

**DECLAN MINERALS INC. (formerly Kokanee Minerals Inc.)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited - Expressed in Canadian dollars)**

**NINE MONTHS ENDED JUNE 30, 2012 AND 2011**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

**In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed interim financial statements of Declan Minerals Inc. (formerly Kokanee Minerals Inc.) as at June 30, 2012 and June 30, 2011, notes to interim condensed consolidated financial statements and the related Management's Discussion and Analysis.**

**DECLAN MINERALS INC. (formerly Kokanee Minerals Inc.)**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - Expressed in Canadian dollars)

	Notes	June 30, 2012	September 30, 2011 (Note 18)	October 1, 2010 (Note 18)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	4	\$ 4,349,054	\$ 259,782	\$ 55,946
Receivables	5	66,919	4,000	-
Exploration advances	6	-	-	200,961
Prepaid expense	7	-	-	45
		4,415,973	263,782	256,952
<b>Exploration and evaluation assets</b>	8	1,594,000	-	93,591
<b>Deferred financing costs</b>	11	-	71,784	-
<b>Reclamation claim deposit</b>	8	-	-	11,635
		\$ 6,009,973	\$ 335,566	\$ 362,178
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	9	\$ 221,706	\$ 511,244	\$ 757,547
Notes payable	10	-	265,883	-
		221,706	777,127	757,547
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>				
Share capital	11	11,558,133	4,079,851	1,449,018
Share subscriptions received in advance	11	-	257,450	-
Reserves-share based	11	215,622	215,622	268,069
Deficit		(5,985,488)	(4,994,484)	(2,112,456)
		5,788,267	(441,561)	(395,369)
		\$ 6,009,973	\$ 335,566	\$ 362,178

**Nature of operations and going concern** (Note 1)

**Commitments** (Note 16)

**Subsequent events** (Note 19)

These condensed interim financial statements are authorized for issue by the Board of Directors on August 29, 2012.

They are signed on the Company's behalf by:

/s/ Michelle Gahagan

Director

/s/ Garry Clark

Director

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

**DECLAN MINERALS INC. (formerly Kokanee Minerals Inc.)**  
**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
(Unaudited - Expressed in Canadian dollars)  
**NINE MONTHS ENDED JUNE 30**

	Notes	Three Months to June 30 2012	Three Months to June 30 2011 (Note 18)	Nine Months to June 30 2012	Nine months to June 30 2011 (Note 18)
<b>Expenses</b>					
Interest expense	\$	-	\$ 1,552	\$ 35,268	\$ 7,272
Investor relations		-	27,617	-	27,617
Management fees		68,000	29,500	198,325	46,985
Office and miscellaneous		20,591	7,615	41,358	13,941
Professional fees		59,906	58,508	251,954	88,588
Property investigation		5,741	-	5,741	-
Resource property exploration		-	157,580	296,701	1,058,765
Share-based compensation		-	-	-	374,811
Transfer agent and filing fees		15,983	18,774	38,237	24,290
Travel		39,734	4,280	135,466	14,495
		(209,955)	(305,426)	(1,003,050)	(1,656,764)
Loss before other item					
<b>Other item</b>					
Interest income		1,461	-	12,046	-
<b>Loss and comprehensive loss for the period</b>	<b>\$</b>	<b>(208,494)</b>	<b>\$ (305,426)</b>	<b>\$ (991,004)</b>	<b>\$ (1,656,764)</b>
<b>Basic and diluted loss per common share</b>	<b>\$</b>	<b>(0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding</b>		84,458,959	30,958,545	82,333,105	26,816,438

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

**DECLAN MINERALS INC. (formerly Kokanee Minerals Inc.)**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited - Expressed in Canadian dollars)  
**NINE MONTHS ENDED JUNE 30**

