

APPIA ENERGY CORP.

FINANCIAL STATEMENTS

**For the years ended September 30, 2014 and 2013
(Expressed in Canadian \$)**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by and are the responsibility of the management of Appia Energy Corp. (the "Company"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of the financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibility and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The financial statements have been audited by Wasserman Ramsay, an independent firm of chartered accountants. Their report outlines the scope of their examination and opinion on the financial statements.

(signed) "Tom Drivas"
Chief Executive Officer

(signed) "Michael D'Amico"
Chief Financial Officer

November 19, 2014

Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Appia Energy Corp.:

We have audited the accompanying financial statements of Appia Energy Corp., which comprise the statements of financial position as at September 30, 2014 and 2013 and the statements of loss and comprehensive loss, cash flows and changes in equity 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Appia Energy Corp. and its subsidiary as at September 30, 2014 and 2013 and the results of its operations, changes in equity and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

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



Chartered Accountants
Licensed Public Accountants

Markham, Ontario
November 19, 2014

Appia Energy Corp.
Statements of Financial Position
(Expressed in Cdn \$)

As at	September 30 2014 \$	September 30 2013 \$
Assets		
Current		
Cash and cash equivalents (note 4)	814,270	1,062,894
Accounts receivable	1,838	8,165
Prepaid expenses	13,842	16,720
Total current assets	829,950	1,087,779
Exploration and evaluation assets (note 5)		
Acquisition costs	770,889	769,093
Deferred exploration expenditures	5,482,317	5,395,054
Total assets	7,083,156	7,251,926
Liabilities		
Current		
Accounts payable & accruals	485,056	433,488
Deferred income tax (note 8)	520,533	556,336
Total liabilities	1,005,589	989,824
<i>Nature of operations and going concern (note 1)</i>		
Shareholders' equity		
Share capital (note 6(a))	7,835,123	7,835,123
Contributed surplus (note 7)	2,404,433	2,290,188
Deficit	(4,161,989)	(3,863,209)
Total shareholders' equity	6,077,567	6,262,102
Total liabilities and shareholders' equity	7,083,156	7,251,926

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

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 19, 2014

"Signed"
Anastasios (Tom) Drivas

"Signed"
Nick Bontis

Appia Energy Corp.
Statements of Changes in Equity
(Expressed in Cdn \$)

	Share Capital \$	Warrants \$	Contributed Surplus \$	Deficit \$	Total \$
At September 30, 2012	7,835,123	1,302	1,964,222	(3,401,021)	6,399,626
Net loss and comprehensive loss for the period	-	-	-	(462,188)	(462,188)
Adjustment of expired warrants	-	(1,302)	1,302	-	-
Share-based compensation	-	-	324,664	-	324,664
At September 30, 2013	7,835,123	-	2,290,188	(3,863,209)	6,262,102
Net loss and comprehensive loss for the period	-	-	-	(298,780)	(298,780)
Share-based compensation	-	-	114,245	-	114,245
At September 30, 2014	7,835,123	-	2,404,433	(4,161,989)	6,077,567

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

Appia Energy Corp.
Statements of Loss, and Comprehensive Loss
(Expressed in Cdn \$)

	For the years ended September 30	
	2014	2013
	\$	\$
<hr/>		
Expenses		
Professional fees	42,009	104,745
Management fees and salaries	134,238	125,188
Office and general	26,412	43,807
Shareholder communication	28,952	9,429
Share-based compensation	114,245	324,664
Loss for the period before the following	<u>(345,856)</u>	<u>(607,833)</u>
Interest income	11,273	17,668
Net loss for the period	<u>(334,583)</u>	<u>(590,165)</u>
Deferred income tax recovery (note 8)	35,803	127,977
Net loss and comprehensive loss	<u>(298,780)</u>	<u>(462,188)</u>
Weighted average number of shares outstanding	41,616,078	41,616,078
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

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

Appia Energy Corp.
Statements of Cash Flows
(Expressed in Cdn \$)

