
GOWEST GOLD LTD.

Condensed Interim Financial Statements

Unaudited

Three and nine months ended July 31, 2013

Expressed in Canadian Dollars

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of Gowest Gold Ltd. ("Gowest" or the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

GOWEST GOLD LTD.
Condensed Interim Statements of Financial Position
(Unaudited)

In Canadian dollars

| ASSETS | <i>Notes</i> | July 31, 2013 | October 31, 2012 |
|--|--------------|--------------------------|-----------------------------|
| Current assets | | | |
| Cash and cash equivalents | | \$ 698,449 | \$ 676,538 |
| Amounts receivable and other assets | 6 | 142,870 | 104,689 |
| Total current assets | | 841,319 | 781,227 |
| Long term investments | 8 | 11,250 | 26,250 |
| Equipment | 7 | 66,452 | 88,744 |
| Exploration and evaluation properties | 9 | 15,771,638 | 13,860,128 |
| Total assets | | \$ 16,690,659 | \$ 14,756,349 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 359,719 | \$ 366,824 |
| Total current liabilities | | 359,719 | 366,824 |
| Deferred income tax taxes | | 1,505,240 | 1,505,240 |
| Total liabilities | | 1,798,964 | 1,872,064 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 10 | 18,361,571 | 16,207,611 |
| Reserves | 10 | 3,261,719 | 2,636,187 |
| | | 21,623,290 | 18,843,798 |
| Accumulated deficit | | (6,718,340) | (5,870,263) |
| Accumulated other comprehensive loss | | (104,250) | (89,250) |
| | | (6,822,590) | (5,959,513) |
| Total shareholders' equity | | 14,800,700 | 12,884,285 |
| Total liabilities and shareholders' equity | | \$ 16,690,659 | \$ 14,756,349 |

Commitments and Contingencies (Note 13)

Subsequent Event (Note 14)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

GOWEST GOLD LTD.
Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited)

In Canadian dollars

| | Three months ended July 31, 2013 | Three months ended July 31, 2012 | Nine months ended July 31, 2013 | Nine months ended July 31, 2012 |
|---|---|--|--|---|
| Operating Expenses | | | | |
| General and administrative (note 11) | \$ 209,619 | \$ 352,836 | \$ 917,884 | \$ 1,196,903 |
| | (209,619) | (352,836) | (917,884) | (1,196,903) |
| Loss on expiry of warrants | - | - | - | (90,750) |
| Interest and other income / (expense) | 723 | (2,175) | 5,727 | 9,142 |
| Net loss before income taxes | (208,896) | (355,011) | (912,157) | (1,278,511) |
| Future income taxes recovered | - | - | - | 500,996 |
| Net loss for the period | (208,896) | (355,011) | (912,157) | (777,515) |
| Unrealized gain on available-for sale-investment | (7,500) | 7,500 | (15,000) | 93,750 |
| Net loss and comprehensive loss for the period | \$ (216,396) | \$ (347,511) | \$ (927,157) | \$ (683,765) |
| Basic and diluted net gain/(loss) per share | \$ (0.01) | \$ 0.00 | \$ (0.01) | \$ (0.00) |
| Weighted average number of common shares outstanding | 158,041,431 | 124,461,849 | 153,279,723 | 121,768,591 |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Gowest Gold Ltd.
Condensed Interim Consolidated Statement
Unaudited
In Canadian Dollars

| | Share Capital | Reserves | | Accumulated other comprehensive loss | Accumulated deficit | Total equity |
|---|------------------|--------------|---------------|---|------------------------|--------------|
| | | Warrants | Stock options | | | |
| Balance at October 31, 2012 | \$ 16,207,611 | \$ 708,526 | \$ 1,927,661 | \$ (89,250) | \$ (5,870,263) | \$12,884,285 |
| Issued on private placements | 3,028,767 | - | - | - | - | 3,028,767 |
| Fair value of warrants issued | (505,448) | 505,448 | - | - | - | - |
| Fair value of compensation warrants issued | (79,264) | 79,264 | - | - | - | - |
| Share issue costs | (313,970) | - | - | - | - | (313,970) |
| Fair value of stock options expired | - | - | (64,080) | - | 64,080 | - |
| Shares issued for compensation | 20,000 | - | - | - | - | 20,000 |
| Shares issued for exploration and evaluation property | 3,875 | - | - | - | - | 3,875 |
| Share-based payment | - | - | 104,900 | - | - | 104,900 |
| Expiration of warrants | - | - | - | - | - | - |
| Net loss and comprehensive loss for the period | - | - | - | (15,000) | (912,157) | (927,157) |
| Balance at July 31, 2013 | \$ 18,361,571 | \$ 1,293,238 | \$ 1,968,481 | \$ (104,250) | \$ (6,718,340) | \$14,800,700 |
| Balance at October 31, 2011 | \$ 13,474,424 | \$ 1,866,327 | \$ 1,866,995 | \$ (175,500) | \$ (5,666,510) | \$11,365,736 |
| Issued on private placements | 3,391,201 | - | - | - | - | 3,391,201 |
| Fair value of warrants issued | (529,622) | 529,622 | - | - | - | - |
| Fair value of compensation warrants issued | (75,136) | 75,136 | - | - | - | - |
| Shares issued on exercise of stock options | 45,000 | - | - | - | - | 45,000 |
| Fair value of stock options exercised | 30,900 | - | (30,900) | - | - | - |
| Share issue costs | (290,419) | - | - | - | - | (290,419) |
| Shares issued for exploration and evaluation property | 32,625 | - | - | - | - | 32,625 |
| Share-based payment | 10,476 | - | 119,627 | - | - | 130,103 |
| Expiration of warrants | - | (1,735,512) | - | - | 1,735,512 | - |
| Net loss and comprehensive loss for the period | - | - | - | 93,750 | (777,515) | (683,765) |
| Balance at July 31, 2012 | \$ 16,089,449 | \$ 735,573 | \$ 1,955,722 | \$ (81,750) | \$ (4,708,513) | \$13,990,481 |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

