BANYAN GOLD CORP.
(formerly BANYAN COAST CAPITAL CORP.)
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 2013

JG JOHN J. GEIB
CHARTERED ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Banyan Gold Corp.

I have audited the accompanying financial statements of Banyan Gold Corp., which comprise the statements of financial position as at September 30, 2013 and September 30, 2012 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended September 30, 2013 and September 30, 2012, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

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

Opinion
In my opinion, the financial statements present fairly, in all material respects, the financial position of Banyan Gold Corp. as at September 30, 2013 and September 30, 2012, and its financial performance and its cash flows for the years ended September 30, 2013 and September 30, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying my opinion, I draw attention to Note 1 in the financial statements which indicates that the Company does not have an internal source of cash flows and future operations are dependent upon the continued availability of favourable trade credit and debt and equity financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Calgary, Alberta
December 20, 2013

Chartered Accountant

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BANYAN GOLD CORP.
(formerly BANYAN COAST CAPITAL CORP.)
STATEMENTS OF FINANCIAL POSITION
Expressed in Canadian Funds

	September 30 2013	September 30 2012
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	$ 370,586	$ 218,222
Accounts receivable	20,881	1,489
Accrued interest	1,258	1,261
Deferred acquisition costs	-	15,000
Prepaids	634	-
	393,359	235,972
Exploration and evaluation asset (Note 6)	683,868	-
	$ 1,077,227	$ 235,972
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 48,804	$ 51,230
	48,804	51,230
Shareholders' Equity		
Share capital (Note 5)	1,273,604	289,528
Contributed surplus	164,887	65,049
Deficit	(410,068)	(169,835)
	1,028,423	184,742
	$ 1,077,227	$ 235,972

On behalf of the Board:

Richmond Graham
President & CEO

David Rutt
Chief Financial Officer

BANYAN GOLD CORP.

(formerly BANYAN COAST CAPITAL CORP.)

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian Funds

	Year Ended September 30 2013	2012
EXPENSES		
Management fees (Note 7)	$ 73,500	$ -
Listing and filing fees	23,528	9,347
Professional fees	97,295	55,247
General and administration	48,818	15,693
Stock based compensation	-	-
Interest income	(2,908)	(2,489)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$ 240,233	$ 77,798
Loss per share - basic and diluted (Note 10)	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding	10,144,548	3,334,000

BANYAN GOLD CORP.
(formerly BANYAN COAST CAPITAL CORP.)
STATEMENTS OF CHANGES IN EQUITY
For the years ended September 30, 2013 and 2012
Expressed in Canadian Funds

	Number of shares	Capital Stock	Contributed Surplus	Deficit	Shareholders Equity
Balance, September 30, 2011	3,334,000	$ 289,528	$ 65,049	$ (92,037)	$ 262,540
Net loss for the year				(77,798)	(77,798)
Balance, September 30, 2012	3,334,000	$ 289,528	$ 65,049	$ (169,835)	$ 184,742
Shares issued for Hyland Project (Note 5)	4,150,000	407,500			407,500
Shares issued for cash net of costs, February 15 (Note 5)	5,000,000	420,437	71,313		491,750
Shares issued for cash net of costs, March 1 (Note 5)	2,000,000	156,139	28,525		184,664
Net Loss for the Year				(240,233)	(240,233)
Balance, September 30, 2013	14,484,000	$ 1,273,604	$ 164,887	$ (410,068)	$ 1,028,423

Note: All shares issued have been Class A common shares, No Class B common shares or Preference shares have been issued.

