Trueclaim Exploration Inc.

Unaudited Interim Consolidated
Financial Statements
For the nine month periods ended
September 30, 2012 and 2011

TRUECLAIM EXPLORATION INC

Tel: (519) 913-8008

One London Place, 255 Queens Avenue, Suite 1000

Fax: (888) 686-1405

London, Ontario N6A 5R8

November 29, 2012

BY SEDAR

To the Shareholders of
Trueclaim Exploration Inc.

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

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

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

Yours truly,

TRUECLAIM EXPLORATION INC.

“Gerry Lefevre”

Gerry Lefevre
CEO

Trueclaim Exploration Inc.

Consolidated Interim Statement of Financial Position
Expressed in Canadian dollars
(Unaudited)

	September 30, 2012 $	December 31, 2011 $
Assets		
Current assets		
Cash and cash equivalents	5,128	579,817
Receivables	132,941	85,076
Prepaid expenses	8,241	19,386
	146,310	684,279
Non-current assets		
Fixed assets (note 3)	11,428	16,037
Intangible assets (note 4)	5,281,901	5,036,656
Investments (note 5)	750,000	-
Total Assets	6,189,639	5,736,972
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	583,975	665,162
Other liabilities	-	259,733
Advance on private placement	-	855,000
	583,975	1,779,895
Equity attributable to owners of the parent		
Share capital (note 6)	7,719,920	6,647,549
Contributed surplus (note 7b)	1,026,676	1,074,313
Warrants (note 6)	546,320	324,162
Accumulated other comprehensive income	600,000	-
Accumulated deficit	(4,287,252)	(4,088,947)
Total Equity	5,605,664	3,957,077
Total liabilities and equity	6,189,639	5,736,972

Going concern (note 1)
Commitments (note 10)

Approved by the Board of Directors

"Gerry Lefevre"
Director

"John Carter"
Director

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

Trueclaim Exploration Inc.

Consolidated Interim Statements of Income

For the nine months ended September 30, 2012 and 2011

Expressed in Canadian dollars

(Unaudited)

	2012		2011	
	9 months ended September 30 $	**3 months ended September 30 $**	**9 months ended September 30 $**	**3 months ended September 30 $**
Revenue	-	-	-	-
Operating Expenses				
Administrative expenses	193,048	6,031	469,105	142,144
Management fees (note 9)	161,321	28,000	355,913	98,831
Professional fees	203,025	10,510	192,382	101,828
Share based payments	5,445	-	382,031	337,811
Travel	39,602	591	98,437	63,983
Amortization	3,161	1,095	1,505	215
	605,602	46,227	1,499,373	744,812
Loss from operations	(605,602)	(46,227)	(1,499,373)	(744,812)
Gain on land disposal	150,000	-	-	-
Loss before income tax	(455,602)	(46,227)	(1,499,373)	(744,812)
Future income tax recovery/(expense)	257,297	-	375,335	(24,015)
Net loss and comprehensive loss attributed to equity owners	(198,305)	(46,227)	(1,124,038)	(768,827)
Net loss per share (note 2)				
Basic	(0.00)	(0.00)	(0.02)	(0.01)
Diluted	(0.00)	(0.00)	(0.02)	(0.01)
Weighted average number of common shares	91,978,900	95,319,200	71,588,398	77,275,947

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

Trueclaim Exploration Inc.

Consolidated Interim Statements of Changes in Equity
Expressed in Canadian dollars
(Unaudited)

