

**FINORE MINING INC.**  
(Formerly Otterburn Ventures Inc.)

(An Exploration Stage Enterprise)

**FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

JULY 31, 2011 AND 2010



## Independent Auditors' Report

To the Shareholders of Finore Mining Inc.:

We have audited the accompanying financial statements of Finore Mining Inc., which comprise the balance sheets as at July 31, 2011 and the statements of operations, comprehensive loss and deficit and cash flows for the year then ended, 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 Canadian generally accepted accounting principles, 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 audit. We conducted our audit in accordance with Canadian 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 is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Finore Mining Inc. as at July 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

### *Emphasis of Matter*

The accompanying financial statements have been prepared assuming that Finore Mining Inc. will continue as a going concern. As discussed in note 1 to the financial statements, Finore Mining Inc. has experienced operating loss of \$6,213,515 since inception that raises significant doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### *Other Matter*

The financial statements as at and for the year ended July 31, 2010 were audited by Chang Lee LLP of Vancouver, Canada, prior to its merger with MNP. Chang Lee LLP expressed an unmodified opinion on these statements in their report dated October 19, 2010.

Vancouver, British Columbia  
November 21, 2011

The logo for MNP LLP, featuring the letters 'MNP' in a large, bold, green sans-serif font, with 'LLP' in a smaller, green sans-serif font to the right.  
Chartered Accountants



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(Expressed in Canadian Dollars, unless stated otherwise)

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS, AND DEFICIT  
FOR THE YEARS ENDED JULY 31,

	2011	2010
<b>EXPENSES</b>		
Amortization expense	\$ 371	\$ 620
Conference	3,500	-
Consulting fees	269,987	20,000
Insurance	1,275	5,852
Office and general	9,078	4,484
Professional fees	69,188	35,425
Property investigation	79,269	-
Rent	-	7,038
Stock-based compensation (Note 7d)	991,008	-
Transfer agent and filing fees	19,920	17,618
Travel and entertainment	28,144	1,182
Website maintenance	11,560	915
Write-off of other receivable	-	1,181
Write-off of mineral property and deferred exploration expenditures (Note 6)	3,283,663	436,378
<b>Loss before other income</b>	<b>(4,766,963)</b>	<b>(530,693)</b>
<b>Other income</b>		
Gain on debt settlement	4,234	-
Gain on foreign exchange	4,629	-
Interest income	5,511	943
<b>Net loss and comprehensive loss for the year</b>	<b>(4,752,589)</b>	<b>(529,750)</b>
<b>Deficit, beginning of the year</b>	<b>(1,460,926)</b>	<b>(931,176)</b>
<b>Deficit, end of the year</b>	<b>\$ (6,213,515)</b>	<b>\$ (1,460,926)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.24)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding</b>		
– Basic and diluted	19,868,133	11,744,863

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

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STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED JULY 31,

	Note	Number of Shares	Common Shares \$	Contributed Surplus \$	Deferred Stock-based Compensation \$	Deficit \$	Shareholders' Equity \$
Balance – July 31, 2009		11,555,000	1,088,867	291,844	-	(931,176)	449,535
Issuance pursuant to mineral property option agreement	6	100,000	4,500	-	-	-	4,500
Non-brokered private placement	7	4,000,000	200,000	-	-	-	200,000
Debt forgiveness	11	-	-	16,000	-	-	16,000
Net loss and comprehensive loss for the year		-	-	-	-	(529,750)	(529,750)
<b>Balance – July 31, 2010</b>		<b>15,655,000</b>	<b>1,293,367</b>	<b>307,844</b>	<b>-</b>	<b>(1,460,926)</b>	<b>140,285</b>
Issuance pursuant to mineral property option agreement	6	2,200,000	990,000	-	-	-	990,000
Mineral property option finders' fees	6	2,000,000	900,000	-	-	-	900,000
Non-brokered private placement	7	15,065,775	6,779,599	-	-	-	6,779,599
Share issuance cost	7	-	(440,443)	-	-	-	(440,443)
Finder's warrants	7	-	(322,875)	322,875	-	-	-
Stock-based compensation	7	-	-	1,041,013	(50,005)	-	991,008
Debt forgiveness	11	-	-	3,499	-	-	3,499
Net loss and comprehensive loss for the year		-	-	-	-	(4,752,589)	(4,752,589)
<b>Balance – July 31, 2011</b>		<b>34,920,775</b>	<b>9,199,648</b>	<b>1,675,231</b>	<b>(50,005)</b>	<b>(6,213,515)</b>	<b>4,611,359</b>

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**FINORE MINING INC.**  
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STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JULY 31,