	2012	2011
		(Note 18)
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Loss for the period	\$ (991,004)	\$ (1,656,764)
Items not affecting cash:		
Interest accretion	34,117	-
Share-based compensation	-	374,811
Changes in non-cash working capital:		
Receivables	(62,919)	-
Exploration advances	-	(542,973)
Accounts payable and accrued liabilities	(258,567)	(209,078)
Net cash used in operating activities	<u>(1,278,373)</u>	<u>(2,034,004)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition and exploration of mineral properties	(1,000,000)	-
Reclamation deposit	-	11,635
Net cash used in investing activities	<u>(1,000,000)</u>	<u>11,635</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for cash	7,243,350	2,069,085
Share issue costs	(575,705)	(29,375)
Notes payable	(300,000)	300,000
Related party debt	-	(263,127)
Net cash from financing activities	<u>6,367,645</u>	<u>2,076,583</u>
<b>Increase in cash</b>	4,089,272	54,214
<b>Cash, beginning of the period</b>	<u>259,782</u>	<u>55,946</u>
<b>Cash, end of the period</b>	<u>\$ 4,349,054</u>	<u>\$ 110,160</u>
<b>Cash consists of:</b>		
Cash	\$ 26,054	\$ 113,081
Guaranteed Investment Certificates	4,323,000	-
	<u>\$ 4,349,054</u>	<u>\$ 113,081</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 1,151	\$ 7,272
Cash paid for income taxes	-	-
Shares issued for exploration and evaluation assets	594,000	-
Shares issued for finder fee	-	-
Deferred financing cost applied to share capital	71,784	-
Share subscriptions applied to share capital	257,450	-
Fair value of options and warrants exercised on share capital and reserves-share based	-	-

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

**DECLAN MINERALS INC. (formerly Kokanee Minerals Inc.)**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited - Expressed in Canadian dollars)

	Note	Number of Shares	Share Capital	Share Subscription	Reserves	Deficit	Total Equity (Deficit)
<b>Balance, October 1, 2010</b>		18,873,913	\$ 1,449,018	\$ -	\$ 268,069	\$(2,112,456)	\$ (395,369)
Loss and comprehensive loss		-	-	-	-	(1,656,764)	(1,656,764)
Share-based compensation		-	-	-	374,811	-	374,811
Share subscriptions receivable		-	-	(140,718)	-	-	(140,718)
Shares issued for private placement		7,443,332	1,116,500	-	-	-	1,116,500
Shares issued for finder fees		250,000	37,500	-	-	-	37,500
Shares issued for options exercised		2,804,283	653,071	-	(304,051)	-	349,020
Shares issued for warrants exercised		1,587,017	299,514	-	(167,472)	-	132,042
Share issue costs		-	(66,875)	-	-	-	(66,875)
<b>Balance, June 30, 2011</b>		<b>30,958,545</b>	<b>3,488,728</b>	<b>(140,718)</b>	<b>171,357</b>	<b>(3,769,220)</b>	<b>(249,853)</b>
<b>Balance, September 30, 2011</b>		<b>31,754,959</b>	<b>4,079,851</b>	<b>257,450</b>	<b>215,622</b>	<b>(4,994,484)</b>	<b>(441,561)</b>
Loss and comprehensive loss		-	-	-	-	(991,004)	(991,004)
Share-based compensation		-	-	-	-	-	-
Shares issued for exploration and evaluation assets	8	2,700,000	594,000	-	-	-	594,000
Shares issued for private placement	11	50,000,000	7,500,000	(257,450)	-	-	7,242,550
Shares issued for warrants exercised		4,000	800	-	-	-	800
Share issue costs		-	(616,518)	-	-	-	(616,518)
<b>Balance, June 30, 2012</b>		<b>84,458,959</b>	<b>\$11,558,133</b>	<b>\$ -</b>	<b>\$ 215,622</b>	<b>\$(5,985,488)</b>	<b>\$5,788,267</b>

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

**DECLAN MINERALS INC. (formerly Kokanee Minerals Inc.)**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited - Expressed in Canadian dollars)  
FOR THE NINE MONTHS ENDED JUNE 30, 2012

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

DECLAN MINERALS INC. (formerly Kokanee Minerals Inc.) (“the Company”) was incorporated on August 25, 2005 under the Laws of British Columbia. The Company’s head office and registered and records office address is Suite 302 – 1620 West 8<sup>th</sup> Ave, Vancouver, BC, V6J 1V4, Canada. The Company is traded on the TSX Venture Exchange (“TSX-V”).

The condensed interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company, unless otherwise indicated.