BANYAN GOLD CORP.
(formerly BANYAN COAST CAPITAL CORP.)
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2013 and 2012
Expressed in Canadian Funds

	2013	2012
Cash Flows from Operating Activities		
Net loss for the year	$ (240,233)	$ (77,798)
Changes in non-cash working capital items:		
Increase in receivables and accrued interest	(19,389)	(2,514)
Increase in prepaids	(634)	-
Increase (decrease) in payables and accrued liabilities	(2,426)	44,729
Net cash used in operating activities	(262,682)	(35,583)
Cash Flows from Financing Activities		
Shares issued	700,000	-
Share Issuance Costs	(23,586)	-
Net cash provided by financing activities	676,414	-
Cash Flows from Investing Activities		
Exploration and evaluation asset	(276,368)	-
Deferred Acquisition Costs	15,000	(15,000)
Net cash used in investing activities	(261,368)	(15,000)
Increase (Decrease) in cash and cash equivalents during the year	152,364	(50,583)
Cash and Cash Equivalents - Beginning of the Year	218,222	268,805
Cash and Cash Equivalents - End of the Year	$ 370,586	$ 218,222

Supplemental Disclosures

	2013	2012
Interest paid	$ -	$ -
Interest received	$ 2,911	$ 1,463
Income tax paid	$ -	$ -

1. NATURE AND CONTINUANCE OF OPERATIONS

Banyan Gold Corp. (the "Company") was incorporated as Banyan Coast Capital Corp. by a Certificate of Incorporation issued pursuant to the provisions of the Alberta Business Corporations Act ("ABCA") on July 26, 2010. The address of the Company's registered office is 166 Courstone Crescent SW, Calgary, Alberta, T3H 4Z5. These financial statements were approved and authorized for issuance by the Board of Directors on December 20, 2013.

The Company commenced trading on January 27, 2011, under the stock symbol BYN.

On February 15, 2013 the Company completed its qualifying transaction by acquiring the Hyland Gold Project in Yukon Territory, Canada, and changed its name from Banyan Coast Capital Corp. to Banyan Gold Corp.

These financial statements are presented on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of operations.

The Company does not generate cash flows from operations and has therefore relied principally on the issuance of equity securities to finance its operation activities to the extent that such instruments are issuable under terms acceptable to the Company.

If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PRESENTATION

These financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared on a historical costs basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could results in a material adjustment to the carry amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) the recoverability of receivables which are included in the statements of financial position;
ii) the inputs used in accounting for stock-based compensation expense, which are included in the statement of operations;
iii) the recoverability of future income tax asset;

2. BASIS OF PRESENTATION (continued)

iv) recoverability of exploration and evaluation expense asset,
v) the valuation of the rehabilitation provision, and
vi) the valuation of share-based payment transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign Exchange

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

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

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit and highly liquid short-term interest bearing variable rate investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Financial instruments

Financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

Financial liabilities

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

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

Other financial liabilities: They are measured in the statement of financial position at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Impairment

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

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

Interest income

Interest income is recognized as it accrues in the statement of income, using the effective interest method.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Share-based payments

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

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

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

Income Taxes

The income tax expense or benefit for the period consists of two components: current and deferred. Income tax expense is recognized in the statements of comprehensive loss except to the extent it relates to an item recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the reporting date in each of the jurisdictions and includes any adjustments for taxes payable or recovery in respect of prior periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Deferred tax is recognized using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. However, the deferred tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Mineral exploration and evaluation expenditures

Pre-exploration costs are expensed in the year in which they are incurred. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such cost as: materials used, surveying costs, geological costs, drilling costs, travel to and from the site, and payments made to contractors. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead, are expensed in the year in which they occur.

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of restoration obligation in the year in which the obligation is incurred. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. The discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Segment reporting

The Company determined that it had only one operating segment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet adopted

The following new standards have been issued but are not yet applicable to the Company:

(i) IFRS 9 Financial Instruments

As part of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:
- deals with classification and measurement of financial assets;
- establishes two primary measurement categories for financial assets: amortized cost and fair value;
- prescribes that classification depends on entity's business model and the contractual cash flow characteristics of the financial asset;
- eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

This standard is effective for annual periods beginning on or after January 1, 2015. The Company will adopt this standards when it becomes effective. The Company has currently not assessed the impact of adopting this standard.

(ii) IFRS 10 Consolidated Financial Statements

IFRS 10 will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidation — Special Purpose Entities. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.

