FINORE MINING INC.
(Formerly Otterburn Ventures Inc.)
(An Exploration Stage Enterprise)

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

YEARS ENDED JULY 31, 2012 AND 2011

Management's Responsibility for Financial Reporting

The accompanying financial statements of Finore Mining Inc. (the "Company") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date and for the periods presented by the audited financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists that Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)

Savio Chiu
Director

(signed)

Alexander Polevoy
Director

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Finore Mining Inc.:
(Formerly Otterburn Ventures Inc.)
(An exploration stage enterprise)

We have audited the accompanying financial statements of Finore Mining Inc. (formerly Otterburn Ventures Inc.) (the "Company"), which comprise the statements of financial position as at July 31, 2012, July 31, 2011 and August 1, 2010 and the statements of operations and comprehensive loss, changes in equity and cash flows for the years ended July 31, 2012 and 2011, and notes comprising a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 Company'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 Company'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 statement.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2012, July 31, 2011 and August 1, 2010 and the results of its operations and its cash flows for the years ended July 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

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

MNP LLP
Chartered Accountants

Vancouver, Canada
November 21, 2012

Finore Mining Inc.
(An Exploration Stage Enterprise)
(Formerly Otterburn Ventures Inc.)
(Expressed in Canadian Dollars, unless stated otherwise)

STATEMENTS OF FINANCIAL POSITION

	Note	July 31, 2012 $	July 31, 2011 $	August 1, 2010 $
			Note 13	Note 13
ASSETS				
Current				
Cash and cash equivalents		222,687	783,636	173,817
Short-term investment		11,503	4,266,271	-
Other receivables		17,039	54,458	2,519
Prepaid expenses		29,037	94,433	-
Total Current Assets		280,266	5,198,798	176,336
Equipment	3	-	720	1,090
Non-refundable deposit	4	-	100,000	-
Exploration and evaluation assets	4	5,895,343	-	-
TOTAL ASSETS		6,175,609	5,299,518	177,426
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		654,095	688,159	37,141
Total Current Liabilities		654,095	688,159	37,141
Shareholders' Equity				
Share capital	5	11,182,216	9,199,648	1,293,367
Reserves		1,840,181	1,675,231	307,844
Deferred share-based payments		-	(50,005)	-
Deficit		(7,500,883)	(6,213,515)	(1,460,926)
Total Shareholders' Equity		5,521,514	4,611,359	140,285
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,175,609	5,299,518	177,426

Approved and authorized by the Board on November 21, 2012:

"Savio Chiu", Director
Savio Chiu

"Alexander Polevoy", Director
Alexander Polevoy

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

FINORE MINING INC.
(Formerly Otterburn Ventures Inc.)
(An Exploration Stage Enterprise)
(Expressed in Canadian Dollars, unless stated otherwise)

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

	Note	2012 $	2011 $ Note 13
EXPENSES			
Advertising and promotion		28,107	11,560
Amortization expense		171	371
Conference		4,502	3,500
Consulting fees		774,721	269,987
Insurance		13,207	1,275
Office and general		29,034	9,078
Professional fees		64,588	69,188
Property investigation cost		-	79,269
Share-based payments		212,305	991,008
Transfer agent and filing fees		41,554	19,920
Travel and entertainment		124,486	28,144
Write-off of exploration and evaluation assets	4	-	3,283,663
Loss before other items		**(1,292,675)**	**(4,766,963)**
Other items			
Interest income		25,291	5,511
Foreign exchange gain (loss)		(19,984)	4,629
Gain on debt settlement		-	4,234
		5,307	**14,374**
Net loss and comprehensive loss for the year		**(1,287,368)**	**(4,752,589)**
Basic and diluted loss per share		**(0.03)**	**(0.24)**
Weighted average number of common shares outstanding – Basic and diluted		**38,525,143**	**19,868,133**

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

FINORE MINING INC.
(Formerly Otterburn Ventures Inc.)
(An Exploration Stage Enterprise)
(Expressed in Canadian Dollars, unless stated otherwise)

