BAMA GOLD CORP.

Financial Statements
(Expressed in Canadian Dollars)

For the years ended June 30, 2013 and 2012

charlton

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charlton & company
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
Bama Gold Corp.

We have audited the accompanying financial statements of Bama Gold Corp., which comprise the statements of financial position as at June 30, 2013 and 2012 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended June 30, 2013 and 2012 and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Bama Gold Corp. as at June 30, 2013 and 2012 and its financial performance and cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matters
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"Charlton & Company"
CHARTERED ACCOUNTANTS

Vancouver, Canada
October 9, 2013

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

	Notes	June 30, 2013 $	June 30, 2012 $
ASSETS			
Current assets			
Cash and cash equivalents		282,799	712,878
Taxes receivable		5,297	29,505
Prepaid expenses		-	10,892
Total current assets		288,096	753,275
Non-current assets			
Exploration and evaluation assets	*4*	122,625	527,625
Total assets		410,721	1,280,900
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		17,846	15,352
Due to related parties	*6*	99,400	114,400
Due to Rockgate Capital Corp.	*6*	-	346,078
		117,246	475,830
Promissory Note to Rockgate Capital Corp	*6*	543,718	-
Total liabilities		660,964	475,830
SHAREHOLDERS' EQUITY			
Share capital	*7*	8,183,326	8,183,326
Contributed surplus	*7*	629,554	629,554
Deficit		(9,063,123)	(8,007,810)
Total shareholders' equity		(250,243)	805,070
Total liabilities and equity		410,721	1,280,900

Nature and continuance of operations (Note 1)
Events after the reporting period (Note 13)

APPROVED BY THE DIRECTORS:

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

Signed: ***"Douglas Ford"***
Director

The accompanying notes form an integral part of these financial statements

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

		Years ended June 30	
		2013	**2012**
		$	**$**
	Notes		
Expenses			
Exploration expenses	***4,6***	195,864	627,305
General and administrative	***6***	52,655	66,177
Insurance		11,642	10,157
Management fees	***6***	360,000	360,000
Professional fees		23,262	36,928
Share-based compensation	***7(e)***	-	99,490
Transfer agent and regulatory fees		12,799	21,604
Loss before other items		(656,222)	(1,221,661)
Interest income		5,909	10,957
Reclamation cost recovery	***5***	-	20,000
Impairment	***4***	(405,000)	(40,875)
Loss before income taxes		(1,055,313)	(1,231,579)
Deferred income tax recovery	***8***	-	131,882
Net loss and comprehensive loss for the year		(1,055,313)	(1,099,697)
Loss per common share - basic and diluted		(0.05)	(0.06)
Weighted average number of common shares outstanding - basic and diluted		21,726,111	18,483,037

The accompanying notes form an integral part of these financial statements

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

	Notes	Years ended June 30 2013 $	2012 $
OPERATING ACTIVITIES			
Net loss for the year		(1,055,313)	(1,099,697)
Items not affecting cash			
Impairment		405,000	40,875
Reclamation cost recovery		-	(20,000)
Share based compensation		-	99,490
Tax deduction recovery		-	(131,882)
		(650,313)	(1,111,214)
Changes in non-cash working capital items:			
Taxes receivable		24,208	(1,245)
Prepaid expenses		10,892	176,507
Accounts payable and accrued liabilities		2,494	(862)
Due to related parties		(15,000)	(198,450)
Cash used in operating activities		(627,719)	(1,135,264)
INVESTING ACTIVITIES			
Reclamation bonds		-	150,000
Mineral property acquisitions		-	(250,000)
Cash used in investing activities		-	(100,000)
FINANCING ACTIVITIES			
Common shares issued for cash, net of issue		-	1,006,666
Share issuance costs		-	(36,126)
Due to Rockgate Capital Corp.		197,640	346,078
Cash provided by financing activities		197,640	1,316,618
Total change in cash during the year		(430,079)	81,354
Cash and cash equivalents, beginning of year		712,878	631,524
Cash and cash equivalents, end of year		282,799	712,878
Cash and cash equivalents is comprised of:			
Cash		29,430	463,378
Short-term deposits		253,369	249,500
		282,799	712,878
Cash paid for:			
Interest			-
Income taxes		-	-
Cash received for:			
Interest		5,909	10,957
Significant non-cash transactions	***11***		

