# DEER HORN METALS INC.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### For the three and nine months ended April 30, 2012

### (Unaudited)

### (Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited interim consolidated financial statements of the Company for the period ending April 30, 2012 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

**DEER HORN METALS INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**
**(Unaudited – Expressed in Canadian Dollars)**

| | Note | Apr. 30, 2012 | July 31, 2011 | August 1, 2010 |
|---|---|---|---|---|
| | | | (note 3) | (note 3) |
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash | | $ 358,383 | $ 2,056,384 | $ 6,939 |
| Receivables | **4** | 44,648 | 153,498 | 12,295 |
| Prepaid expense | | 36,113 | 62,760 | - |
| Exploration advances | **5** | 4,936 | 288,726 | - |
| | | 444,080 | 2,561,368 | 19,234 |
| **Equipment** | **6** | 1,482 | 2,298 | 2,122 |
| **Reclamation deposit** | **7** | 94,124 | 116,140 | 80,883 |
| **Exploration and evaluation assets** | **5** | 8,250 | 8,250 | 11,000 |
| | | **$ 547,936** | **$ 2,688,056** | **$ 113,239** |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities | **8** | $ 213,274 | $ 170,093 | $ 925,192 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | | |
| Share capital | **9** | 9,970,388 | 9,870,388 | 6,042,177 |
| Share-based payments reserve | | 2,266,219 | 2,325,921 | 880,650 |
| Deficit | | (11,901,945) | (9,678,346) | (7,734,780) |
| | | 334,662 | 2,517,963 | (811,953) |
| | | **$ 547,936** | **$ 2,688,056** | **$ 113,239** |

**Nature of Operations and Going Concern** (note 1)
**Commitment** (note 15)
**Subsequent Event** (note 16)

**On behalf of the Board:**

***“ Tyrone Docherty ”*** **Director** ***“Tony Fogarassy ”*** **Director**

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

**DEER HORN METALS INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
**(Unaudited – Expressed in Canadian Dollars)**

| | Note | Three months ended Apr. 30 **2012** | Three months ended Apr. 30 2011 (note 3) | Nine months ended Apr. 30 **2012** | Nine months ended Apr. 30 2011 (note 3) |
|---|---|---|---|---|---|
| **EXPENSES** | | | | | |
| Amortization | | $ 272 | $ 323 | $ 816 | $ 1,808 |
| Exploration expenses | **5** | 94,795 | 19,017 | 1,717,829 | 45,473 |
| Investor relations and shareholder information | | 26,813 | 183,849 | 165,520 | 295,075 |
| Office | | 11,777 | 20,578 | 18,313 | 33,339 |
| Professional fees | | 16,165 | 8,379 | 59,801 | 14,402 |
| Regulatory and filing fees | | 7,421 | 42,237 | 12,803 | 58,530 |
| Rent | | 2,600 | 5,378 | 15,403 | 13,913 |
| Salaries and management fees | | 212,612 | 87,434 | 556,339 | 227,434 |
| Share-based payments | **9** | - | 351,294 | 130,372 | 507,668 |
| Travel | | 11,844 | 3,194 | 18,121 | 6,340 |
| **Loss before other item** | | (384,299) | (721,683) | (2,695,317) | (1,203,982) |
| **OTHER ITEM** | | | | | |
| Interest income | | - | - | 11,384 | - |
| Mining tax credit recovered | | - | - | 270,261 | - |
| Gain on settlement of debt | | - | - | - | 34,769 |
| **Loss and comprehensive loss for the period** | | $ (384,299) | $ (721,683) | $(2,413,673) | $ (1,169,213) |
| **Loss per share** (Basic and Diluted) | | $ (0.00) | $ (0.01) | $ (0.03) | $ (0.02) |
| **Weighted average number of common shares outstanding** | | 95,609,166 | 58,072,633 | 95,609,166 | 62,887,700 |

