

**BANYAN GOLD CORP.  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2014**

***Banyan***  
***GOLD*** (TSXV: BYN)



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Banyan Gold Corp.

I have audited the accompanying financial statements of Banyan Gold Corp., which comprise the statements of financial position as at September 30, 2014 and September 30, 2013 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended September 30, 2014 and September 30, 2013, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of Banyan Gold Corp. as at September 30, 2014 and September 30, 2013, and its financial performance and its cash flows for the years ended September 30, 2014 and September 30, 2013 in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

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

Calgary, Alberta  
January 14, 2015



Chartered Accountant

**BANYAN GOLD CORP.**  
**STATEMENT OF FINANCIAL POSITION**  
Expressed in Canadian Funds

	September 30	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	\$ 87,819	\$ 370,586
Accounts receivable	10,303	20,881
Accrued interest	-	1,258
Prepays	<u>77</u>	<u>634</u>
	\$ 98,199	\$ 393,359
Exploration and evaluation asset (Note 6)	<u>\$ 714,176</u>	<u>\$ 683,868</u>
<b>Total Assets</b>	<u>\$ 812,375</u>	<u>\$ 1,077,227</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	<u>\$ 35,492</u>	<u>\$ 48,804</u>
	<u>35,492</u>	<u>48,804</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	1,273,604	1,273,604
Contributed surplus	197,309	164,887
Deficit	<u>(694,030)</u>	<u>(410,068)</u>
	<u>776,883</u>	<u>1,028,423</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 812,375</u>	<u>\$ 1,077,227</u>

Mark Ayranto  
Chairman

David Rutt  
CFO



**BANYAN GOLD CORP.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
Expressed in Canadian Funds

	Year Ended 2014	September 30 2013
<b>EXPENSES</b>		
Management fees (Note 7)	\$ 107,000	\$ 73,500
Professional fees	64,802	97,295
General and administration	69,117	48,818
Stock based compensation	32,422	-
Listing and filing fees	11,782	23,528
Interest income	<u>(1,161)</u>	<u>(2,908)</u>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>\$ 283,962</b>	<b>240,233</b>
<b>Loss per common share - basic &amp; diluted (Note 10)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding</b>	<b>14,484,000</b>	<b>10,144,548</b>



**BANYAN GOLD CORP.**  
**STATEMENT OF CHANGES IN EQUITY**

For the years ended September 30, 2014 and 2013

Expressed in Canadian Funds

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Shareholders Equity
<b>Balance, September 30, 2012</b>	3,334,000	289,528	65,049	(169,835)	184,742
Shares issued for Hyland Project (Note 5)	4,150,000	407,500			407,500
Shares issued for cash					
Net of costs, February 15 (Note 5)	5,000,000	420,437	71,313		491,750
Shares issued for cash					
Net of costs, March 1 (Note 5)	2,000,000	156,139	28,525		184,664
Net Loss for the Year				(240,233)	(240,233)
<b>Balance, September 30, 2013</b>	14,484,000	1,273,604	164,887	(410,068)	1,028,423
Stock based compensation on stock options (Note 5)			32,422		32,422
Net loss for the year				(283,962)	(283,962)
<b>Balance, September 30, 2014</b>	<b>14,484,000</b>	<b>1,273,604</b>	<b>197,309</b>	<b>(694,030)</b>	<b>776,883</b>