The Company is a mineral exploration company focused on acquiring, exploring and developing exploration and evaluation assets in Tanzania.

At the date of the financial statements, the Company has not identified a known body of commercial grade mineral on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on exploration and evaluation assets is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

The condensed interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

The Company estimates it has sufficient working capital to continue operations for the upcoming year.

**2. BASIS OF PRESENTATION**

**Statement of compliance and conversion to international financial reporting standards**

These condensed interim financial statements, including comparatives, are unaudited and have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

**DECLAN MINERALS INC. (formerly Kokanee Minerals Inc.)**  
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**2. BASIS OF PRESENTATION (cont'd...)**

**Statement of compliance and conversion to international financial reporting standards (cont'd...)**

The Company's transition date to IFRS is October 1, 2010. The rules for first-time adoption of IFRS are set out in IFRS 1, "First-time adoption of International Financial Reporting Standards". In preparing the Company's first IFRS financial statements, these transition rules have been applied to the amounts previously reported in accordance with Canadian generally accepted accounting principles ("GAAP"). Historical results and balances have been restated under IFRS. These condensed interim financial statements should be read in conjunction with the Company's 2010 GAAP annual financial statements, and in consideration of the disclosure regarding the transition from Canadian GAAP to IFRS included in Note 18. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in these condensed interim financial statements or in the Company's most current annual GAAP audited financial statements.

The condensed interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value as explained in the accounting policies set out in Note 3. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these condensed interim financial statements are in accordance with IFRS and have not been audited.

These condensed interim financial statements were authorized by the audit committee and Board of Directors of the Company on August 29, 2012.

**Use of estimates and judgments**

The preparation of this interim financial statement requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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:

- i) The recoverability of receivables which are included in the condensed interim financial statements.
- ii) The carrying value and the recoverability of exploration and evaluation assets, which are included in the interim financial statements.

**Determination of Functional Currency**

The functional currency is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency for the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.



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**3. SIGNIFICANT ACCOUNTING POLICIES**

**Foreign exchange**

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date while non-monetary assets and liabilities are translated at historical rates. Expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are recognized through profit or loss.

**Financial instruments**

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

The Company has not classified any financial assets as held-to-maturity or available for sale.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash as fair value through profit and loss. The Company's receivables are classified as loans and receivables.

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Other financial liabilities:* These liabilities are initially recognized at fair value less directly attributable costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's accounts payable and accrued liabilities and notes payable are classified as other financial liabilities.

**Exploration and evaluation assets**

Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Costs incurred before the Company has obtained the legal rights to explore an area are recognized through profit or loss.

Costs related to exploration costs of exploration and evaluation assets, incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to operations as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

Any option payments received by the Company from third parties are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Provision for environmental rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as related assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss.

**Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Share-based payment transactions**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Share-based payment transactions (cont'd...)**

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

**Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Related party transactions**

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

**New standards, interpretations and amendments not yet effective**

A number of new standards, amendments to standards and interpretations are not yet effective, and have not been applied in preparing this internal financial statement. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

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

Financial instruments disclosure

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted.

Financial instruments

In November 2009, the IASB published IFRS 9, “Financial Instruments”, which covers the classification and measurement of financial assets as part of its project to replace IAS 39, “Financial Instruments: Recognition and Measurement.” In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively.

Consolidated financial statements

IFRS 10, “Consolidated Financial Statements”, requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, “Consolidation - Special Purpose Entities”, and parts of IAS 27, “Consolidated and Separate Financial Statements”. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 11, “Joint Arrangements”, IFRS 12, “Disclosure of Interests in Other Entities”, IAS 27 (2011), “Separate Financial Statements” and IAS 28 (2011), “Investments in Associates and Joint Ventures”.

Joint arrangements

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

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

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

Fair value measurement

IFRS 13, "Fair Value Measurement", is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Presentation of financial statements

In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" to: (a) require companies to group together items within other comprehensive income ("OCI") that may be reclassified to the statement of operations; and (b) require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax). The amendments also reaffirm existing requirements that items in OCI and income or loss should be presented as either a single statement or two separate statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

Income Taxes

The IASB issued amendments to IAS 12, "Income Taxes" to introduce an exception to the general measurement requirements in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amended standard is effective for annual periods beginning on or after January 1, 2012.

