MANSON CREEK

RESOURCES LTD.

2013
Annual Report

President's Message to Shareholders

To all shareholders, partners, and
friends of Manson Creek,

It is with great anticipation that we look forward to the 2014 exploration season for Manson Creek Resources Ltd.

Setting the stage for this summer's exploration program, we have restructured and streamlined the Company and attracted some critical new and important shareholders who have the ability to greatly increase the Company's visibility with exploration successes. This summer's exploration programs have been successfully financed, and we have leveraged our Yukon property into a partnership that will bring both additional funds and visibility, while limiting the exposure to the ever present exploration risk associated with first pass drilling programs.

After some 14 years of involvement in the Yukon, and a number of early stage field programs centered on the Tell gossans, we will move forward in the summer of 2014 to drill test, for the first time, a solid target with convincingly coherent indications of polymetallic massive sulphide potential over an extensive area. Our enthusiasm for this coming program is based on the coincidence of anomalous vegetation, high metals in soil samples as well as in local waters, and widespread gossan development that all correspond to a well defined and extensive zone of high subsurface electrical conductivity with associated local electrical chargeability, over more than 800 meters of strike length.

While the Junior sector continues to experience some of the most difficult times in recent memory, the opportunity to intelligently deploy exploration dollars is high as Companies like Manson no longer compete with "hot money" for opportunities, services and the best people. Manson remains fully committed to deploying funds in the most efficient and cautious manner, while moving projects with true discovery potential forward as expeditiously and as professionally as possible.

On behalf of the Company and its Board of Directors, I would like to thank all our shareholders for their continued patience in challenging times. We look forward to an exciting 2014, culminating in the Tell target maiden drill program, and building value for our shareholders through exploration and discovery.

Sincerely,

Jean-Pierre Jutras, Bsc. Hons, P.Geol
President, Director

Manson Creek Resources Ltd.
Financial Statements
(Expressed in Canadian Dollars)
September 30, 2013

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BDO Canada LLP
620, 903 - 8th Avenue SW
Calgary AB T2P 0P7 Canada

Independent Auditor's Report

To the Shareholders of
Manson Creek Resources Ltd.

We have audited the accompanying financial statements of Manson Creek Resources Ltd., which comprise the statement of financial position as at September 30, 2013 and the statement of loss and comprehensive loss, statement of cash flows, and statement of changes in equity for the year ended 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

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manson Creek Resources Ltd. as at September 30, 2013, and its financial performance and its cash flows for the year ended September 30, 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has not yet achieved profitable operations and has accumulated losses of $13,406,027 since inception. These conditions, along with other matters, as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

Other Matter

The financial statements of Manson Creek Resources Ltd. for the year ended September 30, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on January 23, 2013.

BDO Canada LLP

Chartered Accountants
Calgary, AB
January 28, 2014

Manson Creek Resources Ltd.
Statements of Financial Position
(Expressed in Canadian Dollars)

		September 30 2013		September 30 2012
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4)	$	**27,379**	$	68,632
Accounts receivable (Note 5)		**17,247**		5,738
Government grants receivable		**33,362**		-
Prepaid expenses		**3,817**		10,300
Short-term investments (Note 6)		**4,000**		-
		85,805		84,670
Non-current Assets				
Non-current prepaid expenses		**1,888**		1,888
Exploration and evaluation asset advances and deposits (Note 7)		**3,029**		5,072
Exploration and evaluation assets (Note 7)		**230,352**		278,466
Property, plant and equipment (Note 8)		**1,937**		3,174
		237,206		288,600
TOTAL ASSETS	$	**323,011**	$	373,270
EQUITY AND LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities (Note 9)	$	**116,526**	$	48,896
Non-current Liabilities				
Decommissioning obligation (Note 10)		**5,000**		5,000
TOTAL LIABILITIES		**121,526**		53,896
EQUITY				
Share capital (Note 11)		**12,078,568**		11,961,308
Reserves		**1,528,944**		1,463,945
Deficit		**(13,406,027)**		(13,105,879)
TOTAL EQUITY		**201,485**		319,374
TOTAL EQUITY AND LIABILITIES	$	**323,011**	$	373,270

Nature of operations and going concern (Note 1)
Commitments (Note 18)

Approved by the Board

" Douglas Porter"
___________________________ **Director**

"Jean Pierre Jutras"
___________________________ **Director**

See accompanying notes to the financial statements

Manson Creek Resources Ltd.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
For the years ended September 30

		2013		2012
Expenses				
General and administrative (Note 13)	$	**(108,028)**	$	(201,078)
Reporting to shareholders		**(3,455)**		(19,138)
Professional fees		**(29,548)**		(43,795)
Stock exchange and transfer agent fees		**(9,763)**		(13,643)
Depreciation		**(1,237)**		(2,173)
Other exploration and evaluation expenditures		**-**		(54,797)
Impairment charges		**(145,216)**		(357,780)
Loss before other items		**(297,247)**		(692,404)
Other Items				
Income from flow-through shares		**2,940**		11,000
Sublease revenue		**-**		20,104
Interest and other		**159**		1,109
Loss on investments held for sale		**(6,000)**		-
		(2,901)		32,213
Net loss and comprehensive loss for the year	$	**(300,148)**	$	(660,191)
Loss per share:				
Basic and diluted (Note 15)	$	**(0.00)**	$	(0.01)
Weighted average number of shares outstanding:				
Basic and diluted (Note 15)		**80,905,762**		76,153,433

Nature of operations and going concern (Note 1)

See accompanying notes to the financial statements.

Manson Creek Resources Ltd.
Statements of Cash Flows
(Expressed in Canadian Dollars)
For the years ended September 30

		2013		2012
Increase (decrease) in cash and cash equivalents				
Operating activities				
Cash sublease receipts	**$**	**-**	$	9,012
Cash paid to suppliers and contractors (Note 19)		**(125,023)**		(321,409)
Cash used in operating activities		**(125,023)**		(312,397)
Investing activities				
Interest and other income received		**159**		1,109
Cash expended on exploration and evaluation asset additions		**(125,631)**		(173,176)
Cash received on Up Town option		**25,000**		-
Cash expended on site restoration		**-**		(5,775)
Cash expended on property, plant and equipment additions		**-**		(2,500)
Government incentive receipts (Note 7)		**-**		88,300
Cash expended on exploration advances and deposits		**2,043**		(2,072)
Cash (used in) investing activities		**(98,429)**		(94,114)
Financing activities				
Flow-through premium		**2,940**		11,000
Share capital and warrant issue proceeds		**182,060**		95,000
Cash share issue costs		**(2,801)**		(8,450)
Part XII.6 tax paid		**-**		(328)
Cash provided by financing activities		**182,199**		97,222
Decrease in cash and cash equivalents		**(41,253)**		(309,289)
Cash and cash equivalents,				
Beginning of year		**68,632**		377,921
End of year	**$**	**27,379**	$	68,632

Supplementary Information:

Interest and taxes

Apart from the Part XII.6 tax disclosed above, there were no cash expenditures on interest or taxes during the years ended September 30, 2013 and September 30, 2012.

