APPIA ENERGY CORP.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Appia Energy Corp.:

We have audited the accompanying financial statements of Appia Energy Corp., which comprises of the balance sheets as at September 30, 2011 and 2010 and the statements of loss and comprehensive loss, deficit 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 financial statements in accordance with Canadian generally accepted accounting principles, 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 of 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 auditors' judgment, including the assessment of the risks of internal misstatement of the financial statements, whether due to fraud or error. In making this risk assessments, the auditor considers internal controls 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 opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Appia Energy Corp. as at September 30, 2011 and 2010 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Wasserman Ramsay

Markham, Ontario

December 23, 2011

Chartered Accountants
Licensed Public Accountants

APPIA ENERGY CORP.

(Incorporated under the Federal Laws of Canada)

BALANCE SHEETS - SEPTEMBER 30, 2011 AND 2010

ASSETS

	2011	2010
Current:		
Cash and cash equivalents	$ 1,765,825	$ 629,712
Cash and cash equivalents held for future exploration activities (Note 3)	1,898,160	-
Accounts Receivable	5,248	572
Prepaid expenses	6,208	7,859
	3,675,441	638,143
Long term:		
Interest in mineral properties (Note 4)	725,916	597,593
Deferred exploration expenditures (Note 4)	3,206,659	3,020,755
	3,932,575	3,618,348
	$ 7,608,016	$ 4,256,491

LIABILITIES

	2011	2010
Current:		
Accounts payable and accrued liabilities	$ 54,369	$ 39,854
Accounts payable and accrued liabilities - related parties (Note 6)	245,682	180,000
Common shares subscribed, not issued (Note 11)	3,125	-
	$ 303,176	$ 219,854
Future income tax (Note 7)	372,661	398,200

SHAREHOLDERS' EQUITY

	2011	2010
Capital stock (Note 5(a))	$ 8,152,574	$ 4,916,593
Warrants (Note 5(c))	117,091	-
Contributed surplus (Note 5(d))	1,000,827	-
Deficit	(2,338,313)	(1,278,156)
	6,932,179	3,638,437
	$ 7,608,016	$ 4,256,491

See Nature of Operations and going concern (Note 1)

Approved on behalf of the Board:

"Tom Drivas"
Anastasios (Tom) Drivas, Director

"William R. Johnstone"
William R. Johnstone, Director

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

APPIA ENERGY CORP.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Operating expenses:		
Management fees	$ 60,000	$ 60,000
Office and general	23,774	38,258
Professional fees	38,590	24,504
Stock based compensation *(Note 5(b))*	1,000,827	-
	1,123,191	122,762
Less: Interest income	24,509	6,038
Net loss for the year before income tax	(1,098,682)	(116,724)
Future income tax recovery	38,525	-
Net loss and comprehensive loss for the year	$ (1,060,157)	$ (116,724)
Basic and diluted loss per share	$ 0.03	$ 0.00
Weighted average number of shares outstanding -basic and diluted	40,524,506	39,016,525

STATEMENTS OF DEFICIT

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Deficit, beginning of year	$(1,278,156)	$ (1,161,432)
Net loss for the year	(1,060,157)	(116,724)
Deficit, end of year	$(2,338,313)	$ (1,278,156)

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

APPIA ENERGY CORP.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Cash was provided by (used in) the following activities:		
Operating:		
Loss for the year	$ (1,060,157)	$ (116,724)
Add: items not requiring an outlay of cash:		
Future income tax recovery	(38,525)	-
Stock based compensation	1,000,827	-
Net change in non-cash working capital items (Note 8)	80,298	56,800
	(17,557)	(59,924)
Investing:		
Investments in mineral properties	(128,323)	(35,950)
Deferred exploration expenditures	(185,904)	(24,615)
	(314,227)	(60,565)
Financing:		
Private placement of common shares net of issue costs	3,366,057	-
Net change in cash and cash equivalents	3,034,273	(120,489)
Cash and cash equivalents, beginning of the year	629,712	750,201
Cash and cash equivalents, end of the year	$ 3,663,985	$ 629,712
Cash and cash equivalents are made up as follows:		
Cash and cash equivalents	1,765,825	629,712
Cash and cash equivalents held for future exploration activities	1,898,160	-
	3,663,985	629,712

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

1. Nature of Operations and going concern:

Appia Energy Corp. (the "**Company**") has interests in mining properties and is in the process of determining whether or not its properties contain resources that are economically recoverable.