STATEMENTS OF CHANGES IN EQUITY

	Common Shares		Reserves					
	Number of Shares	Amount $	Option Reserve $	Warrant Reserve $	Other Reserve $	Deferred Share-based Payments $	Deficit $	Total Shareholders' Equity $
Balance – July 31, 2010	**15,655,000**	**1,293,367**	**307,844**	**-**	**-**	**-**	**(1,460,926)**	**140,285**
Issuance pursuant to mineral property option agreement	2,200,000	990,000	-	-	-	-	-	**990,000**
Mineral property option finders' fees	2,000,000	900,000	-	-	-	-	-	**900,000**
Non-brokered private placement	15,065,775	6,779,599	-	-	-	-	-	**6,779,599**
Share issuance cost	-	(440,443)	-	-	-	-	-	**(440,443)**
Finder's warrants	-	(322,875)	-	322,875	-	-	-	**-**
Share-based payments	-	-	1,041,013	-	-	(50,005)	-	**991,008**
Debt forgiveness	-	-	-	-	3,499	-	-	**3,499**
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(4,752,589)	**(4,752,589)**
Balance – July 31, 2011	**34,920,775**	**9,199,648**	**1,348,857**	**322,875**	**3,499**	**(50,005)**	**(6,213,515)**	**4,611,359**
Issuance pursuant to mineral property option agreement	3,227,208	1,146,718	-	-	-	-	-	**1,146,718**
Mineral property option finders' fees	1,850,000	832,500	-	-	-	-	-	**832,500**
Share-based payments	-	-	162,300	-	-	50,005	-	**212,305**
Debt settlement	10,000	3,350	-	-	-	-	-	**3,350**
Debt forgiveness	-	-	-	-	2,650	-	-	**2,650**
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(1,287,368)	**(1,287,368)**
Balance – July 31, 2012	**40,007,983**	**11,182,216**	**1,511,157**	**322,875**	**6,149**	**-**	**(7,500,883)**	**5,521,514**

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

Finore Mining Inc.
(Formerly Otterburn Ventures Inc.)
(An Exploration Stage Enterprise)
(Expressed in Canadian Dollars, unless stated otherwise)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31,

	2012 $	2011 $ Note 13
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net loss for the year	(1,287,368)	(4,752,589)
Adjustment for items not involving cash:		
Share-based payments	212,305	991,008
Amortization expense	171	371
Gain on debt settlement	-	(4,234)
Foreign exchange loss (gain)	19,984	(4,629)
Write-off of exploration and evaluation assets	-	3,283,663
Write-off of assets	549	-
Changes in non-cash operating working capital:		
(Increase) Decrease in receivables	37,419	(51,939)
(Increase) Decrease in prepaid expenses	65,396	(94,433)
Increase (Decrease) in accounts payable and accrued liabilities	140,395	42,562
Net cash flows (used in) operating activities	**(811,149)**	**(590,220)**
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Exploration expenditure	-	(872,846)
Short-term investment	4,254,768	(4,266,271)
Exploration and evaluation assets	(4,004,568)	-
Net cash flows from (used in) investing activities	**250,200**	**(5,139,117)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Share capital, net of share issuance costs	-	6,339,156
Net cash flows from financing activities	**-**	**6,339,156**
Increase (Decrease) in cash and cash equivalents	**(560,949)**	**609,819**
Cash and cash equivalents, beginning of the year	**783,636**	**173,817**
Cash and cash equivalents, end of the year	**222,687**	**783,636**

Supplemental cash flow information (Note 6)

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

1. NATURE OF OPERATIONS AND CONTINUANCE 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 on Canadian National Stock Exchange under the new symbol of “FIN.” On April 9, 2012, the Company’s shares have commenced trading in the United States on the OTC market’s prestigious tier, OTCQX International under the symbol of “FNREF”.

The head office, principal address and registered officer of the Company are located at Suite 1980, 1075 West Georgia Street, Vancouver, B.C., V6E 3C9.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company’s continuing operations, and the recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations

The financial information is presented in Canadian Dollars (CDN$), which is the functional currency of the Company.