Non-cash transactions

Year ended September 30, 2013

The Company issued 100,000 of its common shares, valued at $3,000, pursuant to an option agreement to acquire an interest in the Up Town mineral property. The acquisition cost was valued using the closing share price on the transaction date. (Note 11)

The Company received 100,000 shares from North Sur Resources Inc. as part of the payment for the Uptown property option agreement, valued at $10,000. (Note 7)

Year ended September 30, 2012

During the year ended September 30, 2012, the Company issued 100,000 of its common shares, valued at $7,000, pursuant to an option agreement to acquire an interest in the Virgin Arm mineral property and 100,000 common shares valued at $6,500 pursuant to an option agreement to acquire the Up Town mineral property. The acquisition costs were valued using the closing share price on the transaction date. (Note 11)

The Company granted stock options to a contractor and recorded a non-cash charge for stock-based payment of $1,000 that is included in general and administrative expenses. (Note 14)

See accompanying notes to the financial statements

Manson Creek Resources Ltd.

Statement of Changes in Equity

(Expressed in Canadian Dollars)

		Reserves					
	Common share capital	Equity-settled share based payment	Warrants	Other*	Total Reserves	Deficit	Total
Balance, October 1, 2011	$ 11,886,644	$ 98,000	$ 333,794	$ 1,005,765	$ 1,437,559	$ (12,445,688)	$ 878,515
Net loss and comprehensive loss for the year	-	-	-	-	-	(660,191)	(660,191)
Private placement share and warrant offering (net of share issue costs of $8,450)	61,164	-	25,386	-	25,386	-	86,550
Common shares issued for property option payment	13,500	-	-	-	-	-	13,500
Stock-based compensation	-	1,000	-	-	1,000	-	1,000
Warrants expired	-	-	(86,000)	86,000	-	-	-
Options expired	-	(11,485)	-	11,485	-	-	-
Options forfeited	-	(10,291)	-	10,291	-	-	-
Balance September 30, 2012	11,961,308	77,224	273,180	1,113,541	1,463,945	(13,105,879)	319,374
Net loss and comprehensive loss for the year	-	-	-	-	-	(300,148)	(300,148)
Private placement share and warrant offering (net of share issue costs of $2,801)	114,260	-	64,999	-	64,999	-	179,259
Common shares issued for property option payments	3,000	-	-	-	-	-	3,000
Warrants expired	-	-	(247,794)	247,794	-	-	-
Options expired	-	(41,586)	-	41,586	-	-	-
Balance, September 30, 2013	$ 12,078,568	$ 35,638	$ 90,385	$ 1,402,921	$ 1,528,944	$ (13,406,027)	$ 201,485

*Other reserves is comprised of options and warrants that expired without exercise or were forfeited. These values were relieved from share based payment reserve and warrants reserve respectively upon the cancellation/expiry of the equity instrument.

See accompanying notes to the financial statement

1. Nature of operations and going concern

Manson Creek Resources Ltd. ("Manson" or "the Company") is engaged in the business of mineral exploration and development in Canada. The Company is incorporated under the laws of the Province of British Columbia, Canada and continued under the Business Corporations Act (Alberta). The address of its primary office is Suite 800, 808 - 4th Avenue SW, Calgary, Alberta, Canada, T2P 3E8. The Company's common shares are listed on the TSX Venture Exchange under the symbol MCK.

Since inception, the efforts of the Company have been devoted to the acquisition, exploration and development of mineral properties. To date the Company has not received any revenue from mining operations and has not determined whether its mineral properties contain ore reserves that are economically recoverable.

These financial statements have been prepared using International Financial Reporting Standards (IFRS) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

Mineral properties are recognized in these financial statements in accordance with the accounting policies outlined in Note 3(f) "Exploration and evaluation assets". Accordingly, their carrying values represent costs incurred to date, net of recoveries, abandonments and impairments. The recoverability of these amounts is dependent upon the existence of economically recoverable mineral reserves; the acquisition and maintenance of appropriate permits, licenses and rights; the ability of the Company to obtain necessary financing to complete the development of properties where necessary, and upon future profitable operations; or alternatively, upon the Company's ability to recover its costs through a disposition of its interests.

The Company has an accumulated deficit of $13,406,027 at September 30, 2013 and a working capital deficit of $30,721 and has no current source of operating cash flow. The Company is dependent upon raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake exploration and development of its mineral properties, meet its purchase and exploration commitments (see Note 18 "Commitments") and to finance general and administrative and operating expenses. The continuing operations of the Company are dependent upon its ability to obtain adequate financing or to commence profitable operations in the future. These circumstances indicate a material uncertainty that may cast significant doubt as to the ability of the Company to meet its obligations as they come due and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company will be required to raise additional capital to meet its funding requirements for administrative and operating costs beyond the end of fiscal 2013 and to fund ongoing or expanded exploration programs. There can be no assurance that the Company will be successful in obtaining financing. These financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities and expenses if the Company could not continue as a going concern. Such adjustments could be material.

2. Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretations committee ("IFRIC"), effective for the periods ended September 30, 2013 and 2012, using the significant accounting policies outlined in Note 3. The statements were authorized for issue by the board of directors on January 28, 2014.

These financial statements have been prepared on a historical cost basis except for certain financial instruments described in Note 12 and decommissioning obligation described in Note 10. In addition, these statements have been prepared using the accrual basis of accounting except for cash flow information.

2. Basis of presentation (continued)

The presentation and functional currency of the Company is the Canadian dollar.

3. Summary of significant accounting policies

a) New accounting policies

Manson did not adopt any new accounting policies during the year ended September 30, 2013.

b) Recent accounting pronouncements

Certain new accounting standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for periods subsequent to those disclosed in these financial statements. Many are not applicable or do not have a significant impact to Manson and have been excluded from below:

i) IFRS 9 - Financial instruments
There have been new amendments related to IFRS 9 issued in November 2013. Although the transition date for IFRS 9 has been deferred, these amendments would be required to be prospectively applied in the financial statements for the 2014 year, as the Company has early adopted this section. However, these amendments relate to hedging and own credit risk, therefore the Company does not expect these amendments to have a significant impact on its financial reporting.

ii) IFRS 10 - Consolidated Financial Statements and IFRS 12 - Disclosure of Interests in Other Entities
IFRS 10 "Consolidated Financial Statements" and IFRS 12 "Disclosure of Interests in Other Entities" were issued and replace International Accounting Standard ("IAS") 27, "Consolidation - Special Statements" and Standing Interpretations Committee ("SIC") Interpretation 12 "Special Purpose Entities" for guidance on the consolidation model which identifies the elements of control and provide a comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structure entities. These standards are effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate this new standard to have a significant impact on its financial reporting.

iii) IFRS 13 - Fair value measurement
IFRS 13 "Fair value measurement" is a comprehensive standard describing fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for years beginning on or after January 1, 2013. The Company is currently assessing the effect, if any, on the financial statements of the Company.

