

**TULLOCH RESOURCES LTD.**  
**(formerly Elkhorn Gold Mining Corporation)**

**INTERIM FINANCIAL STATEMENTS**  
**(Unaudited – Prepared by Management)**

**FOR THE SIX MONTHS ENDED JANUARY 31, 2012**

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Tulloch Resources Ltd. have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of the financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

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**TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)****INTERIM STATEMENTS OF FINANCIAL POSITION (EXPRESSED IN CANADIAN DOLLARS)****(Unaudited – Prepared by Management)**

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	January 31, 2012	July 31, 2011	August 1, 2010
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 3,897	\$ 59,732	12,972
Accounts receivable	596	-	-
Short-term investments (Note 4)	-	25,000	95,000
	<u>\$ 4,493</u>	<u>\$ 84,732</u>	<u>107,972</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 36,347	\$ 22,492	8,814
Due to related parties (Note 6)	67,500	60,000	-
	<u>103,847</u>	<u>82,492</u>	<u>8,814</u>
<b>SHAREHOLDERS' EQUITY</b>			
SHARE CAPITAL (Note 5)	12,035,049	12,035,049	12,035,049
DEFICIT	(12,134,403)	(12,032,809)	(11,935,891)
	<u>(99,354)</u>	<u>2,240</u>	<u>99,158</u>
	<u>\$ 4,493</u>	<u>\$ 84,732</u>	<u>107,972</u>

NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS (Note 1)

APPROVED ON BEHALF OF THE BOARD:

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*"Robert Trenaman"* Director

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*"Stuart Wooldridge"* Director

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

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**TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)****INTERIM STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT (EXPRESSED IN CANADIAN DOLLARS)****(Unaudited – Prepared by Management)**

	Three Months Ended January 31, <b>2012</b>	Three Months Ended January 31, <b>2011</b>	Six Months Ended January 31, <b>2012</b>	Six Months Ended January 31, <b>2011</b>
REVENUE	\$ -	\$ -	\$ -	\$ -
EXPENSES				
Communication	233	241	558	313
Consulting fees	7,740	-	20,340	-
General and administration	88	12	44,265	18
Professional fees	8,500	750	36,475	750
	16,561	1,003	101,638	1,081
LOSS BEFORE OTHER INCOME	(16,561)	(1,003)	(101,638)	(1,081)
OTHER INCOME				
Interest income	-	759	44	759
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(16,561)	(244)	(101,594)	(322)
DEFICIT, BEGINNING OF PERIOD	(12,117,842)	(11,935,969)	(12,032,809)	(11,935,891)
DEFICIT, END OF PERIOD	(12,134,403)	(11,936,213)	(12,134,403)	(11,936,213)
BASIC AND DILUTED LOSS PER COMMON SHARE \$	(0.005) \$	(0.00) \$	(0.03) \$	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note 5)	3,780,906	3,780,906	3,780,906	3,780,906

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

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**TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)****INTERIM STATEMENTS OF CASH FLOWS (EXPRESSED IN CANADIAN DOLLARS)****(Unaudited – Prepared by Management)**

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	Three Months Ended January 31, <b>2012</b>	Three Months Ended January 31, <b>2011</b>	Six Months Ended January 31, <b>2012</b>	Six Months Ended January 31, <b>2011</b>
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ (16,561)	\$ (244)	\$ (101,594)	\$ (322)
Changes in non-cash working capital item:				
Accounts payable	13,104	(162)	20,759	(206)
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(3,457)</b>	<b>(406)</b>	<b>(80,835)</b>	<b>(528)</b>
<b>INVESTING ACTIVITIES</b>				
Redemption of short-term investments	-	-	25,000	-
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>-</b>
<b>CHANGE IN CASH</b>	<b>(3,457)</b>	<b>(406)</b>	<b>(55,835)</b>	<b>(528)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>7,354</b>	<b>12,850</b>	<b>59,732</b>	<b>12,971</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 3,897</b>	<b>\$ 12,443</b>	<b>\$ 3,897</b>	<b>\$ 12,443</b>

**SUPPLEMENTAL INFORMATION:**

Interest paid	\$	-\$	-\$	-\$	-
Income taxes paid	\$	-\$	-\$	-\$	-

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**TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)**