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

## DEER HORN METALS INC.
## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)
## (Unaudited – Expressed in Canadian Dollars)

| | Number of common shares | Share capital | Share-based payments reserve | Deficit | Total shareholders' equity (deficiency) |
|---|---|---|---|---|---|
| **Balance, August 1, 2010** | 59,325,787 | $ 6,042,177 | $ 880,650 | $ (7,734,780) | $ (811,953) |
| Private placements | 35,655,000 | 4,308,232 | 713,768 | - | 5,022,000 |
| Share issuance costs | - | (243,450) | - | - | (243,450) |
| Exercise of warrants | 575,000 | 87,750 | - | - | 87,750 |
| Exercise of stock options | 53,379 | 10,676 | - | - | 10,676 |
| Transfer upon exercise of warrants | - | 13,468 | (13,468) | - | - |
| Transfer upon exercise of stock options | - | 8,127 | (8,127) | - | - |
| Share-based compensation | - | - | 507,668 | - | 507,668 |
| Loss for the period | - | - | - | (1,169,213) | (1,169,213) |
| **Balance, Apr. 30, 2011** | **95,609,166** | **$ 10,226,980** | **$2,080,491** | **$(8,903,993)** | **$ 3,403,478** |
| | | | | | |
| **Balance, July 31, 2011** | 95,609,166 | $ 9,870,388 | $ 2,325,921 | $(9,678,346) | $ 2,517,963 |
| Share-based compensation | - | - | 130,372 | - | 130,372 |
| Share subscription | - | 100,000 | - | - | 100,000 |
| Transfer upon expiration of options and warrants | - | - | (190,074) | 190,074 | - |
| Net loss for the period | - | - | - | (2,413,673) | (2,413,673) |
| **Balance, Apr. 30, 2012** | **95,609,166** | **$ 9,970,388** | **$2,266,219** | **$(11,901,945)** | **$ 334,662** |

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

**DEER HORN METALS INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**
**(Unaudited – Expressed in Canadian Dollars)**

| | Three months ended Apr. 30, | | Nine months ended Apr. 30, | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Loss for the period | $ (384,299) | $ (721,683) | $(2,413,673) | $ (1,169,213) |
| Items not affecting cash: | | | | |
| Share-based payments | - | 351,294 | 130,372 | 507,668 |
| Amortization | 272 | 323 | 816 | 1,808 |
| Changes in non-cash working capital items | | | | |
| Decrease (increase) in receivables | 1,109 | 15,495 | 108,850 | (8,891) |
| Decrease (increase) in prepaid expenses | (5,010) | - | 26,647 | - |
| Decrease (increase) in exploration advances | 59,922 | - | 283,790 | - |
| Increase (decrease) in accounts payable and accrued liabilities | 28,300 | (397,128) | 43,181 | (793,603) |
| Net cash used in operating activities | (299,706) | (751,699) | (1,820,017) | (1,462,231) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Reclamation deposit recovery (paid) | 79 | (54,444) | 22,016 | (37,111) |
| Equipment | - | - | - | (2,453) |
| Net cash provided by investing activities | 79 | (54,444) | 22,016 | (39,564) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Issuance of common shares | - | 3,394,000 | - | 5,120,426 |
| Share subscriptions | 100,000 | - | 100,000 | - |
| Share issuance costs | - | (221,900) | - | (243,450) |
| | | | 100,000 | |
| Net cash provided by financing activities | - | 3,172,100 | - | 4,876,976 |
| **CHANGE IN CASH DURING THE PERIOD** | (199,627) | 2,365,957 | (1,698,001) | 3,375,181 |
| **CASH**, beginning of period | 558,010 | 1,016,163 | 2,056,384 | 6,939 |
| **CASH**, end of period | $ 358,383 | $ 3,382,120 | $ 358,383 | $ 3,382,120 |

**Supplemental cash flow information**

| | | |
|---|---|---|
| Fair value of warrants on share issuance | - | 713,768 |
| Interest paid | - | - |
| Income taxes paid | - | - |

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

## NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Deer Horn Metals Inc. ("Deer Horn Metals" or the "Company") was incorporated under the Canada Business Corporations Act on April 16, 2004. The Company owns interests in exploration and evaluation assets in British Columbia and its principal business is the exploration of those assets. The Company's head office and principal place of business is Suite 202 – 4840 Delta Street, Vancouver, British Columbia, Canada. The Company is a reporting issuer in the provinces of British Columbia and Alberta, Canada and trades on the TSX Venture Exchange under the symbol "DHM".

The condensed consolidated interim financial statements of the Company as at and for the period ended April 30, 2012 comprise the accounts of the Company and its subsidiary. The Company is the ultimate parent.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these Interim Financial Statements.

