DEER HORN METALS INC.

FINANCIAL STATEMENTS

For the years ended July 31, 2012 and 2011

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Deer Horn Metals Inc.

We have audited the accompanying financial statements of Deer Horn Metals Inc., which comprise the statements of financial position as at July 31, 2012, July 31, 2011 and August 1, 2010 and the statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years ended July 31, 2012 and July 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

NEXIA INTERNATIONAL
1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Deer Horn Metals Inc. as at July 31, 2012, July 31, 2011 and August 1, 2010 and its financial performance and its cash flows for the years ended July 31, 2012 and July 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Deer Horn Metals Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

November 21, 2012

Management's Responsibility

The financial statements and other financial information included in the financial statements are the responsibility of, and have been prepared by, the management of Deer Horn Metals Inc. (the "Company"). To fulfill this responsibility, the Company maintains appropriate systems of internal control, policies and procedures. These systems of internal control, policies and procedures help ensure that the Company's reporting practices and accounting and administrative procedures provide reasonable assurance that the financial information is relevant, reliable and accurate, and that assets are safeguarded and transactions are executed in accordance with proper authorization. These financial statements have been prepared in accordance with International Financial Reporting Standards. When alternative methods exist, the Company has chosen those that it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly in all respects. Where appropriate, these financial statements reflect estimates based on judgments of management.

Davidson & Company LLP, the independent auditors, have examined the financial statements of the Company. The independent auditor's responsibility is to express a professional opinion on the fairness of the financial statements. The auditor's report outlines the auditor's opinion and the scope of their examination and their report follows.

The financial statements have also been reviewed by the Directors of Deer Horn Metals Inc. and by its Audit Committee. The Audit Committee is comprised of independent directors, and meets periodically during the year with the independent auditors and management. The independent auditors have full and unrestricted access to the Audit Committee.

Tyrone Docherty	Pamela Saulnier
Chief Executive Officer	Chief Financial Officer

DEER HORN METALS INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	July 31, 2012	July 31, 2011 (Note 3)	August 1, 2010 (Note 3)
Assets				
Current Assets				
Cash		$ 469,008	$ 2,056,384	$ 6,939
Receivables	**4**	9,440	153,498	12,295
Prepaid expense		24,864	62,760	-
Exploration advances	**5**	6,568	288,726	-
		509,880	2,561,368	19,234
Equipment	**6**	1,210	2,298	2,122
Reclamation deposit	**7**	82,000	116,140	80,883
Exploration and evaluation assets	**5**	8,250	8,250	11,000
		$ 601,340	**$ 2,688,056**	**$ 113,239**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**8**	$ 66,980	$ 170,093	$ 925,192
Shareholders' Equity (Deficiency)				
Share capital	**9**	10,879,922	10,707,722	6,188,188
Share-based payments reserve	**9**	1,219,763	1,469,342	734,639
Deficit		(11,565,325)	(9,659,101)	(7,734,780)
		534,360	2,517,963	(811,953)
		$ 601,340	**$ 2,688,056**	**$ 113,239**

Nature of Operations and Going Concern (Note 1)
Commitment (Note 17)
Subsequent Events (Note 18)

On behalf of the Board:

"Tyrone Docherty" **Director** ***"Tony Fogarassy"*** **Director**

DEER HORN METALS INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended July 31

	Note	2012	2011
Expenses			(Note 3)
Depreciation		$ 1,088	$ 2,268
Exploration expenses, net	5	1,236,111	785,903
Foreign exchange loss (gain)		2,402	(2,086)
Investor relations and shareholder information		198,584	264,634
Office		25,447	26,543
Professional fees		105,528	65,662
Property investigation costs		5,825	-
Regulatory and filing fees		21,151	61,516
Rent		17,070	17,655
Salaries and management fees		723,536	316,570
Share-based payments	9	130,771	499,631
Travel		24,615	29,735
Operating loss		(2,492,128)	(2,068,031)
Gain on settlement of accounts payable	11	81,281	36,051
Interest income		2,513	13,039
Write-off of exploration and evaluation assets	5	-	(27,750)
Loss and comprehensive loss for the year		$ (2,408,334)	$ (2,046,691)
Basic and diluted loss per share		(0.03)	(0.03)
Weighted average shares outstanding		95,951,094	80,718,268

