are exercised, in which case the amounts are transferred to share capital. The contributed surplus also includes the warrants which expired and have not been exercised.

Deficit
The deficit includes all current and prior period profits or losses not distributed.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.16 Equity-settled share-based payments

The Company operates equity-settled share-based remuneration plans (share options plans) for its directors, officers and employees who are eligible and other stock-based payments offered to consultants.

None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair value. Where an employee or other providing similar services is rewarded using share-based payments, the fair value of the services rendered by the employee or other is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments (except brokers' options) are ultimately recorded as an expense in profit or loss or capitalized as an exploration and evaluation asset with a corresponding credit to contributed surplus in equity. Options issued to brokers are accounted for as share issue expenses of equity instruments, with a corresponding credit to contributed surplus in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if the number of share options ultimately exercised is different than the number estimated.

Upon exercise of share options, the proceeds received are recorded as share capital. The accumulated charges related to the share options and brokers' options recorded in contributed surplus are then transferred to share capital.

4.17 Segment reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors.

The Chairman and the Board of Directors have joint responsibility for allocating resources to the Company's operating segments and assessing their performance.

Management considers that the Company operates in a single sector, which is exploration and evaluation.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (cont'd)

Going concern
The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgments. Further information regarding going concern is outlined in Note 2.

Share-based payments and equity component of convertible debenture
The estimations of share-based payment costs require the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

Useful life and estimated residual value of tangible
Management reviews its estimate of the useful life of property, plant and equipment at each statement of financial position date according to the period during which assets should be available for use. The estimates are updated if expectations change due to physical wear and tear, technical obsolescence, commercial or legal restrictions or other.

Exploration and evaluation assets
Probability of costs recovery at initial recognition
According to the accounting policies of the Company, once the legal rights that exploration and evaluation assets are obtained, the costs associated with the acquisition of mineral rights, expenses on exploration and evaluation of mineral properties and that tax credits and credits on duties associated with such costs are charged to cost of exploration and evaluation assets if management considers probable that the costs will be recovered through future development or sale of the property. Assessing the probability of recovery of capitalized costs related to exploration and evaluation assets requires the exercise of judgment in determining if the future economic benefits are probable, which may be based on assumptions and estimates made by management regarding future events. Assumptions and estimates may change if new information proves to be available.

If informations become available that give rise to uncertainty of the recovery of capitalized costs, the amounts capitalized will be written down to their recoverable amounts in the period when these informations become available (see the paragraph below concerning critical accounting estimates, judgments and assumptions for impairment of property and equipment, intangible assets and exploration and evaluation assets).

Impairment of property, plant and equipment and exploration and evaluation assets
Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated. No impairment losses have been recognized for the reporting periods.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (cont'd)

Other provisions and contingent liabilities
Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty. Other provisions and contingent liabilities include indemnity payable to subscribers.

Recognition of deferred income tax assets and measurement of income tax expense
Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, Management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Classification of joint arrangements
The Company holds 50% of the voting rights of its joint arrangement Rey Salomon Concession (OFIR Mine) through the company Cerro Dorado. The Company has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The contractual agreement provides the equal rights to the net assets of the joint venture. Therefore the Company classified this arrangement as a joint venture.

6. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2013	September 30, 2012
Accounts receivable	**$ -**	$ 21,437
Provision	**-**	(21,437)
	-	-
Receivable from a non-related company, without interest	**39,960**	39,960
Provision	**(38,960)**	-
	$ 1,000	$ 39,960

7. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Mill plant	Computer equipment	Automotive equipment	Leasehold impro-vements	Telephone system	Equipment under finance lease	**Total**
Gross carrying amount								
Balance as at October 1st, 2011	$ 598,016	$ 1,819,093	$ 25,575	$ 88,852	$ 58,009	$ 4,201	$ 45,990	**$ 2,639,736**
Disposal	(1 440)	-	-	-	-	-	-	**(1,440)**
Balance as at September 30, 2012	596,576	1,819,093	25,575	88,852	58,009	4,201	45,990	**2,638,296)**
Accumulated depreciation an impairment								
Balance as at October 1st, 2011	142,707	1,497,017	22,356	45,942	36,132	2,100	9,180	**1,755,434**
Depreciation	60,956	169,591	1,760	22,213	14,432	841	9,198	**278,991**
Disposal	(1,152)	-	-	-	-	-	-	**(1,152)**
Balance as at September 30, 2012	202,511	1,666,608	24,116	68,155	50,564	2,941	18,378	**2,033,273**
Carrying amount as at September 30, 2012	$ 394,065	$ 152,485	$ 1,459	$ 20,697	$ 7,445	$ 1,260	$ 27,612	**$ 605,023**
Gross carrying amount								
Balance as at October 1st, 2012	$ 596,576	$ 1,819,093	$ 25,575	$ 88,852	$ 58,009	$ 4,201	$ 45,990	**$ 2,638,296**
Disposal	-	-	-	-	-	-	-	**-**
Balance as at September 30, 2013	596,576	1,819,093	25,575	88,852	58,009	4,201	45,990	**2,638,296**
Accumulated depreciation an impairment								
Balance as at October 1st, 2012	202,511	1,666,608	24,116	68,155	50,564	2,941	18,378	**2,033,273**
Depreciation	60,956	152,485	1,390	17,500	7,445	840	9,198	**249,814**
Disposal	-	-	-	-	-	-	-	**-**
Balance as at September 30, 2013	263,467	1,819,093	25,506	85,655	58,009	3,781	27,576	**2,283,087**
Carrying amount as at September 30, 2013	$ 333,109	$ Nil	$ 69	$ 3,197	$ Nil	$ 420	$ 18,414	**$ 355,209**

8. INVESTMENTS IN A JOINT VENTURE

During the previous year, the Company has optioned a gold property, concession Rey Salomon (OFIR mine) located in Peru. It jointly controls the property with another company through their subsidiary Cerro Dorado SAC, which is incorporated in Peru. The Company has not disbursed any sum to acquire this investment. The contribution of the Company to the joint venture includes the use of its patented thermal fragmentation mining method and the equipment for its application. Also, the Company will act as the exploration operator. The joint venture agreement stipulates that for an initial five year term, the split of net revenues generated from the exploitation of this mining property will be 50-50. In subsequent years, the Company will be entitled to 75% of the net revenues generated from the exploitation of the property

In the partnership agreement that was established in Vaudreuil-Dorion (Quebec), the Company contributed its technology and expertise in mining and development production; the company partner, Chazel Capital inc. ("Chazel"), committed itself to bring $US1,2 million required for mine production. Thus, the parties have agreed to hold 50% each of voting shares in the joint venture.

