DEER HORN METALS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and six months ended January 31, 2013

(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, the Company discloses that its auditors have not reviewed these unaudited interim financial statements as at and for the six months ended January 31, 2013.

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

	Note	Jan. 31, 2013	July 31, 2012
			(note 3)
ASSETS			
Current Assets			
Cash		$ 157,867	$ 469,008
Receivables	**5**	20,052	9,440
Prepaid expense		17,759	24,864
Exploration advances	**6**	4,936	6,568
		200,614	509,880
Equipment	**7**	666	1,210
Reclamation deposit	**8**	82,000	82,000
Exploration and evaluation assets	**6**	8,250	8,250
		$ 291,530	**$ 601,340**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**9**	$ 103,138	$ 66,980
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	**10**	11,128,373	10,879,922
Share-based payments reserve		1,128,105	1,219,763
Deficit		(12,068,086)	(11,565,325)
		188,392	534,360
		$ 291,530	**$ 601,340**

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**

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

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

	Note	Three months ended Jan. 31		Six months ended Jan 31	
		2013	2012	2013	2012
			(note 3)		(note 3)
EXPENSES					
Depreciation		$ 272	$ 272	$ 544	$ 544
Exploration expenses, net	6	103,146	60,750	300,998	1,623,034
Investor relations and shareholder information		25,966	70,982	53,060	138,707
Office		5,956	2,964	10,378	6,536
Professional fees		4,150	11,450	4,346	43,636
Regulatory and filing fees		2,279	1,372	10,859	5,382
Rent		4,267	8,505	8,535	12,803
Salaries and management fees		94,500	204,227	226,500	343,727
Share-based payments	10	-	117,860	-	130,372
Travel		3,566	3,245	5,799	6,277
Operating loss		(244,102)	(481,627)	(621,019)	(2,311,018)
OTHER ITEM					
Mining tax credit recovered		-	270,261	-	270,261
Loss and comprehensive loss for the period		$ (244,102)	$ (211,366)	$ (621,019)	$(2,029,373)
Loss per share (Basic and Diluted)		-	$ (0.00)	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding		96,999,894	95,609,166	97,158,197	95,609,166

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

DEER HORN METALS INC.
CONDENSED 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, 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
Net loss for the period	-	-	-	(2,029,373)	(2,029,373)
Balance, January 31, 2012	**95,609,166**	**$ 9,870,388**	**$2,456,293**	**$(11,707,719)**	**$ 618,962**
Balance, July 31, 2012	98,653,166	$10,879,922	$1,219,763	$(11,565,325)	$534,360
Private placements	5,700,000	258,400	26,600	-	285,000
Share issuance costs	-	(9,949)	-	-	(9,949)
Transfer upon expiration of warrants	-	-	(118,258)	118,258	-
Loss for the period	-	-	-	(621,019)	(621,019)
Balance, January 31, 2013	104,353,166	$11,128,373	$1,128,105	$(12,068,086)	$188,392

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

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

	Three months ended Jan. 31 2013	Three months ended Jan. 31 2012	Six months ended Jan. 31 2013	Six months ended Jan. 31 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (244,102)	$ (211,366)	$ (621,019)	$(2,029,373)
Items not affecting cash:				
Share-based payments	-	117,860	-	130,372
Amortization	272	272	544	544
Changes in non-cash working capital items				
Decrease (increase) in receivables	7,372	288,534	(10,612)	107,741
Decrease (increase) in prepaid expenses	3,340	(2,168)	7,105	31,657
Decrease (increase) in exploration advances	-	(28,163)	1,632	223,867
Increase (decrease) in accounts payable and accrued liabilities	46,549	(47,747)	36,158	14,881
Cash flows used in operating activities	(186,569)	117,222	(586,192)	(1,520,311)
CASH FLOWS FROM INVESTING ACTIVITIES				
Reclamation deposit recovery	-	11,158	-	21,937
Cash flows provided from (used by) investing activities	-	11,158	-	21,937
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares	-	-	285,000	-
Share issuance costs	-	-	(9,949)	-
Cash flows provided from financing activities	-	-	275,051	-
CHANGE IN CASH DURING THE PERIOD	(186,569)	128,380	(311,141)	(1,498,374)
CASH, beginning of period	344,436	429,630	469,008	2,056,384
CASH, end of period	$ 157,867	$ 558,010	$ 157,867	$ 558,010
Supplemental cash flow information				
Fair value of warrants on share issuance	-	-	26,600	-

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

(Unaudited – Expressed in Canadian Dollars)

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Deer Horn Metals Inc. (the "Company") was initially incorporated as Golden Odyssey Mining Inc. under the laws of Canada. 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 condensed 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. 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.