	2011	2010
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>		
Net loss for the year	\$ (4,752,589)	\$ (529,750)
Adjustment for items not involving cash:		
Stock-based compensation	991,008	-
Amortization expense	371	620
Gain on debt settlement	(4,234)	-
Gain on foreign exchange	(4,629)	-
Write-off of mineral property and deferred exploration expenditures	3,283,663	436,378
Changes in non-cash operating working capital:		
(Increase) Decrease in GST/HST receivables	(51,939)	2,429
(Increase) Decrease in other receivable	-	851
(Increase) Decrease in prepaid expenses	(94,433)	2,000
Increase (Decrease) in accounts payable and accrued liabilities	42,562	(49,526)
<b>Net cash flows used in operating activities</b>	<b>(590,220)</b>	<b>(136,998)</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Exploration tax credit (expenditure)	(872,846)	100,927
Short term investment	(4,266,271)	-
<b>Net cash flows from (used in) investing activities</b>	<b>(5,139,117)</b>	<b>100,927</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Share capital, net of share issuance costs	6,339,156	200,000
<b>Net cash flows used in financing activities</b>	<b>6,339,156</b>	<b>200,000</b>
<b>Increase in cash and cash equivalents</b>	<b>609,819</b>	<b>163,929</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>173,817</b>	<b>9,888</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 783,636</b>	<b>\$ 173,817</b>

**Supplemental disclosures of cash flow information (Note 8)**

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

## 1. NATURE OF OPERATIONS

Finore Mining Inc. (the "Company") was incorporated on November 29, 2006 pursuant to the *Business Corporations Act*, British Columbia. The Company's principal business activity is the exploration of mineral properties.

On September 26, 2011, the Company changed its name from Otterburn Ventures Inc. to Finore Mining Inc. and the Company's common shares began trading under the new symbol of "FIN."

The accompanying financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP") applicable to a going concern.

The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations and the ability of the Company to raise additional capital. Specifically, the recovery of the Company's investment in resource properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition.

The Company has not earned any operating revenues to date and is considered to be in the exploration stage. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should we be unable to continue as a going concern. Management of the Company is of the opinion that it will be in position to raise ongoing financing; however, there is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.. The Company has incurred a net loss of \$4,752,589 for the year ended July 31, 2011 (2010 - \$529,750) and accumulated losses of \$6,213,515 since inception. (2010 - \$1,460,926)

	<b>July 31, 2011</b>	<b>July 31, 2010</b>
Working capital	\$ 4,510,639	\$ 139,195
Deficit	\$ (6,213,515)	\$ (1,460,926)

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Estimates, Assumptions and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and 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 amounts of revenues and expenses during the period. Actual results could differ from those estimates. Areas requiring significant management estimates relate to the determination of impairment of mineral properties, expected tax rates for future income tax recoveries, fair value of stock-based payments and useful lives for amortization of long-lived assets.

### Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

### Short-Term Investment

Short term investment, which is fixed term deposit held at the bank with a maturity of more than three months and less than twelve months at the time of issuance, is recorded at fair value. As at July 31, 2011, the Company has three short term investment totalling to \$4,261,500 of principal and \$4,771 of interest due on June 20, 2012, June 29, 2012 and July 23, 2012 with an annual yield of prime minus 1.8%, 1.25% and prime minus 2.05%, respectively (2010 - \$Nil).

## **2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

### **Deferred Charges**

The Company adopted Emerging Issues Committee (EIC) 94, "Accounting for Corporate Transaction Costs" and recorded the costs incurred in connection with the proposed corporate transaction eligible for deferral as a non-current deferred charge.

### **Equipment**

Equipment is recorded at cost less accumulated amortization. Amortization is calculated using the following annual rates:

Computer Equipment	Declining Balance method at 45% per annum
Office Equipment	Declining Balance method at 20% per annum

In the year of acquisition, amortization of the office equipment and computer equipment is recorded at one-half the normal rate.

### **Asset Retirement Obligations**

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company currently does not have any significant asset retirement obligations.

### **Mineral Properties**

The cost of mineral properties and related exploration and development costs are capitalized and deferred until the properties are placed into production, sold or abandoned. These costs will be amortized against revenue from future commercial production or written off if the properties are sold, allowed to lapse, abandoned or impaired. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties and related deferred exploration costs could be written off. Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected title defects.

### **Impairment of Long-Lived Assets**

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.



## **2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

### **Earnings (Loss) Per Share**

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as there were no dilutive securities as at July 31, 2011 and 2010.