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

DEER HORN METALS INC.
STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Share-based payments reserve	Deficit	Total shareholders' equity (deficiency)
		(Note 3)	(Note 3)	(Note 3)	
Balance, August 1, 2010	59,325,787	$ 6,188,188	$ 734,639	$ (7,734,780)	$ (811,953)
Private placements	35,655,000	4,642,964	379,036	-	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	-	13,470	(13,470)	-	-
Transfer upon exercise of stock options	-	8,124	(8,124)	-	-
Transfer upon expiration of options and warrants	-	-	(122,370)	122,370	-
Share-based compensation	-	-	499,631	-	499,631
Loss and comprehensive loss for the year	-	-	-	(2,046,691)	(2,046,691)
Balance, July 31, 2011	**95,609,166**	**$ 10,707,722**	**$1,469,342**	**$(9,659,101)**	**$ 2,517,963**
Private placement	3,044,000	182,640	121,760	-	304,400
Share issuance costs	-	(10,440)	-	-	(10,440)
Share-based compensation	-	-	130,771	-	130,771
Transfer upon expiration of options and warrants			(502,110)	502,110	-
Loss and comprehensive loss for the year	-	-	-	(2,408,334)	(2,408,334)
Balance, July 31, 2012	**98,653,166**	**$ 10,879,922**	**$ 1,219,763**	**$ (11,565,325)**	**$ 534,360**

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

DEER HORN METALS INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended July 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		(Note 3)
Loss and comprehensive loss for the year	$ (2,408,334)	$ (2,046,691)
Items not involving cash:		
Share-based payments	130,771	499,631
Depreciation	1,088	2,268
Gain on settlement of accounts payable	(81,281)	(36,051)
Foreign exchange loss	-	5,813
Write-off of exploration and evaluation assets	-	27,750
Changes in non-cash working capital balances:		
Decrease (increase) in receivables	144,058	(141,203)
Decrease (increase) in prepaid expenses	37,896	(62,760)
Decrease (increase) in exploration advances	282,158	(288,726)
Accounts payable and accrued liabilities	(21,832)	(719,048)
Cash flows used in operating activities	(1,915,476)	(2,759,017)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets acquisition costs	-	(25,000)
Reclamation deposit	34,140	(41,070)
Equipment purchase	-	(2,444)
Cash flows provided from (used in) investing activities	34,140	(68,514)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares and warrants	304,400	5,120,426
Share issuance costs	(10,440)	(243,450)
Cash flows provided from financing activities	293,960	4,876,976
Change in cash during year	(1,587,376)	2,049,445
Cash, beginning of year	2,056,384	6,939
Cash, end of year	469,008	2,056,384

Supplemental disclosure with respect to cash flows:		
Fair value of warrants on share issuance	$ -	$ 1,123,225
Fair value of warrants on exercise	-	13,470
Fair value of options on exercise	-	8,124
Transfer expired equity options and warrants to deficit	502,110	122,370
Transfer of reserve to share capital for residual value of warrants	-	691,325

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

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Deer Horn Metals Inc. (the "Company") was incorporated under the Laws of the Province of British Columbia. 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 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 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 financial statements. These material uncertainties may cast significant doubt on the Company`s ability to continue as a going concern.

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

		July 31, 2012		July 31, 2011		August 1, 2010
Deficit	$	(11,565,325)	$	(9,659,101)	$	(7,734,780)
Working capital (deficiency)	$	442,900	$	2,391,275	$	(905,958)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

a) **Statement of compliance:**

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (``IFRS``), as issued by the International Accounting Standards Board (``IASB``) and Interpretations of the International Financial Reporting Interpretations Committee (``IFRIC``).

The preparation of these financial statements resulted in changes to the accounting policies as compared to the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles (``CGAAP``). The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They have also been applied in preparing an opening IFRS statement of financial position 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 the CGAAP to IFRS is explained in Note 3.

The financial statements were authorized by the Audit Committee and Board of Directors of the Company on November 21, 2012

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

b) **Basis of presentation:**

The 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, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) **Basis of consolidation:**

The comparative 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 consolidated 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.

During the year ended July 31, 2012, the Company dissolved Golden Odyssey Exploration Inc. (Note 11)

d) **Functional and presentation currency:**

These 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 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	20%

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 an exploration and evaluation asset, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are recognized in profit or loss 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:**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the decommissioning of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a decommissioning liability is recognized at its fair value in the year 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 decommissioning as a liability when it 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 year, the liability is increased to reflect the passage of time and changes in the estimated future cash flows underlying any initial estimates.