		January 31, 2013		July 31, 2012
Deficit	$	(12,068,086)	$	(11,565,325)
Working capital (deficiency)	$	97,476	$	442,900

NOTE 2 – BASIS OF PRESENTATION

Statement of compliance:

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC") and using the accounting policies consistent with those in the audited financial statements as at and for the year ended July 31, 2012, unless otherwise noted. These condensed interim financial statements should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended July 31, 2012.

Operating results for the six months ended January 31, 2013 are not necessarily indicative of the results that may be expected for the year ending July 31, 2013.

The condensed consolidated interim financial statements were authorized by the audit committee and board of directors of the Company on March 28, 2013.

NOTE 3 – SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates.

Critical judgements exercised in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements include: economic recoverability and probability of future economic benefits of exploration and evaluation and development costs.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments include: impairment of property, plant and equipment and mining interests; estimated reclamation costs, reserve estimates, valuation of share-based payments; and income taxes.

NOTE 4 – RECENT ACCOUNTING PRONOUNCEMENTS

The following IFRS standards have been recently issued by the International Accounting Standards Board ("IASB"). The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

Consolidation
IFRS 10 requires an entity to consolidate investee when it's 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". The standard is required to be adopted for periods beginning January 1, 2013. The Company does not expect the standard to have a material impact on its financial statements.

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". The Company does not expect the standard to have a material impact on its financial statements.

(Unaudited – Expressed in Canadian Dollars)

NOTE 4 – RECENT ACCOUNTING PRONOUNCEMENTS (Cont'd...)

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". The Company does not expect the standard to have a material impact on its financial statements.

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 standard is required to be adopted for periods beginning January 1, 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its 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. The Company does not expect the standard to have a material impact on its financial statements.

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, 2015, with earlier adoption permitted. The Company has not early-adopted the standard and is currently assessing the impact it will have on the financial statements.

NOTE 5 – RECEIVABLES

Receivables are comprised of the following:

	January 31, 2013	July 31, 2012
HST Receivable	$ 20,052	$ 9,440
Total	$ 20,052	$ 9,440

(Unaudited – Expressed in Canadian Dollars)

NOTE 6 – 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 October 31, 2011, 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.

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 January 31, 2013 the Company had provided exploration advances of $4,936 (July 31, 2012 - $6,568) on its Deerhorn property.

Exploration and evaluation assets costs are set out below:

	Deerhorn	**Total**
	$	**$**
Balance, July 31, 2011	**8,250**	**8,250**
Additions:	-	-
Balance, July 31, 2012	**8,250**	**8,250**
Additions:	**-**	**-**
Balance, January 31, 2013	**8,250**	**8,250**

(Unaudited – Expressed in Canadian Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (Cont'd...)

Deerhorn (cont'd...)

The table below is a summary of exploration expenditures for the six month periods ended January 31, 2013 and 2012:

For the three months ending:

	Jan 31, 2013		Jan 31, 2012	
Exploration Expenses	Deerhorn	Dome South	Deerhorn	Dome South
Assays and sampling	$ 7,624	$ -	$ 77,636	$ -
Camp and field expense	3,937	-	35,895	-
Drilling and field support	68,830	-	1,006,762	-
Equipment rental	59,355	-	275,056	-
Geological consulting	117,676	-	149,926	-
Miscellaneous	29,265	-	54,724	-
Travel and accommodation	12,557	-	23,035	-
Other	1,754	-	-	-
BC Mining Exploration Tax Credit	-	-	(270,261)	-
Total exploration expenses	**$ 300,998**	**$ -**	**$ 1,352,773**	**$ -**

NOTE 7 - EQUIPMENT

	Equipment $	Total $
Cost:		
Balance at July 31, 2011	**17,203**	**17,203**
Additions	-	-
Balance at July 31, 2012	**17,203**	**17,203**
Additions	-	-
Balance at January 31, 2013	**17,203**	**17,203**
Accumulated depreciation:		
Balance at July 31, 2011	**14,905**	**14,905**
Depreciation	1,088	1,088
Balance at July 31, 2012	**15,993**	**15,993**
Depreciation	544	544
Balance at January 31, 2013	**16,537**	**16,537**
Carrying amounts:		
July 31, 2011	**2,298**	**2,298**
July 31, 2012	**1,210**	**1,210**
January 31, 2013	**666**	**666**

NOTE 8 – RECLAMATION DEPOSIT

The Company provided non-interest bearing cash bonds amounting to US $Nil (2012 – US $12,266) 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 (2012 - $82,000) as security against potential future reclamation work related to its British Columbia exploration and evaluation asset.

