BAMA GOLD CORP.

Condensed Interim Financial Statements
(Unaudited)
(Expressed in Canadian Dollars)

For the three months ended September 30, 2012

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

BAMA GOLD CORP.
Statement of Financial Position
(Expressed in Canadian Dollars)

	Notes	September 30, 2012 $	June 30, 2012 $
ASSETS			
Current assets			
Cash and cash equivalents		607,615	712,878
Taxes receivable		29,237	29,505
Prepaid expenses		7,922	10,892
Total current assets		644,774	753,275
Non-current assets			
Exploration and evaluation assets	*4*	527,625	527,625
Total assets		1,172,399	1,280,900
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		34,482	15,352
Due to related parties	*5*	99,400	114,400
Due to Rockgate Capital Corp.	*11*	395,715	346,078
Total liabilities		529,597	475,830
SHAREHOLDERS' EQUITY			
Share capital	*6*	8,183,326	8,183,326
Contributed surplus	*6*	629,554	629,554
Deficit		(8,170,078)	(8,007,810)
Total shareholders' equity		642,802	805,070
Total liabilities and equity		1,172,399	1,280,900

Nature and continuance of operations (Note 1)
Events after the reporting period (Note 14)

APPROVED BY THE DIRECTORS:

Signed: ***"Karl Kottmeier"***
Director

Signed: ***"Douglas E. Ford"***
Director

The accompanying notes form an integral part of these financial statements

BAMA GOLD CORP.
Statement of Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	Three months ended September 30 2012 $	2011 $
Expenses			
Exploration expenses	***4,5***	49,101	248,040
General and administrative	***5***	12,649	8,152
Insurance		2,971	2,500
Management fees	***5***	90,000	90,000
Professional fees		4,491	5,035
Share-based compensation	***6(e)***	-	106,040
Transfer agent and regulatory fees		1,246	2,178
Travel		3,155	-
Loss before other items		163,613	461,945
Interest income		1,345	923
Reclamation cost recovery	***4***	-	20,000
Impairment – Turner Lake Property	***4***	-	-
Loss before income taxes		(162,268)	(441,022)
Deferred income tax recovery		-	-
Net loss and comprehensive loss for the period		(162,268)	(441,022)
Loss per common share - basic and diluted		(0.01)	(0.03)
Weighted average number of common shares outstanding - basic and diluted		21,726,111	12,698,334

The accompanying notes form an integral part of these financial statements

BAMA GOLD CORP.
Statement of Cash Flows
(Expressed in Canadian Dollars)

		Three months ended September 30	
	Notes	**2012** **$**	**2011** **$**
OPERATING ACTIVITIES			
Net loss for the period		(162,268)	(441,022)
Items not affecting cash			
Impairment – Turner Lake Property		-	-
Reclamation cost recovery		-	(20,000)
Share based compensation		-	106,040
Tax deduction recovery		-	-
		-	86,040
Changes in non-cash working capital items:			
Taxes receivable and prepaid expenses		3,238	157,245
Accounts payable and accrued liabilities		53,767	3,439
Cash used in operating activities		(105,263)	(194,298)
INVESTING ACTIVITIES			
Reclamation bonds		-	150,000
Cash used in investing activities		-	150,000
FINANCING ACTIVITIES			
Cash provided by financing activities		-	-
Total increase in cash during the period		(105,263)	(44,298)
Cash and cash equivalents, beginning of period		712,878	631,524
Cash and cash equivalents, end of period		607,615	587,226
Cash and cash equivalents is comprised of:			
Cash		358,115	22,726
Short-term deposits		249,500	564,500
		607,615	587,226
Cash paid for:			
Interest		-	-
Income taxes		-	-
Cash received for:			
Interest		1,345	973
Significant non-cash transactions	***9***		

The accompanying notes form an integral part of these financial statements

BAMA GOLD CORP.
Statement of Changes in Equity
(Expressed in Canadian Dollars)
For the three months ended September 30, 2012 and 2011

	Notes	Number of shares	Share capital	Contributed surplus	Deficit	Total
			$	$	$	$
Balance at June 30, 2011		12,698,334	7,057,800	530,064	(6,908,112)	679,752
Loss for the period		-	-	-	(441,022)	(441,022)
Share-based compensation (options)		-	-	106,040	-	106,040
Balance at September 30, 2011		12,698,334	7,057,800	636,104	(7,349,134)	344,770
Balance at June 30, 2012		21,726,111	8,183,326	629,554	(8,007,810)	805,070
Loss for the period		-	-	-	(162,268)	(162,268)
Balance at September 30, 2012		**21,726,111**	**8,183,326**	**629,554**	**(8,170,078)**	**642,802**