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



**BANYAN GOLD CORP.**  
**STATEMENTS OF CASH FLOWS**

For the years ended September 30, 2014 and 2013  
Expressed in Canadian Funds

	2014	2013
<b>Cash Flows from Operating Activities</b>		
Net loss for the year	\$ (283,962)	\$ (240,233)
Adjustments for items not involving cash:		
Stock based compensation	<u>32,422</u>	<u>-</u>
	<b>(251,540)</b>	<b>(240,233)</b>
Changes in non-cash working capital items:		
Decrease (increase) in receivables and accrued interest	11,836	(19,389)
Decrease (increase) in prepaids	557	(634)
Decrease in payables and accrued liabilities	<u>(13,312)</u>	<u>(2,426)</u>
Net cash used in operating activities	<u>(252,459)</u>	<u>(262,682)</u>
<b>Cash Flows from Investing Activities</b>		
Government grant for exploration and evaluation asset	35,000	-
Exploration and evaluation asset	(65,308)	(276,368)
Deferred Acquisition Costs	<u>-</u>	<u>15,000</u>
Net cash from investing activities	<u>(30,308)</u>	<u>(261,368)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from share issuance	-	700,000
Share issuance costs (excluding warrant costs)	<u>-</u>	<u>(23,171)</u>
Net cash from financing activities	<u>-</u>	<u>676,829</u>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	(282,767)	152,364
<b>Cash and Cash Equivalents - Beginning of the Year</b>	<u>370,586</u>	<u>218,222</u>
<b>Cash &amp; Cash Equivalents - End of the Year</b>	<b>\$ 87,819</b>	<b>\$ 370,586</b>

**Supplemental Disclosures**

Interest paid	\$ -	\$ -
Interest received	\$ 1,161	\$ 2,911
Income tax paid	\$ -	\$ -



## **BANYAN GOLD CORP.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the years ended September 30, 2014 and 2013

#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Banyan Gold Corp. (the "Company"), was incorporated as Banyan Coast Capital Corp. by a Certificate of Incorporation issued pursuant to the provisions of the Alberta Business Corporations Act ("ABCA") on July 26, 2010. The address of the Company's registered office is 166 Cougarstone Crescent SW, Calgary, Alberta, T3H 4Z5. These financial statements were approved and authorized for issuance by the Board of Directors on January 6, 2015.

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

On February 15, 2013 the Company completed its qualifying transaction by acquiring the Hyland Gold Project and raised \$500,000 by way of a non-brokered private placement.

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

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

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

#### **2. BASIS OF PRESENTATION**

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

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

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

- i) the recoverability of receivables which are included in the statements of financial position;
- ii) the inputs used in accounting for stock-based compensation expense, which are included in the statement of operations;
- iii) recoverability of future income tax asset;
- iv) recoverability of exploration and evaluation expense asset;
- v) the valuation of the rehabilitation provision; and
- vi) the valuation of share-based payments transactions.



## **BANYAN GOLD CORP.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the years ended September 30, 2014 and 2013

#### **3. SIGNIFICANT ACCOUNTING POLICIES**

##### **Foreign exchange**

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

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

##### **Cash and cash equivalents**

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

##### **Financial instruments**

###### *Financial assets*

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

- Fair value through profit or loss - this category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. These assets are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.
- Loans and receivables - these assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.
- Held-to-maturity investments - these assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations.





## **BANYAN GOLD CORP.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the years ended September 30, 2014 and 2013

#### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Financial instruments (continued)**

###### *Financial assets (continued)*

• Available-for-sale - non-derivative financial assets not included in the above categories are classified as available-for-sale. These assets are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statement of operations. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

###### *Financial liabilities*

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

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

Other financial liabilities include amounts due to related parties and accounts payables and accrued liabilities. This category is measured in the statement of financial position at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents as fair value through profit and loss. The Company's receivables are classified as loans and receivables.

##### **Impairment**

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

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



## **BANYAN GOLD CORP.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the years ended September 30, 2014 and 2013

#### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Interest Income**

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

##### **Loss per share**

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

##### **Share-based payments**

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

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

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

##### **Income taxes**

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

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

Deferred tax is recognized using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. However, the deferred tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.



## **BANYAN GOLD CORP.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the years ended September 30, 2014 and 2013

#### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Income taxes (continued)**

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

##### **Mineral exploration and evaluation expenditures**

Costs that are directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such cost as: materials used, surveying costs, geological costs, drilling costs, travel to and from the site, and payments made to contractors. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead, are expensed in the year in which they occur.

##### **Rehabilitation provision**

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

##### **Segment reporting**

The Company determined that it had only one operating segment.