	For the years ended September 30	
	2014	2013
	\$	\$
Operating activities		
Net loss for the period	(298,780)	(462,188)
Items not affecting cash:		
Deferred income tax	(35,803)	(127,977)
Share-based compensation	114,245	324,664
	(220,338)	(265,501)
Net change in non-cash working capital		
Accounts receivable	6,327	70,788
Prepaid expenses	2,878	2,288
Accounts payable and accrued liabilities	51,568	(184,136)
Net cash used in operating activities	(159,565)	(376,561)
Investing activities		
Exploration and evaluation assets acquisition costs	(1,796)	(43,177)
Deferred exploration and evaluation expenditures	(87,263)	(877,393)
Net cash used in investing activities	(89,059)	(920,570)
Change in cash and cash equivalents	(248,624)	(1,297,131)
Cash and cash equivalents, beginning of period	1,062,894	2,360,025
Cash and cash equivalents, end of period	814,270	1,062,894

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

APPRIA ENERGY CORP.

Notes to Financial Statements

September 30, 2014

(Expressed in Canadian dollars unless otherwise stated)

1. Nature of operations and going concern

Appria Energy Corp. ("Appria" or "the Company") is a listed public Company incorporated in Canada, has interests in resource properties and is in the process of determining whether its properties contain resources that are economically recoverable. The registered office and location of corporate records is Suite 1220, 20 Toronto Street, Toronto, Ontario.

These Financial Statements ("Statements") have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2014 the Company had no sources of operating cash flows. The Company will therefore require additional funding which, if not raised, would result in the curtailment of activities and project delays. The Company had working capital of \$344,894 as at September 30, 2014, and has incurred losses since inception, resulting in an accumulated deficit of \$4,161,989 as at September 30, 2014. The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurance that the Company will be successful in this regard, and therefore, there is doubt regarding the Company's ability to continue as a going concern and the use of accounting principles applicable to a going concern. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption is not appropriate for these financial statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the balance sheet classifications, which could be material, would be necessary.

The recoverability of expenditures on its resource properties and related deferred exploration expenditures is dependent upon the existence of resources that are economically recoverable, confirmation of the Company's ownership interests in the claims, the ability of the Company to obtain necessary financing to complete the exploration and the development of the properties, and upon future profitable production or proceeds from the disposition of the properties.

2. Basis of preparation and statement of compliance

The Statements of the Company as at and for the year ended September 30, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect as of September 30, 2014.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Statements..

Presentation Currency

The Company's presentation currency and functional currency is the Canadian dollar ("\$").

Significant Accounting Judgments and Estimates

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the Statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and the effect on the Statements of changes in such estimates in future periods could be material. These estimates are based

on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The more significant estimates and judgments are as follows:

Critical accounting estimates

The amounts recorded for share-based compensation transactions are based on estimates. The Black-Scholes model is based on subjective estimates of assumptions for expected volatility, expected number of option to vest, dividend rate, risk-free interest rate and expected life of the options.

The recoverability of amounts shown for exploration and evaluation assets is dependent on the discovery of economical reserves, the ability of the Company to obtain financing to complete development of the properties and on future production or proceeds of disposition.

Management's opinion that there is no material restoration, rehabilitation and environmental obligation, is based on the existing facts and circumstances.

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values. Deferred income tax assets also result from unused loss carry-forwards and other deductions. The valuation of deferred income tax assets is adjusted to reflect the uncertainty of realization through profitable operations.

Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash-generating units; and
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage.

Financial Instruments

Financial assets

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

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

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

Fair value through profit or loss - This category includes derivatives, and investments acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of comprehensive income (loss).

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale ("AFS"). They are carried at fair value with changes in fair value recognized directly in other comprehensive earnings. Where a decline in the fair value of an AFS financial asset constitutes objective evidence of impairment, the amount of the loss is removed from other comprehensive earnings and recognized in the statement of comprehensive income (loss).