GOWEST GOLD LTD.
Condensed Interim Consolidated Statements of Cash Flow
Unaudited
In Canadian dollars

| | Nine months ended | |
|--|----------------------|---------------------|
| | July 31, 2013 | July 31, 2012 |
| Operating activities | | |
| Net loss for the period | \$ (912,157) | \$ (777,515) |
| Items not affecting cash: | | |
| Amortization | 22,292 | 29,755 |
| Share-based payment | 104,900 | 119,627 |
| Common shares issued for services | 20,000 | - |
| Future income tax recovery | - | (500,996) |
| Unrealized loss on long term investment | - | 90,750 |
| | (764,965) | (1,038,379) |
| Changes in non-cash working capital items: | | |
| Amounts receivable and other assets | (38,181) | 124,050 |
| Accounts payable and accrued liabilities | 17,895 | (302,885) |
| | (785,251) | (1,217,214) |
| Investing activities | | |
| Exploration and evaluation expenditures | (1,907,635) | (2,668,779) |
| Purchase of equipment | - | (2,390) |
| | (1,907,635) | (2,671,169) |
| Financing activities | | |
| Proceeds from issue of capital stock and warrants | 3,028,767 | 3,446,677 |
| Transaction costs | (313,970) | (290,419) |
| | 2,714,797 | 3,156,258 |
| Increase/(decrease) in cash and cash equivalents during the period | 21,911 | (732,125) |
| Cash and cash equivalents, beginning of period | 676,538 | 1,838,799 |
| Cash and cash equivalents, end of period | \$ 698,449 | \$ 1,106,674 |
| CASH AND CASH EQUIVALENTS ARE COMPOSED OF: | | |
| Cash | \$ 152,221 | \$ 544,292 |
| Cash equivalents | \$ 546,228 | \$ 562,382 |
| SUPPLEMENTAL INFORMATION | | |
| Change in accounts payable and accrued liabilities related to exploration and evaluation expenditures | \$ 149,703 | \$ (302,885) |
| Common shares issued for exploration and evaluation expenditures | \$ 3,875 | \$ 32,625 |
| Warrants issued for share issue costs | \$ 28,073 | \$ - |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

GOWEST GOLD LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2013 and 2012
(UNAUDITED)

1. NATURE OF OPERATIONS AND GOING CONCERN

Gowest Gold Ltd. ("Gowest" or the "Company") is in the business of exploring and evaluating properties that it believes contain mineralization that is, or will, in the future, be economically recoverable. To date, the Company has not earned significant revenues from its activities. The address and registered office of the Company is 80 Richmond Street West, Suite 1400, Toronto, Ontario, Canada, M5H 2A4.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and evaluation programs will result in profitable mining operations. The recoverability of the amounts capitalized for exploration and evaluation properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from dispositions of such properties. Changes in future conditions could require material write-downs of the carrying amounts of exploration and evaluation properties.

Although the Company has taken steps to verify title to its property interests, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The accompanying unaudited interim consolidated financial statements have been prepared on the going concern assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Due to continuing operating losses, the Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of property.

Accordingly, readers are cautioned that these unaudited interim consolidated financial statements do not reflect adjustments that would be necessary if the "going concern" basis were not appropriate. Changes in future conditions could require material write downs of the carrying value of certain assets.

These unaudited condensed consolidated financial statements of the Company were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on September 26, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and adoption of International Financial Reporting Standards ("IFRS")

The Company previously prepared its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to GAAP before the adoption of IFRS.

IFRS 1 – First-time Adoption of International Financial Reporting Standards ("IFRS 1") governs the first-time adoption of IFRS. IFRS 1 in general requires accounting policies under IFRS to be applied retrospectively to determine the opening statement of financial position of the Company as of the transition date of November 1, 2010 and allows certain exemptions.

GOWEST GOLD LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2013 and 2012
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation and adoption of International Financial Reporting Standards ("IFRS")

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at November 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

(b) Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its two wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated upon consolidation. On November 1, 2011, the Company amalgamated with its two subsidiaries and continued as a single entity with the name Gowest Gold Ltd.

(c) Foreign currency translation

The functional currency of Gowest is the Canadian dollar. For the purpose of the unaudited condensed interim consolidated financial statements, the results and financial position are expressed in Canadian dollars.