On August 26, 2012, the company partner had reached the amount of $US1.2 million of expenditures required for the project OFIR. From this date on, the joint venture supported the expenses incurred by the Company.

	September 30, 2013	September 30, 2012
50% interest in the net assets of Cerro Dorado	**$ 582,468**	$ 624,721
Advances to Cerro Dorado, without interest	**151,250**	31,400
	$ 733,718	$ 656,121

The $96,805 no-interest advance to the partner in the joint-venture on September 30, 2012 has been reclassified to Cerra Dorado advances for the current year.

The carrying amount of assets and liabilities in the joint venture is as follows:

Current assets		
Cash and cash equivalents	**$ 17,499**	$ 45,515
Accounts receivable and other receivables	**137,630**	258,974
Prepaid expenses	**241,901**	17,360
	397,030	321,549
Non current assets		
Property, plant and equipment	**152,220**	195,441
Exploration and evaluation assets	**707,594**	954,641
	859,814	1,150,082
Total assets	**$ 1,256,844**	$ 1,471,631
Current liabilities		
Accounts payable and other liabilities	**$ 60,508**	$ 190,790
Advance to joint-venture	**31,400**	31,400
Total liabilities	**$ 91,908**	$ 222,190

8. INVESTMENTS IN A JOINT VENTURE (cont'd)

On October 18th, 2012, Rocmec and Chazel negotiated an addendum (the «addendum») to the initial joint venture agreement. The addendum provides the following terms and conditions:

(i) for the initial 7 years period, Rocmec will be entitled to 35% of the net revenues generated by the Rey Salomon concessions and Chazel and its financial partners will be entitled to 65% and;

(ii) following the initial 7 years period, Rocmec will be entitled to 60% and Chazel will be entitled to 40% of the net revenues .

The initial 7 years period will begin once production level of the Rey Salomon concessions reaches 400 ounces of gold per month. Until that period begins, the allocation of net revenues generated by the Rey Salomon concessions will gradually increase from 50% to 65% in the case of Chazel and gradually decrease from 50% to 35% in the case of Rocmec according to the schedule that is found in the addendum, which is based on the total amount raised by Chazel as part of the total investment of $671,750.

Thus, Chazel agreed to raise a sum of $671,750 and, except for an amount of $90,000 that will be disbursed directly to Rocmec, to invest this amount in the Rey Salomon property, in exchange for an additional 15% stake in the project. As of September 30, 2013 Chazel had paid an amount of $22,000 under this agreement.

Rocmec had the option to purchase the 15% interest in the Rey Salomon concessions on or before July 31, 2013, at a price that was equal to the sum of the following amounts: (i) $300,000 , being the amount that has already been paid by Chazel and will be credited from the full amount of $671,750 and (ii) the portion of the total amount of $671,750 which exceeds $300,000 that has been raised by Chazel on the exercise date of the option to purchase, plus a premium of 35% on that portion. This option has now expired.

The closing of the transaction is subject to approval of the TSX Venture Exchange. Since the agreement has not yet been approved, the amount of $22,000 paid by Chazel was not recorded as a sale of participation and is presented as a deposit in current liabilities.

9. EXPLORATION AND EVALUATION ASSETS

	Balance as at October 1st, 2012	Additions	Tax credits and duties refundable for losses	Impairment	Balance as at September 30, 2013
Denain (a)	$ -	$ -	$ -	$ -	$ -
Courville-Maruska (b)	-	-	-	-	-
Rocmec 1 (c)					
Mining rights	2,603,982	-	-	-	2,603,982
Exploration	5,897,017	163,843	(14,702)	-	6,046,158
	$ 8,500,999	$ 163,843	$ (14,702)	$ Nil	$ 8,650,140

	Balance as at October 1st, 2011	Additions	Tax credits and duties refundable for losses	Impairment	Balance as at September 30, 2012
Denain (a)	$ -	$ -	$ -	$ -	$ -
Courville-Maruska (b)	-	-	-	-	-
Rocmec 1					
Mining rights	2,603,982	-	-	-	2,603,982
Exploration	5,776,347	120,670	-	-	5,897,017
	$ 8,380,329	$ 120,670	$ Nil	$ Nil	$ 8,500,999

a) Denain project – Denain township, Québec

85% interest in 23 mining claims, subject to 3.5% royalty.

b) Courville-Maruska project – Courville township, Québec

100% interest in 20 mining claims.

9. EXPLORATION AND EVALUATION ASSETS (cont'd)

c) Rocmec 1 project – Dasserat township, Québec

100% interest in mining rights including 11 mining claims subject to a 5% Net Metal Royalty on the first 25,000 ounces and 3% on additional ounces and 99 mining claims subject to a 2% NSR royalty.

During the year 2011, the Company bought back the 2% NSR royalty on 99 mining claims adjacent to its Rocmec 1 property for $75,000, which was added to the already recorded $182,935 mining property acquisition obligation. The Company repaid $25,000 of this mining property acquisition obligation during the year 2011. The balance of $232,935 including $8,940 of unpaid interest was settled by issuing 931,750 common share and 465,875 warrants resulting in a gain on settlement of debt of $39,134. Warrants entitle the holder to purchase 465,875 common shares at $0.45 per share over a period of 2 years.