**4. CASH**

In Canadian dollars	June 30, 2012	September 30, 2011	October 1, 2010
Canadian dollar denominated deposits	\$ 4,349,054	\$ 259,782	\$ 55,946
Total	\$ 4,349,054	\$ 259,782	\$ 55,946

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**5. RECEIVABLES**

In Canadian dollars		June 30, 2012		September 30, 2011		October 1, 2010
Subscriptions receivable	\$	-	\$	4,000	\$	-
HST Receivable		50,737		-		-
Other Receivables		7,634		-		-
Interest receivable		8,548		-		-
<b>Total</b>	<b>\$</b>	<b>66,919</b>	<b>\$</b>	<b>4,000</b>	<b>\$</b>	<b>-</b>

**6. EXPLORATION ADVANCES**

In Canadian dollars		June 30, 2012		September 30, 2011		October 1, 2010
Exploration advances, Tanzania	\$	-	\$	-	\$	200,961
<b>Total</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>200,961</b>

**7. PREPAID EXPENSE**

In Canadian dollars		June 30, 2012		September 30, 2011		October 1, 2010
Prepaid rent	\$	-	\$	-	\$	45
<b>Total</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>45</b>

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**8. EXPLORATION AND EVALUATION ASSETS**

The details of exploration expenditures expensed during the nine months ended June 30, 2012 and 2011 are as follows:

a) Acquisition costs

Schedule of resource property interests for the period ended June 30, 2012 is as follows:

	Tanzania Jackson Gold Project 8(a)	Tanzania Morogoro 8(b)	Tanzania Handeni 8(c)	Total
<b>Acquisition costs</b>				
Balance, September 30, 2011	\$ -	\$ -	\$ -	\$ -
Additional costs:				
Cash	-	500,000	500,000	1,000,000
Shares	-	264,000	330,000	594,000
Total acquisition costs, June 30, 2012	\$ -	\$ 764,000	\$ 830,000	\$ 1,594,000

Schedule of resource property interests for the period ended June 30, 2011 is as follows:

	Tanzania Jackson Gold Project 8(a)	Tanzania Morogoro 8(b)	Tanzania Handeni 8(c)	Total
<b>Acquisition costs</b>				
Balance, October 1, 2010	\$ 93,591	\$ -	\$ -	\$ 93,591
Additional costs	-	-	-	-
Total acquisition costs, June 30, 2011	\$ 93,591	\$ -	\$ -	\$ 93,591



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**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

b) Exploration costs

Schedule of resource property exploration for the period ended June 30, 2012 is as follows:

	Tanzania Morogoro 8(b)	Tanzania Handeni 8(c)	Expenditure Total for Period	Cumulative Expenditures
<b>Exploration costs</b>				
Consulting fees	\$ 6,161	\$ 75,195	\$ 81,356	\$ 367,016
Drilling and exploration fees	-	-	-	28,123
Equipment rental	-	15,200	15,200	15,200
Field crew and related expenses	300	23,306	23,606	266,215
Geological	-	85,603	85,603	168,853
Insurance and permits	-	-	-	8,604
Supplies and miscellaneous	-	56,838	56,838	78,186
Travel and accommodation	600	33,498	34,098	118,096
Resource property exploration, June 30, 2012	\$ 7,061	\$ 289,640	\$ 296,701	\$ 1,050,293

Schedule of resource property exploration for the period ended June 30, 2011 is as follows:

	Tanzania Jackson Gold Project 8(a)	Tanzania Morogoro 8(b)	Tanzania Handeni 8(c)	Expenditure Total for Period	Cumulative Expenditures
<b>Exploration costs</b>					
Consulting fees	\$ -	\$ 138,897	\$ 129,764	\$ 268,661	\$ 301,661
Drilling and exploration fees	-	5,500	-	5,500	107,680
Equipment rental	305,285	-	-	305,285	305,285
Field crew and related expenses	-	86,500	153,109	239,609	239,609
Geological	-	7,000	76,250	83,250	83,250
Option and lease	-	-	4,000	4,000	79,000
Supplies and miscellaneous	9,353	5,100	14,248	28,701	128,502
Travel and accommodation	60,745	13,753	49,261	123,759	148,752
Resource property exploration, June 30, 2011	\$ 375,383	\$ 256,750	\$ 426,632	\$ 1,058,765	\$ 1,393,739

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

a) Jackson Gold Project, Bulyanhulu-Geita area of Tanzania

On September 7, 2010, the Company entered into an option agreement to acquire 51% interest for US\$375,000 payable in instalments (US\$75,000 paid). Upon completion, the Company could purchase up to an additional 29% interest in the property and thereafter an additional 15% interest for specified payments of cash and issuances of shares.