Transactions in currencies, other than the functional currency, are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates, are recognised in the consolidated statement of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(d) Financial instruments

The Company's financial instruments consist of the following:

| Financial assets: | Classification: |
|---|---|
| Cash | Loans and receivables |
| Cash equivalents | Fair value through profit or loss ("FVTPL") |
| Long-term investments | Available for sale |
| Amounts receivable | Loans and receivables |
| Financial liabilities: | Classification: |
| Amounts payable and accrued liabilities | Other financial liabilities |

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

GOWEST GOLD LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) *Financial instruments (continued)*

FVTPL

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Available for sale:

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classed in any other categories. Available-for-sale investments are carried at fair value at initial recognition. Changes to the fair value of available-for-sale investments are recognized in other comprehensive income. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognized in accumulated other comprehensive income are included in the statement of loss.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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 financial assets have been negatively impacted.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of July 31, 2013 and October 31, 2012, other than cash equivalents and the available-for-sale investment, none of the Company's financial instruments are recorded at fair value on the condensed interim consolidated statement of financial position based on their classification.

GOWEST GOLD LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2013 and 2012
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets are impaired. Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(f) Exploration and evaluation expenditures

The Company is in the exploration and evaluation stage with respect to its investment in exploration and evaluation properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and evaluation of its interest in these properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned exploration and evaluation properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for interest in exploration and evaluation properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income, costs recovered on exploration and evaluation properties when amounts received or receivable are in excess of the carrying amount.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration and evaluation expenditures are not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

(g) Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks, and guaranteed investment certificates with an original maturity of three months or less, and which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and guaranteed investment certificates that are available on demand by the Company for its programs. The Company does not invest in any asset-backed deposits/investments.

GOWEST GOLD LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2013 and 2012
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rates:

| Detail | Percentage | Method |
|------------------------|-------------------|-------------------|
| Vehicle | 30% | Declining balance |
| Furniture and fixtures | 20% | Straight line |
| Computer equipment | 30% | Declining balance |
| Software | 30% | Declining balance |

An asset's residual value, useful life, and depreciation method are reviewed and adjusted, if appropriate, on an annual basis.

(i) Provisions

A provision is recognized when, the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(j) Share based payment transactions

The fair value of share based payments to employees and non-employees is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of employee share based payments is measured at the grant date and recognized over the period during which the options vest. The fair value 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. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest based on an estimate of the forfeiture rate.

Share-based payments granted to non-employees are measured at the fair value of goods received unless that cannot be reasonably estimated in which case the fair value of the share-based payments are used. The measurement date is generally the date the goods or services are received.

GOWEST GOLD LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements unless such differences arise from goodwill or the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the taxable profit nor the accounting profit or loss. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current. Deferred tax assets and liabilities are offset when there is a legally enforceable right to do so, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(l) Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration and evaluation of a property interest. Such costs are discounted to their net present value using a risk-free rate and are provided for and expensed as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no material restoration, rehabilitation and environmental obligations as at July 31, 2013 and October 31, 2012, as the disturbance to date is minimal.

(m) Loss per share

The Company presents basic and diluted loss per share data 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 is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The Company's diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

GOWEST GOLD LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Significant accounting judgments and estimates

The preparation of these unaudited condensed interim consolidated 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 reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim consolidated 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 and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

Impairment of exploration and evaluation properties

While assessing whether any indications of impairment exist for exploration and evaluation properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation properties. Internal sources of information include the manner in which exploration and evaluation properties are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's exploration and evaluation properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation properties.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Significant accounting judgments and estimates (continued)

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Contingencies – Refer to Note 13

(o) Flow-through shares

The Company periodically finances a portion of its exploration and evaluation activities through the issue of flow through shares, which transfers the tax deductibility of exploration expenditures to the investor (referred to as renunciation). Proceeds received on the issuance of such shares up to the value of similar non-flow through shares are credited to share capital and any difference between that amount and the issue price is recognized as a flow through share premium and recognized as a liability in the statement of financial position. Upon renunciation to the investor of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the liability previously recorded is reversed with any difference being recorded as a deferred tax recovery (expense). To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a recovery on the statement of loss. The related exploration costs are charged to exploration and evaluation properties.

(p) New accounting standards and interpretations

Certain pronouncements were issued by the IASB ("International Accounting Standards Board") or the IFRIC ("International Financial Reporting Interpretation Committee") that are mandatory for accounting periods after November 1, 2012 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 – Financial instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Earlier adoption is permitted.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) New accounting standards and interpretations (continued)

(ii) IFRS 10 – Consolidated financial statements (“IFRS 10”) was issued by the IASB in May 2011 and will replace IAS 27 Consolidated and Separate Financial Statement and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity’s returns. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.

(iii) IFRS 11 – Joint arrangements (“IFRS 11”) was issued by the IASB in May 2011 and will replace IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. Joint ventures are accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iv) IFRS 12 – Disclosure of interests in other entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(v) IFRS 13 – Fair Value Measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 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 under current market conditions. It also establishes disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.

(vi) IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended by the IASB in June 2011. As a result of the amendment, items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. Earlier adoption is permitted.

(vii) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (“IFRIC 20”) was issued by the IASB in October 2011. This interpretation requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.

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3. CAPITAL MANAGEMENT

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and evaluation of its properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be shareholders' equity, which comprises share capital, reserves, accumulated deficit and accumulated other comprehensive loss, which at July 31, 2013, totaled \$14,800,700 (October 31, 2012 - \$12,884,285).