The Company estimates that additional funding will be required to continue operations over the next 12 months.

| | | April 30, 2012 | | July 31, 2011 | | August 1, 2010 |
|---|---|---|---|---|---|---|
| Deficit | $ | (11,901,945) | $ | (9,678,346) | $ | (7,734,780) |
| Working capital (deficiency) | $ | 230,806 | $ | 2,391,275 | $ | (905,958) |

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

a) **Statement of compliance:**

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements include part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending July 31, 2012. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP").

The condensed consolidated interim financial statements were authorized and approved by the board of directors of the Company on June 26, 2012.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

b) **Basis of presentation:**

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in below. In addition, condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these Interim Financial Statements are in accordance with IFRS and have not been audited.

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 may differ from these estimates. These Interim Financial Statements do not include all of the information required for full annual financial statements.

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under CGAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at August 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from CGAAP to IFRS is explained in Note 3.

c) **Basis of consolidation:**

The consolidated financial statements of the Company include the following subsidiary:

| Name of subsidiary | Place of incorporation | Percentage ownership |
|---|---|---|
| Golden Odyssey Exploration Inc. | USA | 100% |

The Company consolidates the subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies.

All intercompany transactions and balances are eliminated on consolidation.

d) **Functional and presentation currency:**

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the parent Company's functional currency. The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors indentified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

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

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

e) **Equipment:**

Equipment is stated 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.

Depreciation is recorded over the estimated useful lives of the assets on the declining balance basis at the following annual rates:

| | |
|---|---|
| Computer equipment | 30% |

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

f) **Exploration and evaluation assets:**

Upon acquiring the legal right to explore a mineral property, all direct costs related to the acquisition of exploration and evaluation assets is capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development is charged to operations as incurred.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

g) **Decommissioning, restoration and similar liabilities ("asset retirement obligations"):**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized decommissioning costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional decommissioning costs).

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

g) **Decommissioning, restoration and similar liabilities ("asset retirement obligations") (cont'd…):**

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the profit and loss statement. The Company had no asset retirement liabilities as at April 30, 2012, July 31, 2011 or August 1, 2010.

h) **Related party transactions**:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

i) **Significant accounting estimates and judgments:**

The preparation of these condensed consolidated interim financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include the fair value of financial instruments, receivables, deferred income taxes, evaluating the fair value of exploration and evaluation assets, useful lives of equipment, and stock-based compensation.

j) **Share-based compensation:**

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense 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. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is 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 number of stock options that are expected to vest.

k) **Income taxes:**

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

k) **Income taxes (cont'd…):**

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) **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 does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

m) **Financial assets:**

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash and reclamation deposit are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. At April 30, 2012, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

### n) Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. At April 30, 2012, the Company has not classified any financial liabilities as FVTPL.

### o) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

### p) Impairment:

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

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

p) **Impairment (cont'd…):**

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

Additionally, goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Where an indicator of impairment exists, the Company makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any provision for impairment is charged to profit or loss in the period concerned. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Impairments of goodwill are not reversed. Impairment losses on other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortization, had no impairments been recognized.

q) **Share capital:**

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

r) **New standards, amendments and interpretations not yet effective:**

A number of new standards, amendments to standards and interpretations are not yet effective as of April 30, 2012 and have not been applied in preparing these condensed consolidated interim financial statements. None of these are expected to have a material effect on the financial statements of the Company.

*Financial Instruments*
In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures 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 earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

*Income Taxes*
In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provide 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 earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)

r) **New standards, amendments and interpretations not yet effective (cont'd...):**

*Consolidation*
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".

*Effective for annual periods beginning on or after January 1, 2013:*

*Joint Ventures*
The IASB issued Exposure Draft 9 – Joint Arrangements ("ED-9") in September 2007. ED-9 proposed to eliminate the Company's choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method. During the second quarter of 2009, the IASB commenced re-deliberations of ED-9 and now proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The IASB plans on publishing the final standard during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact that ED-9 and the final standard are expected to have on its consolidated financial statements.

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

*Financial instruments*
The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities, with comments due in 2011. The complete IFRS 9 is anticipated to be issued during 2011. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

**NOTE 3 – TRANSITION TO IFRS**

As stated in Note 2, these condensed consolidated interim financial statements are for the period covered by the Company's first condensed interim consolidated financial statements prepared in accordance with IFRS. The accounting policies in Note 2 have been applied in preparing the condensed consolidated interim financial statements for the periods ended April 30, 2012 and 2011, and the opening IFRS statement of financial position on August 1, 2010, the "Transition Date" and July 31, 2010.