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets are impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

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

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

Other financial liabilities - This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

Fair value hierarchy:

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company has valued all of its financial instruments using Level 1 measurements.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash, Canadian Chartered Bank demand deposits and high-interest savings vehicles.

Foreign Currency Translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction.

All gains and losses on translation of these foreign currency transactions are included in the statement of loss and comprehensive loss.

Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

Share-based Compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees and services providers. The board of directors generally grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense or charged to exploration and evaluation assets as appropriate, with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for share purchase options granted to employees or those providing services similar to those provided by a direct employee is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated

reliably, in which case the fair value of the share purchase options is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

Income Taxes

Income tax on the profit or loss consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill not deductible for tax purposes; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied.

Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an interest in an exploration and evaluation asset. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense (“notional interest”).

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available.

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

Impairment

Exploration and evaluation assets are reviewed on a quarterly basis and when changes in circumstances suggest their carrying value may become impaired. Management considers exploration and evaluation assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows from the use of the property and its related assets and their eventual disposition. If impairment is deemed to exist, the property and its related assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis. Management determined that there was no impairment of carrying value on its properties in the current period.

Accounting pronouncements issued but not yet adopted

The following standards are either currently effective or will be effective soon with earlier adoption permitted. The Company has not early adopted any standards which are not yet effective and is currently assessing the impact they will have on the Statements

IFRS 9, Financial Instruments, introduces new requirements for the classification, measurement and derecognition of financial instruments. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. The adoption of IFRS 9 has been postponed indefinitely.

International Accounting Standard 32, Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) ("IAS 32"), clarifies the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) outlines new disclosure requirements that enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US Generally Accepted Accounting Principles.

4. Cash and cash equivalents

Cash and cash equivalents consists of cash and investments in Canadian Chartered Bank demand money market funds.

During the year ended September 30, 2014, the Company spent a total of \$129,767 on exploration and evaluation activities, including the balance of all funds raised exclusively for Canadian Exploration Expenditures ("CEE") in the prior fiscal years.

5. Exploration and evaluation assets

Acquisition costs

	Ontario Elliot Lake	Saskatchewan	Total
	\$	\$	\$
Balance, September 30, 2012	597,593	128,323	725,916
Total additions for the period	-	43,177	43,177
Balance, September 30, 2013	597,593	171,500	769,093
Total additions for the period	-	1,796	1,796
Balance, September 30, 2014	597,593	173,296	770,889

Deferred exploration expenditures

	Ontario Elliot Lake	Saskatchewan	Total
	\$	\$	\$
Balance, September 30, 2012	4,517,661	-	4,517,661
Additions:			
Assaying	213,475	-	213,475
Drilling	241,967	-	241,967
Contract Labour	268,450	127,504	395,954
Other	25,997	-	25,997
Total additions for the period	749,889	127,504	877,393
Balance, September 30, 2013	5,267,550	127,504	5,395,054
Additions:			
Contract labour	33,166	68,651	101,817
Other	14,972	12,978	27,950
Total additions for the period	48,138	81,629	129,767
Refund re fees paid in lieu of work	-	(42,504)	(42,504)
Balance, September 30, 2014	5,315,688	166,629	5,482,317

Ontario, Elliot Lake

(a) On November 1, 2007, the Company acquired a 100% interest in 61 mining claims known as the Elliot Lake property located in Beange, Bolger, Bouck, Buckles, Gunterman and Joubin Townships, Sault Ste. Marie Mining Division in the Province of Ontario. As part of the acquisition agreement the Company issued 35 million common shares to Canada Enerco Corp. ("CEC"), a company controlled by the President, CEO and Director of the Company, at a stated value of \$218,212. CEC retains the right to a 1% Uranium Production Payment Royalty and a 1% Net Smelter Returns Royalty on any precious or base metals payable provided uranium is greater than US\$130 per pound.