The properties in which the Company currently has an interest are in the exploration and evaluation stage. As such the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- (i) minimizing discretionary disbursements;
- (ii) reducing or eliminating exploration expenditures that are of limited strategic value; and
- (iii) exploring alternative sources of liquidity.

In light of the above, the Company will attempt to explore and evaluate its properties, assess new properties and seek to acquire an interest in additional properties if the Company believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the nine months ended July 31, 2013. The Company is not subject to externally imposed capital requirements.

4. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk). Financial risk management is carried out by the Company's management team with guidance from the Audit Committee and Board of Directors.

(i) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash and cash equivalents consist of cash, high interest savings accounts and certificates of deposit at select Canadian financial institutions, from which management believes the risk of loss to be remote. Amounts receivable are in good standing as at July 31, 2013. Management believes that the credit risk concentration with respect to the financial instruments included in cash and cash equivalents and amounts receivable is remote.

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4. FINANCIAL RISK FACTORS (CONTINUED)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As of July 31, 2013, the Company had cash and cash equivalents of \$698,449 (October 31, 2012 - \$676,538) to settle accounts payable and accrued liabilities of \$359,719 (October 31, 2012 - \$366,824). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. As discussed in Note 1, the Company's ability to continually meet its obligations and carry out its planned exploration and evaluation activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(a) Interest rate risk

The Company has cash and cash equivalents and no interest-bearing debt. The Company's current policy is to invest excess cash in high interest savings accounts and investment-grade certificates of deposit issued by its Canadian financial institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its Canadian financial institutions. Currently, the Company does not hedge against interest rate risk.

(b) Foreign currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. As the Company's mineral properties are in the exploration stage, the Company does not hedge against commodity price risk. The Company's long-term investment in Crown Gold Corporation "Crown" is subject to fair value fluctuations arising from changes in the equity and commodity markets.

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4. FINANCIAL RISK FACTORS (CONTINUED)

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a three month period:

(i) Cash equivalents are subject to floating interest rates. As at July 31, 2013, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the nine months ended July 31, 2013 would have not have been significantly impacted.

(ii) The Company's available-for-sale investment in the common shares of Crown Minerals is subject to fair value fluctuations. As at July 31, 2013, if the bid price of the common shares of Crown Minerals had changed by 10% with all other variables held constant, the other comprehensive income for the nine months ended July 31, 2013, before tax would have been approximately \$1,500 higher/lower and reported shareholders' equity would have been approximately \$1,500 higher/lower.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at July 31, 2013:

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|----------------|----------------|----------------|--------------|
| Cash equivalents | \$ - | \$ 698,449 | \$ - | \$ 698,449 |
| Long-term investments: | | | | |
| - Investment in a public company | 11,250 | - | - | 11,250 |
| | \$ 11,250 | \$ 698,449 | \$ - | \$ 709,699 |

5. CATEGORIES OF FINANCIAL INSTRUMENTS

| | As at July 31, 2013 | As at October 31, 2012 |
|---|------------------------------------|---------------------------------------|
| Financial assets: | | |
| FVTPL | | |
| Cash equivalents | \$ 546,228 | \$ 563,233 |
| Loans and receivables | | |
| Cash | 152,221 | 113,305 |
| Amounts receivable | 142,870 | 81,306 |
| Available for sale financial asset | 11,250 | 26,250 |
| Financial liabilities: | | |
| Other financial liabilities | | |
| Amounts payable and accrued liabilities | \$ 359,719 | \$ 366,824 |

As at July 31, 2013, and October 31, 2012, the fair value of the Company's financial instruments approximates their estimated carrying values, due to their short-term nature.

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6. AMOUNTS RECEIVABLE AND OTHER ASSETS

| | As at July 31, 2013 | As at October 31, 2012 |
|--------------------|------------------------------------|---------------------------------------|
| Amounts receivable | \$ 95,214 | \$ 81,306 |
| Prepaid expenses | 47,656 | 23,383 |
| | \$ 142,870 | \$ 104,689 |

7. EQUIPMENT

| Cost | Computer Equipment | Furniture | Vehicles | Software | Total |
|---------------------------|-----------------------|-----------|----------|----------|---------|
| Balance, October 31, 2011 | 6,536 | 26,441 | 96,491 | 61,689 | 191,157 |
| Additions | - | - | - | - | - |
| Balance, October 31, 2012 | 6,536 | 26,441 | 96,491 | 61,689 | 191,157 |
| Additions | - | - | - | - | - |
| Balance, July 31, 2013 | 6,536 | 26,441 | 96,491 | 61,689 | 191,157 |

| Accumulated amortization | Computer Equipment | Furniture | Vehicles | Software | Total |
|---------------------------------|-----------------------|-----------|----------|----------|---------|
| Balance, October 31, 2011 | 2,729 | 6,911 | 37,346 | 15,503 | 62,489 |
| Additions | 1,142 | 5,288 | 17,385 | 16,109 | 39,924 |
| Balance, October 31, 2012 | 3,871 | 12,199 | 54,731 | 31,612 | 102,413 |
| Additions | 629 | 3,966 | 9,748 | 7,949 | 22,292 |
| Balance, July 31, 2013 | 4,500 | 16,165 | 64,479 | 39,561 | 124,705 |

| Carrying value | Computer Equipment | Furniture | Vehicles | Software | Total |
|---------------------------|-----------------------|-----------|----------|----------|---------|
| Balance, October 31, 2011 | 3,807 | 19,530 | 59,145 | 46,186 | 128,668 |
| Balance, October 31, 2012 | 2,665 | 14,242 | 41,760 | 30,077 | 88,744 |
| Balance, July 31, 2013 | 2,036 | 10,276 | 32,012 | 22,128 | 66,452 |