The accompanying notes form an integral part of these financial statements

BAMA GOLD CORP.
Statements of Changes in Equity
(Expressed in Canadian Dollars)
For the years ended June 30, 2013 and 2012

	Notes	Number of shares	Share capital	Contributed surplus	Deficit	Total
			$	$	$	$
Balance at June 30, 2011		12,698,334	7,057,786	530,064	(6,908,113)	679,737
Loss for the year		-	-	-	(1,099,697)	(1,099,697)
Shares issued for mineral property rights		1,000,000	155,000	-	-	155,000
Shares issued for cash (private placement)		8,000,000	1,000,000	-	-	1,000,000
Shares issued for cash upon warrant exercise		27,777	6,666	-	-	6,666
Share-based compensation (options)		-	-	99,490	-	99,490
Share issuance costs		-	(36,126)	-	-	(36,126)
Balance at June 30, 2012		21,726,111	8,183,326	629,554	(8,007,810)	805,070
Balance at June 30, 2012		21,726,111	8,183,326	629,554	(8,007,810)	805,070
Loss for the year		-	-	-	(1,055,313)	(1,055,313)
Shares issued for mineral property rights		-	-	-	-	-
Shares issued for cash (private placement)		-	-	-	-	-
Shares issued for cash upon warrant exercise		-	-	-	-	-
Share-based compensation (options)		-	-	-	-	-
Share issuance costs		-	-	-	-	-
Balance at June 30, 2013		**21,726,111**	**8,183,326**	**629,554**	**(9,063,123)**	**(250,243)**

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 June 30, 2013, the Company had working capital of $170,850 (2012 – $277,445) and had accumulated a deficit of $9,063,123 (2012 - $8,007,810) 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 financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were approved for issue by the Board of Directors on October 9, 2013

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.

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 are initially measured at fair value and subsequently at amortized cost less any impairment.

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
Certain new accounting standards have been issued but are not yet effective. The Company has not yet evaluated the impact of these standards on its financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded below.

IFRS 9 – Financial instruments ("IFRS 9") will replace IAS 39 Financial Instruments: Recognition and Measurement ("IASB 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted.

IFRS 11 – New standard IFRS 11 Joint Arrangements improves the accounting for joint arrangement by introducing a principle-based approach that requires a party to a joint arrangement to recognize its right and obligations arising from the arrangement. Such a principle-based approach will provide users with greater clarity about an entity's involvement in its joint arrangement by increasing the verifiability, comparability and understanding of the reporting of these arrangements. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-Monetary Contributions by Venturers. This standard is effective for annual periods on or after January 1, 2012.

IFRS 12 – New Standard IFRS 12 Disclosure of Interest in Other Entities combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated significant entities.

IFRS 13 – Fair value measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

-fair value is measured using the price in a principal market for the asset or liability, in the absence of a principal market, the most advantageous market
-financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure
-disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities
-a quantitative sensitivity analysis must be provided for financial instruments measured at fair value
-a narrative must be provided discussing the sensitivity of fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs
-information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted

Amendments to IAS 32, Financial instruments: presentation - These amendments address inconsistencies when applying the offsetting requirements, and is effective for annual periods beginning on or after January 1, 2014.

