

**APPIA ENERGY CORP.**

**FINANCIAL STATEMENTS**

**For the years ended September 30, 2012 and 2011  
(Expressed in Cdn \$)**

## 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

January 24, 2013

## 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, 2012 and 2011, and October 1, 2010 and the statements of profit and loss and comprehensive profit and loss, cash flows and changes in equity for the years ended September 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### 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 material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 opinion.

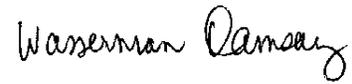
### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Appia Energy Corp. as at September 30, 2012 and 2011 and October 1, 2010 and the results of its operations and cash flows for the years ended September 30, 2012 and 2011 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.

Markham, Ontario  
January 24, 2013



Chartered Accountants  
Licensed Public Accountants

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

As at	September 30 2012 \$	September 30 2011 \$ (Note 13)	October 1 2010 \$ (Note 13)
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents (note 4)	1,758,567	1,765,825	629,712
Cash and cash equivalents for future exploration activities (note 4)	601,458	1,898,160	-
Accounts receivable	78,953	5,248	572
Prepaid expenses	19,008	6,208	7,859
<b>Total current assets</b>	<b>2,457,986</b>	<b>3,675,441</b>	<b>638,143</b>
<b>Exploration and evaluation assets</b>			
Acquisition costs (note 5)	725,916	725,916	597,593
Deferred exploration expenditures (note 5)	4,517,661	3,206,659	3,020,755
<b>Total assets</b>	<b>7,701,563</b>	<b>7,608,016</b>	<b>4,256,491</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable & accruals	617,624	300,051	219,853
Common shares subscribed, not issued	-	3,125	-
<b>Total current liabilities</b>	<b>617,624</b>	<b>303,176</b>	<b>219,853</b>
Deferred flow-through share premium liability	82,451	260,908	-
Deferred income tax	601,862	360,837	398,200
<b>Total liabilities</b>	<b>1,301,937</b>	<b>924,921</b>	<b>618,053</b>
<i>Contingencies and commitments (note 12)</i>			
<b>Shareholders' equity</b>			
Share capital (note 6(a))	7,835,123	7,796,776	4,834,343
Warrants (note 6(c))	1,302	117,091	-
Contributed surplus (note 7)	1,964,222	1,000,827	-
Deficit	(3,401,021)	(2,231,599)	(1,195,905)
<b>Total shareholders' equity</b>	<b>6,399,626</b>	<b>6,683,095</b>	<b>3,638,438</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,701,563</b>	<b>7,608,016</b>	<b>4,256,491</b>

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

APPROVED ON BEHALF OF THE BOARD ON JANUARY 24, 2013

"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 \$
<b>At October 1, 2010</b>	4,834,343	-	-	(1,195,906)	3,638,437
Net loss and comprehensive loss for the period	-	-	-	(1,035,693)	(1,035,693)
Common shares issued, net	1,477,500	-	-	-	1,477,500
Flow throw shares issued, net	1,792,217	-	-	-	1,792,217
Value associated with warrants issued	(110,562)	110,562	-	-	-
Share-based payments	-	-	1,000,827	-	1,000,827
Share issuance costs	(196,722)	6,529	-	-	(190,193)
<b>At September 30, 2011</b>	7,796,776	117,091	1,000,827	(2,231,599)	6,683,095
Net loss and comprehensive loss for the period	-	-	-	(1,169,422)	(1,169,422)
Common shares issued, net	28,400	-	-	-	28,400
Flow throw shares issued, net	11,249	-	-	-	11,249
Flow through warrants expired	-	(117,091)	117,091	-	-
Value associated with warrants issued	(1,302)	1,302	-	-	-
Share-based payments	-	-	846,304	-	846,304
<b>At September 30, 2012</b>	7,835,123	1,302	1,964,222	(3,401,021)	6,399,626