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8. LONG-TERM INVESTMENTS

| Investment | Cost | Write-down | Accumulated Other comprehensive income adjustment | July 31, 2013 estimated fair value | October 31, 2012 estimated fair value |
|--------------------------------|------------|-------------|---|--|---|
| Crown Gold Corporation | | | | | |
| - common shares ⁽¹⁾ | \$ 115,500 | \$ - | \$ (104,250) | \$ 11,250 | \$ 26,250 |
| - warrants ⁽²⁾ | 90,750 | (90,750) | - | - | - |
| | \$ 206,250 | \$ (90,750) | \$ (104,250) | \$ 11,250 | \$ 26,250 |

⁽¹⁾ 750,000 common shares of Crown; and

⁽²⁾ 750,000 warrants of Crown - \$0.25 per share (expired on December 4, 2011).

9. EXPLORATION AND EVALUATION PROPERTIES

| July 31, 2013 | Option Acquisition Cost | Exploration and Evaluation | Payments Received | Net Book Value |
|--|-------------------------------|-------------------------------|----------------------|-------------------|
| Frankfield Property ^{(a) (c)} | \$ 1,263,575 | \$ 12,967,835 | \$ - | \$ 13,898,410 |
| Pipestone Property ^(d) | 134,000 | 906,855 | - | 1,040,855 |
| Tully Property ^{(e)(f)} | 69,458 | 762,915 | - | 832,373 |
| Whitney Property ^(b) | 16,800 | 60,768 | (77,568) | - |
| | \$ 1,483,833 | \$ 14,365,373 | \$ (77,568) | \$ 15,771,638 |

| October 31, 2012 | Option Acquisition Cost | Exploration and Evaluation | Option Payments Received | Net Book Value |
|--|-------------------------------|-------------------------------|--------------------------------|-------------------|
| Frankfield Property ^{(a) (c)} | \$ 1,263,575 | \$ 11,250,502 | \$ - | \$ 12,514,077 |
| Pipestone Property ^(d) | 134,000 | 756,846 | - | 890,846 |
| Tully Property ^(e) | 69,458 | 385,747 | - | 455,205 |
| Whitney Property ^(b) | 16,800 | 60,768 | (77,568) | - |
| | \$ 1,483,833 | \$ 12,453,863 | \$ (77,568) | \$ 13,860,128 |

The Company holds a 1% NSR on three claims previously sold by Gowest in 2006 to Trade Winds Ventures Inc., which was subsequently sold to Detour Gold Corporation in 2011. Detour Gold Corporation has the right to purchase 50% of the 1% for payment of \$750,000 for a period of up to one year after declaration of commercial production. Subsequent to July 31, 2013, the Company received \$300,000 in consideration for the sale of this 1% NSR.

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9. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

- (a) On March 6, 2009, Gowest acquired a 100% interest in the Frankfield project. In consideration for New Texmont Exploration Ltd's ("New Texmont") 50% interest in the Frankfield project, the Company issued 15,000,000 common shares to New Texmont and also granted New Texmont a sliding scale Net Smelter Royalty (the "NSR") equal to 1% at gold prices less than US\$950 per ounce and 1.5% at gold prices equal to or greater than US\$950 per ounce. The Company may purchase the NSR at anytime upon payment of \$1,000,000 for each half percent (0.5%) of the NSR and will have a right of first refusal on any offer to purchase the NSR made by a third party. The Company will also make a one-time payment to New Texmont equal to the greater of \$500,000 or 2,500,000 common shares of the Company upon a positive decision by the Company to place a mine into production and subject to satisfactory financing being committed to fully fund such mine development.

On December 23, 2009, the Company announced it had entered into a definitive agreement with Goldcorp Canada Ltd. and Goldcorp Inc. (collectively "Goldcorp"), for the purchase of Goldcorp's properties in Tully Township adjacent to the Company's 100% owned Frankfield Project. Consideration for this acquisition included a 2% NSR derived from future production specifically from the Goldcorp leased claims, a 1% NSR derived from future production specifically from the Goldcorp unpatented claims and \$100,000 in cash (paid). The Company will maintain an NSR buyout option for both the Goldcorp leased claims and Goldcorp unpatented claims valued at \$500,000 for each 0.5% of the desired NSR. Goldcorp may elect not to sell the final 0.5% portion of its NSR. The transaction with Goldcorp was completed on February 12, 2010.

- (b) On November 25, 2009, Crown entered into an option agreement with the Company to acquire 100% interest in 5 patented claims in Whitney Township.