The accompanying financial statements of the Company have been prepared by, and are the responsibility of the Company's management.

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 disposition thereof.

As at September 30, 2011 the Company has working capital of $3,372,265. The Company has no source of operating cash flows. The Company's ability to meet its obligations and continue as a going concern is dependent on the ability to identify and complete future financings. While the Company has been successful in raising financing's to date, there can be no assurance that it will be able to do so in the future.

2. Summary of significant accounting policies:

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) Cash and cash equivalents:

Cash and cash equivalents and cash and cash equivalents held for future exploration consists of cash and investments in Canadian money market mutual funds.

b) Mineral properties:

The Company carries its mineral resource properties at cost. Exploration expenditures relating to these properties, reduced by sundry income, are charged to deferred expenditures as incurred. If the property is brought into commercial production, the deferred expenditures will be amortized using the unit of production method based on the proven and probable ore reserves of the mine. Should an entire group of mining claims in an area be disproved or abandoned, the related acquisition costs and exploration expenditures will be written off. If the Company surrenders an interest in a property, any proceeds from the disposition of that part of the property is applied to reduce the carrying cost of the property to zero prior to any gain being recognized on the partial disposition.

The net carrying value of mineral properties does not represent the present or future realizable value of such properties. The realization of these assets is dependent upon confirmation of the Company's ownership interest in the claims and attaining viable commercial operations or proceeds from disposition.

An impairment loss will be recognized on a mineral property when the carrying value of the property is not recoverable and exceeds its fair value. Mineral properties are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The factors to be considered by management in this determination include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

c) Long-lived assets:

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

2. Summary of significant accounting policies (continued):

d) Earnings per share:

The Company has adopted the recommendations of the CICA Handbook section 3500, Earning per Share ("**EPS**"). The section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the section requires the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the calculation of basic and diluted EPS.

e) Income taxes:

The Company has adopted the liability method of accounting for income taxes as outlined in the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants. Under this method, current income taxes are recognized for the estimated taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

f) Asset retirement obligations:

The Company has adopted CICA 3110, "Asset Retirement Obligations" which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation) for the Company's exploration and development properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

g) Use of estimates and assumptions:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. The significant areas requiring the use of management estimates are the carrying value of mineral resource properties, the valuation of common shares issued for mineral properties, the determination of income taxes assets and liabilities and the valuation of warrants and stock based compensation. Actual results may differ from those estimates.

h) Financial Instruments – Recognition and Measurement:

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. All derivatives are recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship.

All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted for on the trade date.

2. Summary of significant accounting policies (continued):

i) Comprehensive Income:

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available-for-sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income.

j) Accounting Changes:

Effective May 1, 2007, the Company adopted revised CICA Section 1506 "Accounting Changes", which requires that: a) a voluntary change in accounting policies can be made if, and only if, the changes result in more reliable and relevant information; b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change; and c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting policies since the adoption of the revised standard.

Upon adoption of the new standards on financial instruments, the Company designated HST/GST receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost, using the effective interest rate method.

Except for the reclassifications noted above, the adoption of these new standards had no impact on the financial statements of the Company.

k) Capital Disclosures:

Handbook Section 1535 specifies the disclosures of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

l) Financial Instruments:

Handbook Sections 3862 and 3863 replaced Handbook s.3861, Financial Instruments Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Accounting pronouncements not yet adopted:

International Financial Reporting Standards:

In February 2008, the CICA Accounting Standards Board ("**AcSB**") confirmed that the changeover to International Financial Reporting Standards ("**IFRS**") from Canadian Generally Accepted Accounting Principles ("**GAAP**") will be required for both interim and annual financial statements for all publicly traded companies, effective for fiscal years beginning on or after January 1, 2011. The AcSB stated in their exposure draft that early adoption is permitted. The Company has the appropriate resources committed to the development of its IFRS changeover plan.

2. Summary of significant accounting policies (continued):

Business combinations:

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's financial statements.

Non-controlling interests:

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's financial statements.

Consolidated financial statements:

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011.

Apart from additional disclosure requirements, it is not anticipated that adoption of these new standards will have a major impact on the Company.

3. Cash and cash equivalents held for future exploration:

Cash and cash equivalents held for future exploration activities consists of cash and investments in Canadian money market mutual funds.

On December 31, 2010, the Company completed a private placement of 52,500 flow-through shares for gross proceeds of $78,750 and on March 17, 2011 the Company completed a private placement of 1,333,333 flow-through shares for gross proceeds of $2,000,000. These funds were committed to be expended on Canadian Exploration Expenditures ("**CEE**") and are therefore not available for current working capital purposes.