##### **New standards and interpretations**

The following new standards were adopted during the year by the Company:

*i) IFRS 10 Consolidated Financial Statements*

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

*ii) IFRS 11 Joint Arrangements*

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



**BANYAN GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the years ended September 30, 2014 and 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New standards and interpretations (continued)**

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

i) *IFRS 9 Financial Instruments*

As part of the project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

- Deals with classification and measurement of financial assets;
- Establishes two primary measurement categories for financial assets: amortized cost and fair value;
- Prescribes that classification depends on entity's business model and the contractual cash flow characteristics of the financial asset;
- Eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

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

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

ii) *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

This standard is effective for annual periods beginning on or after January 1, 2017. The Company will adopt this standard when it becomes effective. The Company has currently not assessed the impact of adopting this standard.

**4. CASH AND CASH EQUIVALENTS**

	Sept. 30, 2014	Sept. 30, 2013
Cash on Deposit	\$ 87,819	\$ 120,586
Liquid short term deposit	-	250,000
	\$ 87,819	\$ 370,586



## **BANYAN GOLD CORP.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the years ended September 30, 2014 and 2013

#### **5. SHARE CAPITAL**

##### **Authorized:**

Unlimited number of:

Unlimited Class A voting common shares

Unlimited Class B non-voting, common shares

Unlimited Preferred Shares

All issued shares are fully paid

##### **Transactions**

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

On February 15, 2013, the Company completed a non-brokered private placement for \$500,000 by issuing 5,000,000 Units at \$0.10 per share. Each Unit was comprised of one share and 1/2 of a share purchase warrant exercisable at \$0.15 for a period of one year. A total share issuance costs of \$79,563, including \$71,313, assigned to the value of the share purchase warrants based on the Black Scholes pricing model, was incurred. The expiry date for these warrants has been extended to March 1, 2015.

On March 1, 2013, the Company completed a non-brokered private placement for \$200,000 by issuing 2,000,000 Units at a price of \$0.10 per unit, each Unit consisting of one share and 1/2 of a share purchase warrant exercisable at \$0.15 for a period of one year. A total share issuance costs incurred equaled \$43,446, of which \$28,585 was assigned to the value of the share purchase warrants based on the Black Scholes pricing model. The expiry date for these warrants has been extended to March 1, 2015.

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

There were no share transactions during the fiscal year ended September 30, 2014.

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

##### **Stock Options**

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



## **BANYAN GOLD CORP.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the years ended September 30, 2014 and 2013

#### **5. SHARE CAPITAL (continued)**

##### **Stock Options (continued)**

At the beginning of the year ended September 30, 2014, the following share options were outstanding to directors:

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

During the year ended 2014, the Company granted the following stock options:

On January 31, 2014 750,000 stock options were issued, exercisable at \$0.05. These options expire January 31, 2019. The fair value of stock options granted is estimated on this date, using the Black-Scholes option pricing model, with the following assumptions:

Risk-free interest rate	1.7%
Estimated volatility	213%
Expected Life	5 years
Expected dividend yield	0%

On April 22, 2014, 75,000 stock options were issued, exercisable at \$0.05. These options expire April 22, 2019. The fair value of stock options granted is estimated on this date, using the Black-Scholes option pricing model, with the following assumptions:

Risk-free interest rate	1.7%
Estimated volatility	237%
Expected Life	5 years
Expected dividend yield	0%

On February 14, 2014, 83,350 stock options exercisable at \$0.15 expired.

The weighted average fair value of all stock options granted was \$0.0393.

At September 30, 2014, the following incentive stock options were outstanding to directors, officers and advisors:

250,050 stock options exercisable at \$0.15 with an expiry of January 25, 2021  
750,000 stock options exercisable at \$0.05 with an expiry of January 31, 2019  
75,000 stock options exercisable at \$0.05 with an expiry of April 22, 2019

##### **Warrants**

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



## BANYAN GOLD CORP.

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2014 and 2013

#### 5. SHARE CAPITAL (continued)

##### Warrants (continued)

In conjunction with the Company's non-brokered private placements in February and March of 2013, a total of 3.5 million warrants were issued with an exercise price of \$0.15 for a period of one year. The fair value of warrants issued is estimated using the Black-Scholes option pricing model with the following assumptions:

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

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

The expiry date of the 3.5 million outstanding warrants has been extended to March 1, 2015.

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

The Company recognizes compensation for all stock options and warrants granted using the fair value based method of accounting. During the year ended September 30, 2014, stock options were issued with an estimated fair value of \$32,422.