The Company has a working capital deficiency as at July 31, 2012 of $373,829 (working capital as at July 31, 2011 - $4,510,639; working capital as at August 1, 2010 - $139,195) and an accumulated deficit of $7,500,883 (July 31, 2011 - $6,213,515; August 1, 2010 - $1,460,926). These financial statements have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Adoption of International Financial Reporting Standards and Statement of Compliance

These are the Company’s first annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretation Committee. These financial statements have been prepared in accordance with IAS 1, Presentation of Financial Statements and IFRS 1, First-Time Adoption of International Financial Reporting Standards (“IFRS 1”) and the impact of the transition from previous Canadian generally accepted accounting principles (“Canadian GAAP”) to IFRS is explained in Note 13, including the effects of the transition to IFRS on the Company’s financial position, equity, comprehensive income (loss) and cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Adoption of International Financial Reporting Standards and Statement of Compliance (Cont'd)

Subject to the application of the transition elections described in Note 13, the accounting policies applied in these financial statements and described below, have been applied consistently to all periods presented, including the opening statement of financial position as at August 1, 2010 (the Company's "Transition Date"), except where the Company applied certain exemptions upon transition to IFRS.

Basis of presentation

These financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss and available-for-sale that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

These financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available on July 31, 2012, the Company's first annual reporting date.

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing an opening IFRS balance sheet at August 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 13.

Interest Income

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Foreign Currencies

The Company's reporting and functional currency is the Canadian dollar as no single currency was clearly dominant. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange in effect at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financing Costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are expensed in the statement of comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash. The cash and cash equivalents are denominated in Canadian dollars. There were no cash equivalents as at July 31, 2012, July 31, 2011 and August 1, 2010.

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, 2012, the Company has one short-term investment with $11,500 of principal and $3 of interest due on July 22, 2013 with an annual yield of prime minus 2.05%. 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 (August 1, 2010 - $Nil).

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.

Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Exploration and evaluation assets (Cont'd)

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

Decommissioning and restoration liability

The Company recognizes the fair value of a decommissioning and restoration liability 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.

Changes in the decommissioning and restoration liability due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company did not have any significant decommissioning and restoration obligations at July 31, 2012.

Share-based payments

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based payments with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Warrants issued in equity financing transactions (Cont'd)

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 reserves 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.

Comprehensive loss

Comprehensive loss is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

Earnings/ (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are all anti-dilutive. Diluted loss per share is equal to the basic loss per share as net losses were reported during the years of July 31, 2012 and 2011.

Current and deferred income taxes

The tax expense comprises current and deferred tax. Tax is recognized in the statement of comprehensive income (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Current and deferred income taxes (continued)

(b) Deferred Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Financial instruments – recognition and measurement

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

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash and cash equivalents and short-term investments are classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. As at July 31, 2012, July 31, 2011 and August 1, 2010, the Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. As at July 31, 2012, July 31, 2011 and August 1, 2010, the Company has not classified any available for sale.

Transaction costs associated with fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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

Financial liabilities classified as other financial liabilities are measured at amortized cost. Account payables and accrued liabilities are classified as other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments – recognition and measurement (Cont'd)

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). At July 31, 2012, July 31, 2010 and August 1, 2010, the Company had not classified any financial liabilities as fair value through profit or loss.

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

The Company assesses at the end of each reporting period whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

De-recognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities are not recognised in the financial statements and are disclosed in the notes to the financial statements unless their occurrence is remote. Contingent assets are not recognised in the financial statements, but are disclosed in the notes to the financial statements if their recovery is deemed probable.

Related party transactions

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statements of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

a) The provision for income taxes which is included in the statements of operations and comprehensive loss and composition and quantification of deferred income tax assets and liabilities included in the statements of financial position.

b) The recoverability of exploration and evaluation assets in the statements of financial position.

c) The inputs used in accounting for share purchase option expense in the statements of operations and comprehensive loss.

d) The estimated useful life and fair value of property and equipment which are included in the statements of financial position and the related depreciation included in the statements of operations and comprehensive loss.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the July 31, 2012 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

a) IFRS 9, Financial Instruments

The IASB has issued IFRS 9 Financial Instruments. This standard is the first step in the process to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. An investment in a debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest, otherwise it is recognized at fair value through profit or loss. IFRS 9 was also updated to include guidance on financial liabilities and de-recognition of financial instruments. This guidance is similar to the guidance method included in IAS 39 relating to financial liabilities and de-recognition of financial instruments. The standard is not yet effective until periods beginning on or after January 1, 2015 but is available for early adoption. The Company has not yet determined the impact that IFRS 9 will have on its financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New accounting standards and interpretations (Cont'd)

b) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. This does not affect the Company's financial statements as the Company has no interests in other entities.

c) IFRS 13, Fair Value Measurements

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, expect in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently assessing the impact of the standards on its financial statements.