Of the total raised in flow-through funds $180,590 has been spent on CEE leaving a balance of $1,898,160.

4. Mineral properties:

Acquisition costs:

	Ontario Elliot Lake	Saskatchewan	Total
	$	$	$
Balance, September 30, 2009	561,643	-	561,643
Total additions for the period	35,950	-	35,950
Balance, September 30, 2010	597,593	-	597,593
Total additions for the period	-	128,323	128,323
Balance September 30, 2011	597,593	128,323	725,916

4. Mineral properties (continued):

Deferred exploration expenditures:

	Ontario Elliot Lake $
Balance, September 30, 2009	2,996,140
Additions:	
Assaying	-
Subcontract labour	24,615
Balance, September 30, 2010	3,020,755
Additions:	
Assaying	70,004
Subcontract labour	102,084
Other	13,816
Total additions for the period	185,904
Balance, September 30, 2011	3,206,659

(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 related to the Company on the basis of common shareholders and management, 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 over US$130 per pound.

The Company also entered into two (2) share option agreements with CEC whereby the Company has 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 a $2 per share price, subject to adjustments, in tranches of 1,000,000 shares, expiring November 2, 2012. The second option is conditional upon the Company spending at least $10 million on exploration on the property prior to November 2, 2011, to define an NI 43-101 compliant uranium mineral resource on the property. The Company shall determine the maximum purchase price as $0.10 multiplied by the number of pounds of uranium. In the event that the maximum purchase price is less than $20 million the option price of the 9 million shares will be adjusted to equal the maximum purchase price divided by 10 million. In the fiscal year ended September 30, 2008, the Company exercised the first option agreement for the 1 million common shares. These shares were returned to treasury for cancellation in fiscal 2009.

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.

4. Mineral properties (continued):

(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 of 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 over 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 the prior year the Company staked an additional 32 claims in the Elliot Lake area for additional cost of $35,950.

(e) During the current year, the Company participated in staking a 26,657 hectare uranium and rare earth prospects in Saskatchewan for total consideration and costs of $128,323. The Company holds between 50 to 90% interest in these 10 mineral properties in the Athabaska Basin area in the province of Saskatchewan. Two claims are in the process of being transferred.

5. Capital stock:

(a) The Company is authorized to issue an unlimited number of common shares.

Common shares have been issued as follows:

	Number	Value
Balance as at September 30, 2010 and 2009	39,016,525	$ 4,916,593
Issued pursuant to flow through private placements	1,385,833	2,078,750
Issued pursuant to private placements	1,182,000	1,477,500
Less: Value associated with warrants issued	-	(110,562)
Less: share issue costs	-	(196,722)
Reduction re: future income tax liability flow-through shares *(Note 6)*	-	(12,985)
Balance as at September 30, 2011	41,584,358	$ 8,152,574

During the current year the Company entered into private placement agreements to raise funds for exploration and working capital by way of a private placement of gross proceeds of $1,477,500 in the aggregate through the issuance of 1,182,000 working capital units of the Company at $1.25 per unit ("**WC unit**") and 1,385,833 flow-through units of the Company at $1.50 per flow-through unit ("**FT unit**") for gross proceeds of $2,078,750. Each WC unit consisted of one common share and one-half common share purchase warrant ("**WC Warrant**"). Each full WC Warrant entitles the holder to acquire one common share at a price of $1.75 for 12 months following the closing date; if the Company is not a reporting issuer in the Province of Ontario within 6 months following the closing date then each full WC Warrant will be exercisable at $1.25 per share for 12 months from the closing date. Each FT unit consists of one common share and one-half common share purchase warrant ("**FT Warrant**"). Each full FT Warrant is exercisable at a price of $2 per share for 12 months following the closing date, if the Company is not a reporting issuer within 6 months from the closing date then the exercise price will be $1.50 per share for 12 months following the closing date.