(iii) IFRS 11 Joint Arrangements

IFRS 11 applies when accounting for interests in joint arrangements where there is joint control. Joint arrangements would be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. The option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation would be removed and equity accounting would be required. Ventures would transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet adopted (continued)

(iv) IFRS 12 Disclosure of Involvement with Other Entities,

IFRS 12 includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

(v) IFRS 13 Fair Value Measurement

IFRS provides a single framework for measuring fair value while requiring enhanced disclosure when fair value is applied.

As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

These amendments (ii to vi) are effective for annual periods beginning on or after January 1, 2013. The Company will adopt these standards (and amended standards) when they become effective. The Company has currently not assessed the impact of adopting these standards (and amended standards).

4. CASH AND CASH EQUIVALENTS

	September 30, 2013	September 30, 2012
Cash on deposit	$ 120,586	$ 28,222
Liquid short term deposit	250,000	190,000
	$ 370,586	**$ 218,222**

Included in liquid short term deposit are two redeemable GIC of $150,000 and $100,000, bearing annual interest at 1.2%, with a maturity date of April 10, 2014.

5. SHARE CAPITAL

Authorized:

Unlimited number of:

- Unlimited Class A voting common shares
- Unlimited Class B non-voting, common shares
- Unlimited Preferred Shares

All issued shares are fully paid.

Transactions

On February 15, 2013, the Company completed a non-brokered private placement for $500,000 by issuing 5,000,000 Units at $0.10 per share. Each Unit was comprised of one share and 1/2 of a share purchase warrant exercisable at $0.15 for a period of one year. A total share issuance costs of $79,563, including $71,313, assigned to the value of the share purchase warrants based on the Black Scholes pricing model, was incurred.

On March 1, 2013, the Company completed a non-brokered private placement for $200,000 by issuing 2,000,000 Units at a price of $0.10 per unit, each Unit consisting of one share and 1/2 of a share purchase warrant exercisable at $0.15 for a period of one year. A total share issuance costs incurred equaled $43,446, of which $28,585 was assigned to the value of the share purchase warrants based on the Black Scholes pricing model.

Share-based payments

On February 15, 2013, the Company completed the qualifying transaction by purchasing the Hyland Gold Project from Argus Metal Corp. The consideration for this transaction comprised of $35,000 in cash and 4,000,000 shares with a fair market value of $400,000.

On August 23, 2013 the Company made a share-based payment to Victoria Gold Corp. to extinguish the obligation assumed from Argus Metal Corp. The consideration for this transaction comprised of 150,000 shares with a fair market value of $7,500.

The Company measured these transactions indirectly, by reference to the fair value of the equity instruments granted.

5. SHARE CAPITAL (continued)

Stock Options

The Company has established a stock option plan (the "Plan") for the directors, officers, employees and consultants of the Company. The Plan is administered by the Board of Directors of the Company who establish the exercise prices, vesting conditions and expiry date of the options in accordance with the requirements imposed by the Exchange. The aggregate number of shares assumable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding shares reserved for the issuance to (a) any individual director or officer which will not exceed 5% of the issued and outstanding common shares, and (b) all consultants which will not exceed 2% of the issued and outstanding common shares.

There were no stock option transactions during the years ended September 30, 2012 or 2013.

At September 30, 2013, the following incentive stock options were outstanding to directors:

334,000 stock options
$0.15 Exercise price
Expiry date, January 25, 2021

The weighted average fair value of all stock options granted was $0.1478

Warrants

In conjunction with the Company's initial public offering, 200,000 broker warrants were issued exercisable at on or before January 25, 2013 at an exercise price of $0.15. These warrants expired unexercised.

In conjunction with the Company's non-brokered private placements in February and March of 2013, a total of 3.5 million warrants were issued with an exercise price of $0.15 for a period of one year.

The fair value of warrants issued is estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.0%
Estimated volatility	105%
Expected life	1 years
Expected dividend yield	0%

The weighted average fair value of all private placement warrants were $0.0285.