3. **Summary of significant accounting policies** (continued)

c) Financial Instruments

The Company's financial instruments consist of the following:

Financial Assets	**Classification**
Cash and cash equivalents	Financial asset measured at amortized cost
Accounts receivable	Financial asset measured at amortized cost
Government grants receivable	Financial asset measured at amortized cost
Short-term investments	Financial asset measured at fair value

Financial Liabilities	**Classification**
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost

The Company records financial assets initially at fair value and subsequently measure these financial assets at either amortized cost or fair value on the basis of both the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if both of the following conditions are met:

1) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and,

2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the financial asset is not measured at amortized cost as per the above, the financial asset is measured at fair value.

Financial asset measured at fair value
Financial assets measured at fair value are carried at fair value at each period end, with the related gains and losses recognized in profit or loss.

Financial assets measured at amortized cost
Financial assets measured at amortized cost are recorded at fair value upon initial recognition, plus any applicable transaction costs that are directly attributable to the acquisition of the financial asset, and subsequently carried at amortized cost, using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost is recognized in profit or loss when the financial asset is derecognized, impaired, or reclassified.

Financial liabilities measured at amortized cost
Financial liabilities measured at amortized cost are recorded at fair value upon initial recognition, less any applicable transaction costs that are directly attributable to the acquisition of the financial liability, and are subsequently measured at amortized cost using the effective interest method. A gain or loss on a financial liability that is measured at amortized cost is recognized in profit or loss when the financial liability is derecognized.

Cash and cash equivalents
Cash and cash equivalents include cash and highly liquid Canadian dollar denominated investments in bankers' acceptances or term deposits with terms to maturity of 90 days or less when acquired. The counter-parties are financial institutions.

3. **Summary of significant accounting policies** (continued)
c) Financial Instruments (continued)

Impairment of financial assets
Financial assets carried at amortized cost are assessed for indicators of impairment at the end of each reporting period. These financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty or,
- default or delinquency in interest or principal payments or,
- the likelihood that the borrower will enter bankruptcy or financial re-organization or,
- observable data that there is a measurable decrease in estimated future cash flows from a group of financial assets

The carrying amount of financial assets is reduced by any impairment loss directly except in the case of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of accounts receivable previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal is recognized in profit or loss and is limited to the carrying amount that would have been determined had no impairment loss been recognized in prior years.

d) Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation discounted using the pre-tax, risk-free rate, updated at each reporting date.

e) Decommissioning obligation

Decommissioning obligations include obligations related to future removal of property and equipment, and site restoration costs. A liability, for the fair value of environmental and site restoration obligations, is recorded in accordance with the broader policy described in "d) Provisions" above. Provisions for restoration costs do not include any additional obligations that are expected to arise from future disturbance. The amortization or unwinding of the discount applied in establishing the net present value of provisions is charged to earnings in a systematic manner. Other movements in the provision, including those from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalized to exploration and evaluation assets. The amounts included in capitalized costs are depleted using the unit-of-production method at such point that the mineral property achieves commercial production, or the costs will be written-off at such time that management considers that the value of the related property has been impaired**.**

f) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties. The Company expenses costs incurred prior to acquiring the right to explore an area as pre-acquisition and exploration costs. The Company capitalizes costs directly related to the acquisition, exploration and evaluation of mineral properties. Such costs include, but are not restricted to, geological, geophysical, drilling, trenching and

3. **Summary of significant accounting policies** (continued)
f) Exploration and evaluation assets (continued)

sampling costs including the support costs and supplies required in relation thereto. These assets are recorded at cost as adjusted for impairments in value. Impairment is assessed when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. In assessing impairment, exploration and evaluation assets are grouped into areas of interest. Management groups mineral claims, that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property. Each named mineral property is considered an area of interest.

One or more of the following facts and circumstances indicate that a specific area of interest should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed.
- Substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

An impairment loss may be reversed in a situation where there is a change in the circumstances that had initially dictated that impairment had occurred. An example of such a situation might include, but not be limited to, the re-commencement of exploration activity on a mineral property due to a significant change in commodity prices.

Where the Company's exploration commitments for an area of interest are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations. Option payments made by the Company are recorded as exploration and evaluation assets. Options are exercisable entirely at the discretion of the optionee and accordingly, are recorded as exploration and evaluation assets or recoveries when the payments are made or received. The proceeds on the sale of exploration and evaluation assets are applied to the area of interest to the extent of costs incurred and the excess, if any, is credited to operations. In some circumstances option payments received by or made by the Company are made in whole or in part through the issuance of common shares. The value of these share-based payments is calculated using the closing price of the shares on the date of issue as determined by the public exchange upon which they are listed as this is the most readily determinable value.

When the Company enters the development stage for an area of interest, the exploration and evaluation costs are transferred into mine development costs and all subsequent expenditures on the construction, installation or completion of infrastructure net of incidental revenue, is capitalized. Upon commencement of commercial production, all mine development assets for the relevant area of interest are transferred to producing mine assets at which point the costs will commence being charged to profit or loss on a unit-of-production basis.

g) Property, plant and equipment

On initial recognition, property, plant and equipment assets are valued at cost, being the purchase price plus the directly attributable costs of acquisition to bring the assets to the location and condition necessary for the assets to be put into use. Subsequent to acquisition, these assets are recorded at cost less accumulated

3. **Summary of significant accounting policies** (continued)
g) Property, plant and equipment (continued)

depreciation. Depreciation methods and rates by significant categories of property, plant and equipment that are calculated to write off the cost of the assets, less estimated residual values, over their useful lives, are as follows:

	Depreciation method	**Depreciation rate**
Computer equipment and software	Declining balance	30% - 50%

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Changes to estimated residual values or useful lives are accounted for prospectively as a change in estimate.

Property, plant and equipment are reviewed for impairment if there is an indication that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of "value in use", (being the net present value of expected future cash flows of the relevant cash generating unit, ("CGU"), or "fair value less costs to sell." Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Company could receive for the assets in an arm's length transaction.

The discount rate applied in calculating net present value of expected future cash flows, is based upon pre-tax discount rates that reflect current market assessments of the time value of money and the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecasted cash flows.

If the carrying amount of the asset exceeds its recoverable amount, the asset impairment loss is charged to profit or loss and reduces the carrying amount of the asset. A previously recognized impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally precipitated the impairment. This reversal is recognized in profit or loss and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized in prior years.

Gains or losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in other gains and losses in the statements of profit or loss.

h) Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation.

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received as follows:

- Share Capital - fair value of market price of the Company's non flow-through shares;
- Warrant reserve - if warrants are being issued, based on the valuation derived using the Black-Scholes option-pricing model; and
- Liability for obligation to flow-through shareholders - equal to the premium, if any, investors pay for the flow-through feature over the fair value of the share capital without the flow-through feature, representing the estimated value of the tax deductions that the Company is obligated to renounce to the investors.

At the end of each reporting period, the Company records an adjustment to its deferred tax expense/liability accounts for the taxable temporary difference arising from the transfer of tax benefits to investors pursuant to flow-through share agreements. For this adjustment, the Company considers the tax benefits to have been

3. **Summary of significant accounting policies** (continued)
h) Flow-through common shares (continued)

effectively transferred if it has incurred the qualifying expenditures by the end of the reporting period and expects to fully renounce the expenditures. This deferred tax impact is recognized in other income when the expenditures have been incurred and renunciation is expected. To the extent that the Company has deferred tax assets, in the form of unutilized tax losses carry forward and other unused tax deductions, the Company uses the deferred tax assets to reduce its deferred tax liability that otherwise would be recognized.