### **Income Taxes**

The Company accounts for income taxes using the asset and liability method, whereby future tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the carrying values of the asset and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income taxes and liabilities of a change in rates is included in operations in the period that includes the substantive enactment date. Where the probability of a realization of a future income tax asset is more likely than not, a valuation allowance is recorded.

### **Risk Management**

The Company is engaged in mineral exploration and development and is accordingly exposed to environmental risks associated with mineral exploration activity. The Company is currently in the initial exploration stages on its property interests and has not determined whether significant site reclamation costs will be required. The Company would only record liabilities for site reclamation when such costs are reasonably determinable and can be reliably quantified.

### **Share Purchase Warrants**

The Company accounts for units consisting of common shares and share purchase warrants using the residual value approach whereby it first measures the common share component of the unit at fair value using market prices as input values and then allocates any residual amount to the warrant component of the unit. The residual value of the warrant component is credited to contributed surplus. When warrants are exercised, the corresponding residual value is transferred from contributed surplus to share capital.

### **Agent Warrants**

From time to time in connection with private placements, the Company issues warrants to agents (“Agent Warrants”) as commission for services. Awards of Agent Warrants are accounted for in accordance with the fair value method of accounting and result in share issue costs and a credit to contributed surplus when Agent Warrants are issued. Any consideration received upon exercise of Agent Warrants is credited to share capital. The application of the fair value based method requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility in the price of the underlying stock, and expected life of the Agent Warrants.

## **2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

### **Comprehensive Income (loss)**

Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income (loss) calculated in accordance with Canadian GAAP. The statement of comprehensive income (loss) reflects the changes in accumulated other comprehensive income ("AOCI") in the period. Changes in AOCI comprised of changes in the fair value of financial instruments designated as cash flow or net investment hedges, to the extent they are effective, gains and losses recovered from other comprehensive income (loss) and recognized in net income, and foreign currency translation gains or losses arising from the translation of self-sustaining foreign operations and from the translation of the financial statements from functional currencies to the reporting currency. There has been no other comprehensive income (loss) since its inception.

## **3. CHANGES IN ACCOUNTING POLICIES**

### **Stock-based Compensation**

The Company changed its accounting policy for awards of stock based compensation granted to the Company's officers, directors, employees and consultants with a graded vesting schedule. Prior to August 1, 2010, the fair value of stock options with a graded vesting schedule was recognized as compensation expense and a credit to Contributed surplus on a straight line basis over the applicable vesting period. Effective August 1, 2010, the fair value of stock options with a graded vesting schedule is determined based on different expected lives for the options that vest each year, as it would be if the award is viewed as several separate awards, each with a different vesting date, and it is accounted for on that basis. The new accounting policy provides more reliable and relevant information because it more closely reflects the substance of the expected lives of each option or unit of award.

The impact of the change in accounting policy for awards granted to the Company's officers, directors, employees and consultants with a graded vesting schedule was immaterial to the current or any prior periods and therefore was not adjusted.

## **4. FUTURE CHANGES IN ACCOUNTING POLICIES**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company has determined that the key elements of this IFRS changeover on the Company will be in the areas of accounting for resource properties' acquisition and exploration costs, impairment of long-lived assets, accounting for share capital including stock options and warrant valuations and general IFRS disclosure requirements. The Company is currently assessing the specific impact on the Company's financial reporting and developing an implementation timetable.

The transition will require the restatement for comparative purposes of amounts reported by the Company in its 2012 financial statements for the year ended July 31, 2012.

## 5. EQUIPMENT

As at July 31, 2011

	Cost	Accumulated Amortization	Net Book Value
Office Equipment	\$ 936	\$ 553	\$ 384
Computer Equipment	2,867	2,531	336
	<u>\$ 3,803</u>	<u>\$ 3,084</u>	<u>\$ 720</u>

As at July 31, 2010

	Cost	Accumulated Amortization	Net Book Value
Office Equipment	\$ 936	\$ 457	\$ 479
Computer Equipment	2,867	2,256	611
	<u>\$ 3,803</u>	<u>\$ 2,713</u>	<u>\$ 1,090</u>

## 6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

### Suskwa Mineral Claims – Omineca Mining Division, British Columbia, Canada

On March 26, 2008, the Company obtained an assignment of an option agreement (the “Suskwa Option Agreement”) to acquire an undivided 100% interest in two mineral claims called the Suskwa Mineral Claims, located in the Omineca Mining Division, BC.