4. Mineral properties

	Turner Lake Property	Manalo Property	Total
	$	$	$
June 30, 2013			
Mineral properties, beginning of the year	122,625	405,000	527,625
Acquisition costs capitalized during the year	-	-	-
Impairment	-	(405,000)	(405,000)
Mineral properties, end of the year	122,625	-	122,625
June 30, 2012			
Mineral properties, beginning of the year	163,500	-	163,500
Acquisition costs capitalized during the year	-	405,000	405,000
Impairment	(40,875)	-	(40,875)
Mineral properties, end of the year	122,625	405,000	527,625

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 had 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 could 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. The Optionee could 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 could elect to receive the payment in the equivalent value of units issued by the Optionee. The Optionee was also required to delivery an independent feasibility study or arrange for production financing prior to April 1, 2017. The Optionee had the option to purchase one-half of the NSR (1 per cent) for $1-million within the first 12 months of production.

Effective September 20, 2013, the Company relinquished its interest in the Manalo property option due to challenges posed by political and military issues in Mali and the state of capital markets. As a result, all capitalized costs were written off as at June 30, 2013.

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.

4. Mineral properties – (cont'd)

Turner Lake Property – (cont'd)

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.

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.

Reclamation costs

During the year ended June 30, 2012, reclamation work was performed on the Bathurst Inlet Property and Turner Lake Property and the reclamation bonds totalling $150,000 were released ($75,000 for each property).

Exploration and Development expenditures for the year ended June 30, 2013 are as follows:

	Turner Lake Property $	Manalo Property $	Total $
Assays	-	-	-
Camp supplies and field costs	-	103,287	103,287
Consultants	-	17,803	17,803
Drilling	-	3,933	3,933
Geological	-	21,425	21,425
Government fees	30	20,924	20,954
Office and administration	-	28,462	28,462
Travel	-	-	-
June 30, 2013	30	195,834	195,864

Assays	-	51,418	51,418
Camp supplies and field costs	60,463	147,137	207,600
Consultants	7,800	31,122	38,922
Drilling	9,021	62,375	71,396
Geological	89,161	17,787	106,948
Government fees	471	2,035	2,506
Office and administration	570	32,295	32,865
Travel	115,650	-	115,650
June 30, 2012	283,136	344,169	627,305

5. Site restoration obligation

A site reclamation obligation of $20,000 was recognized as a liability related to the Bathurst Inlet Property in fiscal 2011. Due to the uncertainty around the timing and amount of the cash flows, the amount of the provision was not discounted. As at June 30, 2012, the Company has restored the site, eliminated its obligation and reduced its liability to $nil. As the mineral property to which the costs relate was written off in previous years, the reclamation costs are recorded in the statement of comprehensive loss.

6. 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 years ended June 30, 2013 and 2012, 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:

	June 30, 2013	June 30, 2012
	$	$
PEMC	-	15,000
Geocon	99,400	99,400
	99,400	114,400

Due to Rockgate Capital Corp. includes the following amounts:

	June 30, 2013	June 30, 2012
	$	$
Due to Rockgate Capital Corp.	-	346,078
Promissory Note to Rockgate Capital Corp.	543,718	-
	543,718	346,078

As at June 30, 2013, $543,718 (2012: $346,078) was due to Rockgate, the former parent company. Effective September 20, 2013, all amounts due to Rockgate were evidenced by the Company's issuance of a non-recourse Promissory Note with a maturity date of September 20, 2018. The amount is non-interest bearing.

For the year ended June 30, 2013, the Company paid $30,000 (2012: $39,053) 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 year ended June 30, 2013, the Company paid a total of $360,000 (2012: $360,000) 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 (2012: $13,191) paid to Geocon, a company controlled by a former officer and director of the Company for geological services. The consulting agreement related to these services was terminated in 2012.

Included in exploration and drilling expense is $195,834 (2012: $342,343) accrued and payable to Rockgate, a company with common directors for the recovery of expenses pertaining to the Manalo option.

6. Related party transactions and balances (continued)

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 June 30, 2013 and 2012 are as follows:

	June 30 2013	2012
Share-based compensation	$ nil	$ 83,595

7. Share capital and contributed surplus

a) Authorized:
Unlimited common shares without par value

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

c) Private placements

During the year ended June 30, 2013, the Company had no private placements.