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

g) **Decommissioning, restoration and similar liabilities (cont'd…):**

The Company recognizes its decommissioning 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 profit or loss. The Company had no decommissioning liabilities as at July 31, 2012, July 31, 2011 and 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 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 year. 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 year in which the estimates are revised and in future years affected.

Significant accounts that require estimates as the basis for determining the stated amounts include deferred income taxes, evaluating the fair value of exploration and evaluation assets and the valuation of share-based payments.

j) **Share-based payments:**

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 payment 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 year 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 or 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 July 31, 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 year. 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 July 31, 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 August 1, 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.

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".

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

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

Joint Arrangements
IFRS 11 "Joint Arrangements", requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share 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 interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities – Non-monetary Contributions by Venturers". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

Disclosure of Interests in Other Entities
IFRS 12, "Disclosure of Interests in Other Entities", 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. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

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.

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

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

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 financial statements are the Company's first financial statements prepared in accordance with IFRS. The accounting policies in Note 2 have been applied in preparing the financial statements for the years ended July 31, 2012 and 2011, and the opening IFRS statement of financial position on August 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the year ended July 31, 2011, 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 also changed its accounting for warrant valuations included in units from the relative fair value method to the residual value method.

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

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.

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				
Current				
Accounts payable and accrued liabilities		$ 925,192	$ -	$ 925,192
Shareholders' equity (deficiency)				
Share capital		6,042,177	146,011	6,188,188
Reserves	(a)	2,772,011	(2,037,372)	734,639
Deficit	(a)	(9,626,141)	1,891,361	(7,734,780)
		(811,953)	-	(811,953)
		$ 113,239	$ -	$ 113,239

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

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. Additionally, $146,011 was transferred from reserves to share capital on valuation of unit warrants using the residual value method.

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	-	62,760
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	837,334	10,707,722
Reserves	(a)	4,320,407	(2,851,065)	1,469,342
Deficit	(a)	(11,672,832)	2,013,731	(9,659,101)
		(2,517,963)	-	(2,517,963)
		$ 2,668,056	$ -	$ 2,688,056

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

Adjustments (cont'd…):

IFRS permits a transfer of reserves arising from share-based transactions, within equity. At July 31, 2011, $2,013,731 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. Additionally, $837,334 was transferred from reserves to share capital on valuation of unit warrants using the residual value method.

As there were no adjustments to financial performance and cash flows, no separate reconciliation statements are presented.

NOTE 4 – RECEIVABLES

Receivables are comprised of the following:

	July 31, 2012	July 31, 2011	August 1, 2010
HST Receivable	$ 9,440	$ 153,498	$ 12,295
Total	$ 9,440	$ 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 year ended July 31, 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 north western British Columbia.

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

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)

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 July 31, 2012 the Company had provided exploration advances of $6,568 (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, July 31, 2011	**8,250**	**-**	**8,250**
Additions:	**-**	**-**	**-**
Balance, July 31, 2012	**8,250**	**-**	**8,250**

The table below is a summary of exploration expenditures for the years ended July 31, 2012 and 2011:

For the years ended:

	2012				**2011**			
Exploration Expenses	**Deerhorn (Canada)**	**Dome South (Canada)**	**Other**	**Total**	**Deerhorn (Canada)**	**Dome South (Canada)**	**Other**	**Total**
Assays and sampling	$ 80,505	$ -	$ -	$ 80,505	$ 17,390	$ -	$ -	$ 17,930
Camp and field expense	14,776	-	-	14,776	49,400	-	-	49,400
Drilling and field support	932,793	-	-	932,793	385,405	-	-	385,405
Equipment rental	349,832	-	-	349,832	213,228	-	-	213,228
Geological consulting	263,351	-	-	263,351	40,440	807	-	41,247
Reports, drafting and maps	28,744	-	-	28,744	6,910	-	-	6,910
Travel and accommodation	26,535	-	-	26,535	22,251	-	-	22,251
Other	46,336	-	-	46,336	47,828	228	2,016	50,072
Exploration Expenses	**$ 1,742,872**	**$ -**	**$ -**	**$1,742,872**	**$ 782,852**	**$ 1,035**	**$ 2,016**	**$ 785,903**
Recoverable BC Mining Exploration Tax Credit	(506,761)	-	-	(506,761)	-	-	-	-
Total Exploration Expenses	**$ 1,236,111**	**$ -**	**$ -**	**$1,236,111**	**$ 782,852**	**$ 1,035**	**$ 2,016**	**$ 785,903**