The payment, share issuance and exploration expenditure requirements are as follows:

	Date	Cash	Shares	Exploration Expenditures
<b>Year 1</b>	On September 30, 2007	\$5,000 (*)		
	On March 31, 2008	\$10,000 (*)		
	On March 28, 2008		100,000 (issued)	\$ 50,000 (spent)
<b>Year 2</b>	On or before December 31, 2008	Nil	300,000 (issued)	\$100,000 (spent)
<b>Year 3</b>	On September 30, 2009		100,000 (issued)	\$100,000 (spent)
	On September 30, 2010	\$40,000		
<b>Year 4</b>	On September 30, 2010	\$50,000	100,000	\$250,000

\* Paid by assignor.

On September 29, 2010, the Company decided to terminate the Suskwa Option Agreement and returned the claims to the Optionor. As the result, the remaining outstanding option obligations were not fulfilled. The Company wrote off all the related exploration expenditures and acquisition costs of the Suskwa property totalling \$436,378 in fiscal year July 31, 2010. As a condition to terminate the option agreement, the Company paid \$12,000 to the Optionor on October 4, 2010 and the Optionor agreed to release the Company from leaving the claims in good standing for a period of at least 12 months from the date of termination.

**6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)**

**Lake Victoria Mineral Claims, Tanzania, East Africa**

	<b>Additions during the year and balance as at July 31, 2011</b>
Beginning Balance	\$ -
Acquisition Costs	2,372,294
Exploration Costs	
Legal fee	12,501
Geological consulting	105,936
Field expense and others	765,017
Claim renewal fee (accrued)	15,915
Write-off during the year	(3,271,663)
Ending Balance	\$ -

On May 6, 2011, the Company entered into four option agreements (the "Lake Victoria Option Agreements") with Lake Victoria Mining Company, Inc. ("Lake Victoria"), whereby Lake Victoria has granted the Company the right to acquire up to an undivided 70% interest in and to certain primary mineral licenses and prospecting licenses owned by Lake Victoria known as the Singida Gold Project, North Mara Gold Project, Kalemela Gold Project and Geita Gold Project. On May 20, 2011, the Company issued 2,200,000 common shares at a fair value of \$0.45 per share for a total of \$990,000 pursuant to the Lake Victoria Option Agreements. On May 20, 2011, the Company also issued 2,000,000 common shares at a price of \$0.45 per share as finders' fees.

On July 8, 2011, the Company decided to terminate the Lake Victoria Option Agreements and returned the claims to Lake Victoria because initial exploration reports have indicated low level of mineralization among the four properties. As a result, the remaining outstanding option obligations were not fulfilled. The Company wrote off all the related exploration expenditures and acquisition costs of the Lake Victoria property in fiscal year July 31, 2011. As a condition to terminate the option agreement, the Company paid USD\$16,492 (CAD\$15,915) to Lake Victoria on September 22, 2011 to leave the respective licenses in good standing for a period of six months from the date of termination of the option agreements.

**Läntinen Koillismaa Mineral Claims, North-eastern Finland**

On July 21, 2011, the Company entered into a binding letter of intent with Nortec Mineral Corp. ("Nortec"), whereby Nortec will grant the Company the right to acquire up to an undivided 80% interest in the rights to 37 exploration claims owned by Nortec known as the Läntinen Koillismaa Project. The Company made a non-refundable deposit of \$100,000 upon execution of the binding letter of intent. The binding letter of intent was replaced and superseded by the option agreement with Nortec (the "Nortec Option Agreement") dated August 24, 2011. The effective date of the Nortec Option Agreement is September 7, 2011 (the "Effective Date"), which is the date the TSX Venture Exchange accepted the filing of the option agreement.

The payment, share issuance and exploration expenditure requirements are as follows:

The Company can earn an initial 49% interest in the Läntinen Koillismaa Project by: a) making payments totalling \$4.5 million in cash to Nortec; b) issuing the equivalent of \$2 million in shares of the Company, subject to predetermined market value calculation; and c) spending \$5 million on exploration within 24 months, including a minimum of \$2 million in the first 12 months.

The remaining 31% interest can be earned by the Company by: a) making a payment of \$3 million in cash to Nortec on or before the third year anniversary from the Effective Date; b) issuing the equivalent of \$1 million in shares of the Company to Nortec; and c) spending a further \$5 million on exploration on the Läntinen Koillismaa Project

**6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)**

	<b>Date</b>	<b>Cash</b>	<b>Shares</b>	<b>Exploration Expenditures</b>
Year 1	On July 21, 2011	\$100,000 (paid)	-	-
	On September 7, 2011	\$900,000 (subsequently paid)	1,660,408 shares (subsequently issued)	-
	On March 7, 2012	\$1,000,000	\$500,000	-
	On September 7, 2012	\$1,250,000	\$500,000	\$2,000,000
Year 2	On March 7, 2013	\$1,250,000	\$500,000	-
	On September 7, 2013	-	-	\$3,000,000
Year 3	On September 7, 2014	\$3,000,000	\$1,000,000	\$5,000,000

Pursuant to the Nortec Option Agreement, the Company has also agreed to issue to Nortec 400,000 common shares of the Company within 5 business days of written confirmation to the Company that the mining claims noted as Haukiahoo East Claims 1 to 5 have been registered in the name of Nortec.