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

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

	For the years ended	
	September 30	
	2012	2011
	\$	\$
<b>Expenses</b>		
Professional fees (note 9)	188,730	38,590
Management fees and salaries (note 9)	82,000	60,000
Office and general (note 9)	30,109	17,121
Shareholder communication	4,878	6,653
Share-based payments	846,304	1,000,827
Loss for the period before the following	(1,152,021)	(1,123,191)
Interest income	42,917	24,509
Net loss for the period	(1,109,104)	(1,098,682)
Deferred income tax recovery / (expense)	(60,318)	62,989
<b>Net profit/(loss) and comprehensive profit/(loss)</b>	<b>(1,169,422)</b>	<b>(1,035,693)</b>
Weighted average number of shares outstanding	41,611,921	40,524,506
Basic and diluted loss per share	\$ (0.03)	\$ (0.03)

*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	
	2012	2011
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(1,169,422)	(1,035,693)
Items not affecting cash:		
Deferred income tax recovery	60,318	(62,989)
Share based payments	846,304	1,000,827
	(262,800)	(97,855)
Net change in non-cash working capital		
Accounts receivable	(73,705)	(4,676)
Prepaid expenses	(12,800)	1,651
Accounts payable and accrued liabilities	317,571	83,323
Change from operating activities	(31,733)	(17,557)
<b>Investing activities</b>		
Mineral property acquisition costs	-	(128,323)
Deferred exploration expenditures	(1,311,002)	(185,904)
Change from investing activities	(1,311,002)	(314,227)
<b>Financing activities</b>		
Private placement of common shares	38,775	3,556,250
Share issue expense	-	(190,193)
Change from financing activities	38,775	3,366,057
Change in cash and cash equivalents	(1,303,960)	3,034,273
Cash and cash equivalents, beginning of period	3,663,985	629,712
<b>Cash and cash equivalents, end of period</b>	<b>2,360,025</b>	<b>3,663,985</b>
<b>Cash comprises:</b>		
Cash and cash equivalents	1,758,567	1,765,825
Cash and cash equivalents for future exploration activities	601,458	1,898,160
	<b>2,360,025</b>	<b>3,663,985</b>

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

**APPIA ENERGY CORP.**  
**Notes to Financial Statements**  
**September 30, 2012**  
**(expressed in Canadian dollars unless otherwise stated)**

**1. Nature of operations and going concern**

Appia Energy Corp. ("Appia" or "the Company") has interests in resource properties and is in the process of determining whether its properties contain resources that are economically recoverable.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has presented the financial statements for the year ended September 30, 2012 and the comparative figures for the year ended September 30, 2011 as well as the October 1, 2010 transition date statement of financial position in IFRS as stated in note 13 below. The accompanying financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

These financial 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, 2012 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 \$1,840,362 as at September 30, 2012, and has incurred losses since inception, resulting in an accumulated deficit of \$3,401,021 as at September 30, 2012. 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 assurances 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 accordingly, 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 were 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 disposition thereof.

**2. Basis of preparation and statement of compliance**

The financial statements of the Company as at and for the year ended September 30, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited annual financial statements for the year ended September 30, 2011 prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

These financial statements have been prepared in accordance with International Accounting Standards 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, 2012.

### 3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at October 1, 2010 for the purpose of the transition to IFRS unless otherwise indicated.

#### 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 financial statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and the effect on the financial 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 areas are as follows:

##### *Critical accounting estimates*

The amounts recorded for share-based payment transactions are based on estimates. The Black-Scholes model is based on estimates of assumptions for expected volatility, expected number of options 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 assumption of no material restoration, rehabilitation and environmental obligation, is based on the facts and circumstances that existed during the period.

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet 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, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

#### 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 are as follows:

*Accounts receivable* - 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.

*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).

##### *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, 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 recognized in profit or loss.

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 Payments**

The Company grants stock options to buy common shares of the Company to directors, officers and service providers. The board of directors 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.

The fair value for share purchase options granted to those providing services 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.

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 exploration and evaluation assets interest. 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 an 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 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 commonshares 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 effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not early adopted these standards and is currently assessing the impact they will have on the financial statements.

**IFRS 11, Joint Arrangements:** IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities-Non – Monetary Contributions by Venturers.