**INTERIM STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (EXPRESSED IN CANADIAN DOLLARS)**

**(Unaudited – Prepared by Management)**

	SHARE CAPITAL (Note 5)		DEFICIT	SHAREHOLDER'S EQUITY
	NUMBER	AMOUNT		
<b>Balance July 31, 2010</b>	3,780,906	\$12,035,049	\$11,935,891	\$99,158
Share Capital Additions for the Period	\$NIL	\$NIL		
Net Loss for the Period	-	-	\$78	
<b>Balance January 31, 2010</b>	3,780,906	\$12,035,049	\$11,935,569	\$99,713
Share Capital Additions for the Period	\$NIL	\$NIL		
Net Income for the Period	-	-	\$235	
<b>Balance July 31, 2011</b>	3,780,906	\$12,035,049	\$12,032,809	\$2,240
Share Capital Additions for the Period	\$NIL	\$NIL		
Net Loss for the Period	-	-	\$85,033	
<b>Balance October 31, 2011</b>	<b>3,780,906</b>	<b>\$12,035,049</b>	<b>\$12,117,842</b>	<b>(\$82,793)</b>
Share Capital Additions for the Period	\$NIL	\$NIL		
Net Loss for the Period	-	-	\$16,561	
<b>Balance January 31, 2012</b>	<b>3,780,906</b>	<b>\$12,035,049</b>	<b>\$12,134,403</b>	<b>\$99,354</b>

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

## TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE SIX MONTHS ENDED JANUARY 31, 2012 AND 2011 (EXPRESSED IN CANADIAN DOLLARS)

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##### 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 its current name on October 11, 2011.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition of, or participation in, a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

The Company's working capital deficit of \$99,354 at January 31, 2012 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 \$12,134,403 as at January 31, 2012. 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. ACCOUNTING POLICIES

###### (a) Basis of Presentation

The condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"), and are expressed in Canadian dollars. These are the Company's second International Financial Reporting Standards (IFRS) condensed interim financial statements and IFRS 1, *First Time Adoption of IFRS* has been applied, as they are part of the period covered by the Company's first IFRS financial statements for the year ending July 31, 2012. The condensed interim financial statements do not include all of the information required for full annual financial statements. The Company's condensed interim financial statements were prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) until July 31, 2011. Canadian GAAP differs from IFRS in some areas and accordingly, the significant accounting policies applied in the preparation of these condensed interim financial statements are set out below and have been consistently applied to all periods presented except in instances where IFRS 1 either requires or permits an exemption. An explanation of how the transition from Canadian GAAP to IFRS has affected the reported statements of comprehensive income, financial position, and cash flows of the Company is provided in note 9. This note includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply, reconciliations of equity, net income and comprehensive income for comparative periods and equity at the date of transition, August 1, 2011.

###### (b) Use of Estimates

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results could differ from these estimates.

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

**TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JANUARY 31, 2012 AND 2011 (EXPRESSED IN CANADIAN DOLLARS)**

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2. ACCOUNTING POLICIES (continued)

(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.

[d] Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. Costs to acquire mineral properties are capitalized as incurred. Costs related to the exploration and development of mineral properties are expensed as incurred. The Company considers mineral rights to be tangible assets and accordingly, the Company capitalizes certain costs related to the acquisition of mineral rights. Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

(e) Financial Instruments

The Company's financial instruments include cash, short-term investments and accounts payable. 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 as other financial liabilities.

(f) Comprehensive Income (Loss)

Comprehensive loss reflects net loss and other comprehensive income (loss) for the period. Other comprehensive income (loss) may include 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).

(g) 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

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**TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JANUARY 31, 2012 AND 2011 (EXPRESSED IN CANADIAN DOLLARS)**

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2. ACCOUNTING POLICIES (continued)

financial transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

(h) 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.

(i) 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 statements.

(j) 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.

3. RECENT ACCOUNTING PRONOUNCEMENTS NOT ADOPTED

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2010, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

(a) New accounting standards effective January 1, 2012

*Amendments to IFRS 7 Financial Instruments: Disclosures* – In October 2010, the IASB issued amendments to IFRS 7 that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed interim financial statements.

*IAS 12 Income taxes* – In December 2010, the IASB issued an amendment to IAS 12 that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed interim financial statements.