In connection with the Nortec Option Agreement, the Company issued 1,850,000 common shares at \$0.45 per share, for a total of \$832,500 on September 7, 2011 as finder's fees in connection with the option.

**7. SHARE CAPITAL**

**a) Authorized:** Unlimited common shares without par value.

**b) Issued and Outstanding:** At July 31, 2011, there were 34,920,775 common shares issued and outstanding (2010 – 15,655,000).

**Details of common shares are as follows:**

- i. On November 20, 2009, the Company issued 100,000 common shares at a deemed value of \$0.045 per share for a total of \$4,500 pursuant to the Suskwa Option Agreement (Note 6).
- ii. On July 20, 2010, the Company closed a non-brokered private placement raising gross proceeds of \$200,000. The private placement consisted of the issuance of 4,000,000 common shares at a price of \$0.05 per share.
- iii. On May 10, 2011, the Company closed a non-brokered private placement. The private placement consisted of issuance of 15,065,775 units at a price of \$0.45 per unit, for gross proceeds of \$6,779,599. Each unit consists of one common share and one-half of one share purchase warrant. A total of 7,532,884 share purchase warrants were issued. Each whole warrant entitles the holder thereof to purchase one additional common share of the Company at a price of \$0.65 per share for a period of two years from the closing date of the private placement (the "Closing Date"). The Company also paid \$440,443 (\$436,801 in cash payment of finder's fee and \$3,642 in legal expense) share issuance costs and issued 970,667 non-transferable common share purchase warrants (the "Finder's Warrants") with exercise price of \$0.55 per for a period of two years from the Closing Date. The finder's warrants were valued at fair value of \$322,875. The fair value of these warrants was \$0.33 per unit where the market price at the date of grant is \$0.46 and the fair value of each warrant granted is calculated using the Black-Scholes option pricing model assuming a risk-free interest of 1.72% and volatility of 160%.
- iv. On May 20, 2011, the Company issued 2,200,000 common shares at a deemed value of \$0.45 per share for a total of \$990,000 pursuant to the Lake Victoria Option Agreement. The Company also issued 2,000,000 common shares at a price of \$0.45 per share for a total of \$900,000 to two finders on May 20, 2011 (Note 6).

**7. SHARE CAPITAL (Cont'd)**

**c) Share Purchase Warrants**

The following table summarizes the continuity of share purchase warrants:

	<b>July 31, 2011</b>		<b>July 31, 2010</b>	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Warrants outstanding, beginning of year	-	-	250,000	\$ 0.30
Granted	8,503,551	\$ 0.64	-	-
Expired / Cancelled	-	-	(250,000)	\$ 0.30
Warrants outstanding, end of year	8,503,551	\$ 0.64	-	-

Full share equivalent warrants outstanding and exercisable at of July 31, 2011:

<b>Description</b>	<b>Number of Full Share Equivalent Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Expiry Date</b>
Warrants	7,532,884	\$ 0.65	May 10, 2013
Warrants	970,667	\$ 0.55	May 10, 2013
	8,503,551	\$ 0.64	

**d) Stock Options**

The Company has a stock option plan (the "Stock Option Plan") whereby the Company is authorized to grant options to officers and directors, insiders, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's shares as calculated on the date of grant. The options are exercisable for a maximum term of 5 years.

The continuity of stock options for the year ended July 31, 2011 is as follows:

	<b>July 31, 2011</b>		<b>July 31, 2010</b>	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Options outstanding, beginning of year	517,500	\$ 0.05	1,365,000	\$ 0.08
Granted	2,750,000	\$ 0.46	-	-
Expired / Cancelled	(517,500)	\$ 0.05	(847,500)	\$ 0.10
Options outstanding, end of year	2,750,000	\$ 0.46	517,500	\$ 0.05
Options exercisable, end of year	2,637,500	\$ 0.46	517,500	\$ 0.05

**7. SHARE CAPITAL (Cont'd)**

The options outstanding and exercisable at July 31, 2011 are as follows:

Range of Exercise Prices	Outstanding Options			Exercisable Options	
	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
\$0.46	2,650,000*	\$0.46	4.78	2,537,500	\$0.46
\$0.46	100,000	\$0.46	4.80	100,000	\$0.46
	2,750,000	\$0.46	4.78	2,637,500	\$0.46

\* A total of 700,000 options were subsequently cancelled or forfeited. See Note 14.