In consideration for the claims, Crown paid \$20,000 in cash and issued 750,000 shares of Crown (valued at \$115,500) and 750,000 warrants of Crown (valued at \$90,750) to the Company. Each warrant will entitle the Company to purchase one common share of Crown for \$0.15 within the first six months after date of issue, for \$0.20 within the second six months after date of issue, and \$0.25 in the second year after date of issue. The Company will retain a 2% net smelter returns royalty when the gold price is US\$950 per ounce or less, and 3% when the gold price is greater than US\$950 per ounce. Crown has the right to purchase 1% of the 3% of this royalty by paying Gowest \$1,000,000 and then a further right to reduce the royalty to a 1% net smelter returns royalty regardless of the price of gold by paying the Company another \$1,000,000.

The carrying value of Whitney Township was reduced by option proceeds received, net of costs. On January 6, 2011, this option agreement was terminated and ownership has reverted back to the Company.

- (c) On December 1, 2010, the Company announced that it had completed its acquisition of a 100% interest in the Dowe property in Tully Township adjacent to the Company's 100% owned Frankfield Gold Property. In consideration for this acquisition, the Company paid \$16,000 in cash, issued 70,000 common shares (valued at \$18,200) of the Company and agreed to a 0.5% NSR at gold prices of less than US\$950 per ounce or 0.75% NSR at gold prices equal to or greater than US\$950 per ounce. The Company maintains an NSR buyout option valued at \$125,000 for each 0.25% of the NSR.

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9. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

(d) On April 26, 2011, the Company announced that it entered into an option and joint venture agreement (the "Option Agreement") with Transition Metals Corp. ("TMC") to explore and earn an interest in an additional 3,400 hectares in the Porcupine mining district (the "Pipestone Property"). The Company can earn an initial 60% interest in the Pipestone Property by expending \$1,000,000 on the property over a period of three years. The Company paid \$100,000 cash and agreed to issue 400,000 common shares (100,000 issued and 300,000 within three years) to TMC in order to acquire the initial interest. Upon earning an initial 60% interest in the Pipestone Property, Gowest may elect to earn an additional 15% interest in the Pipestone Property (bringing the total interest to 75%) by issuing to TMC an additional 150,000 common shares and expending an additional \$2,000,000 on the Pipestone Property over a period of two years. Upon earning either a 60% or 75% interest, as applicable, a joint venture will automatically be formed between Gowest and TMC, pursuant to which the companies will continue to explore and develop the Pipestone Property as warranted. Should either party's joint venture interest be diluted below 10%, its interest will be converted to a 2% NSR.

In accordance to the terms of the Option Agreement, the Company paid \$100,000 in cash and issued 100,000 common shares (valued at \$34,000) of the Company.

(e) On April 15, 2011, the Company purchased a property in the Township of Tully (the "Tully Property") for \$10,333 and issued 25,000 common shares (valued at \$9,125) of the Company.

(f) On July 27, 2012, the Company acquired the Tully East Guidoccio Property in the Township of Tully by issuing 200,000 common shares (valued at \$25,000) of the Company.

10. SHARE CAPITAL

(a) Authorized capital

The number of authorized common shares is unlimited
1,500,000 special shares, redeemable, voting, non-participating

(b) Issued common shares

| | | |
|--|-------------|---------------|
| Balance, October 31, 2011 | 109,595,350 | \$ 13,474,424 |
| Private placements (i) (iii) (iv) | 21,661,589 | 3,391,201 |
| Fair value of warrants issued (i) | - | (512,293) |
| Fair value of compensation warrants issued (i) | - | (57,169) |
| Exercise of stock options | 300,000 | 45,000 |
| Fair value of stock options exercised | - | 30,900 |
| Share issue costs | - | (290,419) |
| Shares issued for compensation | 95,240 | 10,476 |
| Shares issued for exploration and evaluation property (ii) | 250,000 | 32,625 |
| Future Tax effect of share issue costs | - | 82,865 |
| Balance, October 31, 2012 | 131,902,179 | \$ 16,207,611 |
| Private placement (vi) | 25,812,252 | 3,028,768 |
| Fair value of warrants issued (vi) | - | (505,448) |
| Fair value of compensation warrants issued | - | (79,264) |
| Share issue costs | - | (313,970) |
| Shares issued for compensation | 250,000 | 20,000 |
| Shares issued for exploration and evaluation property (v) | 50,000 | 3,875 |
| Balance, July 31, 2013 | 158,014,431 | \$ 18,361,571 |

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10. SHARE CAPITAL (CONTINUED)

(b) Issued common shares (continued)

(i) On December 22, 2011, the Company completed a private placement for aggregate proceeds of \$2,586,201. Pursuant to the offering, the Company issued and sold 13,611,589 units at a price of \$0.19 per unit. Each unit is comprised of one flow-through common share of the Company and one-half of one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of \$0.30 for a 2 year period. Upon closing, the agent and certain selling group members were paid a cash commission of \$161,931. In addition, the Company issued compensation warrants to purchase a total of 816,695 common shares of the Company at a price of \$0.19 per share for a 24 month period following the closing of the private placement. The flow-through premium for this placement was estimated to be \$nil.

The grant date fair value of \$366,047 was assigned to the 6,805,795 warrants issued as part of the offering as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 96%, risk-free rate of return 0.92% and an expected life of 2 years.

The grant date fair value of \$75,136 was assigned to the 816,695 compensation warrants issued using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 96%, risk-free rate of return 0.92% and an expected life of 2 years.