**IFRS 12, Disclosure of Interests in Other Entities:** IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

**IFRS 13, Fair Value Measurements:** IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

In July 2011, the IASB agreed to defer the effective date of IFRS 9, Financial Instruments from 2013 to 2015. The standard is the first part of a multi-phase project to replace IAS 39, Financial Instruments: Recognition and Measurement.

**IAS 28, Investments in Associates and Joint Ventures:** IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures. Early adoption is permitted.

**IAS 1 – Presentation of Financial Statements:** In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted. The Company intends to adopt the amendments in its financial statements for the year commencing October 1, 2012. The impact of adoption of these amendments had not yet been determined.

## **4. Cash and cash equivalents**

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

On November 15, 2011, the Company completed a private placement of 9,000 flow-through units for gross proceeds of \$13,500. These funds were committed to be expended on Canadian Exploration Expenditures ("CEE") and are therefore not available for current working capital purposes.

During the twelvemonths to September 30, 2012, the Company spent a total of \$1,311,002 on exploration activities, including committed funds raised in the prior fiscal year, leaving a balance of \$601,458 at September 30, 2012 to be spent on Canadian Exploration Expenditures ("CEE").

## 5. Exploration and evaluation assets

### Acquisition costs

	Ontario Elliot Lake	Saskatchewan	Total
	\$	\$	\$
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
Total additions for the period	-	-	-
Balance September 30, 2012	597,593	128,323	725,916

### Deferred exploration expenditures

	Total \$
Balance, September 30, 2010	3,020,755
Additions:	
Assaying	70,004
Contract labour	102,084
Other	13,816
Total additions for the period	185,904
Balance, September 30, 2011	3,206,659
Additions:	
Assaying	84,440
Drilling	1,084,631
Contract labour	102,058
Other	39,873
Total additions for the period	1,311,002
Balance, September 30, 2012	4,517,661

Note: To date all deferred exploration expenditures have been incurred on the Company's Elliot Lake Property.

### 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, 2012. 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 was conditional upon the Company spending at least \$10 million on exploration on the property prior to November 1, 2011, to define an NI 43-101 compliant uranium mineral resource on the property. The Company did not spend the required \$10 million on exploration and the second option expired 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 for total consideration and costs of \$128,323. The Company holds interests of 50 to 90% in these 10 exploration and evaluation assets in the Athabasca Basin area of 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 following table provides the details of changes in the number of issued common shares:

	<i><b>Number</b></i>	<i><b>Amount</b></i>
	#	\$
Balance, September 30, 2010 and 2009	39,016,525	4,834,343
Flow-through common shares issued, net	1,385,833	1,779,232
Common shares issued	1,182,000	1,477,500
Less: Value associated with warrants issued	-	(110,562)
Share issue costs	-	(183,737)
Balance, September 30, 2011	41,584,358	7,796,776
Flow-through common shares issued, net	9,000	11,250
Common shares issued November 15, 2011	20,720	25,900
Common shares issued December 30, 2011	2,000	2,500
Less: Value associated with warrants issued	-	(1,302)
Balance, September 30, 2012	41,616,078	7,835,123

During the 2011 fiscal 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"). These warrants expired on March 17, 2012.

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. These broker's warrants and underlying broker's warrants expired on March 17, 2012.

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 broker's 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.

On November 15, 2011, the Company completed a private placement of 20,720 working capital units ("WC unit") at \$1.25 per unit for gross proceeds of \$25,900. 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 thereof to purchase one common share of the Company at a price of \$1.75 per common share for twelve 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 shall entitle the holder to purchase one common share of the Company at \$1.25 per common share for twelve months following the Closing Date. Subsequent to the year end, these warrants expired unexercised.

On November 15, 2011, the Company completed a private placement of 9,000 flow-through units ("FT unit") at \$1.50 per unit for gross proceeds of \$13,500. Each FT unit consists of one flow-through share ("FT share") of the Company and one-half of a common share purchase warrant ("Warrant"). Each full Warrant entitles the holder thereof to purchase one common share of the Company at a price of \$2.00 per common share for twelve 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 Warrant shall entitle the holder to purchase one common share of the Company at \$1.50 per common share for twelve months following the Closing Date. Subsequent to the year end, these warrants expired unexercised.