The exploration and evaluation assets capitalised are as follow:

	September 30, 2013	September 30, 2012
Supervision	**$ 117,493**	$ 120,670
Technical services	**-**	-
Other exploration expenses	**46,350**	-
Equipment rental	**-**	-
Amortization of property, plant and equipment	**-**	-
	$ 163,843	$ 120,670

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	September 30, 2013	September 30, 2012
Accounts payables	**$ 677,417**	$ 366,385
Accrued interest payable	**621,006**	426,754
Taxes on Section XII.6 payable	**831,089**	831,089
Salaries and fringe benefits payable	**490,546**	205,607
Other liabilities	**131,779**	225,935
Subscription received in advance	**-**	25,000
	$ 2,751,837	$ 2,080,772

During the year, the Company settled accrued interest totaling $62,674 by issuing 284,687 common shares at $0.11 per share and 272,675 common shares at $0.12 per share. This transaction did not result in a gain or loss on settlement of debt.

During the previous year, the Company settled accrued interest totaling $216,788 by issuing 1,030,169 common shares at $0.18 per share and 223,981 common shares at $0.14 per share. This transaction did not result in a gain or loss on settlement of debt.

11. LOANS

	September 30, 2013	September 30, 2012
Loans reimbursable in gold, payable on demand	**$ 19,934**	$ 26,567

12. INDEMNITY PAYABLE TO SUBSCRIBERS

	Flow-through placements 2011 *a)*	Flow-through placements 2010 *b)*	Flow-through placements 2009 *c)*	Total
Balance as at October 1st, 2011	$ -	$ 1,204,500	$ 4,318,449	$ 5,522,949
Additions	540,809	42,400	-	583,209
Payment	-	-	(18,000)	(18,000)
Balandce as at September 30, 2012	540,809	1,246,900	4,300,449	6,088,158
Addition	28,600	70,594	-	99,194
Decrease	-	-	-	-
Balance as at September 30, 2013	$ 569,409	$ 1,317,494	$ 4,300,449	$ 6,187,352

a) Following flow-through financing agreements entered into with subscribers in 2011, the Company committed to incur $839,950 in Canadian Exploration Expenses ("CEE") before December 31, 2012. At the date, the Company incurred an amount of $120,670. Consequently, an approximate balance of $719,300 in explorations expenses renounced to investors has not been incurred in CEE as of December 31, 2012. Amended renunciation forms will be filed with tax authorities and will consequently mean that new notice of assessment will be sent to subscribers for taxation year 2011. In this respect, the Company recorded on September 30, 2012 a $528,509 provision as indemnities payable and an expense for the same amount was recorded in earnings. As at June 30, 2013, the Company also provided a provision of $28,600 for interest payable which was recorded in earnings as indemnities to subscribers. Finally, the Company recorded as at September 30, 2012 a $84,427 provision in the statement of comprehensive loss as Parts XII.6 and III.4 income taxes payable relating to the exploration expenses renounced and not incurred as at December 31, 2012.

b) Following flow-through financing agreements entered into with subscribers in 2010, the Company committed to incur $1,899,704 in Canadian Exploration Expenses before December 31, 2011. At that date, the Company incurred an amount of $62,135 in exploration expenses. Consequently, an approximate balance of $1838,000 in explorations expenses renounced to investors has not been incurred in CEE as at December 31, 2011. Amended renunciation forms were filed with tax authorities and will consequently mean that new notice of assessment will be sent to subscribers for taxation year 2010. In this respect, the Company recorded as at September 30, 2011, a $1,153,100 provision as indemnity payable and an expense for the same amount was recorded in earnings. The Company also recorded at the same date a $202,000 provision for Income taxes Part XII.6 and XII.4 payable relating to exploration expense renounced but not incurred as at December 31, 2011. As at September 30, 2013, the Company provided a $70,594 ($42,400 in 2012) for interest payable which was recorded in earnings as indemnities to subscribers.

12. INDEMNITY PAYABLE TO SUBSCRIBERS (cont'd)

c) During the year ended September 30, 2010, Canada Revenue Agency ("CRA") audited flow-through expenses incurred by the Company from 2007 to 2009. All of the flow-through expenses renounced to the subscribers were accepted. However, CRA denied the eligibility to the federal tax credit ("FITC") also renounced to subscribers regarding underground exploration work. The amount of FITC denied by CRA totals $2,343,650. The denial of this amount has no impact on the fiscal account balance of the Company but means that subscribers will receive notice of new reassessment for the tax years in question, representing 15% of their subscription less the federal income tax paid on the taxation of the FITC during the next year. The Company has estimated the loss suffered by investors in the amount of $1,775,782 and an allowance of this amount for an indemnity has been expensed to earnings. The Company has offered a settlement in common shares at an issue price of $0.05 per share to subscribers affected by this measure. The terms of this settlement were conditionally approved by the TSX Venture. As at September 30, 2011, the Company issued 19,426,675 common shares at a price of $0.05 per share in relation to this indemnity payable (971,333 common shares after consolidation) to the subscribers who accepted the proposed settlement. Therefore, the indemnity balance of the other subscribers is $804,449.

Following flow-through financing agreements entered into with subscribers in 2009, the Company committed to incur $5,888,560 in Canadian Exploration Expenses ("CEE") before December 31, 2010. At that date, the Company incurred an amount of $1,139,591 in exploration expenses. Consequently, an approximate balance of $4,749,000 in explorations expenses renounced to investors has not been incurred in CEE as at December 31, 2010. Amended renunciation forms were filed with tax authorities and will consequently mean that new notice of assessment will be sent to subscribers for taxation year 2009. In this respect, the Company accounted as at September 30, 2010, a $3,142,000 provision for an indemnity payable and an expense for the same amount was recorded in earnings. In addition, the Company also recorded at the same date a $579,000 provision for Income taxes Part XII.6 and XII.4 payable relating to exploration expense renounced but not incurred as at December 31, 2010. As at September 30, 2011, the Company provided a $372,000 for interest payable which was recorded in earnings as indemnities to subscribers.

