TULLOCH RESOURCES LTD.

(formerly Elkhorn Gold Mining Corporation)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JULY 31, 2011 AND 2010

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Tulloch Resources Ltd.
(formerly Elkhorn Gold Mining Corporation)

We have audited the accompanying financial statements of Tulloch Resources Ltd. (formerly Elkhorn Gold Mining Corporation) which comprise the balance sheets as at July 31, 2011 and 2010, and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits 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 Tulloch Resources Ltd. (formerly Elkhorn Gold Mining Corporation) as at July 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Tulloch Resources Ltd. (formerly Elkhorn Gold Mining Corporation) to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

October 24, 2011

TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)

BALANCE SHEETS

AS AT JULY 31, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash	$ 59,732	$ 12,972
Short-term investments (Note 4)	25,000	95,000
	$ 84,732	$ 107,972
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 22,492	$ 8,814
Due to related parties (Note 6)	60,000	-
	82,492	8,814
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	12,035,049	12,035,049
Deficit	(12,032,809)	(11,935,891)
	2,240	99,158
	$ 84,732	$ 107,972

NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS (Note 1)

APPROVED ON BEHALF OF THE BOARD:

"Robert Trenaman" Director

"Stuart Wooldridge" Director

TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE YEARS ENDED JULY 31, 2011 AND 2010

	2011	2010
REVENUE	$ -	$ -
EXPENSES		
Communication	942	1,032
Consulting fees (Note 6)	60,739	-
General and administration	3,119	36
Professional fees	33,117	788
	97,917	1,856
LOSS BEFORE OTHER INCOME	(97,917)	(1,856)
OTHER INCOME		
Interest income	999	1,534
NET LOSS AND COMPREHENSIVE LOSS	(96,918)	(322)
DEFICIT, BEGINNING OF YEAR	(11,935,891)	(11,935,569)
DEFICIT, END OF YEAR	(12,032,809)	(11,935,891)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.01)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	18,904,532	18,904,532

TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JULY 31, 2011 AND 2010

	2011	**2010**
OPERATING ACTIVITIES		
Net loss for the year	$ (96,918)	$ (322)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	13,678	-
Due to related parties	60,000	-
CASH USED IN OPERATING ACTIVITIES	(23,240)	(322)
INVESTING ACTIVITIES		
Redemption of short-term investments	70,000	-
CASH PROVIDED BY INVESTING ACTIVITIES	70,000	-
INCREASE (DECREASE) IN CASH	46,760	(322)
CASH, BEGINNING OF YEAR	12,972	13,294
CASH, END OF YEAR	$ 59,732	$ 12,972

SUPPLEMENTAL INFORMATION:		
Interest paid	$ –	$ –
Income taxes paid	$ –	$ –

1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

Tulloch Resources Ltd. (formerly Elkhorn Gold Mining Corporation) ("the Company") was incorporated under the laws of British Columbia as Treminco Resources Ltd. on March 12, 1980. The name was changed to Elkhorn Gold Mining Corporation on February 8, 1999 and to Tulloch Resources Ltd. on October 12, 2011. The principal business of the Company is the identification and evaluation of mineral properties and once identified or evaluated, to negotiate an acquisition of, or participation in, said properties.

The Company's working capital at July 31, 2011 of $2,240 is not sufficient to meet its objectives as presently planned. The Company's continuing operations are dependent upon the continued support from the Company's significant shareholders, obtaining additional financing to allow completion of acquisition of new businesses, and the attainment of future profitable operations. The Company has accumulated losses of $12,032,809 as at July 31, 2011. These factors raise significant doubt about the Company's ability to continue as a going concern.

These financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a forced liquidation. These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities, should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles and are expressed in Canadian dollars.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of future income tax assets.

(c) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss for the period available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial Instruments

The Company's financial instruments include cash, short-term investments, accounts payable and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature. The Company is not exposed to derivative financial instruments.

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity or loans and receivables depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions, and loans and receivables, which are accounted for at amortized cost.

The Company classifies its cash and short-term investments as held-for-trading and its accounts payable and due to related parties as other financial liabilities.

(e) Comprehensive Income (Loss)

Comprehensive loss reflects net loss and other comprehensive income (loss) for the period. Other comprehensive income (loss) may include changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective. As the Company does not have any items comprising other comprehensive income (loss) its net income (loss) is the same as the comprehensive income (loss).

(f) Share Issue Costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financial transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

(g) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(h) Stock-based Compensation

The Company will apply the fair value method to stock-based payments to all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are credited to share capital. The Company does not have a stock option plan as of the date of these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid marketable investments with original terms to maturity of less than ninety days at the time of acquisition. The Company has an overdraft facility with a limit of $5,000 which bears interest at 21% per annum.