5. Capital stock (continued):

Finder fees were paid on the flow-through private placements by payment of cash commissions of $162,884 and by the issuance of 46,666 broker compensation warrants ("**Broker's Unit Warrant**"). Each Broker Unit Warrant entitles the holder to acquire a unit of the Company at exercise price of $1.50 per unit for 12 months from the closing date. Each broker unit consists of one common share ("**Broker Common Share**") and one-half common share purchase warrant ("**Broker Warrant**"). 46,666 common shares was reserved for the Broker Common Shares issuable on the exercise of the Broker's Unit Warrants and 23,333 Broker Warrants were created and reserved for issuance to be issued as fully paid and non-assessable Broker Warrants on the exercise of the Broker's Unit Warrants. Each Broker Warrant entitles the holder thereof to acquire a common share ("**Broker Warrant Share**") at an exercise price of $2.00 per Broker Warrant share until 12 months from the Closing Date, and if the Company is not a reporting issuer in the Province of Ontario within six (6) months following the Closing Date, at an exercise price of $1.50 per Broker Warrant Share until 12 months from the Closing Date.

Also included under share issue costs are legal fees in the amount of $27,309 and fair value of broker warrants issued in the amount of $6,529. The fair value of the brokers warrants was estimated using Black Scholes pricing model with the following assumptions: risk free weighted average interest rate of 1.15%, expected dividend yield of nil, expected volatility of 30% and expected life term of 12 months.

(b) Common share purchase options:

The Company has created a stock option plan for the benefit of directors, officers, key employees, 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, 2011, 1,400,000 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
	#	$
Outstanding at September 30, 2010	-	-
Granted	1,400,000	1.25
Outstanding at September 30, 2011	1,400,000	1.25
Options exercisable at September 30, 2011	700,000	1.25

On February 17, 2011, the Company issued 1,000,000 stock options exercisable at $1.25 per share until February 17, 2016 to directors of the Company. Half of the options granted are exercisable on or after the date of grant; the remaining options are exercisable on or after February 17, 2012.

On July 14, 2011, the Company issued 400,000 stock options exercisable at $1.25 per share until July 14, 2016 to a director of the Company. Half of the options granted are exercisable on or after the date of grant; the remaining options are exercisable on or after July 14, 2012.

5. Capital stock (continued):

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
1,000,000	500,000	52.6 months	$1.25	February 17, 2016
400,000	200,000	57.5 months	$1.25	July 14, 2016
1,400,000	700,000			

The weighted average fair value of all the options granted and outstanding is $1.43 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 1.98%, expected dividend yield of nil, average expected volatility of 141% and expected life term is 60 months. Under this method of calculation, the Company has recorded $1,000,827 as stock based compensation during the twelve months ended September 30, 2011, being the fair value of the options vested during the twelve months ended September 30, 2011. 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 issuances. Fair value of warrants issued was estimated using Black Scholes pricing model with the following assumptions: risk free weighted average interest rate of 1.15%, expected dividend yield of nil, average expected volatility of 30% and expected life term of 12 months.

The following table provides the details of changes in the number of outstanding common share purchase warrants:

	Number #	$
Balance September 30, 2010 and 2009	-	-
Private placement warrants issued	1,283,916	110, 562
Brokers warrants issued	69,999	6,529
Balance September 30, 2011	1,353,915	117,091

5. Capital stock (continued)

Certain issuances of common shares include warrants entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
Warrants	26,250	3 months	$1.50	December 31, 2011
Warrants	146,000	3.7 months	$1.25	January 20, 2012
Warrants	400,000	4.6 months	$1.25	February 18, 2012
Warrants	25,000	4.8 months	$1.25	February 23, 2012
Warrants	20,000	5.6 months	$1.25	March 17, 2012
Warrants	666,666	5.6 months	$1.50	March 17, 2012
Balance, September 30,2011	1,283,916			

Certain issuances of common shares include warrants as partial consideration to the agent for services associated with the share issues. A summary of the outstanding broker warrants is as follows:

	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
Compensation warrants	46,666	5.6 months	$1.50	March 17, 2012
Brokers' Warrants	23,333	5.6 months	$1.50	March 17, 2012
Balance, September 30, 2011	69,999			

(d) Contributed surplus:

A summary of changes in contributed surplus is as follows:

	Amount $
Balance, September 30, 2010	-
Stock based compensation	1,000,827
Balance, September 30, 2011	1,000,827

The number of common shares outstanding on September 30, 2011, is 41,584,358. Taking into account outstanding share purchase options and warrants, the fully diluted common shares that could be outstanding on September 30, 2011, is 44,338,273.

6. Related party transactions:

During the year ended September 30, 2011, the Company incurred related party expenses of $72,000 (2010-$72,000). These expenses related to management fees paid to Tom Drivas and office administration services paid to a Company where Tom Drivas is a director and officer, of which $238,306 (2010-$180,000) is due and payable as at September 30, 2011 and included under accounts payable and accrued liabilities. Amount charged for office administration services is included under office and general expenses.