(ii) On December 2, 2011 and March 27, 2012, the Company issued a total of 25,000 common shares to the Mattagami First Nation and 25,000 common shares to the Matachewan First Nation pursuant to the agreement entered into effective September 27, 2011. These common shares were valued at \$7,625 based on the estimated fair value of the shares on the date of issuance.

(iii) On June 28, 2012, the Company completed a private placement for aggregate proceeds of \$570,000. Pursuant to the offering, the Company issued and sold 5,700,000 units at a price of \$0.10 per unit. 3,750,000 of the units are comprised of one common share of the Company and one-half of a flow-through warrant and 1,950,000 of the units are comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of \$0.13 on or prior to December 31, 2013. The grant date fair value of \$110,925 was assigned to the 3,825,000 warrants issued as part of the offering as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 98%, risk-free rate of return 0.97% and an expected life of 1.5 years.

(iv) On July 6, 2012, the Company completed a private placement for aggregate proceeds of \$235,000. Pursuant to the offering, the Company issued and sold 2,350,000 units at a price of \$0.10 per unit. 2,00,000 of the units are comprised of one common share of the Company and one-half of a flow-through warrant and 350,000 of the units are comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of \$0.13 on or prior to December 31, 2013. The grant date fair value of \$52,650 was assigned to the 1,350,000 warrants issued as part of the offering as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 99%, risk-free rate of return 0.99% and an expected life of 1.5 years. A finder's fee of \$12,000 was paid in connection with the offering.

(v) On November 30, 2012 and April 15, 2013, the Company issued 12,500 common shares and 12,500 warrants to purchase common shares of the Company at a price of \$0.25 to the Mattagami First Nation and the Matachewan First Nation pursuant to the agreement entered into in October 2011.

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10. SHARE CAPITAL (CONTINUED)

(b) Issued common shares (continued)

(vi) On December 19, 2012, the Company completed a private placement for aggregate proceeds of \$3,000,640. Pursuant to the offering, the Company issued and sold: (i) 6,615,045 units, at a price of \$0.11 per unit, for gross proceeds of \$727,650; and (ii) 18,942,000 flow-through units, at a price of \$0.12, for gross proceeds of \$2,273,000. Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant and each flow-through unit was comprised of one flow through common share of the Company and one-half of one warrant. Each Warrant is exercisable to acquire one common share of the Corporation at a price of \$0.14 to December 19, 2014. Upon closing, the agent and certain selling group members were paid a cash commission of \$124,250 and issued 255,207 shares for compensation. In addition, the Company issued compensation warrants to purchase a total of 1,730,575 common shares of the Company at a price of \$0.11 per share for a 24 month period following the closing of the private placement.

The grant date fair value of \$505,448 was assigned to the 12,778,523 warrants issued as part of the offering as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 99%, risk-free rate of return 1.12% and an expected life of 2 years.

The grant date fair value of \$79,264 was assigned to the 1,730,575 warrants issued as part of the offering as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 99%, risk-free rate of return 1.12% and an expected life of 2 years.

(c) Stock options

The Company has an incentive stock option plan that allows it to grant options to its employees, directors and consultants. The plan received shareholder re-approval on April 23, 2013. The plan allows the Company to grant options to acquire up to 10% of the issued and outstanding common shares. The plan provides that the exercise price of an option granted under the plan shall not be less than the market price at the time of granting the option. Options have a maximum term of 5 years, vest immediately upon issue, unless otherwise stated and terminate on the 30th day after the optionee ceases to be any of an employee, director or consultant of the Company.

The following table reflects the continuity of options as of July 31, 2013:

| | Number of options | Weighted average exercise price (\$) |
|----------------------------|------------------------------|---|
| Balance, October 31, 2011 | 8,235,000 | 0.24 |
| Granted ^{(6) (7)} | 1,050,000 | 0.23 |
| Exercised | (300,000) | 0.15 |
| Expired | (300,000) | 0.20 |
| Balance, October 31, 2012 | 8,685,000 | 0.26 |
| Granted | 2,750,000 | 0.12 |
| Expired | (520,000) | 0.16 |
| Balance, July 31, 2013 | 10,915,000 | 0.23 |

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10. SHARE CAPITAL (CONTINUED)

(c) Stock options (continued)

(1) On December 19, 2011, the Company granted options to purchase 650,000 common shares at a price of \$0.25 per share for a period of five years. 400,000 of these options vested immediately. Vesting of the remaining options is 1/4 after 3 months (62,500), 1/4 after 6 months (62,500), 1/4 after 9 months (62,500), and 1/4 after 12 months (62,500) from the date of grant. The fair value of the 650,000 options was estimated to be \$99,450 on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 153%; risk-free interest rate of 1.07% and an expected life of 5 years.

(2) On May 9, 2012, the Company granted options to purchase 400,000 common shares at a price of \$0.19 per share for a period of five years. The fair value of the 400,000 options was estimated to be \$25,600 on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 97.78%; risk-free interest rate of 1.43% and an expected life of 5 years.

(3) During the nine month period ended July 31, 2013, the Company granted options to purchase 2,750,000 common shares at a price of \$0.12 per share for a period of five years. The fair value of the 2,750,000 options was estimated to be \$104,900 using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 150.89%; risk-free interest rate of 1.30% and an expected life of 5 years.

During the nine month period ended July 31, 2013, \$104,900 (July 31, 2012 - \$119,627) was recorded as share-based payment in the consolidated statement of loss and comprehensive loss.