3. RECENT ACCOUNTING PRONOUNCEMENTS NOT ADOPTED

(a) International Financial Reporting Standards ("IFRS")

In February 2008, the AcSB announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This change is effective for interim and annual financial statements of the Company for its fiscal year beginning on August 1, 2011. The Company does not anticipate that the adoption of IFRS will have a material effect on its financial position, results of operations and cash flows reported under Canadian GAAP as at July 31, 2011 and 2010 and for the years then ended.

(b) Business Combinations, Financial Statements and Non-Controlling Interests

In January, 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective for the Company beginning September 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests", which replace Section 1600 "Consolidated Financial Statements".

Section 1601 provides revised guidance on the preparation of financial statements and Section 1602 addresses accounting for non-controlling interests in financial statements subsequent to a business combination. These standards are effective for the Company beginning September 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations". The Company does not anticipate that the adoption of these sections will have a material effect on its financial statements.

(c) Equity

In July, 2009, CICA Section 3251 “Equity” was issued in response to issuing Section 1602 non-controlling interests. The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602. The adoption of this section is not expected to have a material impact on the financial statements.

(d) Comprehensive Revaluation of Assets and Liabilities

In July, 2009, CICA Section 1625 “Comprehensive Revaluation of Assets and Liabilities” was issued for consistency with new Section 1582 “Business Combinations”. The amendments apply prospectively to comprehensive revelations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The adoption of this section is not expected to have a material impact on these financial statements.

4. SHORT-TERM INVESTMENTS

The Company has investments in redeemable guaranteed investment certificates ("GICs") bearing interest at 1.60% per annum (2010 – 1.61%). At July 31, 2011, the fair value of the GICs was $25,000 (2010 - $95,000), the same as its carrying amount.

5. SHARE CAPITAL

Authorized:
100,000,000 common shares without par value.

Issued:

	Shares	**Amount**
Balance at July 31, 2011, 2010 and 2009	18,904,532	$12,035,049

6. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended July 31, 2011, the Company incurred $60,000 (2010 - $Nil) in consulting fees to directors of the Company which are payable at July 31, 2011. The amounts are non-interest bearing, unsecured and have no fixed terms of repayment. The amounts were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

7. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2011	**2010**
Combined statutory tax rate	26.5%	28.5%
Income tax recovery at statutory rate	$ 25,638	$ 92
Change in valuation allowance	(24,119)	(31)
Change in tax rates	(1,519)	(61)
	$ –	$ –

Significant components of the Company's future income tax assets are shown below:

	2011	**2010**
Non-capital loss carry forwards	$ 24,200	$ 81
Resource pools	891,000	891,000
Valuation allowance	(915,200)	(891,081)
Net future income tax asset	$ –	$ –

As at July 31, 2011, the Company has approximately $96,918 of non-capital loss carry forwards available to reduce taxable income for future years. The loss carryforwards expire commencing 2031 if unused.

7. INCOME TAXES (continued)

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

8. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is advances from related parties and the issuance of share capital.

Management considers shareholders' equity as capital:

		2011		**2010**
Shareholders' equity	$	2,240	$	99,158

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected to match the expected timing of expenditures to continue operations.

9. FINANCIAL INSTRUMENTS

CICA 3862, "Financial Instruments – Disclosures", requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. CICA 3862 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA 3862 prioritizes the inputs into three levels that may be used to measure fair value:

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

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

9. FINANCIAL INSTRUMENTS (continued)

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

Financial assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of July 31, 2011 as follows:

	Level 1 $	Level 2 $	Level 3 $	**2011** $
Cash	59,732	–	–	59,732
Short-term investments	25,000	–	–	25,000
	84,732	–	–	84,732

At July 31, 2011, there are no financial liabilities measured at fair value on a recurring basis presented on the Company's balance sheet.

Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risks consist principally of cash and short-term investments. The Company minimizes the credit risk associated with its financial instruments by placing its cash and short-term investments with high credit quality financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 8.

The Company monitors its ability to meet its short-term administrative expenditures by managing and matching investment income from financial instruments in high credit quality financial institutions with the expected timing of expenditures to continue operations. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed commercial paper.

Foreign Exchange Risk

During the year ended July 31, 2011, the Company held financial assets and incurred expenses denominated primarily in Canadian dollars. The Company does not have significant foreign exchange risk.

Interest Rate Risk

The Company's short-term investments are subject to interest rate risk as they carry fixed rates of interest. The Company's interest rate risk management policy is to purchase highly liquid investments with terms to maturity of three months or less on the date of purchase or redeemable at the option of the Company. The Company does not engage in any hedging activity. A 1% change in interest rates would not have significant impact on interest income and expense.