Red Ore Gold Inc.

Unaudited Condensed Consolidated Interim Financial Statements

January 31, 2012
(expressed in Canadian dollars)

Red Ore Gold Inc.

Table of contents

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51 – 102 Continuous Disclosure Obligations of the Canadian Securities Administrators WE HEREBY GIVE NOTICE that the interim consolidated financial statements that follow this notice have not been reviewed by the Company's auditors

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements of Red Ore Gold Inc. are the responsibility of the Board of Directors.

The unaudited condensed consolidated interim financial statements have been prepared by Management in accordance with the accounting policies disclosed in the notes to these financial statements on behalf of the Board of Directors. Where necessary, Management has made informed judgments and estimates in accounting transactions that were not complete on the date the balance sheet was prepared. It is Management's opinion that the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standard 34.

Established processes are in place to provide Management with sufficient knowledge to support it in its representations in exercising reasonable diligence that:
i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by, the consolidated financial statements, and:
ii) the consolidated financial statements fairly present, in all material respects the financial condition, results of operations and cash flows of the Company as at the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information, of the Company and for ensuring that Management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with Management to review the financial reporting process and the consolidated financial statements, including additional financial information of the Company. The Audit Committee reports its findings to the Board of Directors for their consideration in approving the audited consolidated financial statements together with other financial information, of the Company for issuance to shareholders.

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

signed "Robin Dow"
Robin Dow
Chief Executive Officer
Ottawa, Ontario
March 30, 2012

signed "Sabino Di Paola"
Sabino Di Paola
Chief Financial Officer

Red Ore Gold Inc.
Unaudited Consolidated Statement of Financial Position

(expressed in Canadian dollars)

	Notes	January 31 2012 (Unaudited)	April 30 2011 (Audited)
Assets			
Current assets:			
Cash	4	$ 292,747	$ 457,081
Accounts receivable	5	55,072	17,615
Other assets	6	15,000	361
Total current assets		362,820	475,057
Reclamation bond	8	18,847	17,847
Total assets		$ 381,666	$ 492,904
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	9	$ 239,674	$ 214,517
Due to parent company	10	225,657	214,872
Total current liabilities		465,331	429,389
Shareholders' equity			
Share capital	12	1,212,942	12,542
Shares to be issued	13	-	542,500
Contributed surplus		131,490	-
Accumulated other comprehensive income		5,418	1,296
Accumulated deficit		(1,575,235)	(477,935)
Equity attributable to the owners of the Company		(225,386)	78,403
Non-controlling interest in subsidiary	21	141,720	(14,888)
Total shareholders' equity		(83,664)	63,515
Total liabilities and shareholders' equity		$ 381,666	$ 492,904
Contingencies and commitments	22		
Nature of operations and going concern	1		

The notes to the unaudited consolidated financial statements are an integral part of these financial statements

Approved by the Board of Directors:

Signed by (Larry Hoover) — Director

Signed by (Robin Dow) — Director

Red Ore Gold Inc.
Unaudited Consolidated Statement of Comprehensive Loss

(expressed in Canadian dollars)	Notes	Three months ending January 31 2012 (Unaudited)	Nine months ending January 31 2012 (Unaudited)	Year ending April 30 2011 (Audited)
Expenses				
Management & Directors fees	18	$ 19,000	$ 52,000	$ 53,000
Promotion & Investor Conference		33,196	77,076	17,467
Regulatory, exchange, AGM, press release and transfer agent fees		5,907	13,426	350
Professional fees		83,002	425,967	133,265
Exploration and evaluation expenditures		97,198	365,389	216,285
Compensation shares		(39,700)	30,000	85,000
Other expenses	16	154,198	191,868	14,818
		(352,801)	(1,155,726)	(520,185)
Other expenses				
Finance costs		(2,057)	(3,221)	(278)
Foreign exchange loss		4,265	3,879	(753)
		2,208	657	(1,031)
Net loss for the period		$ (350,593)	$ (1,155,069)	$ (521,216)
Other Comprehensive loss:				
Foreign currency translation adjustment		$ 13,399	$ 6,871	$ 2,160
Total Comprehensive loss for the period		$ (337,193)	$ (1,148,198)	$ (519,056)
Net loss atributable to:				
Owners of the company		$ (337,513)	$ (1,097,300)	$ (477,935)
Non-controlling interest		(13,079)	(57,769)	(43,281)
Net loss for the period		$ (350,593)	$ (1,155,069)	$ (521,216)
Total Comprehensive loss attributable to:				
Owners of the company		$ (329,473)	$ (1,093,178)	$ (475,775)
Non-controlling interest		(7,720)	(55,020)	(43,281)
Total Comprehensive loss		$ (337,193)	$ (1,148,198)	$ (519,056)
Earnings per share				
Loss per common share:				
Basic and diluted	17	$ (0.03)	$ (0.09)	$ (0.15)
Weighted average number of common shares outstanding:				
Basic and diluted		11,697,066	11,697,066	3,270,859
Nature of operations and going concern	1			