	Attributable to equity owners of the Company					
	Share Capital	**Contributed Surplus**	**Warrants**	**Accumulated Other Comprehensive Income**	**Accumulated Deficit**	**Total Equity**
	$	**$**	**$**	**$**	**$**	**$**
Balance – January 1, 2012	6,647,549	1,074,313	324,162	-	(4,088,947)	3,957,077
Net profit for the period	-	-	-		(198,305)	(198,305)
Other comprehensive income for the period (note 6)	-	-	-	600,000		600,000
Share options granted	-	5,445	-	-	-	5,445
Expired finders options (notes 6a, 6b and 7b)	45,569	(53,082)	7,513			-
Private placement (notes 6a, 6b and 6g)	1,008,802	-	214,645	-		1,223,447
Shares issued for mining properties	18,000	-	-	-	-	18,000
Balance – September 30, 2012	7,719,920	1,026,676	546,320	600,000	(4,287,252)	5,605,664
Balance – January 1, 2011	5,253,576	563,989	418,917	-	(2,778,200)	3,458,282
Comprehensive loss for the period	-	-	-	-	(1,124,038)	(1,124,038)
Share options exercised	60,639	(39,751)	5,272	-	-	26,160
Share options granted	-	382,031	-	-	-	382,031
Expired warrants	-	87,679	(87,679)	-	-	-
Private placement (notes 6a, 6b and 6g)	860,342	24,218	390,844			1,275,404
Shares issued for mining properties	287,975	-	-	-	-	287,975
Balance – September 30, 2011	6,462,532	1,018,166	727,354	-	(3,902,238)	4,305,814

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

Trueclaim Exploration Inc.

Consolidated Interim Statement of Cash Flow

For the nine month period ended September 30, 2012 and 2011

Expressed in Canadian dollars

(Unaudited)

	9 months ended September 30, 2012	9 months ended September 30, 2011
	$	**$**
Cash provided by (used in):		
Operating activities		
Net profit/(loss) for the period	(198,305)	(1,124,038)
Adjustments for:		
Amortization	3,161	1,505
Share based payments	5,445	382,031
Gain on assignment of land	(150,000)	-
Income taxes	(257,297)	(375,335)
Changes in items of working capital:		
Receivables	(47,865)	(60,150)
Prepaid expenses	11,145	32,291
Trade payables and accrued liabilities	(936,187)	94,315
	(1,569,903)	(1,049,381)
Investing activities		
Intangible assets	(227,245)	(1,429,524)
Disposal/(Purchase) of fixed assets	1,448	(11,411)
	(225,797)	(1,440,935)
Financing activities		
Net proceeds on issuance of shares	1,221,011	1,114,184
Net issuance of warrants and options	-	404,243
	1,221,011	1,518,427
Decrease in cash and cash equivalents	(574,689)	(971,889)
Cash and cash equivalents – Beginning of period	579,817	989,047
Cash and cash equivalents – End of period	5,128	17,158
Income taxes paid	-	-
Interest paid	-	-

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

1 Nature of operations and going concern

Trueclaim Exploration Inc. (the "Company") is a Canadian company which is engaged in the acquisition, exploration and development of resource properties. The Company has not yet determined whether its mining properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mining properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to fund costs to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

The consolidated financial statements of the Company have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. During the nine month period ended September 30, 2012, the Company had a net loss of $ 198,305 (2011: loss $1,124,038) and as at September 30, 2012, reported a deficit of $4,287,252 (2011: 3,902,238). These circumstances may lend significant doubt as to the ability of the Company to continue operations into the foreseeable future as a going concern and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. Management has obtained financing through the issuance of new equity instruments from third parties for the Company to continue its operations and, while it has been successful in raising funds in the past, there can be no assurance that the Company will be able to do so in the future should additional funding be needed. Without such additional funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

Although management has taken steps to verify title to mining properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

The Company is a public company which is listed on the TSX Venture Exchange (the "Exchange"). The address of its registered office is One London Place, 255 Queens Avenue suite 1000, London, Ontario N6A 5R8.

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles, as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed interim consolidated financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34 '*Interim Financial reporting'*, using accounting policies consistent with the IFRS applicable to interim financial statement reporting issued by the International Standards Board ("IASB"). The accounting policies followed in these interim financial statements are the same as those applied in the Company's interim financial statements for the period ended March 31 , 2012. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

The policies applied in these condensed interim consolidated financial statements are based on IFRS applicable to interim financial statement reporting issued and outstanding as of November 29, 2012, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2011, prepared in accordance with IFRS.

2 Summary of significant accounting policies and estimates

The significant accounting policies used in the preparation of these consolidated interim financial statements are described below.