Regarding flow-through placements of 2009, a group of investors has filed a lawsuit with the Superior Court of Quebec for an approximate amount of $1,726,000. The amount is currently being debated in Court and management deems that the amount recognized as an indemnity payable to subscribers is adequate.

The amounts of indemnity payable to subscribers provided by the Company represent management's best estimate of the potential liability in this regard and the actual amount may differ from management's current estimate. The amounts of indemnity payable to subscribers and the interests were calculated according to the tax laws and tax rates enacted for the concerned subscribers and the prescribed interest rates. The Company has always voluntary fulfilled its responsibilities in accordance with the relevant authorities in the flow-through financing case and in relation with all the uncommitted balances in exploration work.

13. LONG-TERM DEBT

	September 30, 2013	September 30, 2012
Obligations under capital leases secured by equipment having a net book value of $18,414, payable by monthly instalments of $948, including interest calculated at a 9% rate, maturing in July 2015	**$ 19,949**	$ 29,077
Loans, secured by automotive equipment having a net book value of $3,197, payable by monthly instalments of $1,605, including principal and interest calculated at 0% to 5.49% rates, maturing on October 2013 and January 2015	**15,668**	33,787
Loans of nominal value of $1,134,906, secured by a first rank mortgage on Romec 1 property for an amount of $1,134,906, repayable at maturity at 7.5% interest (effective rate of 40%), payable quarterly, either in cash or in common shares at the Company's option, redeemable by the Company at any time in cash or in units (each unit is comprised of one common share of the Company and one-half warrant; each whole warrant entitles the holder to purchase one common share of the Company at a price equal to the reference price plus 50%), maturing in May 2014	**894,952**	678,700
Loans of nominal value of $365,094, secured by a first rank mortgage on Romec 1 property for an amount of $365,094, repayable at maturity at 13.5% interest, payable quarterly in cash, maturing in May, 2014	**282,983**	-
	1,213,552	741,564
Current portion	**1,199,720**	27,244
	$ 13,832	$ 714,320

Long-term debt principal repayments to be made during the following years are as follows:

	Long-term debt	Capital lease
2014	$ 1,511,805	$ 11,371
2015	3,863	10,425
Total minimum lease payments	1,515,668	21,796
Amounts included in minimum lease payments – Interest expense	-	(1,847)
	$ 1,515,668	$ 19,949

14. DEBENTURES

	September 30, 2013	September 30, 2012
Liability component of convertible debentures		
Five $100,000 debentures, bearing interest at 13.5% (effective rate of 40 %), repayable semi-annually in five equal and consecutive payments of $100,000 starting from December 31, 2012. These debentures are convertible at the holder's option, into common shares at conversion prices of $0.13. Interest is payable monthly since July 2012 (quarterly before).	**$ 500,000**	$ 500,000
During the year 2012, the Company settled $300,000 of debentures and $152,782 of equity component of convertible debentures by issuing 3,000,000 common shares and 3,000,000 warrants which entitle the holder to purchase 3,000,000 common shares at $0.15 per share over a period of 18 months. The balance of $500,000 was refinanced to the conditions mentioned above.		
Debenture totalling $1,500,000 secured by equipment and the thermal fragmentation exclusive licence (written-off in the year 2010), bearing interest at 9% (effective rate of 49%) payable quarterly, an amount equal to $1,380,000 is convertible, at the price of $2 per unit, at any time at the holder's option into units consisting of one common share and one common share purchase warrant, each warrant entitling the holder to purchase one common share at the price of $0.10 per common share for a 2 years period, expired in May 2012	**1,500,000**	1,500,000
Debenture issued in 2010 with a $120,000 discount. The holder conversion right was valued at $579,600 and was accounted as equity component of the convertible debentures. The fair value was estimate using the Black-Scholes options pricing model from the following assumptions: risk-free rate of 1.53 %, expected volatility of 106 %, no average dividend per share and expected life of two years.		
Debenture with a nominal value of $111,025 with a related party, bearing annual interest at 5%, maturing on October 1st, 2018. The debenture is convertible at the holder's option, into common shares, at a variable conversion price, depending on the timing of the conversion. Interest is payable at maturity.	**57,775**	-
	2,057,775	**2,000,000**

14. DEBENTURES (cont'd)	**September 30, 2013**	September 30, 2012
Balance carried forward	**$ 2,057,775**	$ 2,000,000
Other debentures		
Debentures with a nominal value of $537,500 redeemable by the Company at any time in cash or in units at the holder's option (each unit is comprised of one common share of the Company and one-half warrant; each whole warrant entitles the holder to purchase one common share of the Company at a price equal to the reference price plus 50%), bearing annual interest at 7.5% (effective rate of 40%), payable quarterly in cash or common shares, at the Company's option, payable at maturity on December 31, 2014.	**371,998**	286,000
During the year 2012, the Company settled $2,500 of debentures in cash. The balance of $537,500 was maintained to the same conditions mentioned above.		
	2,429,773	2,286,000
Current portion	**1,900,000**	1,700,000
	$ 529,773	$ 586,000

Long-term debenture principal repayments to be made during the following years are as follows:

2014	$ 1,900,000
2015	637,500
2016	-
2017	-
2018	-
2019	111,025
	$ 2,648,525

15. EQUITY

Share capital

The share capital of the Company consists only of fully paid common shares.

Authorized

Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors. Shares are entitled, each in the same way, to payment of dividend and to capital reimbursement and give the right to one vote at the shareholders' meeting.