The accompanying notes form an integral part of these financial statements

1. Nature and continuance of operations

Bama Gold Corp. (the "Company) was incorporated in the Province of British Columbia on March 14, 2008 under the Business Corporations Act of British Columbia. The name change to Bama Gold Corp became effective December 13, 2011. The Company's registered office is located at Suite 1450 - 701 West Georgia Street, Vancouver, British Columbia.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependent upon the existence of economically recoverable reserves.

The ability of the Company to continue to operate as a going concern is dependent on its ability to ultimately operate its business at a profit. To date, the Company has not generated any revenues from operations and will require additional funds to meet its obligations and the costs of its operations. As a result, further losses are anticipated prior to the generation of any profits. As at September 30, 2012, the Company and had accumulated a deficit of $8,170,078 (2011 - $7,349,134) since inception.

The Company's future capital requirements will depend on many factors, including the costs of exploring its mineral properties, operating costs, competitive environment and global market conditions. The Company's anticipated operating losses and increasing working capital requirements will require that it obtain additional capital to continue operations.

The Company will depend almost exclusively on outside capital. Such outside capital will include the sale of additional shares. There can be no assurance that capital will be available as necessary to meet these continuing exploration and development costs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in significant dilution to the equity interests of its current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The ability of the Company to continue operations as a going concern is ultimately dependent upon achieving profitable operations. To date, the Company has not generated profitable operations from its resource activities and will need to invest additional funds in carrying out its planned exploration, development and operational activities. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Basis of presentation

a) Statement of Compliance
These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements and do not include all of the information required for full annual financial statements. Accordingly, they should be read in conjunction with our IFRS financial statements for the fiscal year ended June 30, 2012. The accounting policies applied in these unaudited condensed interim financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of November 29, 2012, the date the Board of Directors approved these unaudited condensed interim financial statements and they are consistent with those disclosed in the annual audited financial statements.

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on November 29, 2012.

b) Basis of Measurement
These financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company. On October 15, 2010, the Company's shareholders approved a resolution consolidating all of the 29,463,898 issued common shares into 5,892,779 issued common shares, on the basis that every five (5) common shares be consolidated into one (1) common share. All references to common shares, stock options and warrants in these financial statements reflect the share consolidation unless otherwise noted.

3. Significant accounting policies

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

b) Critical accounting estimates and judgments
The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgments

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Estimates

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they were granted. Estimating the fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Deferred income taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

c) Basic and diluted loss per share
The loss per share figures is calculated using the weighted average number of shares outstanding during the respective fiscal years. The calculation of loss per share figures using the Treasury Stock Method considers the potential exercise of outstanding share purchase options and warrants or other contingent issuances to the extent each option, warrant or contingent issuance was dilutive. For all years presented, diluted loss per share is equal to basic loss per share as the potential effects of options, warrants and conversions are anti-dilutive.

Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share are the same for the years presented.

3. Significant accounting policies (cont'd)

d) Financial instruments
The Company designates its financial assets, as loans and receivables, available for sale and fair value through profit and loss ("FVTPL"). Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in the active market. These assets are comprised of cash and cash equivalents and taxes receivable and are initially measured at fair value and subsequently at amortized cost less any impairment. Taxes receivable is assessed for evidence of impairment at each reporting date, with any impairment recognized in earnings for that period.

Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income, unless such assets are determined to be impaired in which case the impairment loss is reclassified out of other comprehensive income and recognized in the Statement of Comprehensive Income for that period. The reversal of previously recognized impairment losses are recognized directly in equity and not reversed through the Consolidated Statements of Comprehensive Income. The Company does not have any financial assets classified as available-for-sale.

Financial assets designated as FVTPL when they are held for trading. A financial asset is held for trading if it was acquired for the purpose of selling in the near term. Financial instruments classified as FVTPL are stated at fair value with any changes in fair value recognized in earnings for that period. The Company does not have any financial assets classified as FVTPL.

Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost. These liabilities include accounts payables and accrued liabilities.

Transaction costs on financial assets and liabilities other than those classified as FVTPL are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at FVTPL are expensed as incurred.