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

5. SHARE CAPITAL (continued)

Stock-based compensation

The Company recognizes compensation for all stock options and warrants granted using the fair value based method of accounting. During the years ended September 30, 2012 and 2013 no stock options where issued and no compensation was recorded.

6. EXPLORATION AND EVALUATION ASSET

The Company has interest in Hyland Gold Project exploration property located in Yukon Territory, Canada.

	Yukon Gold Project
Opening balance - September 30, 2013	$ Nil
Acquisition costs	$ 550,800
Exploration and evaluation expenses capitalized	$ 133,068
Closing balance - September 30, 2013	$ 683,868

7. RELATED PARTY TRANSACTIONS

Commencing March 1, 2013, the Corporation began issuing executive compensation of $14,000 per month between the three executive officers. Total short-term management compensation paid in 2013 was $94,500, reported as follows: $73,500 was expensed as management fees, $14,000 was expensed as professional fees, and $7,000 was capitalized to exploration and evaluation asset. No other type of compensation was paid or granted by the Company to the management in 2013.

8. FINANCIAL AND CAPITAL RISK MANAGEMENT

Fair value estimates are made at the reporting date, based on relevant market information and other information about the financial instruments. Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from the markets.

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

All of the Company's cash and cash equivalents are assessed to be in Level 1.

The fair market value of the Company's receivables and payables and accruals approximate their carrying amount due to their short-term nature.

a) Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada. Management believes that the credit risk with respect to receivables is remote.

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient capital to meet liabilities when due after taking into account the Company's holdings of cash that might be raised from equity financings. As at September 30, 2013, the Company had a cash balance of $370,586 (2012 - $218,222) and current liabilities of $48,804 (2012 - $51,230). All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The Company believes that these sources will be sufficient to cover the expected short and long term cash requirements.

8. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

c) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk is primarily attributable to its short term deposits. The Company doesn't believe a change by 1% in interest rate will have a significant impact on the fair value of its cash equivalents.

d) Foreign Currency Risk

The Company's reporting currency is in Canadian dollars and major transactions are denominated in Canadian dollars. Therefore the Company's currency risk is not significant.

e) Capital Disclosures

The Company manages its capital, consisting of shareholders' equity, in a manner consistent with the risk characteristics of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors.

The Company's objectives when managing capital are:

a) to safeguard the Company's ability to continue as a going concern;

b) to facilitate the exploration and development of Hyland gold Project.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results. As disclosed previously, there are no restrictions on the use of cash.

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

9. INCOME TAX

The income tax recovery reported differs from the amount of the tax recovery computed by applying the statutory rates to the net loss. The reasons for the differences and the related tax effects are as follows.

	September 30, 2013	September 30, 2012
Loss before income tax	$ (240,233)	$ (77,798)
Combined basic federal and provincial tax at 25% (2012 - 25%)	(60,058)	(19,450)
Increase (decrease) resulting from:		
Non-deductible items	1,255	123
Deductible items	(6,058)	-
Unrecorded future income tax benefit	64,861	19,326
	$ -	$ -

9. INCOME TAX (continued)

The components of the future income tax asset for the Company are as follows:

	September 30, 2013	September 30, 2012
Non-capital loss carry forwards	$ 417,289	$ 157,844
Share issue costs	59,036	56,843
	476,325	214,687
Approximate tax rate	25%	25%
	119,081	53,672
Valuation allowance	(119,081)	(53,672)
	$ -	$ -

Non-capital loss schedule

The Company has non-capital losses which may be carried forward and applied against taxable income of future periods. These losses expire as follows:

Year of loss	Expire	Amount
2013	2033	$ 259,445
2012	2032	96,253
2011	2031	49,561
2010	2030	12,030
		$ 417,289

The benefits resulting from these tax losses have not been recognized. As it is not more likely than not that the Company will realize the benefit of the income tax losses and temporary timing differences, no current or future income tax recovery has been recorded by the Company.

10. LOSS PER SHARE

Diluted loss per share for the years ended September 30, 2013 and 2012 is the same as basic loss per share as the impact of the exercise of the outstanding share options and warrants is anti-dilutive.