The Company's solicitor, William R. Johnstone, who is also an officer of the Company, charged legal fees in the amount of $47,882 (2010-$13,854) of which $20,573 is included under professional fees and $27,309 is included in share issue costs. Included in accounts payable is $7,376 (2010-$0) owing to the firm of this individual. As disclosed in Note 4(a), the Company's major exploration property was acquired from a related party.

6. Related party transactions (continued):

These transactions are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

7. Future income tax:

The Company has incurred tax losses of approximately $551,350 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:

2028	$	216,800
2029		101,100
2030		135,650
2031		97,800
	$	551,350

In addition to the above, the Company has approximately $1,122,628 in Canadian Development and Exploration expenditures which can be deducted from taxable income without expiry

The components of future income tax assets (liabilities) at the Company's statutory rate of 16.50% (2010 - 16.50%) is as noted below:

		2011		2010
Non-capital losses	$	90,901	$	71,700
Mineral properties		(463,641)		(450,650)
Valuation allowance		-		(19,250)
Liability recognized in the financial statements	$	(372,660)	$	(398,200)

As required by CICA Handbook EIC 146, the Company has, for renunciations of flow-through amounts, treated the future income tax liability related to this temporary difference as a reduction in share capital at the time that the expenditure is renounced. In fiscal year 2011 this amounted to $12,985 and was included in share issue costs.

8. Supplemental cash flow information:

Net change in non-cash working capital:

		2011		2010
Accounts receivable	$	(4,676)	$	313
Prepaid expenses and deposits		1,651		(4,142)
Accounts payable and accrued liabilities		83,323		60,629
	$	80,298	$	56,800

9. Financial instruments:

Credit risk:

The Company is currently not exposed to any significant credit risk.

Liquidity rate 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.

The Company does not hold or issue financial instruments for trading purposes.

9. Financial instruments (continued):

Market Risk:

a) Interest rate risk:

At September 30, 2011, the Company has cash and cash equivalent balances. The Company's current policy is to invest cash in investment-grade short-term deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its bank. The Company considers interest rate risk to be minimal as investments are short-term.

b) Foreign Currency risk:

A portion of the Company's transactions occur in foreign currencies (U.S. dollars) and the Company is therefore exposed to risk from currency fluctuations. This risk is not considered significant.

c) Price risk:

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity to Financial Risks:

The Company has designated its cash equivalents as held-for-trading, measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying amounts for cash equivalents, amounts receivable and accounts payable and accrued liabilities and loan payable on the balance sheet approximate fair value because of the limited terms of these instruments. There were no changes in the year ended September 30, 2011 that occurred that were attributed to financial risks.

The Company considers interest rate risk to be minimal as investments and the loan payable are short-term. It is expected that future financings will be secured from equity placements.

The Company does not hold any significant balances in foreign currencies to give rise to foreign exchange risk.

Price risk is remote since the Company is not a producing entity.

10. 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 mineral properties. The capital of the Company consists of capital stock and accumulated deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. Accordingly, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for its administrative costs, the Company will spend its existing working capital and 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 geological 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.

There were no changes in the Company's approach to capital management during the year ended September 30, 2011.

The Company is not subject to externally imposed capital requirements.

11. Subsequent events:

On November 15, 2011, the Company raised additional working capital by way of private placements of $25,900 through the issuance of 20,720 working capital units ("**WC unit**") of the Company at $1.25 per unit. Each WC unit consists of one common share of the Company and one half of a common share purchase warrant ("**WC warrant**"). Each full WC warrant entitles the holder to purchase one common share at a price of $1.75 per share for 12 months following the closing date and if the Company is not a reporting issuer in the province of Ontario within six months following the closing date, each full WC warrant is exercisable at a price of $1.25 per common share for 12 months following the closing date.

On November 15, 2011, the Company also raised flow through funds by way of private placements of $13,500 through the issuance of 9,000 flow-through units ("**FT unit**") of the Company at $1.50 per FT Unit. Each FT unit consists of one flow-through common share of the Company and one half of a common share purchase warrant ("**FT warrant**"). Each full FT warrant entitles the holder to purchase one common share of the Company at the price of $2.00 per share for 12 months following the closing date and if the Company is not a reporting issuer in the province of Ontario within six months following the closing date, each full FT warrant is exercisable at a price of $1.50 per common share for 12 months following the closing date.