As of September 30, 2011, management decided to discontinue the exploration on the property. The Company recorded a write-off of \$93,591 for the year ended September 30, 2011.

b) Morogoro area of Tanzania

On May 2, 2011, the Company entered into an option agreement with companies owned by a former common director to acquire an 80% interest in a prospective property in the Morogoro area of east central Tanzania (the "MEG South Property") for payments of \$2,000,000 over three years, the issuance of 1,200,000 common shares and an exploration work commitment of \$3,500,000 to be expended over the next five years to be incurred as follows:

	Acquisition in Cash	Acquisition in Shares	Exploration Work Commitments (Note 16)
Within 5 days of approval by the TSX-V	\$ 500,000 (paid)	1,200,000 (issued)	\$ -
October 7, 2012	500,000	-	350,000
October 7, 2013	500,000	-	525,000
October 7, 2014	500,000	-	525,000
October 7, 2016	-	-	2,100,000
<b>Total</b>	<b>\$ 2,000,000</b>	<b>1,200,000</b>	<b>\$ 3,500,000</b>

On October 7, 2011, the Company received the regulatory approval and paid \$500,000 and issued 1,200,000 common shares valued at \$264,000.

Upon the Company exercising its option to acquire an 80% interest, it will be granted a second option to acquire some or all of the remaining 20% interest, subject to a 2% net smelter return royalty ("NSR") at a cost of \$3,000,000 for each additional 5%. If the Company acquires the additional 20% interest as described above, it shall be entitled to an option to repurchase up to 1% of the 2% NSR held by the optionor by payment of \$750,000 for each 0.5% NSR purchased.

c) Handeni area of Tanzania

On May 2, 2011, the Company entered into an option agreement with companies owned by a former director to acquire an 80% interest in a prospective property in the Handeni area of Tanzania (the "Handeni North 500 Property") for cash payments of \$3,000,000 over three years, the issuance of 1,500,000 common shares and an exploration work commitment of \$6,500,000 to be expended over the next five years to be incurred as follows:

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**8. EXPLORATION AND EVALUATION ASSETS (cont`d...)**

c) Handeni area of Tanzania (cont`d...)

	Acquisition in Cash	Acquisition in Shares	Exploration Work Commitments (Note 16)
Within 5 days of approval by the TSX-V	\$ 500,000 (paid)	1,500,000 (issued)	\$ -
October 7, 2012	500,000	-	650,000
October 7, 2013	1,000,000	-	975,000
October 7, 2014	1,000,000	-	975,000
October 7, 2016	-	-	3,900,000
<b>Total</b>	<b>\$ 3,000,000</b>	<b>1,500,000</b>	<b>\$ 6,500,000</b>

On October 7, 2011, the Company received the regulatory approval and paid \$500,000 and issued 1,500,000 common shares valued at \$330,000.

Upon the Company exercising its option to acquire an 80% interest, it will be granted a second option to acquire some or all of the remaining 20% interest subject to a 2% NSR at a cost of \$6,250,000 for each additional 5%. If the Company acquires the additional 20% interest described above, it will be entitled to an option to repurchase up to 1% of the 2% NSR held by the optionor, by payment of \$750,000 for each 0.5% NSR purchased.

The Company has received a notice from AFGF Holdings INC. stating that it considers the Company in default under the terms of the May 2, 2011 option agreement on the Handeni and Morogoro property. The notice alleges that the Company is not proceeding in a workmanlike manner on the property. It is the Company's view that the notice is baseless. The Company is in the process of reviewing past expenditures by its contractor on the properties and will resume work on the property when the review has been completed to the satisfaction of the Company. The Company is current in all option payments due on the properties.

d) Diamond Peak Property, Eureka County Nevada, United States

In January 2007, the Company entered into an option agreement to acquire an interest in the Diamond Peak Property located in Eureka County, Nevada consisting of certain unpatented mining claims.