The Company does not have any derivative or embedded derivative instruments.

e) Exploration and evaluation assets
Exploration and evaluation expenditures relate to the initial search for a mineral deposit and the subsequent evaluation to determine the economic potential of the mineral deposit. The exploration and evaluation stage commences when the Company obtains the legal right or license to begin exploration. This stage ends when management determines there is sufficient evidence to support the probability of future mining operations of economically recoverable reserves, and requires significant judgment on the part of management.

The cost of acquiring and maintaining the Company's interest in its exploration and evaluation assets are capitalized on a property-by-property basis pending determination of the technical feasibility and the commercial viability of the project. The capitalized costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired.

When a license is relinquished or a project is abandoned, the related costs are recognized in profit and loss immediately.

Exploration and evaluation expenditures are recognized in earnings in the period in which they are incurred.

Management reviews the carrying value of capitalized exploration and evaluation expenditures when circumstances require, and at least annually. The review is based on the Company's intentions for development of an undeveloped property. If a project does not prove viable, all unrecoverable costs associated with the project net of any impairment provisions are written off. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped property. Amounts shown for properties present costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

f) Share issuance costs
All professional fees and commissions incurred directly with the issue of the Company's shares are charged directly to share capital

3. Significant accounting policies (cont'd)

g) Share-based compensation
The Company applies the fair value method of accounting for all stock option awards and equity settled restricted share units. Under this method, the Company recognizes a compensation expense for all stock options awarded to employees, based on the fair value of the options on the date of grant which is determined by using the Black-Scholes option pricing model for stock option awards, and the quoted market value of the shares for restricted share units. The fair value of the options is expensed over the vesting period of the options. No expense is recognized for awards that do not ultimately vest.

Option valuation models such as Black-Scholes, require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

h) Current and deferred income tax
The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Deferred tax assets and liabilities are determined based on differences between the tax and accounting basis of assets and liabilities. Deferred tax assets or liabilities are calculated using the substantially enacted tax rates for the period in which the differences are expected to be realized or settled. Deferred tax assets are recognized to the extent that they are considered recoverable.

i) Flow-through Shares
Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from qualifying expenditures that the company made with the proceeds. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds or “premium” are recorded as a deferred credit. When expenditures are renounced, a deferred tax liability is recognized and the deferred credit is reversed. The net amount is recognized as a deferred income tax recovery.

j) Provisions
When the Company has a present legal or constructive obligation as a result of a past event, a provision is recognized only when the obligation is estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the present value of the expenditure 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 risks specific to the obligation. The increase in the obligation due to the passage of time is recognized as finance expense.

k) Impairment of non-financial assets
The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management and are measured at the difference between the fair value of the long-lived asset and its carrying amount.

l) Site restoration obligation
Provisions for site restoration obligations are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the property to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates, and operating lives. Changes to estimated future costs are recognized in the statement of financial position by adjusting the site restoration asset and liability.

m) Environmental risk
The Company is engaged in resource exploration and development and is accordingly exposed to environmental risks associated with such activity. The properties the Company holds interest in are currently in the initial exploration stages and it has not determined whether significant site reclamation costs will be required. The Company would only record liabilities for site reclamation when reasonably determinable and when such costs can be reliably quantified. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

3. Significant accounting policies (cont'd)

n) Agent warrants and warrants
Warrants issued to agents in connection with a financing are recorded at fair value and charged to share issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are valued using the residual value method whereby proceeds are first allocated to the fair value of the shares and the excess if any, allocated to the warrants.

o) Future accounting changes
New accounting standards issued but not yet effective - Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2011, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

(i) New accounting standards effective January 1, 2013

IFRS 10 Consolidated Financial Statements - IFRS 10 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.

IFRS 11 Joint Arrangements - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or 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.

IFRS 13 Fair Value Measurement - IFRS 13 is a comprehensive standard for 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.