The Company anticipates that the application of these standards, amendments and interpretations will have no material impact on the results and financial position of the Company.

3. EQUIPMENT

	Office equipment	Computer equipment	Total
	$	$	$
Cost			
At July 31, 2011 and August 1, 2010	936	2,867	3,803
Write-off	(936)	(2,867)	(3,803)
At July 31, 2012	-	-	-
Accumulated amortization			
At August 1, 2010	457	2,256	2,713
Depreciation for the year	95	275	370
At July 31, 2011	552	2,531	3,083
Depreciation for the year	58	113	171
Write-off	(610)	(2,644)	(3,254)
At July 31, 2012	-	-	-
Net book value			
At August 1, 2010	479	611	1,090
At July 31, 2011	384	336	720
At July 31, 2012	-	-	-

4. 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
Year 1	On September 30, 2007	$5,000 (*)		
	On March 31, 2008	$10,000 (*)		
	On March 28, 2008		100,000 (issued)	$ 50,000 (spent)
Year 2	On or before December 31, 2008	Nil	300,000 (issued)	$100,000 (spent)
Year 3	On September 30, 2009		100,000 (issued)	$100,000 (spent)
	On September 30, 2010	$40,000		
Year 4	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 Suskwa 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.

Lake Victoria Mineral Claims, Tanzania, East Africa

	Additions during the year and balance as at July 31, 2011
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.

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

Lake Victoria Mineral Claims, Tanzania, East Africa (Cont'd)

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 Lake Victoria Option Agreements.

$3,271,663 write-off of mineral property expense was recorded during July, 31, 2011 year-end, related to the termination of the Lake Victoria Option Agreements.

Läntinen Koillismaa Mineral Claims, North-eastern Finland

Beginning Balance as at August 1, 2011	$	-
Acquisition Costs		3,979,218
Exploration Costs		
Assay Sampling		101,780
Consulting - geological		140,887
Consulting - administrative and general		36,337
Drilling		1,080,096
Office and general		94,823
Project administration		31,371
Reports		31,782
Surveying		329,979
Travel		69,070
Ending Balance July 31, 2012	**$**	**5,895,343**

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 6, 2011 (the "Effective Date"), which is the date the Canadian National Stock 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.

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

Läntinen Koillismaa Mineral Claims, North-eastern Finland (Cont'd)

	Date	Cash	Shares	Exploration Expenditures
Year 1	On July 21, 2011	$100,000 (paid)	-	-
	On September 7, 2011	$900,000 (paid)	1,660,408 shares (issued)	-
	On March 6, 2012	$1,000,000 (paid)	-	-
	On April 19, 2012	-	1,566,800 shares(issued)	
	On September 6, 2012	$1,250,000	$500,000	$2,000,000
Year 2	On March 6, 2013	$1,250,000	$500,000	-
	On September 6, 2013	-	-	$3,000,000
Year 3	On September 6, 2014	$3,000,000	$1,000,000	$5,000,000

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

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 Haukiaho East Claims 1 to 5 have been registered in the name of Nortec.

On September 10, 2012, the Company entered into an amendment to the Nortec Option Agreement (the "Nortec Option Amendment"), whereby Nortec has granted the Company the right to acquire 70% interest in the Läntinen Koillismaa Project by: a) issuing additional 27,000,000 shares of the Company; b) paying in full amount owed by the Company on account of the conduct of exploration work within 60 days from the date of the Nortec Option Amendment; and c) granting Nortec the right to nominate two persons for appointment or election to the Company's board of director. As the result, the remaining outstanding option obligations under the Nortec Option Agreement were not fulfilled. On September 11, 2012, the Company issued 27,000,000 common shares at a price of $0.12 to Nortec. Combining the 27,000,000 common shares, Nortec owns 45.11% of the Company's total outstanding common shares as at September 11, 2012.