The Company also entered into two (2) share option agreements with CEC whereby the Company had the option to buy back 1,000,000 of the common shares of the Company at the price of \$1 per share, expiring August 31, 2008 and 9,000,000 common shares at the price of \$2 per share, subject to adjustment downward, in tranches of 1,000,000 shares, expiring November 2, 2011. In the fiscal year ended September 30, 2008, the Company exercised the first option for the 1,000,000 common shares by payment to CEC of \$1,000,000. These shares were cancelled in fiscal 2009. The second option expired unexercised on November 1, 2011.

Pursuant to an Assumption of Obligations Agreement dated November 2, 2007 among the Company, CEC, Quincy Gold Corp. and Energy Metals Corp. ("EMC"), the Company assumed certain obligations of CEC to Quincy and EMC giving the Company a 100% interest in the Elliot Lake property free and clear of all liens, charges and encumbrances in consideration for granting to EMC the right to purchase up to 9.9% of the equity of the Company (the "Participation Right") pursuant to an initial financing or an initial public offering or a going public transaction pursuant to a business combination at the same price and terms as other subscribers and a \$250,000 credit (the "Credit") towards the Participation Right. Since the date of the agreement mentioned above, EMC has been acquired by Uranium One. In fiscal year 2008, 250,000 common shares of the Company were issued to EMC in consideration for the Credit.

(b) The Company transferred 2 of the claims acquired from CEC as disclosed in (a) above to Denison Mines Inc. in return for rights of access and use of infrastructure as well as a 3% Net Smelter Returns Royalty on any product produced from the claims. No gain or loss has been recognized on this transfer.

(c) On February 27, 2008, the Company entered into an agreement with Dan Patrie Exploration Ltd. ("DPE") to acquire an option to earn a 100% interest in 6 mineral claims comprising 50 claim units in the Buckles and Joubin Townships in Sault Saint Marie Mining Division in the Province of Ontario in consideration for the payment of \$20,000 cash and the issuance of 50,000 common shares at a price of \$1 per share. DPE retains the right to a 1% Uranium Production Payment Royalty ("Royalty") payable when the uranium is sold from the claims at a price of at least US\$130 per pound. The Company has the right and option to purchase one-half (1/2) of the Royalty from DPE for \$1,000,000. If DPE wishes to sell the remaining Royalty to a third party, it shall first offer the remaining Royalty to the Company on the same terms on which they have received the offer from a bona fide third party which they are prepared to accept.

(d) During fiscal 2010 the Company staked an additional 35 claims in the Elliot Lake area for additional cost of \$35,950. All staked claims above are subject to the CEC royalty as outlined in paragraph (a) above.

Saskatchewan, Athabasca Basin

(e) During fiscal 2011, the Company participated in staking 26,657 hectares of uranium and rare earth prospects in Saskatchewan at a cost of \$128,323, in fiscal 2013, 71,740 hectares at a cost of \$43,177, and in fiscal 2014, 3,481 hectares at a cost of \$1,796.

The Company now holds a 100% mineral rights interest in 67,976 hectares (165,889 acres) in the Athabasca Basin of Saskatchewan and a 90% mineral rights interest in 5,060 hectares (12,504 acres) and a 100% interest in 7,245 hectares (17,903 acres) in contiguous claims at Alces Lake, near Athabasca Lake in the Province of Saskatchewan.

6. Share capital

(a) Common shares

The Company is authorized to issue an unlimited number of no par value common shares. The number of common shares issued as at September 30, 2013 and 2014 is 41,616,078 with a share capital value of \$7,835,123.

No common shares were issued in fiscal 2014 or 2013.

(b) Common share purchase options

The Company has created a stock option plan for the benefit of directors, officers and consultants. The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares.

As at September 30, 2014, 2,600,000 common shares were reserved for the exercise of stock options granted under the Company's stock option plan (the "Plan").