If the Company has renounced the expenditures to the investors, the liability for obligation to flow-through shareholders is recognised as other income on the basis to which the qualifying expenditures are incurred in relation to the total amount of qualifying expenditures the Company has agreed to incur.

i) Significant accounting judgments and estimates

The preparation of these Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. Circumstances could arise over the years that would require material revisions to these estimates. Changes in assumptions could have a material effect on the fair value of estimates.

These Financial Statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Financial Statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods, if the revision affects both current and future periods. These estimates are based on historical experience, current economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant estimates include:

- the carrying value of investments and the recoverability of the carrying value which is included in the balance sheet;
- the carrying values of exploration and evaluation assets and property, plant and equipment that are included in the balance sheet, including the assumptions that are incorporated into the impairment assessments, and the amount of depreciation and/or impairments that are included in the statement of profit or loss; (refer to Note 1)
- the estimate of the amount of decommissioning obligation and the inputs used in determining the net present value of the liabilities for decommissioning obligations included in the balance sheet;
- the value of share-based compensation expense in the statement of loss and comprehensive loss and the value of warrants that have been issued in connection with private placements and are included in the balance sheet, which are valued using valuation models and incorporate assumptions made by management of stock volatility, interest rates and exercise periods;
- the collectible amount of government incentives which are subject to review by granting authorities, affecting the carrying value of receivables and exploration and evaluation assets.

j) Share-based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in the equity-settled share based payment reserve in equity. Employees, for the purpose of this calculation, also include individuals who provide services similar to those performed by a direct employee, including directors and consultants of the Company. The fair values of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. Consideration received on the exercise of stock options is recorded as share

3. **Summary of significant accounting policies** (continued)
j) Share-based payment transactions (continued)

capital and the related equity-settled share based payment amount is transferred to share capital. If options expire without exercise, the value associated therewith is transferred from equity-settled share based payment reserve to other reserves.

k) Earnings (loss) per share

Basic earnings (loss) per common share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Only "in-the-money" dilutive instruments impact the dilution calculations and potentially dilutive instruments shall only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share. Refer to Note 11 and 15 for a summary of options and warrants outstanding that could potentially dilute basic earnings per share in the future, but were excluded from the calculation in the periods disclosed because their effect was anti-dilutive.

l) Income taxes

Income tax on net profit or loss for the years presented is comprised of current and deferred tax as applicable. Income tax pertaining to profit or loss is recognized in earnings or loss; income taxes pertaining to items recognized directly in equity are recorded through equity. Current tax is the tax expected to be payable on the taxable income for the year calculated using rates that have been enacted or substantively enacted by the balance sheet date. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

m) Government incentives

Through its exploration, the Company has benefited from government grants. These incentives are not repayable provided that the Company meets the requirements of the agreement, the most significant of which is that the incentives apply to qualifying expenditures. Qualifying expenditures are defined broadly within the agreement as all reasonable expenses for contracted services, machinery rental, transportation of machinery, personnel and supplies or other approved costs in connection with specific exploration programs. The Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions of the grant and the grants will be received. The incentives reduce the mineral property costs to which they pertain in the period that the qualifying exploration expenditures are incurred or when collectability is reasonably assured if this is later. These Government incentives are subject to review by the relevant granting authorities, and by their nature are subject to measurement uncertainty. Adjustments, if any, resulting from such a review are recorded in the period during which the final grant payment amount is assessed by the governing agency.

(Expressed in Canadian Dollars)

3. **Summary of significant accounting policies** (continued)

n) Leases

Up to December 31, 2011, the Company subleased to other companies a portion of its office space. As the subleases did not transfer substantially all the risks and rewards incidental to ownership, the subleases were classified as operating leases. Sublease income was recognized in income on a straight-line basis over the lease term. Lease operating costs associated with the Company's allocated share of building utilities, repairs and maintenance and other costs are charged by the landlord based on its annual budgets. These monthly costs are recognized on a straight-line basis with any actual to budget adjustments recognized when billed by the landlord. The sublessee's proportionate share of these costs were billed and recognized in income on the same basis.

Commencing January 1, 2012, the Company began to lease office space at a new location pursuant to a lease agreement that does not transfer substantially all of the risks and rewards incidental to ownership. Consequently the lease is classified as an operating lease. The lease obligations are recognized as an expense on a straight-line basis over the term of the lease.

4. Cash and cash equivalents

Cash and cash equivalents is comprised of:

		Sept 30, 2013		Sept 30, 2012
Current bank accounts	**$**	**27,379**	$	68,632

5. Accounts receivable

		Sept 30, 2013		Sept 30, 2012
Trade receivables	**$**	**252**	$	1,892
Related party receivables		**15,224**		2,024
Sales tax receivables		**1,771**		1,822
	$	**17,247**	$	5,738

6. Short-term Investments

		Sept 30, 2013		Sept 30, 2012
North Sur Resources Inc.				
Common Shares (Sept. 30, 2013 - 100,000, Sept. 30, 2012 - nil)	**$**	**4,000**	$	-

The common shares of North Sur Resources Inc. were valued at their fair market value based on their trading price at September 30, 2013.

7. Exploration and evaluation assets

Tell, Yukon
The Company acquired 100% of the expanded Tell mineral property through staking. The Company holds approximately 1950 hectares located approximately 140 kilometres east of Mayo, Yukon. The gross costs and impairments recorded to the Tell property as at September 30, 2013 are $223,352 and $nil, respectively. (2012 - $221,333 and $nil).

7. Exploration and evaluation assets (continued)

Virgin Arm, Newfoundland and Labrador
The Company entered into an acquisition agreement during fiscal 2010 to acquire 42 claims approximately 65 kilometres from Gander, Newfoundland and Labrador. During the year ended September 30, 2012, the Company received a Government grant of $88,300 for qualifying expenditures, (refer to Note 3 m) "Government incentives"). During the year ended September 30, 2012, the Company returned the property to the vendor and recorded an impairment on this property equal to its full carrying value. As the Company has terminated its option agreement to acquire the Virgin Arm, Newfoundland and Labrador mineral property, the Company is no longer committed to make payments or share issuances pursuant to the Virgin Arm agreement. The gross costs and impairments recorded to the Virgin Arm property as at September 30, 2013 are $354,122 and $354,122, respectively. (2012 - $354,122 and $354,122)

Meridian, British Columbia
During fiscal 2011, the Company wrote-off the property to reflect management's assessment of the property value based on current market conditions. During the year ended September 30, 2012, the Company incurred certain costs on the property associated with a property visit to assess site restoration requirements and these costs have been written-off during the current year. At September 30, 2013 the Company retains the property and could return for future exploration if economic conditions are warranted. The property claim will expire in fiscal 2019 unless renewed at that time. The gross costs and impairments recorded to the Meridian property as at September 30, 2013 are $506,013 and $506,013, respectively. (2012 - $506,013 and $506,013)

Up Town, Northwest Territories
During the year ended September 30, 2012, the Company entered into an option agreement ("Underlying Option") to acquire the Up Town Gold project located adjacent to the historic Giant mine in the Northwest Territories. In order to acquire a 100% interest in the property the Company must make staged cash payments and common share issuances aggregating $300,000 and 400,000 common shares respectively, as well as incurring $500,000 in exploration expenditures over four years. Of the aggregate committed payments, the Company paid $20,000 and issued 100,000 common shares upon signing the option agreement. During the year ended September 30, 2013, the Company paid an additional $30,000 and issued 100,000 common shares in accordance with the option agreement. See Note 18 - Commitments.