5. SHARE CAPITAL

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

b) **Issued and Outstanding:** At July 31, 2012, there were 40,007,983 common shares issued and outstanding (July 31, 2011 – 34,920,775; August 1, 2010 – 15,655,000).

Details of common shares are as follows:

i. 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.

5. SHARE CAPITAL (Cont'd)

b) Issued and outstanding (Cont'd):

i. (Cont'd) 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%.

ii. 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 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 (see Note 4).

iii. On September 7, 2011, the Company issued 1,660,408 common shares at a price of $0.45 for a total of $747,184 pursuant to the Nortec Option Agreement . The Company also issued 1,850,000 common shares at $0.45 per share for a total of $832,500 as finder's fees in connection with the option.

iv. 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.

v. On April 19, 2012, the Company issued 1,566,800 common shares at a price of $0.255 for a total of $399,534 pursuant to the Nortec Option Agreement.

c) Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	July 31, 2012		July 31, 2011	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Warrants outstanding, beginning of year	8,503,551	$ 0.64	-	-
Granted	-	-	8,503,551	$ 0.64
Warrants outstanding, end of year	8,503,551	$ 0.64	8,503,551	$ 0.64

Full share equivalent warrants outstanding and exercisable at of July 31, 2012:

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

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.

5. SHARE CAPITAL (Cont'd)

d) Stock Options (Cont'd)

The continuity of stock options for the years ended July 31, 2012 and 2011 is as follows:

	July 31, 2012		**July 31, 2011**	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Options outstanding, beginning of year	2,750,000	$ 0.46	517,500	$ 0.05
Granted	600,000	$ 0.46	2,750,000	$ 0.46
Expired / Cancelled	(700,000)	$ 0.46	(517,500)	$ 0.05
Options outstanding, end of year	2,650,000	$ 0.46	2,750,000	$ 0.46
Options exercisable, end of year	2,650,000	$ 0.46	2,637,500	$ 0.46

The options outstanding and exercisable at July 31, 2012 are as follows:

Exercise Prices	**Outstanding and Exercisable Options**		
	Number of Outstanding and Exercisable Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
$0.46	1,950,000	$0.46	3.78
$0.46	100,000	$0.46	3.79
$0.46	450,000	$0.46	4.18
$0.45	150,000	$0.45	1.51
	2,650,000	$0.46	3.72

On May 11, 2011 the Company 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, issued for an investor relation agreement (the "Investor Relation Agreement"), carry the following vesting schedule:

Number of Vesting Options	**Vesting Date**
37,500	August 11, 2011
37,500	November 11, 2011
37,500	February 11, 2012
112,500	

On May 16, 2011, the Company 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.

On September 1, 2011 the Company cancelled 250,000 vested options granted to a consultant on May 11, 2011.

5. SHARE CAPITAL (Cont'd)

d) Stock Options (Cont'd)

On September 30, 2011 the Company terminated the Investor Relation Agreement. As a result, 150,000 options were cancelled thereon.

On October 3, 2011 the Company granted 450,000 options to the CEO and director of the Company. The options are exercisable at $0.46 per share and will expire on October 3, 2016.

On October 11, 2011, the Company terminated a consulting agreement. As a result, 300,000 options were cancelled.

On February 2, 2012, the Company granted 150,000 options, vesting immediately, to a consultant of the Company pursuant to the Company's Stock Option Plan. The options are exercisable at $0.45 per share and will expire on February 2, 2014.

During the year ended July 31, 2012 the Company recognized a total of $212,305 (2011 - $991,008) of share-based payments.

For the stock options granted during the year, the exercise price is greater than market price at date of grant and 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:

	2012	2011
Risk-free interest rate	0.99% - 1.31%	2.23% - 2.55%
Dividend yield	-	-
Expected volatility	123% - 177%	124%
Expected option life	2 - 5 years	4.78 - 5 years
Forfeitures	-	-

The Black-Scholes option pricing model was developed for use in estimating the fair value of share options that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. The Company uses expected volatility rate which was based upon historical volatility rates of comparative companies in the same industry.

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.

6. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2012	2011
Interest paid in cash	$ -	$ -
Income taxes paid in cash	$ -	$ -

6. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Cont'd)

Non-cash investing and financing includes:

		July 31, 2012	July 31, 2011
Shares issued for exploration and evaluation assets	a	$ 1,146,718	$ 990,000
Shares issued for exploration and evaluation assets finders' fees	b	832,500	900,000
Finder's warrants	c	-	322,875
Share-based payments	d	212,305	1,041,013
Exploration and evaluation assets in accounts payable	e	452,358	616,188

a. In fiscal 2012, 1,660,408 shares were issued at a fair price of $0.45 and 1,566,800 shares were issued at a fair price of $0.255 for a combining total of $1,146,718. In fiscal 2011, 2,200,000 were shares issued at a fair price of $0.45 per share for a total of $990,000 pursuant to the Lake Victoria Option Agreements (see Note 4).

b. In fiscal 2012, 1,850,000 shares were issued at a fair price of $0.45 as finder's fees in connection with the Läntinen Koillismaa Project option. In fiscal 2011, 2,000,000 shares were issued at a fair price of $0.45 per share for a total of $900,000 as finders' fees in connection with the Lake Victoria Option (see Note 4).

c. In fiscal 2011, 970,667 Finder's Warrants issued with an exercise price of $0.55 in connection with a private placement (see Note 5).

d. In fiscal 2012, 600,000 (2011 – 2,750,000) options were granted to a director and a consultant of the Company as well as 700,000 (2011 – Nil) options were cancelled pursuant to the Company's Stock Option Plan (see Note 5).

e. In fiscal 2012, $452,358 of the accounts payable at year-end is related to the Läntinen Koillismaa Project. In fiscal 2011, $616,188 of the accounts payable at year-end is relating to the Lake Victoria Property.

7. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at July 31, 2012, the Company's shareholders' equity was $5,521,514 (July 31, 2011 - $4,611,359; August 1, 2010 - $140,285). 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.

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.

7. CAPITAL MANAGEMENT (Cont'd)

There were no changes in the Company's approach to capital management during the year ended July 31, 2012. The Company is not subject to externally imposed capital requirements.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

At July 31, 2012, the Company's financial instruments consist of cash and cash equivalents, short-term investments and accounts payable and accrued liabilities. The fair values of cash and cash equivalents, short-term investments and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity. The Company classifies its cash and cash equivalents and short-term investments as FVTPL and accounts payable and accrued liabilities as other financial liabilities.

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at July 31, 2012 as follows:

	Fair Value Measurements Using					
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, July 31, 2012 $	Balance, July 31, 2011 $	Balance, August 1, 2010 $
Cash and cash equivalents	222,687	–	–	222,687	783,636	173,817
Short-term investment	11,503	–	–	11,503	4,266,271	–

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

(b) 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.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

(c) 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.

(d) 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.

(e) Foreign Exchange Rate Risk

The Company has certain consulting fees and exploration and evaluation assets that are denominated in US dollars, European Euro, Pounds Sterling, Swedish Krona, Swiss Franc and other operating expenses that are mainly in Canadian dollars. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollars, the US dollar, European Euro, Pounds Sterling, Swedish Krona and Swiss Franc. The exposure to foreign exchange rate risk is considered low. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

At July 31, 2012, July 31, 2011 and August 1, 2010, the Company's US dollars, Pounds Sterling, European Euro, Swedish Krona and Swiss Franc denominated monetary assets and monetary liabilities are as follows:

	July 31, 2012		July 31, 2011		August 1, 2010	
Monetary Liabilities						
Account payables and	USD $	19,750	USD $	665,966	USD $	-
accrued liabilities	GBP £	35,402	GBP £	-	GBP £	-
	EURO €	362,068	EURO €	-	EURO €	-
	SEK	38,530	SEK	-	SEK	-

9. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Year Ended July 31, 2012	2011
Compensation benefits to key management	a	$ 140,648	$ 82,471
Transmax Investing	b	$ 54,000	$ 38,000
Baron Global Financial Canada Ltd.	c	$ 184,530	$ 128,395
Geolaurian Consultants Limited	d	$ 204,537	-
Share-based payments	e	$ 124,291	$486,155
Debt settlement	f	$ 3,350	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

a) On April 1, 2011, the Company entered into an amended consulting services agreement with Peter Hughes, a director of the Company, for providing corporate management services (the "Corporate Management Services"). The term of agreement is 36 months beginning April 1, 2011 and the Company agreed to pay $6,500 plus applicable taxes per month for the Corporate Management Services provided. The consulting fee increased to $8,000 plus applicable taxes per month on October 1, 2011. For the year ended July 31, 2012, the Company has paid Corporate Management Services fees of $69,000 (2011 - $46,000) and accrued $24,000 (2011 – $Nil).