Basis of measurement

The consolidated interim financial statements have been prepared under the historical cost convention. The comparative figures presented in these interim consolidated financial statements are in accordance with IFRS applicable to interim financial statement reporting.

Consolidation

The financial statements of the Company consolidate the accounts of Trueclaim Exploration Inc. and its subsidiary, Trueclaim Resources Inc. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks.

Fixed assets

Fixed assets are stated at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The major categories of fixed assets are amortized on a declining balance as follows:

Computer Equipment	30%

Intangible Assets

The Company records its interests in mining properties and areas of geological interest at cost as intangible assets in the consolidated interim statement of financial position. Exploration and development costs relating to these interests and projects are capitalized until the properties to which they relate are placed into production, sold or allowed to lapse. During the nine month period ended September 30, 2012, $227,245 (2011 – $600,069) of costs were incurred for exploration, development and acquisitions of mining properties. Management reviews the carrying values of mining properties on a regular basis to determine whether any write downs are necessary. These costs will be amortized over the estimated useful life of the mining properties following commencement of production, or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of the flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the subscribers at an agreed upon date.

The excess of cash consideration received over the market price of the Company's shares at the date of the announcement of the flow-through share financing is recorded as a liability which is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded. The difference between the liability and the value of the tax assets renounced is recorded as a deferred tax expense.

A deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures that are capitalized to exploration and evaluation assets and their tax basis. If the Company has sufficient tax assets to offset the deferred tax liability, the liability will be offset by the recognition of a corresponding deferred tax asset.

Income Tax

Current income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Consolidated Interim Statement of Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes

Deferred tax assets and liabilities represent income taxes expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Company's financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax assets also represent income taxes expected to be recoverable on unclaimed losses carried forward.

Deferred taxes are calculated using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, with some exceptions described below. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be used. Neither deferred tax liabilities, nor deferred tax assets, are recognized as a result of temporary differences that arise from the initial recognition of goodwill or a transaction, other than a business combination, that affects neither accounting profit nor taxable profit. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against the current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax asset and liabilities are measured using the enacted or substantively enacted tax rates as of the balance sheet date that are expected to be in effect when the differences reverse or when unclaimed losses are utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for asset recognition, a deferred tax asset is recognized.

Deferred tax is recognized in the Consolidated Interim of Statement Income, unless it relates to items recognized directly in equity, in which case the deferred tax related to those items is also recognized directly in equity.

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. During the nine month period ended September 30, 2012 and 2011, all of the outstanding stock options and warrants were antidilutive.

Share capital

Non-monetary consideration
Shares issued as purchase consideration in non-monetary transactions are recorded at the fair value of the consideration received by the Company.

Shares issued to non-employees are recorded at the fair value of the goods and services received by the company.

Stock-based compensation

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of stock-based payment transactions, whereby they render services as consideration for equity instruments.

Share issuance costs
Costs directly identifiable with the raising of share capital financing are charged against share capital.

Significant accounting judgments and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the consolidated financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The most significant estimates relate to determining the fair value of share based payments to non-employees and impairment testing of the Company's intangible assets.

Financial instruments

All financial assets are initially classified into one of four categories: fair value through profit and loss (FVTPL), available for sale, loans and receivables and amortized cost.

Financial assets classified as FVTPL are measured at fair value with gains and losses recognized through earnings. The Company's cash and cash equivalents are classified as FVTPL.

Financial assets classified as available for sale are measured at fair value with gains and losses recognized through a reserve in shareholders equity. The Company's investment in Northern Skye Resources is classified as available for sale.

Financial assets classified as loans-and-receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. The Company`s receivables are classified as financial assets.

Financial liabilities at amortized cost consist of trade payables and accrued liabilities. Trade payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value.