The following table provides the details of changes in the number of issued common share purchase options during the period:

	Options #	Weighted-average exercise price \$
Balance September 30, 2012	2,200,000	1.25
Granted, fiscal year 2013	400,000	1.25
Outstanding September 30, 2013	2,600,000	1.25
Granted, fiscal year 2014	400,000	1.25
Expired	(400,000)	1.25
Outstanding at September 30, 2014	2,600,000	1.25
Exercisable at September 30, 2014	2,400,000	1.25

On July 30, 2014, 400,000 options held by a former Director at an exercise price of \$1.25 per share expired unexercised and effective March 25, 2014, the Company issued 400,000 options to a Director of the Company exercisable at \$1.25 per share until March 25, 2019.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
1,000,000	1,000,000	16.6 months	\$1.25	February 17, 2016
400,000	400,000	27.8 months	\$1.25	January 23, 2017
400,000	400,000	28.0 months	\$1.25	February 1, 2017
400,000	400,000	42.3 months	\$1.25	April 9, 2018
400,000	200,000	53.8 months	\$1.25	March 25, 2019
2,600,000	2,400,000			

The weighted average fair value of all the options granted and outstanding is \$0.73 per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate is 1.63-1.98%, expected dividend yield of nil, expected volatility of 84.97%-141% and expected life term is 60 months. Under this method of calculation, the Company has recorded \$114,245 as stock based compensation during the year ended September 30, 2014, being the fair value of the options vested during the year ended September 30,

2014. Options that have been issued and remain outstanding vest half immediately on the date of grant and half in twelve months from the date of grant.

(c) Warrants

On certain issuances of common shares, the Company grants warrants entitling the holder to acquire additional common shares of the Company and the Company grants warrants as consideration for services associated with the placement of such common share issues. At September 30, 2014 and 2013, there were no warrants issued or outstanding.

7. Contributed surplus

A summary of changes in contributed surplus is as follows:

	\$ Amount
Balance, September 30, 2012	1,964,222
Share-based compensation	324,664
Value of expired warrants	1,302
Balance, September 30, 2013	2,290,188
Share-based compensation	114,245
Balance, September 30, 2014	2,404,433

The number of common shares outstanding on September 30, 2014 was 41,616,078. Taking into account outstanding share purchase options, the fully diluted number of common shares that could have been outstanding on September 30, 2014 was 44,216,078.

8. Income tax

The provision for (recovery of) income taxes differs from the amount that would have resulted by applying Canadian federal and provincial statutory tax rates of 26% (2013 – 26%).

	<u>2014</u>	<u>2013</u>
	\$	\$
Net loss before taxes	<u>(334,583)</u>	<u>(590,165)</u>
Income tax expense reconciliation:		
Expected income tax expense (recovery) calculated using statutory rates	(87,000)	(153,400)
Tax effect of the following items:		
Non-deductible stock based compensation	29,700	84,400
Non-deductible expenses and other items:		
Non-deductible expenses	15,600	15,600
Small business deduction	35,300	64,200
Non-capital losses recognized	<u>(29,403)</u>	<u>(138,777)</u>
Income tax expense (recovery)	<u>(35,803)</u>	<u>(127,977)</u>
Income tax expense (recovery) consists of:		
Current income taxes	-	-
Deferred income taxes	<u>(35,803)</u>	<u>(127,977)</u>
	<u>(35,803)</u>	<u>(127,977)</u>

The Company has incurred tax losses of approximately \$950,500 (2013 - \$774,000) which may be used to reduce future taxable income. The potential benefit of these losses will expire in the fiscal years ended September 30, if unused, as follows:

	Amount \$
2028	98,000
2029	101,000
2030	136,000
2032	219,000
2033	220,000
2034	176,500
	950,500

In addition to the above, the Company has approximately \$1,515,000 in Canadian Development and Exploration expenditures which can be deducted from taxable income without expiry.