   On August 1, 2011, the Company entered into an amended consulting agreement with Steven Green, the Company's president, for providing geological consulting services (the "Geological Consulting Services"). The term of the agreement is 5 months and 20 days commencing on May 11, 2011 and terminating on October 31, 2011 and the Company agreed to pay $12,000 per month from May 2011 to July 2011 and $6,000 per month from August 2011 to October 2011 for the Geological Consulting Services provided. On October 31, 2011, the Company extended the term for a six month period and the consulting fee decreased to USD $3,250 per month effective November 1, 2011. For the year ended July 31, 2012, the Company has paid Geological Consulting Services fees of $37,902 (2011 – $24,471) and accrued $9,778 (2011 – $12,000).

b) On April 1, 2011 the Company entered into a consulting services agreement with Transmax Investing, a company owned by David Eaton, a director of the Company, for providing corporate communication services (the "Corporate Communication Services"). The term of the 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, 2012, the Company has paid Corporate Communication Services fees of $40,500 (2011 – $18,000) and accrued $13,500 (2011 – $20,000).

c) On June 1, 2010, the Company entered into an advisory agreement with a Baron Global Financial Canada Ltd., a company affiliated to a director and the CFO 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. A director of the Company is also the chairman of the consulting firm. For the year ended July 31, 2012, the Company has paid consulting fees of $150,000 (2011 – $80,000) to the consulting firm and accrued $15,000 (2011 - $Nil). The Company has also paid geological consulting fees of $12,375 (2011 – paid $37,395, accrued $11,000) and IT consulting fees of $5,783 (2011 - $Nil) and accrued $1,372 (2011 - $Nil).

d) On October 3, 2011, the Company entered into a consulting agreement with Geolaurian Consultants Limited, a company owned by Ian Laurent, the CEO and director of the Company, for providing geological strategic planning and executive management services. The term of the agreement is 3 years beginning October 3, 2011 and the Company pays £11,650 per month for the geological and management services provided. For the year ended July 31, 2012, the Company has paid geological and management fees of $149,641 (2011 – $Nil) and accrued $54,897 (2011 - $Nil).

9. RELATED PARTY TRANSACTIONS (Cont'd)

e) On May 11, 2011, the Company granted 200,000 stock options to a director and the former CEO 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. The fair value of the share options awarded, estimated using the Black-Scholes option pricing model, was $0.39 per option.

On October 3, 2011, the Company granted 450,000 options to the CEO and director of the Company. Each option will entitle the purchase of one common share of the Company at a price of $0.46 for a period of five years from the date of issuance. The fair value of the share options awarded, estimated using the Black-Scholes option pricing model, was $0.28 per option. Refer to Note 5 (d).

f) On October 25, 2011, the Company issued 10,000 common shares at $0.335 per share to Barry Foster, the former CFO of the Company to settle the $6,000 payment due to the former CFO.

Related Party Payables:

	July 31, 2012	July 31, 2011
Baron Global Financial Canada Ltd.	$ 18,337	$ 11,000
Geolaurian Consultants Limited	$ 54,897	$ -
Peter Hughes	$ 26,880	$ -
Steven Green	$ 9,778	$ -
Transmax Investing	$ 40,120	$ 25,000

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.

10. COMMITMENTS

On February 1, 2012, the Company entered into a consulting services agreement with a consulting firm in Switzerland to provide strategic and financial consulting services. The term of the agreement is 6 months and the agreement can be renewed and extended if both parties agree. The Company agrees to pay the consulting firm a lump-sum of £15,000 plus 150,000 stock options of the Company exercisable at $0.45 per share and expire on February 2, 2014 as compensation for the consulting services. Also see Note 5 (d).