The following table reflects the options issued and outstanding as of July 31, 2013:

| Expiry Date | Exercise price (\$) | Number of Options Outstanding | Number of Options Exercisable |
|--------------------|----------------------------|--------------------------------------|--------------------------------------|
| August 5, 2013 | 0.15 | 295,000 | 295,000 |
| June 24, 2014 | 0.15 | 1,695,000 | 1,695,000 |
| February 22, 2015 | 0.32 | 2,000,000 | 2,000,000 |
| November 3, 2015 | 0.24 | 250,000 | 250,000 |
| February 25, 2016 | 0.325 | 2,475,000 | 2,475,000 |
| June 6, 2016 | 0.36 | 400,000 | 400,000 |
| December 19, 2016 | 0.25 | 650,000 | 650,000 |
| May 9, 2017 | 0.19 | 400,000 | 400,000 |
| January 14, 2018 | 0.12 | 200,000 | 200,000 |
| March 1, 2018 | 0.12 | 2,550,000 | 2,550,000 |
| | | 10,915,000 | 10,915,000 |

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10. SHARE CAPITAL (CONTINUED)

(d) Warrants

The following table reflects the continuity of warrants as of July 31, 2013:

| | Number of Warrants | Weighted Average Exercise Price (\$) |
|---------------------------|-----------------------|--|
| Balance, October 31, 2011 | 23,724,497 | 0.30 |
| Issued | 12,847,490 | 0.22 |
| Expired | (21,924,497) | 0.30 |
| Balance, October 31, 2012 | 14,647,490 | 0.24 |
| Issued | 14,509,098 | 0.14 |
| Balance, July 31, 2013 | 29,156,588 | 0.19 |

The following table reflects the warrants issued and outstanding as of July 31, 2013:

| Number of Warrants | Exercise Price (\$) | Grant date fair Value (\$) | Expiry Date |
|-----------------------|------------------------|-------------------------------|-------------------|
| 6,805,795 | 0.30 | 361,472 | December 22, 2013 |
| 816,695 | 0.19 | 57,169 | December 22, 2013 |
| 1,800,000 | 0.35 | 130,815 | August 12, 2013 |
| 5,175,000 | 0.13 | 150,820 | December 31, 2013 |
| 12,778,523 | 0.14 | 505,448 | December 19, 2014 |
| 1,730,575 | 0.11 | 79,264 | December 19, 2014 |
| 25,000 | 0.25 | 5,250 | December 6, 2016 |
| 25,000 | 0.25 | 3,000 | December 6, 2016 |
| 29,156,588 | | 1,293,238 | |

11. GENERAL AND ADMINISTRATIVE

| | Three months ended July 31, 2013 | Three months ended July 31, 2012 | Nine months ended July 31, 2013 | Nine months ended July 31, 2012 |
|----------------------------------|--|--|---|---|
| General and administrative | \$ 119,182 | \$ 130,486 | \$ 365,023 | \$ 456,297 |
| Professional fees | 40,167 | 130,172 | 239,924 | 407,320 |
| Investor relations | 37,994 | 40,426 | 129,717 | 125,711 |
| Shareholder communications | 1,039 | 4,586 | 20,822 | 22,765 |
| Share-based payments | (1,280) | 33,815 | 104,900 | 119,627 |
| Transfer agent and exchange fees | 6,640 | 2,432 | 35,206 | 35,428 |
| Amortization | 5,877 | 10,919 | 22,292 | 29,755 |
| | \$ 209,619 | \$ 352,836 | \$ 917,884 | \$ 1,196,903 |

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12. RELATED PARTY TRANSACTIONS

The remuneration of directors and key management of the Company for the nine month periods ended July 31:

| | 2013 | 2012 |
|-----------------------------|-------------|-------------|
| Aggregate cash compensation | \$ 237,000 | \$ 231,000 |
| Share based compensation | \$ 64,100 | \$ 36,076 |

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Independent non-executive directors are not remunerated other than the benefits received, if any, from the granting of stock options. Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

During the nine months ended July 31, 2013, related parties subscribed for 1,100,000 units in the private placements during the period for proceeds of \$121,000.

13. COMMITMENTS AND CONTINGENCIES

On December 19, 2012, the Company issued a total of \$2,273,040 in flow through common shares. As at July 31, 2013, the Company had expended approximately \$1,600,000 related to these flow-through funds and is required to expend the balance of \$673,040 by December 31, 2013. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

The Company is party to a management contract. The contract contains clauses requiring additional payments of up to \$300,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payment has not been reflected in these consolidated financial statements.

The Company is committed to minimum amounts under an operating lease agreement, which expires September 29, 2013. Minimum commitments remaining under this lease are approximately \$3,400, which are due within one year.

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

14. SUBSEQUENT EVENTS

On August 2, 2013, the Company received \$300,000 in consideration for the sale of its 1% NSR that was held on three claims previously sold by Gowest to Tradewinds.

On August 5, 2013, 295,000 stock options to purchase common shares expired unexercised.

On August 12, 2013, 1,800,000 purchase warrants to acquire common shares expired unexercised.

On September 6, 2013, the Company entered into an agreement to acquire an additional claim block immediately adjacent to the Bradshaw gold deposit with consideration falling under the existing NSR with New Texmont.