As of July 31, 2010, 847,500 options expired or cancelled without exercising. 50,000 options were expired without exercising 30 days after the resignation of a former senior officer. 250,000 options expired without exercising on January 30, 2010. 30,000 options were expired 30 days after the consulting agreement was terminated on June 30, 2009. 317,500 options were cancelled on April 30, 2010 and 200,000 options were cancelled on July 31, 2010.

As of July 31, 2010, 517,500 options remained outstanding. The outstanding options expired on August 5, 2010 without exercising due to resignations of former directors of the Company.

On May 11, 2011, the Company has granted 2,650,000 options to the officers, directors and consultants of the Company pursuant to the Company's Stock Option Plan. The options are exercisable at \$0.46 per share and will expire on May 11, 2016. The exercise price is the same as the market price at the date of grant. 2,537,500 options vested immediately, while the remaining 112,500 options carry the following vesting schedule (also see Note 14):

Number of Vesting Options	Vesting Date
37,500	August 11, 2011
37,500	November 11, 2011
37,500	February 11, 2011
112,500	

On May 16, 2011, the Company has granted 100,000 options, vesting immediately, to a consultant of the Company pursuant to the Company's Stock Option Plan. The options are exercisable at \$0.46 per share and will expire on May 16, 2016. The exercise price is greater than the market price at the date of grant.

During the year ended July 31, 2011 the Company recognized \$991,008 (2010 - \$Nil) of stock-based compensation expense. The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following weighted average assumptions:

	2011	2010
Risk-free interest rate	2.23% - 2.55%	-
Dividend yield	-	-
Expected volatility	124%	-
Expected option life	4.78 - 5 years	-
Forfeitures	-	-

**7. SHARE CAPITAL (Cont'd)**

Based on the option pricing model, the fair value of options granted during this year was \$1,041,013. Included in this amount, a total of \$116,670 stock-based compensation (300,000 options) was relating to a consulting agreement for 7 months. The 300,000 options granted were part of the consultant's remuneration for the agreement period. During this year, only four months of services were provided. The Company therefore deferred \$50,005 stock-based compensation expense for services to be provided subsequent to the year-end. As a result, \$991,008 stock-based compensation expense was reported during this year.

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

**8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	<b>2011</b>	<b>2010</b>
Interest paid in cash	\$ -	\$ -
Income taxes paid in cash	\$ -	\$ -

Non-cash investing and financing includes:

	<b>July 31, 2011</b>	<b>July 31, 2010</b>
Shares issued for mineral property	a \$ 990,000	\$ 4,500
Shares issued for mineral property finders' fees	b 900,000	-
Finder's warrants	c 322,875	-
Stock-based compensation	d 1,041,013	-
Mineral property expenditures in accounts payable	e 616,188	-

- a. 2,200,000 shares issued at a deemed price of \$0.45 per share for a total of \$990,000 pursuant to the Lake Victoria Option Agreements (Note 6).
- b. 2,000,000 shares issued at a deemed price of \$0.45 per share for a total of \$900,000 as finders' fees in connection with the Lake Victoria Option (Note 6).
- c. 970,667 Finder's Warrants issued with an exercise price of \$0.55 in connection with a private placement (Note 7).
- d. 2,750,000 options granted to the officers, directors and consultants of the Company pursuant to the Company's Stock Option Plan (Note 7).
- e. \$616,188 of the accounts payable at year-end is relating to the Lake Victoria Property.

**9. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.



## 9. CAPITAL MANAGEMENT (Cont'd)

The Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended July 31, 2011. The Company is not subject to externally imposed capital requirements.

## 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### a) Categories of Financial Assets & Liabilities

In accordance with Canadian generally accepted accounting principles, financial instruments are classified into one of the five following categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. Cash and cash equivalent and short term investment is designated as held-for-trading and its carrying value approximates fair value. Accounts payable and accrued liabilities are classified as other financial liabilities and their carrying value approximates fair value due to their limited time to maturity.

Amended CICA section 3862 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 - quoted prices 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 (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 - inputs for the asset or liability that are not based upon observable market data.

At July 31, 2011, the following table sets forth the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized in the balance sheet. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

		<b>July 31, 2011</b>	<b>July 31, 2010</b>
Cash and cash equivalents	Level 1	\$783,636	\$173,817
Short term investment	Level 1	\$4,266,271	-
Accounts payable and accrued liabilities	Level 1	\$688,159	\$37,141

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At July 31, 2011, there were no financial assets or liabilities measured and recognized in the balance sheet at fair value that would be categorized as Level 2 or Level 3 in the fair value hierarchy previously noted.