The notes to the unaudited consolidated financial statements are an integral part of these financial statements

Red Ore Gold Inc.
Unaudited Consolidated Statement of Changes in Shareholders' Equity

(expressed in Canadian dollars)

	Number of common shares outstanding	Share Capital	Reserve for shares to be issued	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Attributable to parent	Non-controlling interest	Total
Balance at January 13, 2011	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(521,216)	(477,935)	(43,281)	(521,216)
Cumulative translation adjustment	-	-	-	-	1,296	-	1,296	864	2,160
Share issued upon incorporation	1	1	-	-	-	-	1	-	1
Share capital issued	8,838,938	12,541	-	-	-	-	12,541	-	12,541
Shares to be issued	-	-	542,500	-	-	-	542,500	-	542,500
Funded and committed cash calls	-	-	-	-	-	-	-	27,529	27,529
Balance at April 30, 2011	8,838,939	12,542	542,500	-	1,296	(521,216)	78,403	(14,888)	63,515
Loss for the period	-	-	-	-	-	(1,155,069)	(1,097,300)	(57,769)	(1,155,069)
Cumulative translation adjustment	-	-	-	-	4,122	-	4,122	2,748	6,871
Share capital issued for cash	8,255,000	1,115,350	-	-	-	-	1,115,350	-	1,115,350
Share capital issued for property	200,000	20,000	-	-	-	-	20,000	-	20,000
Share capital issued for settlement of debt	1,150,000	115,000	-	-	-	-	115,000	-	115,000
Shares to be issued		-	(542,500)	-	-	-	(542,500)	-	(542,500)
Share issue costs	-	(49,950)	-	-	-	-	(49,950)	-	(49,950)
Stock options granted	-	-	-	131,490	-	-	131,490	-	131,490
Funded and committed cash calls	-	-	-	-	-	-	-	211,629	211,629
Balance at January 31, 2012	18,443,939	1,212,942	-	131,490	5,418	(1,676,285)	(225,385)	141,720	(83,665)

Nature of operations and going concern 1

The notes to the unaudited consolidated financial statements are an integral part of these financial statements

Red Ore Gold Inc.
Unaudited Consolidated Statement of Cash Flow

(expressed in Canadian dollars)

		Nine months ending January 31 2012 $ (Unaudited)		Year ending April 30 2011 $ (Audited)
Cash flow from operating activities				
Net loss for the period	$	(1,155,069)	$	(521,216)
Adjustments to reconcile loss to net cash used in operating activities:				
Finance cost		3,221		278
Common shares issued for land management fees		20,000		-
Common shares issued as compensation		30,000		85,000
Stock option charges		131,490		-
Change in non-cash working capital balances:				
Accounts receivable		(37,457)		(16,662)
Prepaid expenses		(14,639)		(361)
Reclamation bond		(1,000)		603
Accounts payable and accrued liabilities		25,157		192,645
Cash generated from operations		(998,296)		(259,713)
Income tax paid		-		-
Total cash (outflows) from operating activities	**$**	**(998,296)**	**$**	**(259,713)**
Cash flows from investing activities				
Net cash acquired on acquisition of subsidiary		-		23,372
Total cash inflows from investing activities	**$**	**-**	**$**	**23,372**
Cash flows from financing activities				
Proceeds from share issuance	$	657,850	$	1
Shares to be issued		-		457,500
Share issue costs		(49,950)		-
Due to parent company		10,785		214,871
Contributions by non-controlling interest		211,629		19,168
Finance cost		(3,221)		(278)
Total cash inflows from financing activities	**$**	**827,092**	**$**	**691,262**
Effect of foreign exchange on cash	$	6,870	$	2,160
Total increase in cash during the period	$	(164,333)	$	457,081
Cash and cash equivalents - Beginning of period		457,081		-
Cash and cash equivalents - End of period	**$**	**292,747**	**$**	**457,081**

The notes to the unaudited consolidated financial statements are an integral part of these financial statements

1. Nature of operations and going concern

Nature of operations

Red Ore Gold Inc. (the "Company" or "Red Ore") was incorporated under the name "Red Ore Gold Inc." under the laws of the Province of British Columbia by Articles of Incorporation dated January 13, 2011. Red Ore is a subsidiary of Galahad Metals Inc.

Red Ore is a junior mining company engaged in the identification, acquisition, evaluation and exploration of precious and base metals with mineral properties currently in the United States. At the date of these financial statements the Company has not determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of amounts recorded for mineral exploration properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these reserves and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

The primary office is located at 3643 Marine Drive, West Vancouver, British Columbia, V7V 1N3 with the operating office located at 100-2746 St Joseph Blvd, Orleans, Ontario, Canada, K1C1G5

Red Ore has a 60% interest in Bottle Creek Exploration LLC ("BCE") and incorporated a wholly owned subsidiary Red Ore Gold NV Inc. ("RXX").