Issued

The variations in share Capital of the company are detailed as follow:

	September 30, 2013		September 30, 2012	
	Quantity	**Amount**	**Quantity**	**Amount**
Share issued				
Balance at beginning of year	$ **44,961,479**	$ **40,426,344**	$ 31,782,586	$ 38,746,525
Paid in cash	**7,566,024**	**512,499**	5,125,001	623,750
Flow-through shares	**655,768**	**44,135**	2,428,214	339,950
Issued warrant's value	**-**	**(172,481)**	-	(317,544)
Debt settlement	**557,362**	**62,674**	5,625,678	1,033,663
Balance at end of year	$ **53,740,633**	$ **40,873,171**	$ 44,961,479	$ 40,426,344

The variations in issued share Capital of the company are detailed as follow:

2013

On October 11, 2012, the Company completed a $45,000 private placement by issuing 9 units of the Company at a price of $5,000 per unit. Each unit is comprised of 13,636 common shares at a price of $0.11 per share, 25,000 flow-through shares at a price of $0.14 per share and 19,318 warrants of the Company. Each full warrant entitles the holder to purchase one common share at a price of $0.15 for a period of eighteen months following the issuance date. An amount of $10,104 related to issued warrants was recorded. There was no issuance cost.

On October 11, 2012, the Company issued 208,333 units at a price of $0.12 per unit. Each unit is comprised of one common share and 208,333 warrants of the Company. Each full warrant entitles the holder to purchase one common share at a price of $0.18 for a period of eighteen months following the issuance date. An amount of $8,804 related to issued warrants was recorded. There was no issuance cost.

15. EQUITY (cont'd)

2013 (cont'd)

On October 24, 2012, the Company issued 227,275 units at a price of $0.11 per unit. Each unit is comprised of one common share and one warrant of the Company. Each full warrant entitles the holder to purchase one common share at a price of $0.15 for a period of eighteen months following the issuance date. An amount of $9,348 related to issued warrants was recorded. There was no issuance cost. All placement securities are subject to a four-month resale restriction following the closing date, expiring on February 25, 2013.

On October 25, 2012, the Company settled $31,358 of accrued interest on a debt by issuing 272,675 common shares.

On November 12, 2012, the Company completed a $135,000 private placement by issuing 900,000 units of the Company at a price of $0.15 per unit. Each unit is comprised of one common share and one half warrant of the Company. Each full warrant entitles the holder to purchase one common share at a price of $0.20 for a period of eighteen months following the issuance date, expiring on May 2, 2014. An amount of $30,619 related to issued warrants was recorded. There was no issuance cost.

On January 7, 2013, the Company completed a $70,000 private placement by issuing 5.3846 units of the Company at a price of $13,000 per unit. Each unit is comprised of 20,000 common shares, at a price of $0.13 per share, 80,000 flow-through shares at a price of $0.13 per share and 100,000 warrants of the Company. Each full warrant entitles the holder to purchase one common share for a period of twenty-four months following the issuance date at a price of $0.20 during the first twelve months and at a price of $0.25 thereafter. An amount of $24,874 related to issued warrants was recorded. There was no issuance cost.

On January 24, 2013, the Company settled $31,316 of accrued interest on a debt by issuing 284,687 common shares.

On May 27, 2013, the Company completed a $300,000 private placement by issuing 6,000,000 units of the Company at a price of $0.05 per unit. Each unit is comprised of one common share and one warrant of the Company. Each full warrant entitles the holder to purchase one common share at a price of $0.10 for a period of twenty-four months following the issuance date. An amount of $88,732 related to issued warrants was recorded. There was no issuance cost.

2012

On December 5, 2011, the Company completed a $235,000 private placement by issuing 2,350,000 units at a price of $0.10 per unit. Each unit is comprised of one common share and a warrant. Each warrant entitles the holder to subscribe for one common share at a price of $0.15 for a period of eighteen months following the issuance date of the units. An amount of $86,437 related to issued warrants was recorded. All placement securities are subject to a four-month resale restriction following the closing date.

In addition, the Company completed a $329,950 flow-through private placement by issuing 2,356,786 flow-through units at a price of $0.14 per unit. Each unit is comprised of one common share and half a warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.18 for a period of eighteen months following the issuance date. An amount of $70,704 related to issued warrants was recorded. All placement securities are subject to a four-month resale restriction following the closing date.

On December 30, 2011, the Company completed a $45,000 private placement by issuing 450,000 units of the Company at a price of $0.10 per unit. Each unit is comprised of one common share and a warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.15 for a period of eighteen months following the issuance date. An amount of $16,455 related to issued warrants was recorded. All placement securities are subject to a four-month resale restriction following the closing date.

15. EQUITY (cont'd)

2012 (cont'd)

In addition, the Company completed a $10,000 flow-through private placement by issuing 71,428 flow-through shares at a price of $0.14 per unit. Each unit is comprised of one common share and half a warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.18 for a period of eighteen months following the issuance date. An amount of $3,928 related to issued warrants was recorded. All placement securities are subject to a four month resale restriction following the closing date.

On March 1st, 2012, the Company settled $300,000 convertible debentures by issuing 3,000,000 common shares at $0.10 and 3,000,000 warrants. Each full warrant entitles the holder to purchase one common share at $ 0.15 for a period of eighteen months following the closing. An amount of $417,000 related to issued warrants was recorded. At the issuance date the price of the share was $0.19. The fair value of the total consideration was $987,000 resulting in a loss on settlement of debt in the amount of $687,000 (Note 14). The related equity component of $152,782 was reversed to contributed surplus.

On April 18, 2012, the Company completed a $323,750 private placement by issuing 2,158,334 common shares at $0.18 per share and 2,158,334 warrants entitling the holder to purchase 2,158,334 common shares at $0.22 per share for a period of eighteen months following the closing of the private placement. An amount of $131,695 related to issued warrants was recorded.

On May 10, 2012, the Company settled $185,430 of accrued interest on a debt by issuing 1,030,170 common shares at $0.18 per share. The fair value of the total consideration was $185,430.

In addition, in order to settle three debentures previously issued having a balance of $246,875, the Company issued 1,371,528 units at $0.18 per unit. Each unit is comprised of one common share and half a warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.27 for a period of eighteen months following the issuance date. An amount of $77,491 related to issued warrants was recorded. The fair value of the total consideration was $324,366 resulting in a loss on settlement of debt in the amount of $77,491 (Note 14).

On July 3, 2012, 223,980 common shares were issued at $0.14 per share as settlement of $31,358 accrued interest related to convertible debentures issued previously. The fair value of the total consideration was $31,358.