In preparing the opening IFRS statement of financial position and the financial statements for the interim period ended April 30, 2012, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with CGAAP. An explanation of how the transition from CGAAP to IFRS has affected the Company's financial position is set out in the following table. There was no effect on financial performance or cash flows. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

a) to apply the requirements of IFRS 2, Share-based Payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and

b) to transfer all stock based compensation for expired, cancelled or forfeited stock options and warrants recognized as a separate component of equity, to deficit at the Transition Date of IFRS.

The Company has elected to apply IFRS 2 to awards that expired prior to August 1, 2010, which had been accounted for under CGAAP. Under IFRS, the Company can reverse the fair value of share-based awards when the award is expired. Under CGAAP the fair value of share-based awards could not be reversed regardless of the award expiration.

The Company applied the following mandatory exception:

Estimates:

Hindsight is not used to create or revise estimates. In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous CGAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of August 1, 2010 are consistent with its CGAAP estimates for the same date.

**NOTE 3 – TRANSITION TO IFRS (Cont'd...)**

The reconciliation between the CGAAP and IFRS consolidated statement of financial position as at August 1, 2010 is provided below:

| | | August 1, 2010 | | |
|---|---|---|---|---|
| | Note | CGAAP | Effect of transition to IFRS | IFRS |
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash | | $ 6,939 | $ - | $ 6,939 |
| Receivables | | 12,295 | - | 12,295 |
| | | 19,234 | - | 19,234 |
| **Equipment** | | 2,122 | - | 2,122 |
| **Reclamation deposit** | | 80,883 | - | 80,883 |
| **Exploration and evaluation assets** | | 11,000 | - | 11,000 |
| | | $ 113,239 | $ - | $ 113,239 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | | $ 925,192 | $ - | $ 925,192 |
| **Shareholders' equity (Deficient)** | | | | |
| Share capital | | 6,042,177 | - | 6,042,177 |
| Reserves | (a) | 2,772,011 | (1,891,361) | 880,650 |
| Deficit | (a) | (9,626,141) | 1,891,361 | (7,734,780) |
| | | (811,953) | - | (811,953) |
| | | $ 113,239 | $ - | $ 113,239 |

**Adjustments:**

**a) Reserves**

IFRS permits a transfer of reserves arising from share-based transactions, within equity. At August 1, 2010, $1,891,361 of total reserves related to options and warrants cancelled, expired and forfeited were transferred to Deficit, in order that the balance of Reserves reflected only the fair value of options and warrants outstanding at that date.

**NOTE 3 – TRANSITION TO IFRS (Cont'd...)**

**Adjustments (cont'd...):**

**a) Reserves (cont'd...)**

The reconciliation between CGAAP and IFRS consolidated statement of financial position as at April 30, 2011 is provided below:

| | | April 30, 2011 | | |
|---|---|---|---|---|
| | Note | GAAP | Effect of transition to IFRS | IFRS |
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash | | $ 3,382,120 | $ - | $ 3,382,120 |
| Receivables | | 21,186 | - | 21,186 |
| | | 3,403,306 | - | 3,403,306 |
| **Equipment** | | 2,570 | - | 2,570 |
| **Reclamation deposit** | | 117,994 | - | 117,994 |
| **Exploration and evaluation assets** | | 11,000 | - | 11,000 |
| | | $ 3,534,870 | $ - | $ 3,534,870 |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | | $ 131,392 | $ - | $ 131,392 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | | |
| Share capital | | 10,226,980 | - | 10,226,980 |
| Reserves | (a) | 3,971,852 | (1,891,361) | 2,080,491 |
| Deficit | (a) | (10,795,354) | 1,891,361 | (8,903,993) |
| | | 3,403,478 | - | 3,403,478 |
| | | $ 3,534,870 | $ - | $ 3,534,870 |

**Adjustments:**

**a) Reserves**

IFRS permits a transfer of reserves arising from share-based transactions, within equity. At April 30, 2011, $1,891,361 of total reserves related to options and warrants cancelled, expired and forfeited were transferred to Deficit, in order that the balance of Reserves reflected only the fair value of options and warrants outstanding at that date.