The unaudited consolidated financial statements were approved by the Board of Directors on March 26, 2012**.**

Going concern

These unaudited consolidated interim financial statements have been prepared using International Financial Reporting Standards applicable to a going concern which assumes that the Company will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Several conditions cast substantial doubt on the validity of this assumption. From inception to date, the Company has incurred losses from operations and has had negative cash flow from operating activities. As at January 31, 2012, the Company had total cash of **$ 292,747** of which **$ 108,202** is to be used for exploration in Nevada (see note 4). The Company requires additional funding to be able to further its existing exploration projects and to meet ongoing requirements for general operations. The recovery of costs incurred to date on mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development of its properties and generation of profitable operations in the future, or proceeds from disposition of the properties and deferred exploration expenditures.

While Management has been successful in obtaining sufficient funding for its operating capital and exploration requirements from the inception of the Company to date there is, however, no assurance that additional funding will be available to the Company or that, when it is required it will be available on terms which are acceptable to Management.

These unaudited consolidated interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and financial position classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

2. Significant accounting policies

Basis of accounting

Red Ore Gold Inc. and its subsidiary are presenting unaudited interim consolidated financial statements as of and for the nine month period ended January 31, 2012.

i) Statement of compliance and conversion to International Financial Reporting Standards

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards "IFRS" as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2. Significant accounting policies – (continued)

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at April 30, 2011. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended April 30, 2011.

Basis of Consolidation

The Company's financial statements consolidate those of the parent company and its US subsidiaries as at January 31, 2012. BCE has a reporting date of December 31 and RXX has a reporting date of April 30.

The financial statements of the subsidiary are prepared using consistent accounting policies as the parent. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Standards, Amendments and Interpretations Not Yet Effective

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not yet effective:

1) IFRS 7, Financial Instruments: Disclosures, amendments regarding Disclosures — Transfers of Financial Assets:
The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for:

- financial assets that are not derecognised in their entirety; and
- financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

The amendments are effective for annual periods beginning on or after 1 July 2011.

2) IFRS 9, Financial Instruments:
This amendment addresses the classification and measurement of financial assets. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Application of IFRS 9 is mandatory for annual periods beginning on or after January 1, 2015.

3) IFRS 10 Consolidated Financial Statements
IFRS 10 outlines the principles for the presentation and preparation of consolidated financial statements. IFRS 10 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The IFRS sets out requirements on how to apply the control principle, including additional guidance to assist in the determination of control where this is difficult to assess. The IFRS specifies the accounting requirements for the preparation of consolidated financial statements and refers to IFRS 12 for disclosure requirements. The guidance in IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

4) IFRS 11 Joint Arrangements
IFRS 11 defines the two types of joint arrangements (joint operations and joint ventures) and outlines how to determine the type of joint arrangement entered into and the principles for accounting for each type of joint arrangement. The guidance in IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

5) IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 outlines the disclosures required in order to provide users of financial statements with the information necessary to evaluate an entity's interest in other entities, the corresponding risks related to those interests and the effects of those interests on the entity's financial position, financial performance and cash flows. The IFRS specifies minimum disclosures that an entity must provide. If the minimum disclosures required by the IFRS are not sufficient to meet the disclosure objective, an entity discloses whatever additional information is necessary to meet that objective. The guidance in IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

6) IFRS 13 Fair Value Measurement
IFRS 13 defines fair value, summarizes the methods of determining fair value and outlines the required fair value disclosures. IFRS 13 is utilized when another IFRS standard requires or allows fair value measurements or disclosures about fair value measurements. The guidance in IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

(Expressed in Canadian Dollars)

2. Significant accounting policies – (continued)

7) IAS 27 Separate Financial Statements (Amendment)
The amendments to IAS 27 outlines the accounting principles to be applied with regards to investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate, non-consolidated, financial statements. The previous standard was titled IAS 27 Consolidated and Separate Financial Statements. The guidance in IAS 27 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

8) IAS 28 Investments in Associates and Joint Ventures (Amendment)
The amendment to IAS 28 outlines the accounting treatment and corresponding application of the equity method of accounting in investments in associates and joint ventures. The previous standard was titled IAS 28 Investments in Associates. The guidance in IAS 28 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

9) IAS 1 Presentation of Financial Statements (Amendment)
Amended IAS 1 requires that comprehensive income be classified by nature: items that will not be reclassified in net income during a subsequent period and those that will subsequently be reclassified in net income when certain specific conditions are met. The effective date of this amendment is for the Corporation fiscal years beginning on or after July 1, 2012, although earlier application is permitted.