Due to current economic conditions, on March 7, 2013, the Company entered into an Assignment Agreement with Petro Occidente Capital Corp. ("OPP") [a TSX Venture-listed Capital Pool Company], and a Company related to Manson due to a common officer and director, now named North Sur Resources Inc. ("Sur") whereby Manson's rights and obligations in respect of the Up Town project were assumed by Sur. The details of the Assignment Agreement are as follows:

- In consideration of the assignment of the Underlying Option to Sur, Sur has agreed to pay Manson $25,000 in cash and issued Manson 100,000 common shares in the capital of Sur ("Sur Shares") concurrent with the closing of the Acquisition on August 12, 2013.
- In addition, Sur has agreed to assume all of Manson's rights and obligations under the Underlying Option, including the required yearly exploration expenditures (totaling up to an aggregate of $400,000 by 2016) and certain cash payments (totaling up to an aggregate of $250,000 by 2016), required to be made to the original property optionor in order to keep the Underlying Option in good standing for each year that the Underlying Option remains in effect.
- Sur has also agreed to issue a further 100,000 Sur Shares to Manson on or about each of January 28, 2014 and January 28, 2015, provided that the Underlying Option remains in effect on the applicable dates.
- If Sur exercises the option to acquire the Property pursuant to the terms and conditions of the Agreement, then for a period of 60 days after such exercise Manson will have a right to earn a 40% interest in the Property (the "Back-in Right") by providing notice of the exercise of such Back-in Right and paying to Sur, in cash, 40% of (i) all cash payments made by Sur (ii) all exploration expenses

(Expressed in Canadian Dollars)

7. Exploration and evaluation assets (continued)

incurred by or on behalf of the Sur, and (iii) the fair market value on the date of issue of all the Sur Shares issued to Manson.

- As of the date of these financial statements Manson has received $25,000 in cash payments from Sur and 100,000 Sur Shares valued at $10,000 ($0.10 per share) in accordance with the Assignment Agreement.

The Up Town mineral property has been recorded at its estimated fair value less costs to sell at $7,000 at September 30, 2013, which approximates the value of the remaining proceeds expected to be received assuming the Assignment Agreement with Sur remains in good standing. The gross costs and impairments recorded to the Up Town property as at September 30, 2013 are $152,216 and $145,216, respectively. (2012 - $57,133 and $nil)

A summary of exploration and evaluation expenditures by category for the years ended September 30, 2013 and September 30, 2012 appears below:

Year ended September 30, 2013		**Northwest Territory**	**Yukon**
	Total	**Up Town**	**Tell**
Balance at September 30, 2012	**$ 208,172**	**$ 30,633**	**$ 177,539**
Geological consulting	43,702	41,146	2,556
Geochemical analysis	7,604	7,604	-
Mapping and prospecting	1,000	1,000	-
Helicopter	3,967	3,967	-
Field costs	35,923	37,300	(1,377)
Travel and accommodations	6,066	6,066	-
Proceeds on Assignment Agreement	(35,000)	(35,000)	-
Impairments	(92,716)	(92,716)	-
Balance, September 30, 2013	**178,718**	**-**	**178,718**
Property acquisition costs:			
Balance September 30, 2012	**70,294**	**26,500**	**43,794**
Costs incurred	33,840	33,000	840
Impairments	(52,500)	(52,500)	-
Balance, September 30, 2013	**51,634**	**7,000**	**44,634**
Total exploration and evaluation assets September 30, 2013	**$ 230,352**	**$ 7,000**	**$223,352**

(Expressed in Canadian Dollars)

7. Exploration and evaluation assets (continued)

Year ended September 30, 2012		Northwest Territory	Newfoundland	British Columbia	Yukon
	Total	**Up Town**	**Virgin Arm**	**Meridian**	**Tell**
Balance at September 30, 2011	**$ 442,299**	**$ -**	**$ 363,910**	**$ -**	**$ 78,389**
Geological consulting	59,881	8,541	12,043	2,370	36,927
Geochemical analysis	7,345	3,485	3,007	-	853
Geophysical survey	34,128	-	-	-	34,128
Mapping and prospecting	12,101	12,101	-	-	-
Helicopter	16,558	-	-	-	16,558
Field costs	9,030	4,513	(948)	295	5,170
Travel and accommodations	11,636	1,993	3,135	994	5,514
Government grant	(88,300)	-	(88,300)	-	-
Asset retirement provision	1,775	-	1,775	-	-
Impairments	(298,281)	-	(294,622)	(3,659)	-
Balance, September 30, 2012	**208,172**	**30,633**	**-**	**-**	**177,539**
Property acquisition costs:					
Balance September 30, 2011	**87,519**	**-**	**52,500**	**-**	**35,019**
Costs incurred	42,275	26,500	7,000	-	8,775
Impairments	(59,500)	-	(59,500)	-	-
Balance, September 30, 2012	**70,294**	**26,500**	**-**	**-**	**43,794**
Total exploration and evaluation assets September 30, 2012	**$ 278,466**	**$ 57,133**	**$ -**	**$ -**	**$ 221,333**

From time to time the Company is required to advance amounts to service providers prior to their commencing exploration work on the mineral interests. The advance is applied to the invoiced services, generally through the final invoice. As these advances pertain to costs that form part of the long-term exploration and evaluation assets, they are classified as long-term. As at September 30, 2013, the Company had $3,029 (2012 - $5,072) in exploration and evaluation asset advances and deposits.

8. Property, plant and equipment

	Computer equipment and software		
	Cost	**Accumulated Depreciation**	**Net Book Value**
Balance, October 1, 2011	$ 4,555	$ (1,708)	$ 2,847
Additions	2,500	-	2,500
Depreciation	-	(2,173)	(2,173)
Balance, September 30, 2012	7,055	(3,881)	3,174
Additions	-	-	-
Depreciation	-	(1,237)	(1,237)
Balance, September 30, 2013	$ 7,055	$ (5,118)	$ 1,937

9. Accounts payable and accrued liabilities

	Sept 30, 2013	**Sept 30, 2012**
Trade payables	**$ 34,077**	$ 2,018
Due to related parties	**59,190**	12,788
Sales taxes payable	**1,259**	90
Accrued liabilities	**22,000**	34,000
	$ 116,526	$ 48,896

(Expressed in Canadian Dollars)

10. Decommissioning obligation

Changes in the asset retirement provision for the year ended September 30

	2013	2012
Balance, beginning of period	$ **5,000**	$ 9,000
Change in retirement accrual	**-**	1,775
Restoration costs incurred	**-**	(5,775)
Balance, end of period	$ **5,000**	$ 5,000

The above noted obligation represents costs to restore the mineral exploration properties, including the costs of filling trenches and revegetation if applicable. Management believes that there are no other significant legal obligations as at the respective year ends for current and future decommissioning obligations and restoration costs. The year end present value of the decommissioning obligation was determined using a risk-free rate of 1.0% and an inflation rate of 2.5% for the years ended September 30, 2013 and 2012. The timing of future reclamation costs is uncertain, as the costs will not be incurred until the Company gives up its legal right to explore the property or the claims expire in December 2019. No accretion expense has been recorded in both the current and comparative years because the amount is considered to be immaterial.