The Company provided bonds amounting to \$Nil (October 1, 2010: \$11,635) as a reclamation deposit. The bonds were determined to be uncollectible and were written off as at September 30, 2011.

As of September 30, 2010, management decided to discontinue the exploration on the property as the assay results on the samples were of no commercial value. The Company wrote-off the property during the year ended September 30, 2010.

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**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Falling due within the next twelve months	June 30, 2012	September 30, 2011	October 1, 2010
Accounts payable	\$ 221,706	\$ 446,244	\$ 722,547
Accrued liabilities	-	65,000	35,000
Total	\$ 221,706	\$ 511,244	\$ 757,547

The average credit period of purchases is one month. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

**10. NOTES PAYABLE**

Falling due within the next twelve months	June 30, 2012	September 30, 2011	October 1, 2010
Notes payable	\$ -	\$ 265,883	\$ -
Total	\$ -	\$ 265,883	\$ -

On May 13th, 2011, the Company issued notes payable for proceeds of \$300,000, of which \$150,000 was from a director, bearing interest at 10% per annum payable in cash. A loan bonus of 226,414 common shares was issued at a value of \$49,811 to the lenders which offset the notes payable resulting in an effective rate of interest of approximately 27%. The loan bonus is accreted to interest over the term of the loan. The loan was paid off in full on October 14, 2011.

**11. SHARE CAPITAL AND RESERVES**

**a) Authorized share capital**

An unlimited number of common shares without par value.

**b) Issued share capital**

In the nine months ended June 30, 2012, the Company:

- i) issued 50,000,000 pursuant units to a non-brokered private placement for total proceeds of \$7,500,000. Each unit consisted of one common share of the Company and one share purchase warrant having a one year term for purchasing of one further common share at exercise price of \$0.30 per share. Finder's fees paid totaled \$517,707. As at September 30, 2011, the Company had received \$257,450 of advance subscriptions and had incurred \$71,784 in costs related to the financing; and

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**11. SHARE CAPITAL AND RESERVES (cont'd...)**

**b) Issued share capital (cont'd...)**

- ii) issued 2,700,000 common shares valued at \$594,000 as option payments pursuant to the Morogoro and Handeni options agreements (Note 8).

**c) Stock options**

Pursuant to the policies of the TSX-V, the Company may grant incentive stock options to its officers, directors, employees and consultants. The Company has implemented a fixed Stock Option Plan (the "Plan") whereby the Company has reserved 10% of the issued shares for issuance under the Plan. Options have a maximum term of five years and terminate after a certain number of days following the termination of the optionee's term/employment, except in the case of death, in which case they terminate one year after the event. Vesting is determined by the Board of Directors.

As of June 30, 2012, there were no stock options were outstanding:

A summary of the Company's stock options is presented below:

	Number of Outstanding Options	Weighted Average Exercised Price
Balance, September 30, 2010	1,887,392	\$ 0.25
Granted	2,800,000	0.21
Exercised	(3,354,283)	0.23
Forfeited	<u>(188,739)</u>	0.25
Balance, September 30, 2011 – outstanding and exercisable	1,144,370	\$ 0.21
Forfeited	<u>(1,144,370)</u>	0.21
Balance, June 30, 2012 – outstanding and exercisable	Nil	\$ Nil

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**11. SHARE CAPITAL AND RESERVES (cont'd...)**

**d) Share purchase warrants**

As of June 30, 2012, the following warrants were outstanding:

Expiry Date	Weighted average Contractual Life Remaining	Outstanding	Price
January 15, 2015	2.54	6,854,100	\$ 0.25 <sup>(i)</sup>
January 15, 2015	2.54	442,208	0.15
October 11, 2012	0.28	50,000,000	0.30
October 8, 2012	0.24	<u>7,439,332</u>	0.25
		<u>64,735,640</u>	

(i) The exercise price of these warrants is \$0.20 in the first two years and \$0.25 for the remaining three years.