On December 30, 2011, the Company completed a private placement of 2,000 working capital units ("WC unit") at \$1.25 per unit for gross proceeds of \$2,500. 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 thereof to purchase one common share of the Company at a price of \$1.75 per common share for twelve 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 shall entitle the holder to purchase one common share of the Company at \$1.25 per common share for twelve months following the Closing Date. Subsequent to the year end, these warrants expired unexercised.

#### **(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, 2012 2,200,000 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
Granted	800,000	1.25
Outstanding at September 30, 2012	2,200,000	1.25
Options exercisable at September 30, 2012	1,800,000	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. At September 30, 2012, all of these options are exercisable.

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. At September 30, 2012, all of these options are exercisable.

On January 23, 2012, the Company issued 400,000 stock options exercisable at \$1.25 per share until January 23, 2017 to an officer 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 January 23, 2013.

On February 1, 2012, the Company issued 400,000 stock options exercisable at \$1.25 per share until February 1, 2017 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 February 1, 2013.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
1,000,000	1,000,000	40.6 months	\$1.25	February 17, 2016
400,000	400,000	45.5 months	\$1.25	July 14, 2016
400,000	200,000	51.8 months	\$1.25	January 23, 2017
400,000	200,000	52.0 months	\$1.25	February 1, 2017
2,200,000	1,800,000			

The weighted average fair value of all the options granted during the year is \$0.90 (2011 - \$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, expected volatility of 97%-141% and expected life term is 60 months. Under this method of calculation, the Company has recorded \$846,304 as stock based compensation during the year ended September 30, 2012, being the fair value of the options vested during the year ended September 30, 2012. 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.

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

	<b>Number</b>	<b>\$</b>
	#	
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
Private placement warrants issued	15,860	1,302
Warrants expired	(1,353,915)	(117,091)
Balance September 30, 2012	15,860	1,302

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	4,500	1.5 months	\$1.50	November 15, 2012
Warrants	10,360	1.5 months	\$1.25	November 15, 2012
Warrants	1,000	3 months	\$1.25	December 30, 2012
Balance, September 30, 2012	15,860			

## 7. 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
Stock based compensation	846,304
Common shares purchase warrants expired	117,091
Balance, September 30, 2012	1,964,222

The number of common shares outstanding on September 30, 2012 was 41,616,078. Taking into account outstanding share purchase options, and warrants, the fully diluted common shares that could be outstanding on September 30, 2012 was 43,831,938.

## 8. Deferred income tax

The Company has incurred tax losses of approximately \$852,000 (2011- \$573,000) 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	216,800
2029	101,100
2030	135,650
2031	119,400
2032	279,500
	852,450

In addition to the above, the Company has approximately \$508,141 in Canadian Development and Exploration expenditures which can be deducted from taxable income without expiry.

The components of deferred income tax assets (liabilities) at the Company's statutory rate of 15.50% (2011 - 16.50%) are as noted below:

	<b>September 30 2012</b>	September 30 2011
	\$	\$
Non-capital losses	<b>132,132</b>	90,901
Mineral properties	<b>(733,993)</b>	(451,738)
Valuation allowance	-	-
<b>Liability recognized in the financial statements</b>	<b>(601,861)</b>	<b>(360,837)</b>

## 9. Related party transactions

During the year ended September 30, 2012, the Company incurred related party expenses of \$94,000 (2011 – \$72,000). These expenses related to management fees paid to Tom Drivas, Chief Executive Officer, Michael D'Amico, Chief Financial Officer and office administration services paid to a Company where Tom Drivas is a director and officer, of which \$298,306 (2011 - \$238,306) is due and payable as at September 30, 2012 and included under accounts payable and accrued liabilities. Amount charged for office administration services is included under office and general expenses.