(i) New accounting standards effective January 1, 2015

IFRS 9 Financial Instruments - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2015 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

4. Mineral properties

	Turner Lake Property	Manalo Property	Total
	$	$	$
September 30, 2012			
Mineral properties, beginning of the period	122,625	-	122,625
Acquisition costs capitalized during the period	-	405,000	405,000
Impairment	-	-	-
Mineral properties, end of the period	122,625	405,000	527,625
September 30, 2011			
Mineral properties, beginning of the period	163,500	-	163,500
Acquisition costs capitalized during the period	-	-	-
Mineral properties, end of the period	163,500	-	163,500

Manalo Property

Pursuant to an Assignment Agreement dated as of September 9, 2011, the Company agreed to acquire all of the rights of the Optionee in an Option Agreement dated February 20, 2009 between Delta Exploration (“Optionor”) and Appleton Exploration Inc. (“Optionee”); in consideration for the Assignment the Company agreed to pay to Appleton $250,000 (paid) and to issue 1,000,000 common shares (issued) on receipt of all necessary consents and regulatory approvals. Under the Option Agreement, the Optionee has the right to earn a 100-per-cent interest in the Manalo gold project, located in the Republic of Mali, Africa, subject to the retention of a 2-per-cent net smelter return (NSR) royalty by Delta. The Optionee may earn an initial 65-per-cent undivided interest in the Manalo gold project by incurring exploration expenditures on the Manalo gold project totaling $2.5-million (U.S.) prior to April 1, 2013, of which $2,402,601 (U.S.) has been incurred to date. The Optionee may earn the remaining 35-per-cent interest in the Manalo gold project by making a one-time cash payment of $1.5-million to Delta. At Delta's option, Delta may elect to receive the payment in the equivalent value of units issued by the Optionee. The Optionee must also deliver an independent feasibility study or arrange for production financing prior to April 1, 2017. The Optionee has the option to purchase one-half of the NSR (1 per cent) for $1-million within the first 12 months of production.

Delta Exploration is a wholly owned subsidiary of Rockgate Capital Corp., a Toronto Stock Exchange-listed company which has directors in common with the Company.

Turner Lake Property

On May 1, 2008 the Company entered into an Assignment Agreement with its then parent company, Rockgate Capital Corp. (“Rockgate”), whereby Rockgate assigned all of its’ right and title to an Option Agreement dated November 8, 2007 between Rockgate and Trade Winds Ventures Inc. (“Trade Winds”) regarding the Turner Lake Property. Under the Trade Winds Option the Company can earn up to a 75% interest in the Turner Lake Gold property located near Bathurst Inlet, Nunavut; an initial 65% interest in the project can be earned by spending $1,000,000 in exploration expenditures by March 19, 2009 (incurred) and by Rockgate’s issuance of 150,000 common shares of Rockgate (issued); an additional 10% interest could be earned by spending an additional $500,000 (incurred) on exploration prior to March 19, 2010 and by Rockgate’s issuance of an additional 250,000 shares (issued); and by the Company’s issuance of 16,667 shares (issued) to Trade Winds. In consideration of the assignment the Company issued to Rockgate 34,200 units of the Company’s capital stock valued at $2.50 per unit; wherein, each unit was composed of one common share and one warrant to purchase an additional common share at $3.75 until expiry on September 30, 2010.

Effective March 19, 2009 the Company exercised its option to acquire a 75% interest in the Turner Lake Gold property.

During the year ended June 30, 2010, the Company executed and completed an agreement with joint venture partner Trade Winds to acquire the remaining 25% interest in the Turner Lake property. As consideration for the purchase, the Company issued 170,000 common shares of the Company valued at $68,000 and granted a 1% Net Smelter Royalty to Trade Winds. The Company can acquire Trade Winds’ NSR for $1.25 million. One of the four claims [Jam 1] comprising the Turner Lake property is subject to an additional 1% NSR held by a third party.

During the year ended June 30, 2012, the Company was unable to verify its title in one of the four claims comprising the Turner Lake property. As a result, the Company recorded an impairment loss of $40,875.

4. Mineral properties – (cont'd)

Bathurst Inlet Property

Based upon the results from the 2008 exploration season, in May 2009, the Company decided to discontinue its ownership of the Bathurst Inlet property. Under the terms of the promissory note the mineral rights to the property were allowed to revert to Bathurst Inlet Developments (1984) Ltd.

As a result of the above, in a previous year the Company recorded an impairment of its Bathurst Inlet property of $1,807,730 reducing the carrying value of the property to $nil. Reclamation costs of $20,000 were recognized during fiscal 2010.

As at September 30, 2011, the Company has restored the site, eliminated its site restoration obligation and recovered the amount of $20,000 originally recognized during fiscal 2010.