During the year ended June 30, 2012, the Company:
i) 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, 2012	8,000,000	0.165
Issued	-	-
Exercised	-	-
Expired	(8,000,000)	0.165
Balance June 30, 2013	nil	-

As at June 30, 2013, there are no warrants outstanding.

Warrants	**Exercise Price**	**Expiry Date**	**Weighted Average Remaining Contractual Life (in years)**
nil	$ -	n/a	n/a

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

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.

	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, 2012	1,174,000	0.20
Granted	-	-
Terminated	-	-
Balance, June 30, 2013	1,174,000	0.20

As at June 30, 2013, 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	2.55
690,000	$0.17	September 27, 2016	3.25

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 2.96 years.

The options granted to directors and officers during the year vested on the grant date. The fair value of each option was estimated on the grant date using the Black-Scholes option valuation model with the following assumptions:

	2013	2012
Risk free interest rate	-	1.46%
Expected life	-	5 years
Expected volatility	-	147.37%
Expected dividend yield	-	Nil

For the year June 30, 2013, the Company recorded $Nil (2012: $99,490) in share-based compensation relating to options granted.

8. Income taxes

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

		2013		2012
Loss before income taxes	$	**(1,055,313)**	$	(1,231,579)
Computed income taxes (recovery) at statutory rate of 25.00% (2012 – 25.75%)	$	**(263,828)**		(317,132)
Net adjustments for deductible and non-deductible items		**43,548**		188,910
Change in tax rates		**(144,718)**		(10,680)
Change in unrecognized deferred tax assets		**364,998**		7,020
	$	**-**	$	(131,882)

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

		2013		2012
Deferred tax assets:				
Non-capital losses carried forward	**$**	**671,485**	$	477,807
Exploration and evaluation assets		**596,838**		420,019
Share issuance costs		**7,541**		13,039
Total unrecognized deferred tax assets	**$**	**1,275,864**	$	910,865

At June 30, 2013, the Company has unrecognized tax attributes aggregating $1,275,864 (2012: $910,865) and non-capital losses of approximately $2,387,000 (2012: 1,911,000) available for carry forward. The Company has approximately $2,808,000 (2012: $2,207,000) of exploration costs which are available for deduction against future income for tax purposes.

The non-capital losses expire as follows:

2030	$	454,000
2031		503,000
2032		469,000
2033		485,000
2034		476,000
Totals	**$**	**2,387,000**

During the year ended June 30, 2012, the Company renounced exploration and evaluation expenses deductible for Canadian income tax purposes of $570,605 in respect of flow-through shares issued in fiscal 2011 and 2009. Accordingly, the Company reduced the liability to sell the tax deductions and recognized a deferred income tax recovery during the year ending June 30, 2012 of $131,882.

9. 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 June 30, 2013, 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.

10. Financial instruments, fair value measurement and risk

a) Financial Instruments

As at June 30, 2013, the Company's financial instruments consist of cash and cash equivalents, 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.

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 June 30, 2013, the Company believes that the carrying values of 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 $288,097 (2012 - $742,383) consisting of cash and cash equivalents. 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. In management's opinion, the Company's credit risk related to cash and cash equivalents is minimal.

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

c) Financial Risks (cont'd)

(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 June 30, 2013, the Company had working capital of $170,851 (2012 - $277,445). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at June 30, 2013, the Company does have 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 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.

11. Non-cash transactions

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

(a) During the year ended June 30, 2013, no transactions were recorded.

(b) 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);

12. Segmented information

The Company operates in one segment – the acquisition, exploration and development of mineral properties. As at June 30, 2013, the Company's operations and assets were in Canada and the Republic of Mali.

13. Events after the reporting period

Subsequent to the year ended June 30, 2013, the Company has relinquished its option to the Manalo-Mansaya properties.