The components of deferred income tax assets (liabilities) are as noted below:

	September 30 2014 \$	September 30 2013 \$
Non-capital losses	148,500	122,120
Mineral properties	(669,033)	(678,456)
Valuation allowance	-	-
Liability recognized in the financial statements	(520,533)	(556,336)

9. Related party transactions

During the year ended September 30, 2014, the Company incurred related party expenses of \$126,238 (2013 - \$115,188). These expenses related to management fees paid or payable to key management personnel; Tom Drivas, Chief Executive Officer, Frank van de Water, Chief Operating Officer and Michael D'Amico, Chief Financial Officer, and office administration services paid to Romios Gold Resources Inc., a company with a number of common directors and officers.

At September 30, 2014, \$418,306 (2013 - \$358,306) of accumulated related party expenditures is due and outstanding to Tom Drivas and is included under accounts payable and accrued liabilities. The amount charged for office administration services is included under office and general expenses.

Share-based compensation to key management and directors for the year ended September 30, 2014 was \$114,245 (2013 - \$324,664).

During the year ended September 30, 2014, the Company incurred expenses of \$20,000 (2013 - \$22,000) related to directors' fees to independent directors. At September 30, 2014, \$12,500 (2013 - \$4,000) was due and payable.

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the years ended September 30, 2014 and 2013.

During the year ended September 30, 2014, the Company incurred expenses of \$10,930 (2013 - \$62,228) for legal fees to a law firm related to a senior officer and director of the Company, William R. Johnstone. At September 30, 2014 \$1,271 (2013 - \$5,598) was due and payable to this related party.

As disclosed in Note 5(a) of the financial statements, the Company's major exploration property was acquired from a related party.

10. Financial instruments and risk management

Categories of financial assets and liabilities

Under IFRS, financial instruments are classified into one of the following five categories: Fair value through profit and loss ("FVTPL"), held to maturity investments, loans and receivables, AFS financial assets and other financial liabilities. The carrying values of the Company's financial instruments, including those held for sales are classified into the following categories:

	September 30 2014	September 30 2013
	\$	\$
FVTPL ⁽¹⁾	814,270	1,062,894
Receivables ⁽²⁾	1,838	8,165
Other financial liabilities ⁽³⁾	4,820	25,419

(1) Includes cash, committed cash and short-term investments.

(2) Includes accounts receivable related to HST tax refunds.

(3) Includes accounts payable.

Financial Instruments

The carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

- (i) Cash and cash equivalents and cash and cash equivalents held for future exploration are designated as FVTPL financial assets and are recorded at market value. The interest on deposits is insignificant.
- (ii) HST receivable is designated as loans and receivables and is recorded at cost.
- (iii) Accounts payable is designated as other financial liabilities and is recorded at cost.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

Carrying value of exploration and evaluation assets

The Company regularly reviews the carrying value of its properties for impairment to determine whether the carrying amount of these assets will be recoverable from future cash flows. Assumptions underlying the cash flow estimates include the forecasted prices for gold, copper, silver and molybdenum, planned production levels, and operating, capital, exploration and reclamation costs, which are subject to risks and uncertainties. Management has determined that there is no impairment of carrying value on its British Columbia and Quebec properties.

(a) Market risk

(i) Price risk

Commodity price risk

The price of uranium and rare earth elements may have an impact on the Company's exploration projects.

Sensitivity price risk

Anticipated changes in the value of uranium and rare earth elements would not, in management's opinion, change the recognized value of any of the Company's financial instruments.

(ii) Cash flow fair value interest rate risk

The Company does not have interest-bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the balance of the bank accounts.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Credit risk arises from cash and deposits with Canadian Chartered Banks as well as credit exposures to outstanding receivables.

The Company has no concentration of credit risk. The carrying amounts of financial assets recorded in the Statements are at cost.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. The Company is currently assessing all options to address its liquidity issues. It is not possible to determine with any certainty the success and adequacy of these initiatives.

11. Capital disclosures

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The capital of the Company consists of capital stock, warrants and contributed surplus.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and will raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

The Company is not subject to externally imposed capital requirements.