Exploration and Development expenditures for the period ended September 30, 2012 are as follows:

	Turner Lake Property $	Manalo Property $	Total $
Assays	-	-	-
Camp supplies and field costs	-	23,240	23,240
Consultants	-	4,463	4,463
Drilling	-	-	-
Geological	-	3,304	3,304
Government fees	-	12,408	12,408
Office and administration	-	5,686	5,686
Travel	-	-	-
September 30, 2012	-	49,101	49,101

	Turner Lake Property $	Manalo Property $	Total $
Assays	-	-	-
Camp supplies and field costs	25,366	-	25,366
Consultants	7,800	-	7,800
Drilling	9,021	-	9,021
Geological	89,161	-	89,161
Government fees	471	-	471
Office and administration	570	-	570
Travel	115,650	-	115,650
September 30, 2011	248,040	-	248,040

5. Related party transactions and balances

Related party transactions were in the normal course of business and have been recorded at the exchange amount which is the fair value agreed to between the parties. Amounts due to related parties are unsecured, non-interest bearing and without specific terms of repayment.

During the periods ended September 30, 2012 and 2011, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors as follows:

Related party	Nature of transaction
Pacific Equity Management Corp. ("PEMC")	Management fees for services provided by CEO, CFO VP Corporate Development, VP Finance, Accountant, Secretary, Administrator and all support staff.
Geocon Enterprises Inc. ("Geocon")	Consulting fees for the services provided by Lorne Warner as VP Exploration.
Contact Financial Corp. ("CFC")	Rent and shared office expenses.
Rockgate Capital Corp. ("Rockgate")	A TSX listed company with common directors

Due to related parties include the following amounts:

	September 30, 2012	September 30, 2011
	$	$
PEMC	nil	213,450
Geocon	99,400	99,400
Rockgate	359,715	nil
	495,115	312,850

For the period ended September 30, 2012, the Company paid $7,500 (2011: $7,500) for rent and office services to CFC, a company controlled by an officer of the Company and in which a second officer and director of the Company is a significant shareholder. Pursuant to a rental agreement, the Company is required to pay $2,500 per month and the agreement can be terminated by either party with six months' notice.

For the period ended September 30, 2012, the Company paid a total of $90,000 (2011: $90,000) to PEMC, a company controlled by officers of the Company for management services. Pursuant to a Management Services Agreement, the Company is required to pay $30,000 per month, and the agreement can be terminated by either party with six months' notice.

Included in exploration and drilling expense is $nil (2011: $7,800) paid to Geocon, a company controlled by a former officer and director of the Company for geological services. During the year the consulting agreement related to these services was terminated.

Included in exploration and drilling expense is $49,101 (2011: $nil) accrued and payable to Rockgate, a company with common directors for the recovery of expenses pertaining to the Manalo option.

The Company has identified certain directors and certain senior officers as its key management personnel. The compensation costs for key management personal for the years ended September 30, 2012 and 2011 are as follows:

	September 30	
	2012	2011
Share-based compensation	$ -	$ 90,675

6. Share capital and contributed surplus

a) Authorized:
Unlimited common shares without par value

b) Issued common shares: Refer to Statement of Changes in Equity

On October 15, 2010 the Company's shareholders approved a resolution consolidating all of the 29,463,898 issued common shares into 5,892,779 issued common shares, on the basis that every five (5) common shares be consolidated into one (1) common share. All references to common shares, stock options and warrants in these financial statements reflect the share consolidation unless otherwise noted.

c) Private placements

During the year ended June 30, 2012, the Company completed a non-brokered private placement of 8,000,000 Units at $0.125 per unit for proceeds of $1,000,000. Each Unit consists of one common share of the Company and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one (1) additional common share in the capital of the Company at an exercise price of $0.165 per share until expiry on November 10, 2012. A finder's fee of $20,325 was paid in connection with the private placement and the Company incurred additional issuance costs of $15,801 for the private placement.

d) Warrants:

Warrant transactions are summarized as follows:

	Warrants	Weighted Average Exercise Price $
Balance,June 30, 2011	6,805,555	0.24
Issued	8,000,000	0.165
Exercised	(27,777)	0.24
Expired	(6,777,778)	0.24
Balance June 30 and September 30, 2012	8,000,000	0.165

All outstanding warrants, at September 30, 2012, are exercisable on a 1:1 basis and are summarized as follows:

Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in years)
8,000,000	$0.165	November 10, 2012	0.11

e) Options:

During the year ended June 30, 2009, the Company adopted a Stock Option Plan (the "Plan"). The purpose of the Plan is to give to eligible persons, as additional compensation, the opportunity to participate in the success of the Company by granting to such individuals options, exercisable over periods of up to five years, as determined by the board of directors of the Company, to buy shares of the Company at a price equal to the Market Price prevailing on the date the option is granted less applicable discount, if any, permitted by the policies of the Exchange and approved by the Board. The maximum number of Shares which may be issuable pursuant to options granted under the Plan shall be that number equal to 10% of the Company's issued share capital from time to time.