On August 9, 2012, the Company completed a $20,000 private placement by issuing 166,667 units at a price of $0.12 per unit. Each unit is comprised of one common share and a warrant. Each warrant entitles the holder to subscribe for one common share at a price of $0.18 for a period of eighteen months following the issuance date of the units. An amount of $8,325 related to issued warrants was recorded.

Common share purchase options

The Company maintains a stock option plan (the "Plan") whereby the Board of Directors may from time to time grant to staff members, officers, directors or consultants of the Company, options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board of Directors.

The Plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance under the Plan shall be equal to 4,200,000 common shares and that the maximum number of common shares which may be reserved for issuance to any one optionee may not exceed 5% of the common shares outstanding at the time of vest. These options must be exercised no later than 5 years after the grant date. The options currently granted are subject to a minimum per trimester of a sixth vesting period for which options will vest gradually, except those granted to consultants providing investor relations services for which options will vest over 12 months.

15. EQUITY (cont'd)

Common share purchase options (cont'd)

The option exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the time of grant.

A summary of changes in the Company's common share purchase options is as follows:

	September 30, 2013		September 30, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	3,868,000	$ 0.242	201,750	$ 2.183
Granted	100,000	$ 0.100	3,675,000	$ 0.145
Expired	(63,000)	$ (2.200)	(8,750)	$ (4.200)
Cancelled	(340,000)	$ (0.145)	-	$ -
Balance, end of year	3,565,000	$ 0.213	3,868,000	$ 0.242
Options exercisable at the end	3,505,000	$ 0.212	1,531,333	$ 0.390

During the period, the Company granted a total of 100,000 options to purchase common shares to an arm's length service provider mandated to provide expertise in technology development and strategic market positioning. These options have an exercise price of $0.10 per common share and an exercise period of 5 years. The share purchase options have been measured at the fair market value of the services received, which is $5,000.

Options granted and exercisable as at September 30, 2013:

	Options granted	Options exercisable	Exercise price	Expiry date
	55,000	55,000	$ 1.90	November 2014
(a)	75,000	75,000	$ 2.00	December 2015
	3,335,000	3,335,000	$ 0.14	June 2017
	100,000	40,000	$ 0.10	April 2018
	3,565,000	3,505,000		

(a) Stock options granted at an exercise price of $0.10 before consolidation while the market value was $0.035.

15. EQUITY (cont'd)

Common share purchase options (cont'd)

Accounting for compensation plans

The average fair value of warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2013	2012
Average share price at grant date	**$ 0.15**	$ 0.14
Risk-free interest rate	**1.24 %**	1.41 %
Expected volatility	**247.24 %**	241.06 %
Expected life	**60 months**	60 months
Expected dividends	**0.0 %**	0,0 %
Average exercise price at grant date	**$ 0.14**	$ 0.14
Fair value of options granted at market value	**$ 0.100**	$ 0.115

Stock-based compensation cost recognized in earnings amounts to $179,298 ($290,101 in 2012).

Warrants

Outstanding common share purchase warrants, entitling their holders to subscribe to an equivalent number of common shares, were as follows:

	September 30, 2013		
	Number of warrants	Weighted average exercise price $	Fair value allocated
Balance at beginning of year	**18,222,113**	**0.319**	**$ 1,643,233**
Granted	**7,597,930**	**0.121**	**172,481**
Expired	**(15,211,348)**	**(0.336)**	**(1,293,075)**
Balance at end of year	**10,608,695**	**0.152**	**$ 522,639**

15. EQUITY (cont'd)

Warrants (cont'd)

	September, 30 2012		
	Number of warrants	Weighted average exercise price $	Fair value allocated
Balance at beginning of year	**9,062,604**	**0.660**	**$ 1,310,819**
Granted	**10,024,872**	**0.177**	**812,035**
Expired	**(865,363)**	**(2.257)**	**(479,621)**
Balance at end of year	**18,222,113**	**0.319**	**$ 1,643,233**

Warrants outstanding as at September 30, 2013 are as follows:

Number	Exercise price	Expiry date
2,158,334	$ 0.22	October 2013
685,764	$ 0.27	November 2013
166,667	$ 0.18	February 2014
173,862	$ 0.15	April 2014
208,333	$ 0.18	April 2014
227,275	$ 0.15	April 2014
450,000	$ 0.20	May 2014
538,460	$ 0.25	January 2015
6,000,000	$ 0.10	May 2015
10,608,695		

The average fair value of warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2013	2012
Average share price at grant date	**$ 0.06**	$ 0.11
Risk-free interest rate	**1.10 %**	1.25
Expected volatility	**117.43 %**	159.71
Expected life	**23,2 months**	18 months
Expected dividends	**0.0 %**	0.0
Average exercise price at grant date	**$ 0.12**	$ 0.16

15. EQUITY (cont'd)

During the year, the Company issued 7,597,930 warrants. Each warrant entitles the holder to purchase one common share with an expiry date from April 2014 to May 2015 at a price of $0.10 to $0.25 per share.

Warrants were issued under private placements and flow-through financing to common shareholders. They have been accounted for at their fair value of $172,481 as a reduction of share capital.

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period from 18 to 24 months.

Broker's units options
A summary of changes in the Company's issued broker's units options is as follows:

	September 30, 2013		
	Number of units options	Weighted average exercise price $	Fair value allocated
Balance at beginning of year	**377,000**	**0.558**	**$ 112,970**
Expired	**(377,000)**	**(0.558)**	**(112,970)**
Balance at end of year	**-**	**-**	**$ -**

	September 30, 2012		
	Number of units options	Weighted average exercise price $	Fair value allocated
Balance at beginning of year	408,250	0.638	$ 146,480
Expired	(31,250)	1.600	(33,510)
Balance at end of year	377,000	0.558	$ 112,970

Each unit is comprised of one common share that will entitle to one warrant upon the exercise of the option on the common share that will entitle to subscribe to one additional share.