NOTE 6 – EQUIPMENT

	Equipment $	Total $
Cost:		
Balance at August 1, 2010	**14,759**	**14,759**
Additions	2,444	2,444
Balance at July 31, 2011	**17,203**	**17,203**
Additions	-	-
Balance at July 31, 2012	**17,203**	**17,203**
Accumulated depreciation:		
Balance at August 1, 2010	**12,637**	**12,637**
Depreciation	2,268	2,268
Balance at July 31, 2011	**14,905**	**14,905**
Depreciation	1,088	1,088
Balance at July 31, 2012	**15,993**	**15,993**
Carrying amounts:		
August 1, 2010	**2,122**	**2,122**
July 31, 2011	**2,298**	**2,298**
July 31, 2012	**1,210**	**1,210**

NOTE 7 – RECLAMATION DEPOSIT

The Company provided non-interest bearing cash bonds amounting to $Nil (2011 – US$35,794; 2010 – US$60,139) in favour of the US Bureau of Land Management as a reclamation deposit relating to properties held in the United States written off in prior years.

The Company provided funding for deposits totalling $82,000 (2011 - $82,000; 2010 - $$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	July 31, 2012	July 31, 2011	August 1, 2010
Trade payables	$ 21,980	$ 120,093	$ 885,192
Accrued liabilities	45,000	50,000	40,000
	$ 66,980	$ 170,093	$ 925,192

NOTE 9 – SHARE CAPITAL

Fiscal 2012 Transactions

On June 20, 2012, the Company completed a non-brokered private placement of 3,044,000 units at a price of $0.10 per unit for gross proceeds of $304,400. Each unit consisted of one common share and one common share purchase warrant, with each whole warrant exercisable into one common share at a price of $0.14 per common share during the first year following the close of the private placement. The warrants were attributed a value of $121,760.

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 consisted 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. No value was attributed to the warrants as the market price was greater than that of the unit price.

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 consisted 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 $379,036.

Share-based payments

A 2011 Stock Option Plan (the “Plan”) was approved by the shareholders on January 20, 2011, 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.

During the year ended July 31, 2012, the Company granted 1,000,000 stock options. The total fair value of options granted using the Black-Scholes option pricing model was $118,259. A total of $118,259 was charged to operations, offset to share-based payments reserves. All options vested immediately upon grant.

During the year ended July 31, 2012, 295,000 options previously issued with a fair value of $70,210 as share-based compensation expired without being exercised. The previously recorded historical fair value of these options was reallocated to deficit.

During the year ended July 31, 2011, the Company granted 3,550,000 options. The options vested at a rate of 8.3% from date of grant or 100% upon the date of grant.Options not vesting 100% upon the date of grant vested at a rate of 8.3% every month thereafter, until fully vested. The options have terms of 5 years. In the current year, share based payments of $12,512 were recognized for vesting of the options.

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 $499,631 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.

NOTE 9 – SHARE CAPITAL (Cont'd…)

Share-based payments (Cont'd…)

During the year ended July 31, 2011, 525,000 options previously issued with a fair value of $103,125 as share-based compensation expired without being exercised. The previously recorded historical fair value of these options was reallocated to deficit.

During the year ended July 31, 2011, 641,500 warrants previously issued as part of a unit and having a residual value of $19,245 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 year:

	2012	**2011**
Dividend yield	Nil	Nil
Expected volatility	103%	108%
Risk free rate of return	1.45%	1.41%
Expected life	5 years	1.39 years

As at July 31, 2012 the Company had outstanding stock options as follows:

Number outstanding July 30, 2011	Granted	Exercised	Expired/ Cancelled	Number outstanding July 30, 2012	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
20,000	-	-	20,000	-	$0.30	Jan. 2, 2012	-
150,000	-	-	150,000	-	$0.39	Jan. 2, 2012	-
125,000	-	-	125,000	-	$0.27	Apr. 27, 2012	-
175,000	-	-	-	175,000	$0.10	May 29, 2013	0.83 yrs
500,000	-	-	-	500,000	$0.10	Mar. 9, 2014	1.61 yrs
500,000	-	-	-	500,000	$0.22	July 14, 2014	1.95 yrs
850,000	-	-	-	850,000	$0.22	Aug. 28, 2014	2.08 yrs
2,500,000	-	-	-	2,500,000	$0.10	May 21, 2015	2.81 yrs
300,000	-	-	-	300,000	$0.10	Oct. 8, 2015	3.19 yrs
2,750,000	-	-	-	2,750,000	$0.25	Mar. 11, 2016	3.61 yrs
500,000	-	-	-	500,000	$0.25	June 24, 2016	3.90 yrs
-	1,000,000	-	-	1,000,000	$0.18	Oct. 6, 2016	4.19 yrs
8,370,000	1,000,000	-	295,000	9,075,000	$0.18	(weighted average)	3.06 yrs
			Exercisable	9,075,000	$0.18	(weighted average)	3.06 yrs

The weighted average fair value per option granted during the year ended July 31, 2012 was $0.18(2011 - $0.19).

NOTE 9 – SHARE CAPITAL (Cont'd…)

Share-based payments (Cont'd…)

As at July 31, 2011 the Company had outstanding stock options as follows:

Number outstanding July 30, 2010	Granted	Exercised	Expired/ Cancelled	Number outstanding July 30, 2011	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
73,379	-	53,379	20,000	-	$0.20	Dec. 8, 2010	-
21,621	-	-	21,621	-	$0.20	Dec. 23, 2010	-
430,000	-	-	430,000	-	$0.27	Apr. 4, 2011	-
20,000	-	-	-	20,000	$0.30	Jan. 2, 2012	0.40 yrs
150,000	-	-	-	150,000	$0.39	Jan. 2, 2012	0.40 yrs
125,000	-	-	-	125,000	$0.27	Apr. 27, 2012	0.70 yrs
187,500	-	-	187,500	-	$0.31	Aug. 6, 2012	-
175,000	-	-	-	175,000	$0.10	May 29, 2013	1.80 yrs
500,000	-	-	-	500,000	$0.10	Mar. 9, 2014	2.60 yrs
500,000	-	-	-	500,000	$0.22	July 14, 2014	3.00 yrs
850,000	-	-	-	850,000	$0.22	Aug. 28, 2014	3.10 yrs
2,500,000	-	-	-	2,500,000	$0.10	May 21, 2015	3.80 yrs
-	300,000	-	-	300,000	$0.10	Oct. 8, 2015	4.20 yrs
-	2,750,000	-	-	2,750,000	$0.25	Mar. 11, 2016	4.60 yrs
-	500,000	-	-	500,000	$0.25	June 24, 2016	4.90 yrs
5,532,500	3,550,000	53,379	659,121	8,370,000	$0.19	(weighted average)	3.80 yrs
			Exercisable	8,203,333	$0.19	(weighted average)	3.80 yrs

Warrants

The exercise price and expiry dates of the warrants outstanding as at July 31, 2012 are set out below:

Exercise price	Number outstanding	Expiry date	Weighted average remaining contractual life
$0.10	14,060,000	September 28, 2012	0.2 yrs
$0.14 - $0.17	3,044,000	June 20, 2014	1.9 yrs
	17,104,000		0.5 yrs

Number outstanding July 31, 2011	Granted	Exercised	Expired/ Cancelled	Number outstanding July 31, 2012	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
2,546,271	-	-	2,546,271	-	$0.17	Dec. 3, 2011	-
21,595,000	-	-	21,595,000	-	$0.30	Feb. 24, 2012	-
14,060,000	-	-	-	14,060,000	$0.10	Sept. 28, 2012	0.20 yrs
-	3,044,000	-	-	3,044,000	$0.14-$0.17	June 20, 2014	1.90 yrs
38,201,271	3,044,000	-	24,141,271	17,104,000	$0.15	(weighted average)	0.50 yrs

NOTE 9 – SHARE CAPITAL (Cont'd…)

Warrants (Cont'd…)

Number outstanding July 31, 2010	Granted	Exercised	Expired/ Cancelled	Number outstanding July 30, 2011	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
641,500	-	-	641,500	-	$0.18	May 3, 2011	-
550,000	-	-	550,000	-	$0.15	June 22, 2011	-
2,621,271	-	75,000		2,546,271	$0.17	Dec. 3, 2011	-
-	14,060,000	-	-	14,060,000	$0.30	Feb. 24, 2012	-
-	21,595,000	-	-	21,595,000	$0.10	Sept. 28, 2012	0.20 yrs
3,812,771	35,655,000	75,000	1,191,500	38,201,271	$0.15	(weighted average)	0.50 yrs

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
Scott Gifford, Director*	Exploration costs

*Mr. Gifford ceased to be a director of the Company on January 20, 2012

The Company incurred the following fees and expenses 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.