6. Share capital and contributed surplus – (cont'd)

e) Options – (cont'd)

	Options	Weighted Average Exercise Price
		$
Balance, June 30, 2011	580,000	0.24
Granted	690,000	0.17
Terminated	(96,000)	0.24
Balance, June 30 and September 30, 2012	1,174,000	$0.20

As at September 30, 2012, the following stock options were outstanding and exercisable:

Number	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in years)
484,000	$0.24	January 17, 2016	3.30
690,000	$0.17	September 27, 2016	3.99

These options entitle the holder thereof the right to acquire one common share for each option held. The weighted average remaining life of outstanding options is 3.71 years.

7. Capital management

The Company's objectives when managing capital are to pursue and complete the identification and evaluation of assets, properties or businesses with a view to acquisition or participation in a qualifying transaction, to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain credit worthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital is comprised of the Company's shareholders' equity.

As at September 30, 2012, the Company had capital resources consisting of cash and cash equivalents. 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 or adjust the amount of cash and cash equivalents.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry on its planned operations.

8. Financial instruments, fair value measurement and risk

a) Financial Instruments

As at September 30, 2012, the Company's financial instruments consist of cash and cash equivalents, taxes receivable, accounts payable and accrued liabilities, due to related parties, and due to Rockgate Capital Corp. The fair values of these financial instruments approximate their carrying values because of their short-term nature.

8. Financial instruments, fair value measurement and risk – (cont'd)

b) Fair Value Measurements

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. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1
Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2
Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3
Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The fair value of cash and cash equivalents are determined based on "Level 1" inputs which consist of quoted prices in active markets for identical assets. As at September 30, 2012, the Company believes that the carrying values of taxes receivable and accounts payable and accrued liabilities, due to related parties, and due to Rockgate Capital Corp. approximate their fair values because of their nature and relatively short maturity dates or durations.

c) Financial Risks

(i) Credit Risk
Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum credit risk is $636,852 (2011 - $600,825) consisting of cash and cash equivalents and taxes receivable. The Company limits its exposure to credit loss for cash and cash equivalents by placing such instruments with high credit quality financial institutions. The values of these instruments may exceed amounts insured by an agency of the government of Canada. Accounts receivable include harmonized sales tax receivable from an agency of the government of Canada. In management's opinion, the Company's credit risk related to cash and cash equivalents, accounts receivable and exploration advances is minimal.

(ii) Liquidity Risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at September 30, 2012, the Company had working capital of $115,177 (2011 - $181,256). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at September 30, 2012, the Company has adequate working capital to discharge its existing financial obligations.

(iii) Interest Rate Risk
The Company is subject to interest rate risk as its cash equivalents bear interest at fixed rates. In management's opinion, the Company's interest rate risk is minimal as its cash equivalents may be redeemed upon demand without significant penalty.

(iv) Foreign Currency Risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates internationally, which gives rise to the risk that cash flows may be adversely impacted by exchange rate fluctuations. Amounts subject to currency risk are primarily those cash and cash equivalents and receivables and prepaids that are held in foreign currencies, offset by those accounts payable denominated in foreign currencies. The Company raises funds in Canadian dollars and primarily spends funds in Canadian dollars, US dollars, Euros, and West African CFA Franc. The Company is exposed to currency risk primarily on settlements of purchases that were denominated in currencies other than the Canadian dollar. In order to reduce the Company's exposure to currency risk, the Company periodically increases or decreases the amount of funds held in foreign currencies.

9. Non-cash transactions

The Company has recorded non-cash Investing and Financing Activities as follows:

(a) During the year ended June 30, 2012, 1,000,000 common shares valued at $155,000 were issued in consideration of the property rights for the Manalo property (Note 4);

10. Segmented information

The Company operates in one segment – the acquisition, exploration and development of mineral properties. As at September 30, 2012, the Company's operations and assets were in Canada and the Republic of Mali.

11. Due to Rockgate Capital Corp.

As at September 30, 2012, $395,715 (2011: $nil) was due to Rockgate, the former parent company. The amount is non-interest bearing and has no specific terms of repayment.

12. Events after the reporting period

None to report.