11. Share capital, stock options and warrants

a) Authorized

Unlimited number of voting common shares without par value
Unlimited number of Class A preferred shares issuable in series
Unlimited number of Class B preferred shares issuable in series

b) Issued and outstanding common share capital

	Number of shares	
	Year ended September 30	
	2013	2012
Balance, beginning of year	**77,461,652**	75,261,652
Issued pursuant to a private placement	**3,700,000**	2,000,000
Issued for property option payments	**100,000**	200,000
Balance, end of year	**81,261,652**	77,461,652

During the year ended September 30, 2013, the Company completed a non-brokered private placement for aggregate gross proceeds of $185,000. The placement was comprised of 2,500,000 Units at $0.05 per unit and 1,200,000 Flow-through ("FT") Units at $0.05 per unit. Each Unit is comprised of one common share and one share purchase warrant. Each whole share purchase warrant may be exercised to acquire one common share at a price of $0.10 per share to November 1, 2017. In valuing the Units the Company used a proration of proceeds method to the components of the unit offering including the use of the Black-Scholes Option Pricing model assuming a volatility rate of 118%, a risk free rate of 1.30%, a five year warrant life and a 0% dividend rate. Each FT unit is comprised of one common share and one half of a share purchase warrant. Each whole share purchase warrant may be exercised to acquire one common share at a price of $0.10 per share to November 1, 2014. In valuing the FT units the Company used a proration of proceeds method to the components of the unit offering including the use of the Black-Scholes Option Pricing model assuming a volatility rate of 118%, a risk free rate of 1.08%, a two year warrant life and a 0% dividend. The residual value was recorded in other income.

(Expressed in Canadian Dollars)

11. Share capital, stock options and warrants (continued)
b) Issued and outstanding common share capital (continued)

On January 23, 2013, the Company issued 100,000 common shares pursuant to the Up Town mineral property option agreement. (Refer to Note 7 "Exploration and evaluation assets" and Note 18 "Commitments").

During the year ended September 30, 2012, the Company completed a non-brokered private placement for aggregate gross proceeds of $106,000. The placement was comprised of 1,400,000 Common Units at $0.05 per unit and 600,000 Flow-through ("FT") Units at $0.06 per unit. Each Common Unit is comprised of one common share and one share purchase warrant. Each FT Unit is comprised of one FT common share and one half of a share purchase warrant. Each whole share purchase warrant may be exercised to acquire one common share at a price of $0.10 per share to May 17, 2014. In valuing the units of the issue the Company used a proration of proceeds method to the components of the unit offering including the use of the Black-Scholes Option Pricing model assuming a volatility rate of 121%, a risk free rate of 1.28%, a two year warrant life and a 0% dividend rate.

During the year ended September 30, 2012, the Company issued 100,000 common shares pursuant to the Virgin Arm, Newfoundland and Labrador option agreement and 100,000 common shares pursuant to the Up Town, Northwest Territories option agreement. The acquisition costs were valued using the market price of the Company's shares on the issue date.

c) Stock options

Outstanding	Number of shares		Exercise
Expiry	Sept 30, 2013	Sept 30, 2012	Price
December 20, 2012	-	775,000	$0.10
May 4, 2014	25,000	25,000	$0.10
October 11, 2014	20,000	20,000	$0.10
March 2, 2015	725,000	725,000	$0.10
	770,000	1,545,000	

Transactions	Number of options	Weighted Average exercise price
Balance September 30, 2011	1,950,000	$0.10
Granted	20,000	$0.10
Expired	(225,000)	$0.10
Forfeited	(200,000)	$0.10
Balance September 30, 2012	1,545,000	$0.10
Granted	-	$0.10
Expired	(775,000)	$0.10
Balance September 30, 2013	770,000	$0.10

The Company has an option plan ("the Plan"), under which up to 10% of the issued and outstanding common shares are reserved for issuance. Under the Plan, the options that have been granted expire at the earlier of five years from the grant date, the date at which the Directors determine, or 60 days from the date on which the optionee ceases to be a director, officer, employee or consultant. The exercise price of the options granted under the Plan will not be less than that from time to time permitted under the rules of the stock exchange or exchanges on which the shares are then listed, which price reflects trading values at that time.

(Expressed in Canadian Dollars)

11. Share capital, stock options and warrants (continued)
c) Stock options (continued)

Options granted vest immediately to optionees, however, vesting limitations may be imposed at the discretion of the board of directors. All of the options outstanding at the respective period ends have vested.

d) Warrant transactions and warrants outstanding

The warrants summarized below may be exercised to acquire an equal number of common shares.

Year ended September 30, 2013					
Exercise Price	**Expiry**	**Balance Sept 30, 2012**	**Warrants Issued**	**Warrants Expired**	**Balance Sept 30, 2013**
$0.10	May 3, 2013	19,450,000	-	(19,450,000)	-
$0.10	May 17, 2014	1,700,000	-	-	1,700,000
$0.10	November 1, 2014	-	600,000	-	600,000
$0.10	November 1, 2017	-	2,500,000	-	2,500,000
	Total	**21,150,000**	**3,100,000**	**(19,450,000)**	**4,800,000**

Year ended September 30, 2012					
Exercise Price	**Expiry**	**Balance Sept 30, 2011**	**Warrants Issued**	**Warrants Expired**	**Balance Sept 30, 2012**
$0.10	May 24, 2012	5,833,333	-	(5,833,333)	-
$0.10	May 3, 2013	19,450,000	-	-	19,450,000
$0.10	May 17, 2014	-	1,700,000	-	1,700,000
	Total	**25,283,333**	**1,700,000**	**(5,833,333)**	**21,150,000**

During the year ended September 30, 2012, the expiry date of the 19,450,000 warrants was extended by one year to May 3, 2013.

12. Financial instruments

Financial instruments recorded at fair value are classified using a fair value hierarchy that prioritizes the inputs to fair value measurements. The three levels of fair value are summarized below:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities either directly, (i.e. prices), or indirectly, (i.e. derived from prices); and
- Level 3 - Inputs that are not based on observable market data.

Level 1 has been utilized to value common shares included in short-term investments.

(Expressed in Canadian Dollars)

12. Financial instruments (continued)

The following summarizes the categories of the various financial instruments:

		Sept 30, 2013		Sept 30, 2012
		Carrying Value		
Financial assets measured at amortized cost:				
Cash and cash equivalents	**$**	**27,379**	$	68,632
Accounts receivable		**15,476**		3,916
Government grants receivable		**33,362**		-
	$	**76,217**	$	72,548
Financial assets measured at fair value:				
Short-term investments	**$**	**4,000**	$	-
Financial liabilities measured at amortized cost:				
Accounts payable and accrued liabilities	**$**	**115,267**	$	48,806

The above noted financial instruments are exclusive of any sales tax.