## 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

### b) Financial Assets & Liabilities and Risks

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and interest risk.

#### *Credit risk*

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada. The Company does not have any asset-backed commercial paper included in cash. Management believes that the credit risk with respect to receivables is remote.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient capital to meet liabilities when due after taking into account the Company's holdings of cash and cash equivalents that might be raised from equity financings.

As at July 31, 2011, the Company had a cash and short term investment balance of \$5,049,907 (2010 - \$173,817) and current liabilities of \$688,159 (2010 - \$37,141). All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. In order to meet its on-going obligations, the Company will require additional equity financing.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because of its short-term investment nature.

#### *Currency risk*

The Company has certain management consulting fees and exploration expenditures relating to the Lake Victoria Option Agreements that are denominated in US dollars. At July 31, 2011, the Company has \$665,966 (2010 - \$Nil) US dollar denominated accounts payables. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the US dollars.

The following table discusses the Company's sensitivity to a 10% increase or decrease in the US dollar against the US dollar denominated liabilities. The sensitivity analysis measures the effect from recalculation of these items as at the balance sheet date by using adjusted foreign exchange rates.

## 11. RELATED PARTY TRANSACTIONS

The Company paid or accrued amounts to related parties during the years ended July 31 as follows:

		<b>2011</b>	<b>2010</b>
Management fees to the CEO and director of the Company	a	46,000	5,000
Corporate communication fees to a company owned by a director of the Company	b	38,000	5,000
Advisory fees to a consulting firm affiliated to a director of the Company	c	80,000	10,000
Geological consulting fees to a consulting firm affiliated to a director of the Company	c	48,395	-
Geological consulting fees to the President of the Company	d	36,471	-

## **11. RELATED PARTY TRANSACTIONS (Cont'd)**

- a. On June 1, 2010, the Company entered into a consulting services agreement with the Company's CEO and director for providing corporate management services. The term of agreement is 24 months beginning June 1, 2010 and the Company will pay \$2,500 plus applicable taxes per month for the management services provided. On April 1, 2011, the Company and the Company's CEO and director have cancelled the consulting services agreement signed on June 1, 2010 and entered into a new consulting services agreement. The term of the new consulting services agreement is 36 months beginning April 1, 2011 and the Company will pay \$6,500 plus applicable taxes per month for the management services provided. For the year ended July 31, 2011, the Company has paid management consulting fees of \$46,000 (2010 - \$5,000) to the CEO of the Company for providing management services.
- b. On June 1, 2010, the Company entered into a consulting services agreement with a company owned by a director of the Company, for providing corporate communication services. The term of agreement is 24 months beginning June 1, 2010 and the Company will pay \$2,500 plus applicable taxes per month for the Corporate Communication Services provided. On April 1, 2011, the Company and the director have cancelled the consulting services agreement signed on June 1, 2010 and entered into a new consulting services agreement. The term of the new consulting services agreement is 36 months beginning April 1, 2011 and the Company will pay \$4,500 plus applicable taxes per month for the corporate communication services provided. For the year ended July 31, 2011, the Company recorded \$38,000 (2010 - \$5,000) corporate communication fees. \$25,000 (2010 - \$5,000) of corporate communication fees is included in accounts payable at July 31, 2011.
- c. On June 1, 2010, the Company entered into an advisory agreement with a consulting firm affiliated to a director of the Company to provide accounting and administrative services (the "Advisory Services"). The term of agreement is 12 months and the Company will be charged \$5,000 cash fee plus applicable taxes per month for the Advisory Services provided. The fees increased to \$15,000 plus applicable tax per month commencing June 2011, following the month in which the Company successfully completed a private placement greater or equal to \$500,000. A director of the Company is also the chairman of the consulting firm. For the year ended July 31, 2011, the Company has paid consulting fees of \$80,000 (2010 - accrued \$10,000) to the consulting firm. The Company has also paid geological consulting fees of \$48,395 (2010 - \$Nil) to the consulting firm. \$11,000 (2010 - \$Nil) of geological consulting fees is included in accounts payable at July 31, 2011.
- d. On May 11, 2011, the Company entered into a consulting agreement with the Company's President for providing geological consulting services. The agreement commenced on May 11, 2011 and will expire on Nov 11, 2011. The Company agrees to pay the Company's President 6 monthly payments of \$12,000 plus applicable taxes as compensation for the geological consulting services. For the year ended July 31, 2011, the Company has paid consulting fees of \$36,471 (2010 - \$Nil) and accrued \$12,000 (2010 - \$Nil) to the President of the Company for providing geological consulting services.
- e. On May 11, 2011, the Company granted 200,000 stock options to the CEO and director of the Company, 125,000 options to the CFO of the Company, 300,000 options to the President of the Company, 325,000 options to two directors of the Company, and 300,000 options to a consulting firm affiliated to a director of the Company. Each option will entitle the purchase of one common share of the Company at market price of \$0.46 for a period of five years from the date of issuance, subject to the Company's stock option plan and applicable securities rules and regulations.
- f. During the year, a former director of the Company released the Company from payment due to him of \$3,499 (2010 - a different former director of \$16,000) for consulting fees.
- g. As of July 31, 2011, included in accounts payable is \$6,000 (2010 - \$6,000) owed to the former CFO of the Company for management consulting services provided.