3 Fixed Assets

	Computer Hardware $
Cost	
As at January 1, 2011	5,006
Additions	16,078
Disposals	-
As at December 31, 2011	21,084
Additions	-
Disposals	(1,829)
As at September 30, 2012	19,255
Accumulated amortization	
As at January 1, 2011	2,120
Expense for the year	2,927
As at December 31, 2011	5,047
Expense for the period	3,161
Disposals	(382)
As at September 30, 2012	7,827
Net book value	
As at December 31, 2011	16,037
As at September 30, 2012	11,428

4 Intangible Assets

	Mineral Properties
Cost	**$**
As at January 1, 2011	3,708,842
Additions	2,024,264
Disposals	-
As at December 31, 2011	5,733,106
Additions	554,213
Disposals	(308,968)
As at September 30, 2012	5,978,351
Impairment	
As at January 1, 2011	(696,450)
Impairment for the year	-
As at December 31, 2011	(696,450)
Impairment for the period	-
As at September 30, 2012	(696,450)
Net book value	
As at December 31, 2011	3,012,392
As at September 30, 2012	5,281,901

Mineral Properties

	September 30, 2012	December 31, 2011
	$	$
Sandeb mining property	-	-
Scadding area mining properties	4,628,165	4,426,189
Black diamond mining property	653,736	403,168
Linear mining property	-	78,627
Berry-Desboues Township mining property	-	37,341
Hebecourt Township mining property	-	20,118
Boston Township mining property	-	49,288
Cook/Guibord Townships property	-	21,925
	5,281,901	5,036,656

Sandeb mining property

There has been no active exploration performed on Sandeb in over two years. Management assessed an impairment charge of $658,635 during the year ended December 31, 2010. As at September 30, 2012, management believes that the impairment is accurate

Scadding area mining properties

The Company has an in interest in leases and mineral property options which are contiguous in the area of Scadding, Ontario. These leases/claims were acquired for gold exploration purposes.

The leased property consists of an option to earn a 51% interest in certain provincial mining leases and mineral claims located in the district of Sudbury in the province of Ontario. The Scadding claims were acquired by management for gold exploration purposes, and in order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an aggregate of 2,000,000 common shares in installments of 500,000 shares every six months over a period of two years with the first issuance due February 13, 2010. The first two installments of the shares were issued during 2010, and the third and fourth installments were issued during the year ended December 31, 2011.
2. The Company must issue an aggregate of 300,000 common shares in installments of 150,000 shares over a period of three years with the first issuance due May 5, 2010 and the second issuance on or before May 5, 2012. The first installment of these shares was issued during 2010 and the second installment was issued during the year ended December 31, 2011.
3. The Company must incur an aggregate of $2,000,000 in cash exploration costs. This requirement was met during the year ended December 31, 2010.

The Company can increase its interest in the Scadding claims from 51% to 100% by paying $2,000,000 in cash on or before commencement of commercial production on the Scadding area mining properties. The Scadding claims are subject to a $1.00 per ton royalty covering ore removed from the property and a 3% net smelter return (`NSR`) royalty. Included in the Scadding mining properties are several staked properties that have been registered with the Ontario Ministry of Natural Resources.

The Company issued 50,000 common shares and paid $12,500 for an option on approximately 4,000 acres of unpatented mineral claims. In order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 300,000 common shares in the following installments: 100,000 common shares at or before January 16, 2011, which were issued during the year ended December, 2011 and 200,000 common shares which were issued on February 9, 2012.

The Company issued 100,000 common shares for an option on approximately 17,000 acres of unpatented mineral claims. In order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 700,000 common shares in the following installments; 200,000 common shares at or before July 23, 2011, 200,000 common shares at or before July 23, 2012 and 300,000 common shares at or before July 23, 2013.
2. The Company must make cash payments of $100,000 in the following installments: $20,000 on or before July 23, 2011, $30,000 on or before July 23, 2012 and $50,000 on or before July 23, 2013.

Black Diamond Mining Property

The Company has an interest in a mineral property option in the area of Gila County, Arizona. These claims were acquired for silver exploration purposes.