A summary of the Company's warrants is presented below:

	Number of Outstanding Warrants	Weighted Average Exercised Price
Balance, September 30, 2010	8,903,325	\$ 0.20
Granted	7,443,332	0.20
Exercised	<u>(1,607,017)</u>	0.19
Balance, September 30, 2011	14,739,640	\$ 0.20
Granted	50,000,000	0.30
Exercised	<u>(4,000)</u>	0.20
Balance, June 30, 2012	<u>64,735,640</u>	<u>\$ 0.29</u>

**e) Share-based payments**

There were no stock options granted during the period ended June 30, 2012 (June 30, 2011: 2,800,000 with a fair value of \$374,811).

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**11. SHARE CAPITAL AND RESERVES (cont'd...)**

**f) Escrow shares**

As at June 30, 2012, 2,271,174 (September 30, 2011: 3,406,763) common shares were held in escrow. 1,135,589 shares were released from escrow during on January 18, 2012.

**12. RELATED PARTY TRANSACTIONS**

- a) The Company's related parties consist of companies owned in whole or in part by executive officers and directors as follows:

<u>Name</u>	<u>Position and nature of transactions</u>
Carsonby Enterprises Inc.	President - Management services
J. W. Jardine & Company INC.	CFO - Accounting services
Bullfrog Financial Inc.	Director - Management services
Bahega Consulting	Director - Management services
Kokanee Placer Inc.	former Director - Geological consulting
John Ulmer	former Director - Management services

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

<u>Nine months ended</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Compensation of key management personnel:		
Management services	\$ 198,325	\$ 69,000
Geological Consulting	240,000	1,311,103
Share-based payment	-	464,203
Accounting services	41,800	-
<b>Total</b>	<b>\$ 480,125</b>	<b>\$ 1,844,306</b>

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**12. RELATED PARTY TRANSACTIONS (cont'd...)**

a) Cont'd...

The geological consulting amount of \$240,000 (2010 - \$1,311,103) represents amounts advanced to companies controlled by a former director, see Note 8 b) for details. There are unexpended Exploration advances of \$nil (2011 - \$850,960) to the same companies controlled by a former director. Included in accounts payable were amounts due to related parties at June 30, 2012 of \$nil (June 30, 2011: \$181,738), as at September 30, 2011 \$141,380 (October 1, 2010: \$288,245) due to directors and a company controlled by a common director and \$209,949 (October 1, 2010: \$156,619) due to a former director or a company owned by the former director, of which \$120,263 bears interest at 5% per annum.

**13. BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic and diluted loss per share for the nine months ended June 30, 2012, is based on the loss attributable to common shareholders of \$991,004 (2011 - \$1,710,054) and a weighted average number of common shares outstanding of 82,333,105 (2011 - 26,816,438).

**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

*Financial risk management*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities and notes payable.

The Company classified its cash as fair value through profit or loss; receivables as loans and receivables; and accounts payable and accrued liabilities and notes payable as other financial liabilities. The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, and accounts payable and accrued liabilities and notes payable approximate their book values because of the short-term nature of these instruments.

*Financial instrument risk exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of harmonized sales tax due from the Canada Revenue Agency. The Company does not believe it has a material exposure to credit risk.



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**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

*Liquidity risk*

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand. The Company only has one contractual obligation (Note 16), other than current accounts payable and accrued liabilities.

*Interest rate risk*

The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

*Foreign exchange risk*

The Company expects to continue to raise equity predominantly in Canadian dollars. In 2011 and going forward, the Company anticipates doing business in Africa which uses the US Dollar as its currency. As such, it is subject to risk due to fluctuations in the exchange rates between the U.S. and Canadian dollars. The Company does not enter into derivative financial instruments to mitigate its exposure to foreign currency risk. The effect of a one percent change in the foreign exchange rate on the Company's cash held in foreign currencies would be approximately \$nil.

*Commodity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

*Political uncertainty*

In conducting operations in other countries, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

**15. MANAGEMENT OF CAPITAL**

The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

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**15. MANAGEMENT OF CAPITAL (cont'd...)**

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions.

The Company expects its current capital resources will be sufficient to carry its operations through its current operating year but in order to carry out new exploration programs the Company will need to raise additional capital through equity financing.