Year ended July 31,		2012		2011
Management fees paid or accrued to a company controlled by the President	$	282,500	$	205,000
Management fees paid or accrued to the CFO	$	30,000	$	30,000
Management fees paid or accrued to a company controlled by a Director	$	60,000	$	10,000
Exploration costs paid or accrued to private companies controlled by directors	$	1,777,581	$	780,364
Share-based payments	$	-	$	270,259

NOTE 11 – DISSOLUTION OF SUBSIDIARY

Golden Odyssey Exploration Inc. was a subsidiary for which Deer Horn Metals Inc. had 100% ownership. On July 27, 2012, upon approval by the directors, the resolution to dissolve Golden Odyssey Exploration Inc. was filed with the Secretary of State (Nevada). Resulting from the dissolution of the subsidiary, there was a gain on the write off of accounts payable of $81,281.

The comparable figures found within these financial statements include Golden Odyssey Exploration Inc. up to July 27, 2012

NOTE 12 – SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets in Canada and the United States as disclosed in Note 5. 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 13 – BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended July 31, 2012 is based on the loss attributable to common shareholders of $2,408,334 (2011 - $2,046,691) and a weighted average number of common shares outstanding of 95,951,094 (2011 – 80,718,268).

NOTE 14 – DEFERRED INCOME TAXES

A reconciliation of current income taxes at statutory rates with reported taxes is as follows:

	2012	2011
Earnings (loss) for the year	$ (2,408,334)	$ (2,046,691)
Expected income tax (recovery)	(617,000)	(559,000)
Change in statutory rates	33,000	36,000
Permanent difference	(466,000)	139,000
Share issue cost	(3,000)	(67,000)
Impact of investment tax credit and other	(217,000)	23,000
Change in unrecognized deductible temporary differences	1,270,000	428,000
Deferred income tax recovery	$ -	$ -

The components of deferred income assets are as follows:

	2012	2011
Share issue costs	$ 40,000	$ 52,000
Allowable capital losses	461,000	-
Non-capital losses	1,132,000	839,000
Equipment	1,000	1,000
Exploration and evaluation assets	1,018,000	620,000
Unrecognized deferred tax assets	$ 2,652,000	$ 1,512,000

NOTE 14 – DEFERRED INCOME TAXES (Cont'd...)

The Company has non-capital losses of approximately $4,529,000 available for deduction against future taxable income. These losses, if not utilized, will expire through to 2032. The Company has resource expenditures of approximately $3,670,000 available for deduction against future taxable income. Deferred tax benefits which may arise as a result of these tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

Related to the dissolution of the subsidiary discussed in Note 11, the tax attributes of the dissolved subsidiary are not included in neither the 2011 nor the 2012 tax attributes.

NOTE 15 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Classification of financial instruments

Financial instruments measured at fair value are classified into one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value (``FV``) hierarchy has the following levels:

Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices); and

Level 3- inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company`s financial instruments consist of cash, receivable, accounts payable and accrued liabilities.

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 15 – 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 16 – 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.

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 year ended July 31, 2012. The Company is not subject to externally imposed capital requirements.

NOTE 17 – 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 18 – SUBSEQUENT EVENTS

Subsequent to July 31, 2012, the Company:

- extended the original term of 14,060,000 warrants by twelve months, to September 28, 2013. The pricing of the warrants remain at $0.10.

- completed a non-brokered private placement for gross proceeds of $285,000. 3,040,000 flow-through units were placed at $0.05 per unit for gross proceeds of $152,000 and 2,660,000 non flow-through units were placed at $0.05 per unit for gross proceeds of $133,000. Each flow-through unit consisted of one flow-through common share and each non-flow-through unit consists of one common share and one common share purchase warrant exercisable at a price of $0.10 for a period of 36 months from the date of issuance.