The carrying value of financial assets and liabilities measured at amortized cost approximates fair value due to the short-term nature of the instruments.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company had no foreign currency denominated fund balances. Consequently, variations in exchange rates will not result in foreign exchange gains or losses at this point in time.

13. General and administrative expenses

		Year ended September 30		
		2013		**2012**
Administrative consulting fees	**$**	**40,391**	$	72,876
Occupancy costs		**24,610**		52,302
Office, secretarial and supplies		**23,749**		34,938
Travel and promotion		**4,212**		14,051
Insurance		**10,258**		13,500
Computer network and website maintenance		**1,373**		3,003
Share-based payments (Note 14)		**-**		1,000
Office moving expense		**-**		4,075
Miscellaneous		**3,435**		5,333
Total general and administrative expenses	**$**	**108,028**	$	201,078

14. Share-based payment transactions

During the year ended September 30, 2012, the Company granted 20,000 options to a consultant that may be exercised at $0.10 per share to October 11, 2014. The options were valued at $1,000 using the Black-Scholes Option Pricing model assuming a two year term, volatility of 122%, a risk free discount rate of 1.08% and a dividend rate of 0%.

(Expressed in Canadian Dollars)

15. Earnings per share

The following adjustments were made in arriving at diluted weighted average number of common shares for the years ended September 30:

Weighted average number of common shares:		**2013**		**2012**
Basic		**80,905,762**		76,153,433
Effect of dilutive securities:				
Stock options		**-**		-
Warrants		**-**		-
Diluted		**80,905,762**		76,153,433
Earnings per share:				
Basic and diluted	**$**	**(0.00)**	$	(0.01)

The dilutive effect of stock options and warrants was calculated using the treasury stock method. This method calculated the number of incremental shares by assuming the outstanding in-the-money stock options and warrants are exercised, and then reduced by the number of shares assumed to be repurchased from the issuance proceeds, using the average market price of the Company's common shares for the period. As the Company experienced a loss for the years ended September 30, 2013 and 2012, no dilution resulted.

16. Income taxes

Rate Reconciliation:

The combined provision for taxes in the Statement of Loss and Comprehensive Loss reflects an effective tax rate which differs from the expected statutory rate as follows:

		2013		**2012**
Loss before income taxes	$	(300,148)	$	(660,191)
Computed expected expense (recovery) based on a combined rate of 25.00% (2012 - 25.38%)		(75,000)		(167,500)
Non-deductible (taxable) items and other		(48,000)		(6,000)
Unrecognized deferred tax asset		123,000		171,000
Tax rate adjustment		-		2,500
Income tax expense (recovery)	$	-	$	-

The statutory rate was 25.00% (2012 - 25.38%). The decrease in the statutory rate was due to a reduction in the Canadian federal tax rate from 16.5% to 15% in 2012.

Temporary differences and tax loss not recognized for accounting purposes:

		2013		**2012**
Non-capital loss carry-forwards	$	2,331,000	$	2,162,000
Capital loss carry-forwards		104,000		104,000
Property, Plant, Equipment		73,000		73,000
Mineral Properties		5,118,000		4,837,000
Share issuance costs		39,000		-
Short-term investments		3,000		-
Total	$	7,668,000	$	7,176,000

(Expressed in Canadian Dollars)

16. Income taxes (continued)

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at September 30, 2013 the Company had unused non-capital loss carry-forwards of approximately $2,331,000 that expire between the years 2014 and 2033.

17. Related party balances and transactions and key management remuneration

The Company is considered a related party to Northern Abitibi Mining Corp. ("Northern") and Guatavita Gold Corp. ("Guatavita") because of its common directors, officers and key management personnel that have some direct financial interest in both the Company and Northern and Guatavita.

The Company entered into an Assignment Agreement with respect to the Underlying Option Agreement for the Up Town mineral property with North Sur Resources Inc. (“Sur”), a company related due to a common officer and director (See Note 7 - "Exploration and evaluation assets").

In addition, related parties include members of the Board of Directors, officers and their close family members.

The following amounts were charged by (to) related parties during the year:

			2013		2012
Key management remuneration					
President and Director	a	**$**	**52,743**	$	88,029
CFO	b		**-**		32,976
Corporate Secretary	d		**14,107**		18,379
Total management remuneration		**$**	**66,850**	$	139,384
Other related party transactions:					
Northern Abitibi Mining Corp.					
Office rent and operating costs received	c	**$**	**-**	$	6,642
General and administrative and secretarial costs paid	c	**$**	**(388)**	$	(1,688)
General and administrative and secretarial costs received		**$**	**634**	$	3,240
Guatavita Gold Corp.					
Office rent and operating costs paid	d	**$**	**(24,610)**	$	(18,875)
Office rent and operating costs received	d	**$**	**-**	$	10,143
General and administrative and secretarial costs paid	d	**$**	**(23,198)**	$	(35,727)
General and administrative and secretarial costs received	d	**$**	**870**	$	1,299
North Sur Resources Inc.					
General and administrative and secretarial costs received	e	**$**	**24,878**	$	-

Management compensation payable to "key management personnel" during the years ended September 30, 2013 and 2012 is reflected in the table above and consists of consulting fees paid/payable to the President's controlled company, the CFO and Guatavita, the employer of the Corporate Secretary. Directors are not paid directors' fees. Officers and directors are compensated through the granting of options from time-to-time. There were no options granted to officers and directors during the years ended September 30, 2013 or September 30, 2012. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company.

(Expressed in Canadian Dollars)

17. Related party balances and transactions and key management remuneration (continued)

The following amounts were due to or receivable from related parties at the respective period ends:

Balances receivable (owing)			Sept 30, 2013		Sept 30, 2012
Consulting fees:					
President and director	a	$	(19,580)	$	(5,292)
Office rent and operating costs:					
Guatavita Gold Corp.	d	$	(19,854)	$	-
General and administrative and secretarial costs:					
Guatavita Gold Corp.	d	$	707	$	287
Northern Abitibi Mining Corp.	c	$	145	$	1,737
Northern Abitibi Mining Corp	c	$	(399)	$	(511)
Guatavita Gold Corp.	d	$	(19,358)	$	(6,984)
North Sur Resources Inc.	e	$	14,372		-

a) Consulting fees for the President's services are billed by 916165 Alberta Ltd., a company controlled by Regan Chernish. Consulting services that relate directly to mineral property exploration are capitalized to exploration and evaluation assets; the remainder is expensed. During the year ended September 30, 2013 - $31,515 (2012 - $48,129) was capitalized to exploration and evaluation assets and $21,228 (2012 - $39,900) was expensed through general and administrative expenses.
b) The CFO billed for consulting services and these charges are included in general and administrative expenses.
c) Northern leased office space from the Company during the first quarter of 2012. Further, during the years ended September 30, 2013 and 2012 respectively, the Company incurred certain administrative expenses on Northern's behalf that were subsequently billed to Northern on a quarterly basis. In addition, Northern incurred certain administrative costs on behalf of the Company that were billed on a quarterly basis. Northern and the Company share three common officers and two common directors.
d) Guatavita employs two individuals who also perform administrative work for the Company and incurs certain administrative expenses on behalf of the Company and bills on a quarterly basis for these expenses. Included in these expenses is remuneration to the Corporate Secretary. Guatavita leased office space from the Company during the first quarter of 2012. Effective January 1, 2012, the Company began to lease office space from Guatavita. In addition, the Company incurred certain administrative expenses on Guatavita's behalf that were subsequently billed to Guatavita on a quarterly basis. Guatavita and the Company share three common officers and two common directors.
e) During the year ended September 30, 2013, the Company incurred certain administrative and other expenses on Sur's behalf that were subsequently billed on a quarterly basis. Sur and the Company share one common officer and director.