**NOTE 3 – TRANSITION TO IFRS (Cont'd…)**

The reconciliation between CGAAP and IFRS consolidated statement of financial position as at July 31, 2011 is provided below:

| | | July 31, 2011 | | |
|---|---|---|---|---|
| | Note | CGAAP | Effect of transition to IFRS | IFRS |
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash | | $ 2,056,384 | $ - | $ 2,056,384 |
| Receivables | | 153,498 | - | 153,498 |
| Prepaid expenses | | 62,760 | - | 62,726 |
| Exploration advances | | 288,726 | - | 288,726 |
| | | 2,561,368 | - | 2,561,368 |
| **Equipment** | | 2,298 | - | 2,298 |
| **Reclamation deposit** | | 116,140 | - | 116,140 |
| **Exploration and evaluation assets** | | 8,250 | - | 8,250 |
| | | $ 2,688,056 | $ - | $ 2,688,056 |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | | $ 170,093 | $ - | $ 170,093 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | | |
| Share capital | | 9,870,388 | - | 9,870,388 |
| Reserves | (a) | 4,320,407 | (1,994,486) | 2,325,921 |
| Deficit | (a) | (11,672,832) | 1,994,486 | (9,678,346) |
| | | (2,517,963) | - | (2,517,963) |
| | | $ 2,668,056 | $ - | $ 2,688,056 |

**Adjustments:**

**a) Reserves**

IFRS permits a transfer of reserves arising from share-based transactions, within equity. At July 31, 2011, $1,994,486 of total reserves related to options and warrants cancelled, expired and forfeited were transferred to Deficit, in order that the balance of Reserves reflected only the fair value of options and warrants outstanding at that date.

### NOTE 3 – TRANSITION TO IFRS (Cont'd…)

As there were no reconciliation differences between CGAAP and IFRS for the statement of comprehensive loss and statement of cash flows, these statements have not been presented in the table above.

### NOTE 4 – RECEIVABLES

Receivables are comprised of the following:

| | April 30, 2012 | July 31, 2011 | August 1, 2010 |
|---|---|---|---|
| HST Receivable | $ 44,648 | $ 153,498 | $ 12,295 |
| Total | $ 44,648 | $ 153,498 | $ 12,295 |

### NOTE 5 – EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties are in good standing.

#### Dome South

In November 2008, the Company entered into an option agreement with a company related by virtue of common directors, to acquire a 50% interest in the Dome South property, located near Smithers, British Columbia.

To acquire its interest in the property, the Company was required to incur $1,000,000 in exploration expenditures by November 15, 2010. On September 24, 2010, the Company entered into an amending agreement providing for an extension of one year for $25,000.

During the period ended April 30, 2012, the Company elected to terminate its option and wrote-off all acquisition costs on the property.

#### Deerhorn

In August 2009, the Company entered into an option agreement with a company related by virtue of common directors, to acquire an initial 50% interest in the Deerhorn property, located in west central British Columbia.

To acquire its interest, the Company is required to incur $5,000,000 in exploration expenditures as follows:

1) Incur $400,000 by August 12, 2010 (incurred)
2) Incur an additional $1,100,000 by August 12, 2011 (incurred)
3) Incur an additional $1,500,000 by August 12, 2012 (incurred)
4) Incur an additional $2,000,000 by August 12, 2013 (partially incurred)

### NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Cont'd...)

**Deerhorn (cont'd...)**

After the Company has acquired the initial 50% interest, it may acquire an additional 25% interest by incurring all costs required to bring the property to commercial production.

As at April 30, 2012 the Company had provided exploration advances of $4,936 (July 31, 2011 - $288,726) on its Deerhorn property.

Exploration and evaluation assets costs are set out below:

| | Deerhorn | Dome South | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance, August 1, 2010** | **8,250** | **2,750** | **11,000** |
| Additions: | | | |
| Reclamation bond | - | 25,000 | 25,000 |
| Write-off of exploration and evaluation asset | - | (27,750) | (27,750) |
| **Balance, April 30, 2012 and July 31, 2011** | **8,250** | **-** | **8,250** |

The table below is a summary of exploration expenditures for the nine month periods ended April 30, 2012 and 2011:

**For the nine months ending:**

| | April 30, 2012 | | Apr. 30, 2011 | |
|---|---|---|---|---|
| Exploration Expenses | Deerhorn | Dome South | Deerhorn | Dome South |
| Assays and sampling | $ 77,636 | $ - | $ 17,235 | $ - |
| Camp and field expense | 35,895 | - | - | - |
| Drilling and field support | 1,006,856 | - | - | - |
| Equipment rental | 275,056 | - | - | - |
| Geological consulting | 238,726 | - | 1,575 | 807 |
| Miscellaneous | 60,625 | - | 629 | - |
| Travel and accommodation | 23,035 | - | - | - |
| Other | - | - | - | 25,227 |
| BC Mining Exploration tax credit | (270,261) | | | |
| **Total exploration expenses** | **$ 1,447,568** | **$ -** | **$ 19,439** | **$ 26,034** |

## NOTE 6 - EQUIPMENT

| | April 30, 2012 | | |
|---|---|---|---|
| | **Cost** | **Accumulated Depreciation** | **Carrying Amount** |
| | $ | $ | $ |
| Computer equipment | 5,438 | 3,956 | 1,482 |

| | July 31, 2011 | | |
|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Carrying Amount** |
| | $ | $ | $ |
| Computer equipment | 5,438 | 3,140 | 2,298 |

| | August 1, 2010 | | |
|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Carrying Amount** |
| | $ | $ | $ |
| Computer equipment | 14,759 | 12,637 | 2,122 |

## NOTE 7 – RECLAMATION DEPOSIT

The Company provided non-interest bearing cash bonds amounting to US$12,266 (2011 - US$68,339) in favour of the U.S. Bureau of Land Management as a reclamation deposit relating to properties held in the United States written off in prior years.

Additionally, the Company provided funding for deposits totalling $82,000 (2011 - $19,000) as security against potential future reclamation work related to its British Columbia exploration and evaluation asset.

## NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| In Canadian dollars | April 30, 2012 | July 31, 2011 | August 1, 2010 |
|---|---|---|---|
| Accounts payable | $ 213,274 | $ 120,093 | $ 885,192 |
| Accrued liabilities | - | 50,000 | 40,000 |
| | $ 213,274 | $ 170,093 | $ 925,192 |

## NOTE 9 – SHARE CAPITAL

### Fiscal 2012 Transactions

No transactions were issued during the period ended April 30, 2012.

**NOTE 9 – SHARE CAPITAL (Cont'd...)**

**Fiscal 2011 Transactions**

On September 28, 2010, the Company completed a non-brokered private placement of 14,060,000 Units at a price of $0.05 per unit for gross proceeds of $703,000. Each unit consists of once common share and one common share purchase warrant, with each whole warrant exercisable into one common share at a price of $0.10 for a period of two years. The warrants were attributed a value of $233,704.

On February 24, 2011, the Company completed a non-brokered private placement of 21,595,000 Units at a price of $0.20 per unit for gross proceeds of $4,319,000. Each unit consists of one common share and one common share purchase warrant, with each whole warrant exercisable into one common share at a price of $0.30 for a period of one year. The warrants were attributed a value of $889,521.

A 2012 Stock Option Plan (the "Plan") was approved by the shareholders on January 17, 2012, at the Company's annual general meeting. Under the Plan, the Company is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company, on a rolling basis. Options may be granted at an exercise price of no less than a 25% discount of the market price on the date of the grant, or such higher price as determined by the board of directors. Options can be granted for a maximum term of 5 years. Vesting is not required but may be set on an individual basis as determined by the board of directors.

**Share-based compensation**

During the period ended April 30, 2012, the Company granted 1,000,000 stock options (April 30, 2011 – 2,750,000). The options vest 100% upon the date of grant and have a term of 5 years. The total fair value of options granted using the Black-Scholes option pricing model was $117,860. A total of $117,860 was charged to operations, offset to share-based payments reserves. The weighted average fair value of the options granted during the period was $0.18 per option.

During the year ended July 31, 2011, the Company granted 3,550,000 options. The options vesting ranges from 8.3% to 100% upon the date of grant, and then at a rate of 8.3% every month thereafter, until fully vested. The options have terms of 5 years.

For the year ended July 31, 2011, the total fair value of options granted using the Black-Scholes option pricing model was $447,489. A total of $443,252 was charged to operations, offset to share-based payments reserves. The weighted average fair value of the options granted during the period was $0.23 per option.