The Black Diamond property is subject to a 10% net smelter return royalty, which can be reduced to 1% subject to the Company meeting a series of payments to the claim holder. The Company issued 200,000 common shares and paid $25,000 for the options and in order to maintain its interest in good standing the Company is required to comply with the following requirements:

1. The Company must issue an additional 600,000 common shares in the following installments: 200,000 on or before May 19, 2011, 200,000 on or before May 19, 2012 and 200,000 on or before May 19, 2013. The first installment of shares was issued during the nine month period ended 30 June, 2011.
2. The Company must make additional cash payment of $825,000 USD in the following installments; $25,000 USD is due on or before May 19, 2011, $100,000 USD is due on or before November 19, 2011, $200,000 USD on or before May 19, 2012 and $500,000 USD on or before May 19, 2013. The first installment was made during the nine month period ended September 30, 2011.
3. The Company must incur an aggregate of $1,500,000 USD in cash exploration costs; $1,000,000 USD of which must be incurred on or before May 19, 2012 and a further $500,000 must be incurred on or before May 19, 2013.

Linear, Berry-Desboures, Hebecourt, Boston and Cook/Guibord mining properties

On February 9, 2012, the Company signed an agreement with Northern Skye Resources Inc. (“Northern Skye”) whereby Northern Skye has assumed all obligations and payments under the Linear, Berry-Desboues, Hebecourt, Boston, and Cook-Guibord Option agreements. As consideration for assigning the Option Agreements to Northern Skye, Northern Skye has agreed:

1. To issue to the Company three million (3,000,000) common shares in the capital of Northern Skye;
2. To pay in cash such amounts representing the actual cash expenditures already paid by the Company in respect of the acquisition of its option rights in and to each of the Optioned Properties
3. The Company retains a ten percent (10%) carried working interest (the “Retained Interest”) in each of the Optioned Properties
4. Northern Skye shall have the right, but not the obligation, to purchase at any time and from time-to-time increments of not less than one percent (1%) up to the entire Retained Interest in any or all of the Optioned Properties for consideration of one million dollars ($1,000,000) per one percent (1%) interest.

5 Investments

On February 9, 2012, as part of an assignment agreement, the Company received 3,000,000 shares in Northern Skye Resources, a Canadian private company. The investment is classified as available for sale and remeasured at its fair value on a quarterly basis. The investment was valued at $150,000 on the date of acquisition and on September 30, 2012 was revalued to a fair value of $750,000. The gain on revaluation of $600,000 is shown in other comprehensive income.

6 Capital Stock

Authorized:
Unlimited number of common shares
Issued:

		September 30, 2012		December 31, 2011	
Common Shares	**Note**	**Number**	**Amount $**	**Number**	**Amount $**
Beginning of period/year		78,617,700	6,647,549	66,219,111	5,253,576
Options and warrants exercised	6e	-	-	361,150	50,290
Share issuance costs	6a	-	(34,143)	-	(117,729)
Flow through shares issued	6e	-	-	4,529,411	460,886
Private placement	6g	16,501,500	1,088,514	5,615,528	712,551
Shares issued as consideration	6c	200,000	18,000	1,892,500	287,975
Balance		**95,319,200**	**7,719,920**	**78,617,700**	**6,647,549**

		September 30, 2012		December 31, 2011	
Warrants	**Note**	**Number**	**Amount $**	**Number**	**Amount $**
Beginning of period/year		10,284,079	324,162	11,614,755	418,917
Warrants expired	6f	-	-	(9,422,059)	(314,858)
Flow through units issued	6e	-	-	2,264,705	49,381
Private placement	6g	8,250,750	231,606	5,615,528	174,604
Finders options exercised	6d	-	-	211,150	15,621
Warrant issuance costs	6b	-	(9,448)	-	(19,503)
Exercised warrants	6d	-	-	-	-
Balance		**18,534,289**	**546,320**	**10,284,079**	**324,162**

a) Share issuance costs

Share issuance costs in conjunction with the May 17, 2011 private placement amounted to $53,370 net of tax of $9,190. This includes units issued in lieu of cash of a cash finders fee with a fair value of $45,315, of which $36,396 is attributable to share issuance costs and $8,919 of which is attributable to warrant issuance costs.

Share issuance costs in conjunction with the July 7, 2011 private placement amounted to $64,359 net of tax of $17,081, and included 452,941 finder's options with a fair value of $21,938. Each option entitles the finder to purchase one unit (a "Finder's Unit") of the Company at a price of $0.17 per unit until July 5, 2013. Each Finder's Unit will consist of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise price of $0.25 per share until January 6, 2013.