16. CAPITAL MANAGEMENT

In terms of capital management, the objectives of the Company are to preserve its ability to continue its mining exploration and to develop its thermal fragmentation mining method as well as its exploration program. If necessary, the Company raises funds by private placement of common shares, loans or debentures in order to sustain the development of its activities. The Company does not intend to pay dividend in the foreseeable future.

The Company includes loans, long-term debt, debentures, share capital, contributed surplus, warrants and equity component of convertible debentures in the definition of capital for a total amount of $55,088,912 ($53,601,361 as at September 30, 2012).

The main property in which the Company has an interest is currently in the development stage and the utilization of its thermal fragmentation mining method by other mining companies is also at the start-up stage; as such, the Company is dependent on external financing to fund its activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes in the Company's approach to capital management during the year ended September 30, 2013. The Company does not have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, other than those related to its flow-through financing agreements for which the Company was not in compliance as at September 30, 2013 (Note 12).

17. FINANCIAL INSTRUMENTS

The Company is exposed to various financial risks that result from both its operations and its investment activities. Financial risk management is carried out by the Company's management.

Credit risk
The credit risk is the risk associated with non-payment of financial obligations by the customers of the Company. The Company's maximum exposure to credit risk is limited to the accounts receivable. The credit risk for funds held for exploration is considered negligible, since the counterparty is a reputable bank with high quality external credit rating. The maximum credit risk is equivalent to the net book value.

Liquidity risk
The liquidity risk is the risk that the Company experiences difficulty honouring commitments related to financial liabilities. The management approach concerning cash management is to ensure, as much as possible, that the Company has the necessary funds to meet its financial obligations at maturity. If considered necessary, management renegotiates extensions to maturity dates to balance the needs in cash and financings.

The Company intends to take measures in order to satisfy obligations under accounts payable and other liabilities, interest payment on convertible debentures and borrowings and repayment of the short-term part of long-term debts and convertible debentures. Management intends to continue, as was done in the past, to finance its activities by raising funds by private equity investments, loans or debentures. Even if it succeeded in financing its activities in the past, management cannot comment on the success of its future fund raising and it believes that the liquidity risk is high.

During the period from October 1st, 2012 to September 30, 2013, the Company raised a total of $87,500 in flow-through financing, issued share capital in order to settle debentures (Note 15) and accrued interests (Note 10) and renegotiated terms of some debentures to maintain its current liquidity (Note 14). However, non flow-through Financing is required to fund its operating expenses for the next year.

17. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

The following table summarizes the Company's financial liabilities as at September 30, 2013:

	Less than a year	Between 1 year and 2 years	More than 2 years
Accounts payable and other liabilities	$ 2,751,837	$ -	$ -
Loans	19,934	-	-
Indemnity payable to subscribers	6,187,352	-	-
Long-term debt	1,199,720	13,832	-
Debentures	1,900,000	471,998	57,775
	$ 12,058,843	$ 485,830	$ 57,775

Interest rate risk
The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Loans, long-term debt and debentures issued by the Company bear interest at a fixed rate thus exposing it to the risk of changes in fair value arising from interest rate fluctuations.

Sensibility analysis of the interest rate
A fluctuation of 1% of the LIBOR rate would have no significant impact on the results and cash flows of the Company.

17. FINANCIAL INSTRUMENTS (CONT'D)

Fair value

The carrying value and fair value of financial instruments presented in the consolidated statement of financial position are as follows:

	September 30, 2013		September 30, 2012	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets *(loans and receivables)*				
Cash	$ 51,293	$ 51,293	$ -	$ -
Fund held for exploration	-		25,961	25,961
Accounts receivables and other receivables	1,000	1,000	39,960	39,960
Advance to a company partner in a joint venture	151,250	151,250	96,805	96,805
	$ 203,543	$ 203,543	$ 162,726	$ 162,726
Financial liabilities				
Accounts payable and accrued interest payable	$ 2,751,837	$ 2,751,837	$ 2,080,772	$ 2,080,772
Loans	19,934	19,934	26,567	26,567
Indemnity payable to subscribers	6,187,352	6,187,352	6,088,158	6,088,158
Debt	1,213,552	1,213,552	741,564	741,564
Debentures	2,429,773	2,429,773	2,286,000	2,286,000
	$ 12,602,448	$ 12,602,448	$ 11,223,061	$ 11,223,061

The carrying value of funds held for exploration, accounts receivable and other receivables, advance to a company partner in a joint venture, security deposits, accounts payable and accrued interest payable, loans and indemnity payable to subscribers are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

The carrying value of debt and debentures is considered to be a reasonable approximation of fair value. The fair value is evaluated using analysis of discounted cash flow based on current borrowings rates which apply to similar borrowings.

18. RELATED PARTIES

The related parties include key management, key management's companies and the joint venture, as described below.

During the year 2013, there has been no transaction between related parties.

Key management personnel includes directors and members of top management.

The key management personnel compensation includes:

	September 30,	
	2013	2012
Salaries and fringe benefits	**$ 324,269**	$ 267,375
Capitalized to exploration and evaluation assets	**(117,493)**	(120,670)
	$ 206,776	$ 146,705
Stock-based compensation	**$ 156,189**	$ 227,568
Total	**$ 362,965**	$ 374,273

19. CONTINGENCIES

i) The Company's operations are regulated by governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether it is the result level, the impact or its deadline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations. In 2013, a provision of $2,060 ($8,500 in 2012) for restoration of the premises is included in the accounts payable and other liabilities. The actual amount might differ from this estimate.

ii) The Company is partly financed by issuance of flow-through common shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian explorations expenses, even if the Company has taken all the necessary measures to meet its commitment. The refusal of some expenses by the tax authorities would have a negative fiscal impact on investors and the Company and these consequences will only be determinable when such expenses will be denied by tax authorities.