On March 20, 2012, the Company entered into a consulting agreement with a consulting firm to provide corporation market communication services. The agreement commenced on March 20, 2011 and will expire on March 26, 2013. The Company agrees to pay the consulting firm two semi-annual payments of $3,000 plus applicable taxes and one payment payable on execution of the agreement and the second payment payable on September 20, 2012 as compensation for the consulting services. On September 14, 2012, the Company terminated this consulting agreement and agreed that a payment of $1,500 plus taxes to replace the second payment originally stated.

Also see Note 4 and 9.

11. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. Geographic information of the Company's capital assets comprising exploration and evaluation assets and equipment is as follows:

	July 31, 2012	July 31, 2011	August 1, 2010
Equipment			
Canada	$ -	$ 720	$ 1,090
	$ -	$ 720	$ 1,090
Exploration and evaluation assets			
Finland	$ 5,895,343	$ -	$ -
	$ 5,895,343	$ -	$ -

12. INCOME TAXES

The following table reconciles the expected income taxes (expense) recovery at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended July 31, 2012 and 2011:

	2012 $	2011 $
Loss before income taxes	(1,287,368)	(4,752,589)
Expected income tax recovery at 25.75% (2011 – 26.5%)	(329,888)	(1,259,436)
Non-deductible items	58,119	263,770
Change in estimates	25,000	-
Change enacted tax rate	6,629	-
Others	-	(28,660)
Change in deferred tax asset not recognized	240,140	1,024,326
Total income taxes recovery	-	-

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at July 31, 2012, July 31, 2011 and August 1, 2010 are comprised of the following:

	July 31, 2012	July 31, 2011	August 1, 2010
Deferred income tax assets:			
Non-capital loss carryforwards	$ 1,321,419	$ 1,203,365	$ 251,393
Equipment	407	227	(15)
Financing costs	66,067	93,107	10,640
Exploration and evaluation assets	148,947	-	-
	1,536,840	1,296,699	262,018
Deferred tax asset not recognized	(1,536,840)	(1,296,699)	(262,018)
Net deferred tax asset	$ -	$ -	$ -

12. INCOME TAXES (Cont'd)

The Company has non-operating loss carryforwards of approximately $5,285,677 which may be carried forward to apply against deferred income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years. The deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred income tax assets.

Year	Amount
2027	$ 54,093
2028	447,834
2029	434,822
2030	11,309
2031	3,169,611
2032	1,168,008
	$ 5,285,677

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first annual financial statements prepared in accordance with IFRS.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

<u>IFRS Exemption options</u>
IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested by the transition date.

<u>IFRS Mandatory exceptions</u>
Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

<u>Reconciliations of Canadian GAAP to IFRS</u>
IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows.

Under IFRS, "Reserves" has taken the place of "Contributed Surplus" and as such the Company has examined its contributed surplus account and separated those components relating to share purchase warrants, stock options and other reserves.

The accounting policies in Note 2 have been applied as follows:

- in preparing the financial statements for the year ended July 31, 2012;
- the comparative information for the year ended July 31, 2011;
- the statement of financial position as at July 31, 2011; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, August 1, 2010.

.
13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

In preparing the opening IFRS statements of financial position, the Company adopted the accounting policies in Note 2 and applied them towards the statements of operation and comprehensive loss and changes in equity for the year ended July 31, 2012 and the financial statements for the year ended July 31, 2011, the transition has had no effect to the amounts reported previously in financial statements prepared in accordance with Canadian GAAP, other than the name change to the contributed surplus account stated above.

14. SUBSEQUENT EVENTS

On August 1, 2012, Steven Green has released the Company from all outstanding payable of $9,778 due to Mr. Green.

On August 28, 2012, Peter Hughes has released the Company from all outstanding payable of $26,880 due to Mr. Hughes.

On September 1, 2012, Transmax Investing, a company owned by David Eaton, a director of the Company, has released the Company from all outstanding payable of $40,120 due to Mr. Eaton.

On September 10, 2012, Ian Laurent, owner of Geolaurian Consultants Limited, has released the Company from all outstanding payable of $54,897 due to Geolaurian Consultants Limited and Mr. Laurent.

Also see Note 4 and 10.