Compensation of key management personnel and directors for years ending September 30, 2012 and 2011 is summarized as follows:

	<u>2012</u>	<u>2011</u>
Compensation fees	\$ 82,000	\$ 60,000
Share-based payments	846,304	1,000,828

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the years ended September 30, 2012 and 2011.

During the year ended September 30, 2012, the Company incurred expenses of \$120,732 (2011-\$47,882) for legal fees to a law firm related to a senior officer and director of the Company, William R. Johnstone. At September 30, 2012 \$31,571 (2011 – \$ 7,376) 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, available-for-sale financial assets and other financial liabilities. The carrying values of the Company’s financial instruments, including those held for sale are classified into the following categories:

	<b>September 30 2012 \$</b>	September 30 2011 \$
FVTPL <sup>(1)</sup>	<b>2,360,025</b>	3,663,985
Loans and receivables <sup>(2)</sup>	<b>78,953</b>	5,248
Other financial liabilities <sup>(3)</sup>	<b>617,624</b>	300,051

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

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

(3) Includes accounts payable and bank overdraft.

### 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) H.S.T. 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.

#### **(a) Market risk**

- (i) *Price risk*

##### *Commodity price risk*

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company’s commodity inputs and outputs. The Company is exposed to commodity price risk arising from the fluctuation of the value of the metals it is exploring for. The Company does not manage commodity price risk through the use of derivative instruments.

##### *Sensitivity*

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 banks and financial institutions 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 financial statements are adjusted for any impairment and represent the Company's maximum exposure to credit risk.

**(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 intends to 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.

There were no changes in the Company's approach to capital management during the year ended September 30, 2011 and 2012. The Company is not subject to externally imposed capital requirements.

**12. Contingencies and commitments**

As at September 30, 2012 the Company has no contingent obligations.

### 13. Impact of adoption of IFRS

The Company has elected to apply the following optional exemptions in its preparation of an opening statement of financial position dated October 1, 2010, the Company's "Transition Date":

- Share-based payment transactions  
To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- Restoration, rehabilitation and environmental obligations  
The company has elected to apply the exemption from full retrospective application of decommissioning provisions allowed under IFRS 1.
- IFRIC 4 Determining Whether an Arrangement Contains a Lease  
The Company has elected to apply the transition provisions of IFRIC 4 Determining Whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date. The Company has no significant leases.

IFRS 1 does not permit changes to previously made estimates. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those made under Canadian GAAP.

The following statement is a reconciliation of the opening statement of financial position as at July 1, 2010 from Canadian GAAP to IFRS:

	October 1, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
	\$	\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	629,712	-	629,712
Accounts receivable	572	-	572
Prepaid expenses	7,859	-	7,859
	638,143	-	638,143
<b>Exploration and evaluation assets</b>			
Acquisition costs	597,593	-	597,593
Deferred exploration expenditures	3,020,755	-	3,020,755
<b>Total assets</b>	<b>4,256,491</b>	<b>-</b>	<b>4,256,491</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	219,853	-	219,853
Deferred income tax	398,200	-	398,200
<b>Total liabilities</b>	<b>618,053</b>	<b>-</b>	<b>618,053</b>
<b>Shareholders' equity</b>			
Share capital	4,916,593	(d) (82,250)	4,834,343
Deficit	(1,278,155)	(d) 82,250	(1,195,905)
<b>Total shareholders' equity</b>	<b>3,638,438</b>	<b>-</b>	<b>3,638,438</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,256,491</b>	<b>-</b>	<b>4,256,491</b>

The following statement is a reconciliation of the statement of financial position as at September 30, 2011 from Canadian GAAP to IFRS:

	<b>September 30, 2011</b>		
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
	\$	\$	\$
<b>Assets</b>			
Current			
Cash and cash equivalents	3,663,985	-	3,663,985
Accounts receivable	5,248	-	5,248
Prepaid expenses	6,208	-	6,208
	3,675,441	-	3,675,441
Exploration and evaluation assets			
Acquisition costs	725,916	-	725,916
Deferred exploration expenditures	3,206,659	-	3,206,659
<b>Total assets</b>	<b>7,608,016</b>	<b>-</b>	<b>7,608,016</b>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	300,051	-	300,051
Common shares subscribed, not issued	3,125	-	3,125
	303,176	-	303,176
Deferred flow-through share premium liability	-	(d)260,908	260,908
Deferred income tax	372,661	(d) (11,824)	360,837
<b>Total liabilities</b>	<b>675,837</b>	<b>249,084</b>	<b>924,921</b>
<b>Shareholders' equity</b>			
Share capital	8,152,574	(d) (355,798)	7,796,776
Warrants	117,091	-	117,091
Contributed surplus	1,000,827	-	1,000,827
Deficit	(2,338,313)	(d)106,714	(2,231,599)
<b>Total shareholders' equity</b>	<b>6,932,179</b>	<b>(249,084)</b>	<b>6,683,095</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,608,016</b>	<b>-</b>	<b>7,608,016</b>

The Canadian GAAP statement of loss and comprehensive loss for the year ended September 30, 2011 has been reconciled to IFRS as follows:

	<b>Year ended September 30, 2011</b>		
	<b>Canadian GAAP \$</b>	<b>Effect of transition to IFRS \$</b>	<b>IFRS \$</b>
<b>Expenses</b>			
Professional fees	38,590	-	<b>38,590</b>
Management fees and salaries	60,000	-	<b>60,000</b>
Office and general	23,774	-	<b>23,774</b>
Share-based payments	1,000,827	-	<b>1,000,827</b>
Loss for the year before the following	(1,123,191)	-	<b>(1,123,191)</b>
Interest income	24,509	-	<b>24,509</b>
Net loss for the period	(1,098,682)	-	<b>(1,098,682)</b>
Deferred income tax (recovery)	38,525	(d) 24,464	<b>62,989</b>
<b>Net profit/(loss) and comprehensive profit/(loss)</b>	<b>(1,060,157)</b>	<b>24,464</b>	<b>(1,035,693)</b>

### Changes to Accounting Policies

The Company has changed certain accounting policies to be consistent with IFRS effective or available for early adoption on September 30, 2012, the Company's first annual IFRS reporting date. Adoption of IFRS has had no material impact on the Company's statements of cash flows for the year ended September 30, 2012 and the period ended September 30, 2011. The changes to accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements, except as disclosed below.

#### a) Share-based payment transactions

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

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, including directors of the Company. 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 they are valued using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

Under Canadian GAAP, the fair value of stock-based awards to employees with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight line basis over the vesting period. Forfeitures of awards are recognized as they occur.

The Company's accounting policies relating to share-based payment transactions have been changed to reflect these differences. There is no impact on the financial statements.

b) Impairment of (non-financial) Assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies relating to impairment of non-financial assets have been changed to reflect these differences and there is no impact on the financial statements.

c) Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. In management's opinion, this change in policy had no impact on the financial statements.

d) 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. Under IFRS, 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. Under Canadian GAAP, the Company recorded the tax cost of expenditures renounced to subscribers on the date the deductions were renounced to the subscribers. Share capital was reduced and deferred income tax liabilities were increased by the tax cost of expenditures renounced to the subscribers, except that the amount was recognized as a tax recovery to the extent that suitable deferred tax assets were available.

## 14. Subsequent events

By December 30, 2012, all outstanding warrants expired unexercised.

On December 24, 2012, the Company paid \$35,000 for exploration work and earned an additional 10% interest on one property in Saskatchewan to increase its holding to 60% in this property.

On December 21, 2012 the Company staked a uranium and rare earth property encompassing 5,306 hectares in Saskatchewan for total consideration and costs of \$3,183. The Company holds 100% interest in this property in the Athabasca Basin area of Saskatchewan.

Effective December 14, 2012, the Company received a receipt from the Ontario Securities Commission for the Company's Long Form Non-Offering Prospectus. As a result, Appia is now a reporting issuer in British Columbia, Alberta, Saskatchewan and Ontario.