During the year ended July 31, 2011, 525,000 options previously issued with a fair value of $103,132 as share-based compensation expired without being exercised. The previously recorded historical fair value of these options was reallocated to deficit.

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

| | 2012 | 2011 |
|---|---|---|
| Dividend yield | Nil | Nil |
| Expected volatility | 113% | 108% |
| Risk free rate of return | 1.51% | 1.41% |
| Expected life | 1.69 years | 1.39 years |

## NOTE 9 – SHARE CAPITAL (Cont'd...)

### Stock-based compensation (Cont'd...)

As at April 30, 2012 the Company had outstanding stock options as follows:

| Exercise price | Expiry date | Number outstanding |
|---|---|---|
| $0.10 | May 29, 2013 | 175,000 |
| $0.10 | March 9, 2014 | 500,000 |
| $0.22 | July 14, 2014 | 500,000 |
| $0.22 | August 28, 2014 | 850,000 |
| $0.10 | May 21, 2015 | 2,500,000 |
| $0.10 | October 8, 2015 | 300,000 |
| $0.25 | March 11, 2016 | 2,750,000 |
| $0.25 | June 24, 2016 | 500,000 |
| $0.18 | November 1, 2016 | 1,000,000 |
| | | **9,075,000** |

### Warrants

The continuity of warrants for the three months ended April 30, 2012 is as follows:

| Exercise price | Number outstanding | Expiry date |
|---|---|---|
| $0.10 | 14,060,000 | September 28, 2012 |
| | 14,060,000 | |

## NOTE 10 – RELATED PARTY TRANSACTIONS

The Company's related parties consist of individuals who are executive officers and/or directors of the Company, or are directly related to a director of the Company, as follows:

| Name | Nature of transaction |
|---|---|
| Tyrone Docherty, CEO, Director | Management fees |
| Pamela Saulnier, CFO | Management fees |
| Tony Fogarassy, Director | Consulting fees |

## NOTE 10 – RELATED PARTY TRANSACTIONS (Cont'd...)

The Company incurred the following fees and expenses in the normal course of operations in connection with compensation of individuals who are key management and directors and exploration expenditures paid to a private company controlled by a common director.

| Three months ended | | April 30, 2012 | | April 30, 2011 |
|---|---|---|---|---|
| Management fees | $ | 252,500 | $ | 212,500 |
| Consulting fees | $ | 45,000 | $ | - |
| Exploration expenses | $ | 1,680,634 | $ | 19,303 |
| Total | $ | 1,978,134 | $ | 231,803 |

## NOTE 11 – SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets in North America. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets located in Canada and reclamation deposit receivable posted in the United States and Canada.

## NOTE 12 – BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the nine months ended April 30, 2012 is based on the loss attributable to common shareholders of $2,695,318 (2011 - $1,169,213) and a weighted average number of common shares outstanding of 95,609,166 (2011 – 62,887,700).

## NOTE 13 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Fair values

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 matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, accounts payable and accrued liabilities approximate their fair value because of the short term nature of these instruments.

### Financial instrument risk exposure and risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

## NOTE 13 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd...)

### Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

### Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment grade short-term demand deposit certificates issued by its banking institutions. The company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

### Foreign currency risk

The Company is exposed to foreign currency risk on currency fluctuations related to monetary items with a settlement currency other than Canadian dollars. The Company operates in foreign jurisdictions which use the United States Dollar ("US$"). The Company does not use derivative instruments to reduce upward and downward risk associated with foreign currency fluctuations.

### Commodity 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 of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## NOTE 14 – CAPITAL MANAGEMENT

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

## NOTE 14 – CAPITAL MANAGEMENT (Cont'd...)

The Company manages its 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, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consist of cash on hand, balances with banks and investments in highly liquid instruments. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents and the fair value approximates carrying value. There have been no changes to the Company's approach to capital management during the three months ended October 31, 2011. The Company is not subject to externally imposed capital requirements.

## NOTE 15 - COMMITMENT

The Company rents it office premises under an operating lease until July 2013. The operating lease commitment, including rent plus estimated common area costs, is approximately $17,655 per annum.

## NOTE 16 – SUBSEQUENT EVENTS

On June 19, 2012, the Company announced it had closed a non-brokered private placement. 3,044,000 units were placed at a price of $0.10 per unit for gross proceeds of $304,400. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company at a price from the date of issuance of $0.14 per share during the first year and at a price of $0.17 per share in the second year.