*Amendments to IAS 1, Presentation of Financial Statements* – In June 2011, the IASB and the Financial Accounting Standards Board (FASB) issued amendments to standards to align the

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**TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JANUARY 31, 2012 AND 2011 (EXPRESSED IN CANADIAN DOLLARS)**

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presentation requirements for other comprehensive income (“OCI”). The IASB issued amendments to IAS 1, *Presentation of Financial Statements* (“IAS 1”) to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

(b) New accounting standards effective January 1, 2013

In November 2009, the IASB published IFRS 9, “Financial Instruments”, which covers the classification and measurement of financial assets as part of its project to replace IAS 39, “Financial Instruments: Recognition and Measurement.” In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on April 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There is not expected to be a significant impact on the Company upon implementation of the issued standard.

In May 2011, IASB issued the following standards which have not yet been adopted by the Company:

IFRS 10 *Consolidated Financial Statements* – IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation – Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity methods of accounting whereas for a joint operation the venture will recognize its shares of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interest in joint ventures. IFRS 11 supersedes IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* – IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities.

IFRS 13 *Fair Value Measurement* – IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value

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**TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JANUARY 31, 2012 AND 2011 (EXPRESSED IN CANADIAN DOLLARS)**

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measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards – In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 9 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its condensed interim financial statements or whether to early adopt any of the new requirements.

**4. SHORT-TERM INVESTMENTS**

At January 31, 2012, the fair value of the GICs was Nil (July 31, 2011 - \$25,000), the same as its carrying amount.

**5. SHARE CAPITAL**

Authorized:

100,000,000 common shares without par value.

On March 10, 2012, the Company effected a 5:1 reverse stock-split of its issued and outstanding common shares. The issued and outstanding share capital decreased from 18,904,532 to 3,780,906 common shares. All per share amounts, number of shares and exercise prices of stock options, warrants and conversion price of convertible debt for prior reporting periods have been retroactively restated to reflect the reverse stock-split.

Issued:

	<b>Shares</b>	<b>Amount</b>
Balance at January 31, 2012, 2011 and 2010	3,780,906	\$12,035,049

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**6. RELATED PARTY TRANSACTIONS**

During the six month period January 31, 2012, the Company accrued \$19,500 (2011 - \$Nil) in consulting fees to directors of the Company. 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. FINANCIAL INSTRUMENTS**

As at January 31, 2012, the Company's financial instruments consist of cash, cash committed for mineral exploration, marketable securities, accounts receivable and due to/from related parties. The Company classifies its cash and cash equivalents as held-for-trading, marketable securities as available for sale, amounts due from related parties as loans and receivables, and its accounts payable and amounts due to related parties as other financial liabilities.

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**TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JANUARY 31, 2012 AND 2011 (EXPRESSED IN CANADIAN DOLLARS)**

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

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

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

Financial assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of January 31, 2012 as follows:

	Level 1	Level 2	Level 3	2012
	\$	\$	\$	\$
Cash	3,897	—	—	3,897
Short-term investments	0	—	—	0
	<hr/>	<hr/>	<hr/>	<hr/>
	3,897	—	—	3,897

At January 31, 2012, there are no financial liabilities measured at fair value on a recurring basis presented on the Company's balance sheet.

As at January 31, 2012, the Company's financial instruments consist of cash, short term investments and accounts payable. The fair values of these financial instruments approximate their carrying values because of the short-term nature of those instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

**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 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.

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**TULLOCH RESOURCES LTD. (formerly Elkhorn Gold Mining Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JANUARY 31, 2012 AND 2011 (EXPRESSED IN CANADIAN DOLLARS)**

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Foreign Exchange Risk

During the period ended January 31, 2012, the Company held financial assets and incurred expenses denominated primarily in Canada. The Company does not have significant foreign exchange risk.

Interest Rate Risk

The Company's cash and short-term investments are subject to interest rate risk. 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.

**9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

The Company adopted IFRS on August 1, 2011 with a transition date of August 1, 2010. Under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied. IFRS provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

The adoption of IFRS has not resulted in changes to the Company's reported financial position and results of operations. The Company's adoption of IFRS also did not have an impact on the total operating, investing or financing cash flows.

**10. SUBSEQUENT EVENTS**

On February 20, 2012 the Company commenced a non-brokered private placement for working capital, offering up to 3,000,000 post-consolidation Shares at \$0.05 per Share to qualified investors. As of the date of this MD&A, \$80,000 has been received by way of Share Subscriptions. The Shares representing the proceeds of the non-brokered private placement have not been issued as of the date of this MD&A. The Shares will have a 4 (four) month hold period from date of issue.