There have been no changes to the Company's approach to capital management during the nine months ended June 30, 2012.

**16. COMMITMENT**

The Company entered into an agreement to have its exploration management functions performed by a company controlled by a former director of the Company (resigned in December 2010). Pursuant to the agreement, the Company was to pay all of the operating costs and disbursements incurred on behalf of the Company. The compensation under the agreement is \$1,500 per day, subject to adjustment by the Company. The agreement was terminated on March 7, 2012. The Company has initiated the arbitration process, as contemplated by the agreement, to seek resolution to the outstanding issues.

**17. SEGMENTED INFORMATION**

The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets interests in Tanzania. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets that have been disclosed in Note 8.

**18. FIRST TIME ADOPTION OF IFRS AND RESTATEMENT**

**a) Transition to IFRS**

As stated in Note 2, this is the Company's first internal statement of financial position as at October 1, 2010 prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the internal statement of financial position as at October 1, 2010 (the "Transition Date").

In preparing the opening IFRS statement of financial position, the Company has found that no adjustments to amounts reported previously in financial statements that were prepared in accordance with GAAP were necessary and accordingly, no statement of reconciliation was prepared. 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;

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**18. FIRST TIME ADOPTION OF IFRS AND RESTATEMENT (cont'd...)**

**a) Transition to IFRS (cont'd...)**

The Company elected to take the following IFRS 1 optional exemptions:

- i) to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date; and
- ii) to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

The Company applied the following IFRS 1 mandatory exception:

Estimates: Hindsight is not used to create or revise estimates. In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous GAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of October 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

As there were no adjustments to the opening IFRS statement of financial position, no separate reconciling statements from Canadian GAAP to IFRS have been provided.

**b) Presentation differences**

Some line items are described differently under IFRS compared to Canadian GAAP. These line items are as follows (with Canadian GAAP descriptions in brackets):

- i) Exploration and evaluation assets ("Mineral properties")
- ii) Decommissioning and restoration provision ("Asset retirement obligation")
- iii) Reserve – share-based ("Contributed Surplus")

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**18. FIRST TIME ADOPTION OF IFRS AND RESTATEMENT (cont'd...)**

**c) Restatement**

**Exploration and valuation assets, change in accounting policy**

On October 1, 2010, the Company changed its accounting policy for resource property exploration expenditures. In prior years, the Company capitalized the acquisition costs of resource properties and resource property exploration expenditures directly related to specific resource properties, net of recoveries received.

Under the new policy, resource property exploration expenditures incurred prior to the determination of the feasibility of mining operations and prior to a decision to proceed with development are charged to profit or loss as incurred.

The impact of this change in accounting policy was to decrease exploration and evaluation assets and increase the deficit by \$334,974 to \$2,112,456 as at October 1, 2010. The total effect of this change in accounting policy was to decrease exploration and evaluation assets and increase the deficit.

During the nine month period ended June 30, 2011, the Company restated resource property exploration costs and consulting fees previously expensed from \$475,750 to \$1,058,765 to reflect an increase in actual expenditures incurred by \$583,045, this decreased the amount of exploration advances by \$583,045.

**Share-based payments**

The company also restated share-based compensation from \$464,203 to \$374,811 to reflect fair value of options issued December 3, 2010.

The result of the above is a change of \$493,653 in net loss from \$1,163,110 to \$1,656,764 and to increase deficit to \$3,769,220. The effect on loss per share was an increase from \$0.04 to \$0.06 per share.

**19. SUBSEQUENT EVENTS**

Subsequent to June 30, 2012:

The Company issued 1,500,000 stock options. Each option entitles the holder to purchase one common share for \$0.15 per share. The stock options vest as to one third on date of grant, one third on February 1, 2013 and one third on November 1, 2013. The stock options expire on July 12, 2015.

The Company issued 24,470,002 common shares in a share for share exchange with Talos Minerals Inc. ("Talos") The Company now owns 100% of Talos. Talos owns mineral exploration licenses in Sierra Leone through its 85% owned Sierra Leone subsidiary companies Greenstone Minerals (SL) Limited and Revonah Resources (SL) Limited.