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

In Canadian dollars		January 31, 2013		July 31, 2012
Trade payables	$	103,138	$	21,980
Accrued liabilities		-		45,000
	$	103,138	$	66,980

NOTE 10 – SHARE CAPITAL

Fiscal 2013 Transactions

During the period ended January 31, 2013, the Company completed a non-brokered private placement of 5,700,000 units for gross proceeds of $285,000. 3,040,000 flow-through units were sold at a price of $0.05 per unit for gross proceeds of $152,000 and 2,660,000 non-flow-through units were sold at a price of $0.05 per unit. Each flow-through unit consisted of one flow-through common share. Each non-flow-through unit consisted of one common share and one common share purchase warrant, with each warrant exercisable into one common share at a price of $0.10 for a period of three years following the close of the private placement. The warrants were attributed a value of $26,600.

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.

Share-based payments

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 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 period ended January 31, 2013, 1,000,000 options previously issued with a fair value of $118,259 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, 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.

(Unaudited – Expressed in Canadian Dollars)

NOTE 10 – SHARE CAPITAL (Cont'd…)

Share Based Payments (Cont'd…)

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.

As at January 31, 2013 the Company had outstanding stock options as follows:

Number outstanding July 31, 2012	Granted	Exercised	Expired/ Cancelled	Number outstanding Jan. 31, 2013	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
175,000	-	-	-	175,000	$0.10	May 29, 2013	0.28 yrs
500,000	-	-	-	500,000	$0.10	Mar. 9, 2014	1.06 yrs
500,000	-	-	-	500,000	$0.22	July 14, 2014	1.40 yrs
850,000	-	-	-	850,000	$0.22	Aug. 28, 2014	1.53 yrs
2,500,000	-	-	-	2,500,000	$0.10	May 21, 2015	2.26 yrs
300,000	-	-	-	300,000	$0.10	Oct. 8, 2015	2.64 yrs
2,750,000	-	-	-	2,750,000	$0.25	Mar. 11, 2016	3.06 yrs
500,000	-	-	-	500,000	$0.25	June 24, 2016	3.35 yrs
1,000,000	-	-	(1,000,000)	-	$0.18	Oct. 6, 2016	3.64 yrs
9,075,000	-	-	-	8,075,000	$0.18	(weighted average)	2.36 yrs
			Exercisable	8,075,000	$0.18	(weighted average)	2.36 yrs

Warrants

The continuity of warrants for the six months ended January 31, 2013 is as follows:

Exercise price	Number outstanding	Expiry date	Weighted average remaining contractual life
$0.10	14,060,000	September 28, 2013	0.6 yrs
$0.14 - $0.17	3,044,000	June 20, 2014	1.6 yrs
$0.10	2,660,000	October 9, 2015	2.6 yrs
	19,764,000		1.02 yrs

(Unaudited – Expressed in Canadian Dollars)

NOTE 11 – 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	Directors 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 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.

Six months ended	January 31, 2013	January 31, 2012
Management fees paid or accrued to a company controlled by the President	$ 105,000	$ 207,500
Management fees paid or accrued to the CFO	$ 15,000	$ 15,000
Consulting fees paid or accrued to a company controlled by a Director	$ 30,000	$ 30,000
Exploration costs paid or accrued to private companies controlled by a common (former) director	$ 190,853	$ 1,598,034
Share-based payments	$ -	$ -
Total	$ 340,853	$ 1,850,534

NOTE 12 – 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 13 – SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets in Canada.

NOTE 14 – BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the six months ended January 31, 2013 is based on the loss attributable to common shareholders of $621,019 (2012 - $2,029,373) and a weighted average number of common shares outstanding of 97,158,197 (2012 – 95,609,166).

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 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 six months ended January 31, 2013. 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

- On February 25, 2013, the Company announced it had retained Venture Liquidity Providers Inc. to undertake market-making activities to provide assistance in maintaining an orderly trading market for the Company's common shares. The market-making service will be undertaken through a registered broker, W.D. Latimer Co. Ltd. The agreement was approved by the TSX Venture Exchange on March 25, 2013.

- On March 13, 2013, the Company announced that a Preliminary Economic Assessment ("PEA")had been completed in accordance with National Instrument 43-101 on its Deerhorn Au/Ag/Te project. The results of the PEA indicate positive economics with a 14-year mine life, and a base case payback period of 2.4 years.

- On March 25, 2013, the Company announced that it had granted incentive stock options for the purchase of up to 1,000,000 common shares, at a price of $0.10 per share, and exercisable on or before March 25, 2013, to certain directors of the Company.