18. Commitments

On January 1, 2012 the Company entered into a lease for new office space. Pursuant to this agreement, the Company is committed to pay base lease costs plus additional rent, which include it's proportionate share of costs incurred in the operation, maintenance, management and supervision of the property as defined by the sublandlord's current lease for the premises. Additional annual rent is estimated to be approximately $12,800. per year.

During the year ended September 30, 2012, the Company entered into an option agreement to acquire the Up Town, Northwest Territories mineral property. Pursuant to this agreement, the Company is committed to make payments in cash and issue shares of its common stock as well as minimum exploration expenditures.

(Expressed in Canadian Dollars)

18. Commitments (continued)

Total commitments are summarized below:

		Office lease		Mineral property acquisition commitments			
Years ended September 30,		**Base lease payments**		**Cash option payments**	**Share issues**		**Minimum exploration expenditures**
2014	$	12,300	$	50,000	100,000	$	100,000
2015	$	3,100	$	50,000	100,000	$	0-300,000
2016	$	-	$	150,000	-	$	0-300,000
Total	$	15,400	$	250,000	200,000	$	400,000

The anniversary date for the required mineral property option expenditures is January 23 in each respective year. Should the Company decide to terminate the option agreement at any time, it is not liable for future cash payments and share issuances.

The Company has no commitments or future obligation on any mineral property other than Up Town.

On March 7, 2013, the Company entered into an Assignment Agreement with Sur for the Up Town Property Option. The transaction closed on August 12, 2013. As a result, Sur has assumed the cash portion and minimum exploration expenditures of the Company's commitment, provided that the Option Agreement remains in good standing. See Note 7 "Exploration and evaluation assets" for details relating to the agreement.

19. Supplemental disclosure statement of cash flows

Reconciliation of cash used in operating activities to operating expenses:

		Sept 30, 2013		**Sept 30, 2012**
Operating expenses	**$**	**(297,247)**	$	(692,404)
Stock-based payment transactions		**-**		1,000
Depreciation		**1,237**		2,173
Impairment charges		**145,216**		357,780
Changes in assets and liabilities pertaining to operations:				
Accounts receivable		**(14,980)**		3,106
Government grant receivable		**(33,362)**		-
Prepaid expenses		**6,483**		1,815
Accounts payable and accrued liabilities		**67,630**		(654)
Asset retirement provision		**-**		5,775
Cash paid to suppliers and contractors	**$**	**(125,023)**	$	(321,409)

20. Segment disclosures

During the current years ended September 30, 2013 and September 30, 2012, the Company was only engaged in mineral exploration and all exploration activities were undertaken in Canada. Consequently, segmented information is not presented in these financial statements.

21. Capital

The Company's objective when managing capital is to continue as a going concern so that it can provide value to shareholders by acquiring and conducting exploration on mineral exploration properties with the ultimate objective of finding commercial quantities of base and/or precious metals. Refer to Note 1 "Nature of operations and going concern". Capital is defined as share capital, reserves and deficit. The Company has traditionally been financed through equity issues rather than debt and does not anticipate using debt to finance its continuing grass roots exploration. Should the Company evolve to the point where it is developing or operating a mine, debt options may be investigated.

The Company will raise equity as cash flow requirements dictate and will attempt, when able, to time financings with more favorable market conditions. The Company can scale back exploration, and to a certain extent, discretionary administrative costs during tighter equity markets. The Company invests capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments such as Bankers' Acceptances and Term Deposits.

The externally imposed capital requirement to which the Company is exposed relates to flow-through shares. Pursuant to flow-through agreements entered into with flow-through share subscribers, the Company has committed to use the full proceeds of these issuances to incur qualifying mineral exploration expenditures within a prescribed time frame. Should the Company not incur these expenditures, they are required to pay the flow-through subscribers an amount equal to the tax payable by the subscriber as a result of the Company's failure to incur the expenditures. At September 30, 2013, there were no unexpended flow-through funds included in cash and cash-equivalents balances.

22. Financial risk management

a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company's financial instruments that could be subject to credit risk consist of accounts receivables (excluding sales tax and government grant receivables) and cash held in Bankers' Acceptances and Term Deposits. The Company has had a history of prompt receipt of their receivables and considers credit risk to be low on these instruments as at September 30, 2013 and September 30, 2012. The Company's cash and cash equivalents are currently held with one financial institution.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity risk is the utilization of budgets, to attempt to maintain sufficient liquidity in order to meet operational and exploration requirements as well as property acquisition commitments. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company is continually investigating financing options. The continuing operations of the Company are dependent upon its ability to obtain adequate financing or to commence profitable operations in the future. A private placement was completed during the year ended September 30, 2013 that financed a second stage exploration program for fiscal 2013. The Company will be required to raise additional capital to meet its funding requirements for administrative and operating costs and exploration and acquisition costs beyond the year ended September 30, 2013. There can be no assurance that the Company will be successful in obtaining financing. As a result, there is significant doubt regarding the Company's ability to continue as a going concern. Refer to Note 1 "Nature of operations and going concern".

22. Financial risk management (continued)

c) Market risk
Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits. There were no material foreign currency denominated transactions during the periods disclosed and the Company did not hold cash balances in foreign currencies. As a result the Company is not exposed to foreign currency exchange risks at this time. As the Company has not yet developed producing mineral interests, it is not exposed to commodity price risk at this time. As the Company has no debt facilities and has minimal amounts of interest income, it is not exposed to significant interest rate risk at this time. The Company's equity investments are subject to market price risk. These investments were received as partial proceeds for the Assignment Agreement with Sur for the Underlying Option on the Up Town property (Note 7). The Company does not invest excess cash in equity investments as a general rule. Investment in common shares is recorded at fair value at the respective period ends with the resultant gains or losses recorded in earnings. The price or value of these investments can vary from period to period. During the year ended September 30, 2013, the market price fluctuation on the investments held resulted in a loss of $6,000 (60%) on short-term investments. In 2013 a 10% change in fair value of the Company's marketable investments would result in a charge to income of $1,000 (2012 - $nil). The Company does not intend to hold these investments for more than one year.

23. Subsequent events

On January 23, 2014, the Company issued 100,000 common shares pursuant to the Up Town mineral property option agreement. (Refer to Note 7 "Exploration and evaluation assets" and Note 18 "Commitments").

Due to the resignations of the President/Director and a Director on November 21, 2013, 300,000 options expired without exercise on January 20, 2014.

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Listed and Symbol:

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