20. CASH-FLOWS

	2013	2012
Supplemental cash flow information:		
Net change in working capital items :		
Accounts receivable and other receivables	**$ 38,960**	$ 16,147
Sales tax receivable	**(13,643)**	63,185
Prepaid expenses and deposits	**2,089**	10,967
Security deposits	**6,440**	-
Account payable and other liabilities	**678,475**	576,357
Deposit	**22,000**	-
Flow-through shares obligation	**43,365**	-
	$ 777,686	$ 666,656
Non-cash investing and financing activities:		
Increase in tax credit receivable	**$ 14,702**	$ -
Deferred exploration and evaluation expenditures financed through accounts payable and other liabilities	**$ -**	$ 54,388
Share issuances in settlement of accrued interests	**$ 62,674**	$ -
Amortization of flow-through shares	**$ 43,365**	$ -

The advance of $96,805 to a company partner in a joint venture was transferred to Cerro Dorado joint venture.

21. INCOMES TAXES

The reconciliation of the income tax provision, calculated using the combined federal and province of Quebec statutory tax rate with the provision of income taxes per the financial statements is as follows:

	2013	2012
Loss before income taxes	**$ (2,484,909)**	$ (3,081,469)
Income taxes at the statutory income tax rates of 27.28 % (27.28 % en 2012)	**(677,883)**	(840,625)
Adjustments for the following items :		
Difference between statutory and deferred tax rate	**6,931**	8,380
Unrecognized variation of temporary differences	**480,609**	728,547
Tax effect of the issuance of flow-through shares	**43,365**	32,460
Unrecognized income taxes on the investment recorded in accordance with equity method	**24,482**	(168,050)
Stock-based compensation	**48,912**	79,140
Indemnity to subscribers	**27,060**	159,099
Other and non-deductible expenses	**3,159**	1,049
	$ (43 365)	$ Nil

21. INCOMES TAXES (cont'd)

	2013	2012
Components of deferred tax expenses in the statement of Comprehensive loss		
Origination and reversal of temporary differences	**$ (598,752)**	$ (601,337)
Tax effect related to the issuance of flow-through shares	**43,365**	32,460
Unrecognized income taxes on the investment recorded in accordance with the equity method	**24,482**	(168,050)
Difference between statutory and deferred tax rate	**6,931**	8,380
Unrecognized variation of temporary differences	**480,609**	728,547
	$ (43,365)	$ Nil

	September 30, 2012	Recognized in profit and loss	September 30,2013
Deferred income tax variations in 2013			
Exploration and evaluation assets	$ (112,904)	$ (89,570)	$ (202,474)
Non-capital loss carry-forwards	303,143	45,723	348,866
Convertible debentures	(190,239)	43,847	(146,392)
	$ Nil	$ Nil	$ Nil

As at September 30, 2013 available temporary differences for which no deferred tax asset was recorded are as follows:

	Federal	Quebec
Exploration and evaluation assets	$ -	$ 5,720,688
Property, plant, and equipment	3,703,582	3,703,582
Share issuance expenses	248,795	248,795
Non-capital losses	18,884,802	19,719,393
Intangible assets	938,910	938,910
Capital losses	3,420	3,420
Deferred income taxes	$ 23,779,509	$ 30,334,788

21. INCOMES TAXES (cont'd)

As at September 30, 2013, the Company has non-capital losses for which no deferred tax asset was recorded and that can be carried over the following years:

	Federal	Quebec
2027	$ 1,404,394	$ 2,276,739
2028	2,371,329	2,366,634
2029	2,839,400	2,826,956
2030	3,507,331	3,481,023
2031	2,812,749	2,811,193
2032	2,958,717	2,969,243
2033	2,990,882	2,987,605
	$ 18,884,802	$ 19,719,393

Deferred income tax variations in 2012

	September 30, 2011	Recognized in profit and loss	September 30, 2012
Exploration and evaluation assets	$ (95,663)	$ (17,241)	$ (112,904)
Non-capital loss carry-forwards	419,587	(116,444)	303,143
Convertible debentures	(323,924)	133,685	(190,239)
	$ Nil	$ Nil	$ Nil

As at September 30, 2012 available temporary differences for which no deferred tax asset was recorded are as follows:

	2012	
	Federal	Quebec
Exploration and evaluation assets	$ -	$ 5,720,688
Property, plant, and equipment	3,462,896	3,462,896
Share issuance expenses	660,594	660,594
Non-capital losses	15,974,514	16,405,009
Intangible assets	1,093,405	1,093,405
Capital losses	3,420	3,420
Deferred income taxes	$ 21,194,829	$ 27,346,012

The Company has a tax credit for investments of $145,762 ($145,762 in 2012) that are not accounted for. These credits will expire by 2027 and can be used to reduce federal income tax.

22. COMPARATIVE FIGURES

Certain comparative figures from the previous exercise have been reclassified to conform to the presentation of the actual quarter.

The reclassification made to the note 10 in the actual financial statement in regards to the year ended September 30, 2012 is detailed below:

September 30, 2012		September 30, 2012 (reclassified)	
Category	**Amount**	**Category**	**Amount**
Other liabilities	$ 431,544	Salaries and fringe benefits payable	$ 205,607
		Other liabilities	$ 225,937
	$ 431,544		$ 431,544

23. SUBSEQUENT EVENTS

On November 28, 2013, the Company announced that it has closed a new private placement with Nippon Dragon in the form of a convertible debenture totaling $403,731. The debenture bears an interest rate of 5% per year and has a term of five years. The conversion terms are subject to the highest rate of following two possibilities:

- The market price, as defined as the total value of the shares traded over the first five trading days following the resumption of trading divided by the total volume over this same period; or

- $0.05 per share following the resumption date of trading within the first year following the issuance of the debenture, and $0.10 over the remaining period through to the maturity date of the debenture.

Following the evaluation of the convertible debenture, an amount of $268,139 was attributed to the Liabilities component and an amount of $135,592 was attributed to the Equity component.

On January 1st, 2014, the Company has entered into a lease agreement for the rental of office space in the amount of $66,000. The minimum lease payments for the following years are as follows:

2014 $49,500
2015 $16,500