## 11. RELATED PARTY TRANSACTIONS (Cont'd)

These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the related parties, and were recorded at the exchange amount.

## 12. COMMITMENTS

On March 30, 2011, the Company entered into a consulting agreement with a consulting firm to provide corporation market communication services. The term of the agreement is 18 months and the Company will be charged \$7,500 cash fee plus applicable taxes per month for the corporation market communication services provided. Also see Note 14.

On May 11, 2011, the Company entered into an investor relations agreement with a consultant for providing investor relations services. The agreement commenced on May 11, 2011 and will expire on November 11, 2011. The Company agrees to pay the consultant 6 monthly payments of \$4,250 plus applicable taxes as compensation for the investor relations services. Also see Note 14.

Also see Note 6 and 11.

## 13. INCOME TAXES

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

	2011	2010
Loss before income taxes	\$ 4,752,589	\$ 529,750
Expected income tax recovery 26.5% (2010 – 28.5%)	\$ 1,259,440	\$ 150,980
Temporary difference	28,660	5,890
Items not deductible for income tax purposes	(263,770)	(153,480)
Income tax benefit not recognized	(1,024,330)	(3,390)
Total income tax recovery	\$ -	\$ -

The significant components of the Company's future income tax assets are as follows:

	2011	2010
Future income tax assets:		
Non-capital loss carry-forwards	\$ 1,203,365	\$ 251,393
Benefit of share issuance costs	93,334	10,625
Valuation allowance	(1,296,699)	(262,018)
Net future income tax assets	\$ -	\$ -

The Company has \$4,813,459 of non-capital losses, which may be applied to reduce taxable income in future years. If not utilized, the losses expire from 2027 to 2031 as follows:

### 13. INCOME TAXES (Cont'd)

2027	\$ 54,093
2028	447,834
2029	434,822
2030	11,903
2031	<u>3,865,401</u>
	<u>\$4,813,459</u>

Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

### 14. SUBSEQUENT EVENTS

On August 24, 2011, the Company entered into the Nortec Option Agreement with Nortec, whereby Nortec has granted the Company the right to acquire up to an undivided 80% interest in the Läntinen Koillismaa Project. On September 7, 2011, the Company issued 1,660,408 common shares at a price of \$0.45 and paid \$900,000 option payment to Nortec. The Company also issued 1,850,000 common shares at \$0.45 per share, for a total of \$832,500 on September 7, 2011 as finder's fees in connection with the option.

On September 1, 2011, the Company cancelled 250,000 options granted to a consultant on May 11, 2011. Each option entitles the purchase of one common share of the Company at market price of \$0.46 for a period of five years from the date of issuance, subject to the Company's stock option plan and applicable securities rules and regulations.

On September 26, 2011, the Company changed its name to Finore Mining Inc. and the Company's common shares began trading under the new name and new symbol as "FIN".

On September 30, 2011, the Company terminated an investor relation agreement signed on May 11, 2011. As a result, the consultant has 30 days after the termination to exercise any amount of the vested portion of the 150,000 options granted to the consultant on May 11, 2011. The options vested but not exercised after the 30 day period would be forfeited. As at September 30, 2011, only 75,000 options were vested.

On October 3, 2011, the new CEO and director of the Company was appointed. The Company granted 450,000 options to the new CEO. Each option entitles the purchase of one common share of the Company at market price of \$0.46 for a period of five years from the date of issuance, subject to the Company's stock option plan and applicable securities rules and regulations.

On October 11, 2011, the Company terminated a market communication consulting agreement signed on March 30, 2011. As a result, the consultants have 30 days after the date of termination to exercise the 300,000 options granted to the consultants on May 11, 2011. The options not exercised after the 30 day period would be forfeited.

On October 25, 2011, the Company issued 10,000 common shares to the former CFO of the Company to settle the \$6,000 payment due to the former CFO.

### 15. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform with the presentation adopted in the current year.