Share issuance costs in conjunction with the February 14, 2012 private placement amounted to $79,713 net of tax of $2,008. This includes units issued in lieu of a cash finders fee with a fair value of $89,520 of which $73,814 is attributable to share issuance costs and $15,706 of which is attributable to warrant issuance costs.

On June 30, 2012, 442,307 finders options in conjunction with the December 30, 2010 private placement expired. The expiration of these options caused a reduction in contributed surplus of $53,082, a reduction of share issuance costs of $45,569 and a reduction of warrant issuance costs of $7,513.

b) Warrant issuance costs

Warrant issuance costs in conjunction with the May 17, 2011 private placement amounted to $13,078 net of tax of $2,252. This includes units issued in lieu of a cash finders fee with a fair value of $45,315, of which $36,396 is attributable to share issuance costs and $8,919 of which is attributable to warrant issuance costs.

Warrant issuance costs in conjunction with the July 7, 2011 private placement amounted to $6,425 net of tax of $1,775, and included 452,941 finder's options with a fair value of $2,280. Each option entitles the finder to purchase one unit (a "Finder's Unit") of the Company at a price of $0.17 per unit until July 5 7, 2013. Each Finder's Unit will consist of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise price of $0.25 per share until January 6, 2013.

Warrant issuance costs in conjunction with the February 14, 2012 private placement amount to $16,961 net of tax of $427. This include units issued in lieu of a cash finders fee with a fair value of $89,520 of which $73,814 is attributable to share issuance costs and $15,706 of which is attributable to warrant issuance costs.

On June 30, 2012, 442,307 finders options in conjunction with the December 30, 2010 private placement expired. The expiration of these options caused a reduction in contributed surplus of $53,082, a reduction of share issuance costs of $45,569 and a reduction of warrant issuance costs of $7,513.

c) Shares issued for consideration of property

On February 10, 2010, the Company issued 50,000 common shares as partial consideration for additional property in the Scadding area mining properties, and a 2% NSR on projects developed within the acquired area. These shares were valued at $7,500 on the date the transaction occurred.

On February 13, 2011, the Company issued 500,000 common shares as part of the original contract signed August 6, 2009 to obtain mining rights to the Scadding area mining properties. These shares were valued at $90,000, on the date the transaction occurred On May 5, 2011, 500,000 common shares were issued, valued at $70,000 on the date of issuance.

On April 20, 2011, the Company issued 150,000 common shares as part of the original contract signed August 13, 2009 to obtain a 51% interest in the Scadding area mining properties. These shares were valued at $24,000, on the date of issuance.

On May 12, 2011, the Company issued 200,000 common shares as part of the original contract signed July 8, 2010, to obtain mining rights to the Black Diamond property. These shares were valued at $28,000 on the date the transaction occurred.

On February 14, 2011, the Company issued 100,000 common shares as part of the original contract signed on January 16, 2010 to obtain mining rights to the Scadding area mining properties. These shares were valued at $18,000 on the date the transaction occurred. On February 9, 2012, the Company issued 200,000 common shares which were valued at $18,000 on the date the transaction occurred.

On June 27, 2011, the Company issued 150,000 as part of the agreement to acquire the Linear property. These shares were valued at $21,000 on the date of issuance.

d) Options and warrants exercised

During the year ended December 31, 2011, 150,000 share purchase options were exercised for total cash consideration of $13,490. This amount plus the previously estimated fair value of $6,645 has been recorded as an increase to share capital.

During the year ended December 31, 2011, 211,150 finder’s options were exercised for a total cash consideration of $12,669. $8,346 of this amount, plus the previously estimated fair value of $21,809 has been recorded as an increase to share capital, and $4,323 of the cash consideration and $11,298 of the previously estimated fair value has been recorded as an increase to warrants.

e) Flow through units issued

In July 2011, 4,529,411 units were issued at $0.17 per unit on a flow-through basis whereby the Company will renounce $770,000 of Canadian exploration expenditures to the shareholders. The Company intends to apply the look-back rule whereby the expenses are renounced to the shareholders in the year the shares are issued and prior to the expenditures being incurred. Each unit issued consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable into one non-flow through common share at a price of $0.25 per warrant until January 6, 2013.