#### 6. RESOURCE PROPERTIES

The Company has an interest in the Hyland Gold Project and is located in the Watson Lake Mining District of southeast Yukon, approximately 74 kilometres northeast of the town of Watson Lake. The Hyland Gold Project consists of 927 claims totaling over 18,620 hectares. Banyan has earned a 100% interest in all properties subject to various NSR agreements with an aggregate royalty of 2.5% subject to a maximum buy back of 1.5%.

During the year, the Company received government grant funding of \$35,000 from the Government of Yukon for reimbursement of eligible exploration and evaluation costs incurred between April 1, 2013 and March 31, 2014. The Company has accounted for the government grant as a reduction in the carrying amount of the exploration and evaluation asset. All conditions attached to the funding were met during the year.

Opening balance - September 30, 2012	Nil
Acquisition Costs	\$ 550,800
Exploration and evaluation expenses capitalized	133,068
<b>Closing balance - September 30, 2013</b>	<b>\$ 683,868</b>
Government grant for work completed	(35,000)
Exploration and evaluation expenses capitalized	65,308
<b>Closing balance - September 30, 2014</b>	<b>\$ 714,176</b>



## **BANYAN GOLD CORP.**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the years ended September 30, 2014 and 2013

#### **7. RELATED PARTY TRANSACTIONS**

During the year, \$147,000 (2013 - \$94,500) was expensed to the corporation by officers of the Company. \$105,000 (2013 - \$73,500) has been billed to management fees, \$38,500 (2013 - \$14,000) to professional fees, and \$3,500 (2013 - \$7,000) has been capitalized against the Hyland Project.

#### **8. FINANCIAL AND CAPITAL RISK MANAGEMENT**

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

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

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

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

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

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

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

##### **a) Credit Risk**

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

##### **b) Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient capital to meet liabilities when due after taking into account the Company's holdings of cash that might be raised from equity financings. As at September 30, 2014, the Company had a cash balance of \$87,819 (2013 - \$370,586) and current liabilities of \$35,492 (2013 - \$48,804). All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The Company believes that these sources will be sufficient to cover the expected short and long term cash requirements.

##### **c) Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not believe a change by 1% in interest rate will have a significant impact on the fair value of its cash equivalents.





## BANYAN GOLD CORP.

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30, 2014 and 2013

#### 8. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

##### d) Foreign Currency Risk

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

##### Capital Disclosures

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

The Company's objectives when managing capital are:

- a) to safeguard the Company's ability to continue as a going concern; and
- b) to facilitate potential acquisitions.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results. As disclosed previously, there are restrictions on the use of cash.

There were no changes in the Company's approach to capital management during the period ended September 30, 2014.

#### 9. INCOME TAX

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

	September 30, 2014	September 30, 2013
Loss before income tax	\$ (283,962)	\$ (240,233)
Combined basic federal and provincial tax at 25% (2013 - 25%)	(70,991)	(60,058)
Increase (decrease) resulting from:		
Non-deductible items	8,477	1,255
Deductible items	(6,058)	(6,058)
Unrecorded future income tax benefit	68,572	64,861
	\$ -	\$ -



**BANYAN GOLD CORP.****NOTES TO THE FINANCIAL STATEMENTS**

For the years ended September 30, 2014 and 2013

**9. INCOME TAX (continued)**

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

	September 30, 2014	September 30, 2013
Non-capital loss carry forwards	\$ 691,577	\$ 417,289
Share issue costs	34,803	59,036
	726,380	476,325
Approximate tax rate	25%	25%
	181,595	119,081
Valuation allowance	(181,595)	(119,081)
	\$ -	\$ -

**Non-capital loss schedule**

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

Year of loss	Expire	Amount
2014	2034	\$ 274,288
2013	2033	259,445
2012	2032	96,253
2011	2031	49,561
2010	2030	12,030
		\$ 691,577

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

**10. LOSS PER SHARE**

Diluted loss per share for the years ended September 30, 2014 and 2013 is the same as basic loss per share as the impact of the exercise of the outstanding share options and warrants is anti-dilutive.