The fair value of the warrants issued during the year ended December 31, 2011 was estimated at $49,381 using the Black-Scholes pricing model and a liability in the amount of $259,733 has been recognized as a liability related to renounced expenditures.

The following assumptions were used in the Black-Scholes pricing model:

	2011
Risk-free interest rate	1.43%
Expected dividend yield	0%
Expected price volatility	78%
Expected life	1.5 years

f) Expired warrants

During the nine month period ended September 30, 2012, nil warrants expired (Year ended December 31, 2011, 9,422,059 warrants expired). The value of the expired warrants has been transferred to contributed surplus (note 8b) less the tax on the capital gain of $39,357.

g) Private placement

On May 17, 2011, 5,334,740 units were issued for total proceeds of $841,841. Of this amount, $676,155 was attributable to common shares and $165,686 was attributable to warrants using the black schools pricing model. Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the finder to acquire one common share of the Company at an exercise of $0.25 per share until November 17, 2012.

In conjunction with the May 17, 2011 private placement, 280,788 units were issued in lieu of a cash finders fee of $45,314. $36,396 of which was attributable to share capital and $8,919 was attributable to warrants using the black schools pricing model.

On February 14, 2012 16,501,500 units were issued for total proceeds of 1,230,600. Of this amount, $1,014,700 was attributable to common shares and $215,900 was attributable to warrants using the black schools pricing model. Each unit consists of one common share and one half of one common share purchase warrant. Each warrant will entitle the finder to acquire one half of one common share of the Company at an exercise price of $0.10 per share until February 14, 2014.

The following assumptions were used in the Black-Scholes pricing model:

	2012	**2011**
Risk-free interest rate	0.98%	1.62%
Expected dividend yield	0%	0%
Expected price volatility	105%	165%
Expected life	1.5 years	1.5 years

7 Stock options

a) Stock option plan

The Company has a stock option plan, which allows the Company to issue options to certain directors, officers, employees and consultants of the Company. Options issued under the plan shall not exceed 10% of shares issued and outstanding at the time of granting of the options. Options granted under the plan may have a maximum term of five years. The exercise price of options granted under the plan will not be less than the market price of the shares (defined as the last closing market price of the Company’s shares on the last day shares are traded prior to the grant date), less
the applicable discount permitted by the rules of the Exchange. Stock options granted under the plan vest immediately subject to vesting terms, which may be imposed at the discretion of the directors.

Stock option transactions during the nine month period ended September 30, 2012 and year ended December 31, 2011, were as follows:

	September 30 2012		December 31 2011	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Beginning of period/year	6,031,500	0.14	3,484,500	0.14
Issued	-	0.17	2,920,000	0.17
Exercised	-	0.09	(150,000)	0.09
Expired	(109,500)	-	(223,000)	0.18
Balance	5,922,000	0.15	6,031,500	0.14

As at September 30, 2012, the following share purchase options were outstanding:

Grant Date	**Number of Options**	**Value $**	**Exercise Price**	**Weighted Average Exercise Price**	**Expiry Date**
February 20, 2009	652,000	32,088	$0.090	$0.090	February 20,2014
July 17, 2009	300,000	22,500	$0.100	$0.100	July 17,2014
August 27, 2009	1,100,000	116,600	$0.180	$0.140	August 27,2014
September 1, 2010	400,000	27,548	$0.120	$0.120	September 1,2015
October 4, 2010	300,000	30,249	$0.165	$0.165	October 4, 2012
December 6, 2010	250,000	26,224	$0.215	$0.215	December 6, 2012
April 28, 2011	2,200,000	178,640	0.17	0.17	April 28, 2016
June 13, 2011**	720,000	87,120	0.15	0.15	June 13, 2013
Balance	5,922,000	650,109		$0.15	

No expense relating to stock options granted prior to 2009 have been recorded in these consolidated financial statements as the options were granted by the Company prior to the reverse takeover transaction on December 18, 2008 and the amounts were not significant.

The following assumptions were used under the Black- Scholes options pricing model for the options granted:

	2011
Risk-free interest rate	1.62%
Expected dividend yield	0
Expected price volatility	164%
Expected life	1.5 - 2.5 years

**These options vest equally over four quarters beginning in the second quarter of 2011. The total compensation cost recognized in the current nine month period related to these options was $5,445.

Finder's option transactions for the nine month period ended September 30, 2012 and the year ended December 31, 2011, were as follows:

	September 30 2012		December 31 2011	
	Number of finder's options	**Weighted average exercise price $**	**Number of finder's options**	**Weighted average exercise price $**
Beginning of period/year	895,248	0.21	1,023,457	0.22
Issued	-	-	452,941	0.17
Exercised	-	-	(211,150)	0.06
Expired	(442,307)	0.26	(370,000)	0.25
Balance	452,941	0.17	895,248	0.21

Grant Date	**Number of Options**	**Value $**	**Exercise Price**	**Weighted Average Exercise Price**	**Expiry Date**
July 7, 2011	452,941	24,215	$0.17	$0.17	January 7, 2013
Balance	452,941	24,215		$0.17	

b) Contributed surplus

The fair value of stock options which vest immediately, are recorded as an increase to contributed surplus upon issuance of the options. The fair value of stock options which do not vest immediately, are recorded as an increase to contributed surplus over the vesting period. On exercise of a stock option, the fair value previously recorded in contributed surplus is removed and recorded as share capital.

The following is the change in contributed surplus for the nine month period ended September 30, 2012 and the year ended December 31, 2011:

	September 30, 2012 $	**December 31, 2011 $**
Opening balance, January 1	1,074,313	563,989
Issuance of stock options	5,445	250,356
Issuance of finder's options	-	24,218
Exercised finder's options	-	(33,106)
Expired finder's options	(53,082)	
Exercised stock options	-	(6,645)
Expired warrants (net of tax of $39,357)	-	275,501
Ending balance	**1,026,676**	**1,074,313**

8 Segment reporting

The Company is only involved in the exploration of minerals. Segment information is provided on the basis of geographic segments as the company manages its business through two geographic regions – Canada and the United States.

The entire loss incurred during the nine month period ended September 30, 2012, was incurred in Canada.

Total assets by geography

			September 30, 2012
	Canada	USA	Total
	$	$	$
Total assets	5,535,904	653,735	6,189,639

9 Related party transactions

During the nine month period ended September 30, 2012, the Company incurred key management compensation expenses in the amount of $161,077 (2011-$387,925). Of this amount, $36,000 (2010 - $24,000) represents costs incurred for mining exploration expenditures which were capitalized as mining properties during the period.

10 Commitments

Issuance of flow-through shares

The Company is partially financed through the issuance of flow-through shares, requiring that the Company spend the proceeds for qualified mining exploration expenses. Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work, subject to penalties if the conditions are not respected. Although the Company is committed to taking all the necessary measures, refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

2011, the Company received $770,000 following an issuance of flow-through units. During the nine month period ended September 30, 2012, the Company renounced $769,547of its tax deductions relating to flow-through expenditures. The Company has until December 31, 2012 to make qualified mining exploration expenses totaling $769,547

11 Financial risk factors

Fair value

The carrying value of cash and cash equivalents, receivables and trade accounts payable and accrued liabilities approximate fair value, due to their short-term nature.

Foreign exchange risk

The Company had no revenue, operating expenses, monetary assets or liabilities that were denominated in a foreign currency. Certain expenditures in respect of the Black Diamond mining property are incurred in US dollars.

Credit risk

The Company did not have any commercial customers during the periods presented and is exposed to minimal credit risk through its bank.

Interest rate risk

The Company is exposed to minimal market interest rate fluctuations with respect to its cash and cash equivalents on hand.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2012, the Company had current assets of $146,310 (December 31, 2011 - $684,279) and current liabilities of $583,975 (December 31, 2011 - $1,779,895). The Company is currently exploring opportunities to raise additional capital.

12 Comparative figures

Certain prior year comparative figures have been re-stated to conform to financial statement presentation adopted in the current period.