The Company has not early adopted these standards and is currently assessing the impact that these standards will have on the consolidated financial statements. IFRS 10, IFRS 11, IAS 27 and IAS 28 cannot be early adopted on a stand-alone basis and may only be early adopted as a group along with IFRS 12.

3. Acquisition

On March 25, 2011, Galahad Metals Inc., a related party, received Board of Director approval to transfer all of its 60% ownership of Bottle Creek Exploration LLC (the “subsidiary” or “BCE”) a joint venture subsidiary of Galahad, which was incorporated in the State of Nevada, to the Company in exchange for 8,838,938 common shares. Under the terms of the transaction, the Company acquired 60% the ownership interest in Bottle Creek Exploration LLC. The transaction is being accounted for as an acquisition of an asset in accordance with IFRS and not a business combination under IFRS 3, Business Combinations.

The carrying value of the consideration transferred in connection with the acquisition and the assets and liabilities recognized as a result of the acquisition are listed in the table below. The carrying value of the assets and liabilities acquired is based on the financial statements of Bottle Creek Exploration LLC as at March 25, 2011.

Net Assets acquired

Cash	$	23,372
Other current assets		952
Reclamation bond		18,450
Cash call receivable		166,976
Assumed liabilities		(188,848)
Non-controlling interest		(8,361)
Carrying value of assets acquired	$	12,541

The carrying value of the assets acquired has been capitalized to the shareholders’ equity of the Company as the value of the 8,838,938 shares issued to Galahad Metals Inc. in the amount of $12,541 (Note 12).

4. Cash position

	As at January 31, 2012	As at April 30, 2011
Cash	$ 184,545	$ 438,568
Cash to be used in the Bottle Creek exploration	108,202	18,513
Total Cash	**$ 292,747**	**$ 457,081**

Cash earns interest at floating rates based on the daily bank deposit rates. As at January 31, 2012, US$165,238 was included in the cash of the Company. This amount has been translated into C$ at using the closing exchange rate on January 31, 2012. As at January 31, 2012, US$107,901 was held by Bottle Creek Exploration LLC to be used towards the advancement of exploration and evaluation of the Bottle Creek property.

(Expressed in Canadian Dollars)

5. Accounts receivable

	As at January 31, 2012	As at April 30, 2011
Sales tax receivable	$ 55,062	$ 16,694
Cash call receivable	305,897	180,086
Allowance on cash call receivable	(305,897)	(180,086)
Other receivables	10	921
Total accounts receivable	**$ 55,072**	**$ 17,615**

Accounts receivable are non-interest bearing and are generally on 30-90 day terms.

Bottle Creek Exploration LLC has a cash call receivable of $305,897 from Golden Gryphon USA, which has been recognized by Red Ore Gold Inc. upon consolidation. Management of Red Ore Gold Inc. has determined that the collectability of the cash call receivable is uncertain due to failure of Bottle Creek joint venture partners to fund cash calls on a daily basis. As a result a valuation allowance has been taken on the outstanding balance of the cash call receivable.

6. Other assets

	As at January 31, 2012	As at April 30, 2011
Deferred IPO costs	$ -	$ -
Prepaid expenses	15,000	361
	$ 15,000	$ 361

On June 3, 2011, the Company signed an agreement with PI Financial to act as the Company's exclusive agent with respect to the initial public offering. Under the terms of the agreement the Company paid a corporate finance fee of $25,000 to PI Financial. As at January 31, 2012, Management of the Company had decided that the IPO would be cancelled due to difficulty in raising the required minimum funds stated in the Company's final prospectus. Management has subsequently made the decision to commence a listing application in conjunction with a private placement in spring 2012. As a result the company had expensed the $25,000 capitalized as deferred IPO costs as at October 31, 2011.

7. Deferred exploration and evaluation expenditures – mineral acquisition costs

Bottle Creek

Bottle Creek Exploration LLC the company's 60% owned subsidiary holds a 100% interest in the Bottle Creek epithermal gold-silver property in Humboldt County, Nevada. The Bottle Creek Property consists of 938 unpatented, contiguous Federal lode mining claims, covering an area of $78.4km^2$ (7,842 hectares or 19,379 acres) in Humboldt County, Nevada. The claims are subject to a 1% NSR.

At January 31, 2012, the Company has incurred cumulative exploration and evaluation expenditures of $ **140,831** on this project. As at January 31, 2012, no commercially viable mineral reserve has been found on this project and as a result the Company has expensed all of the exploration and evaluation expenditures. The Company plans to continue exploration on this project with a drill program scheduled for the spring of 2012.

Ryepatch

On April 20, 2011, the Company announced that it has signed a Letter of Intent ("LOI") with Gold Range Company LLC (GRC) to explore and develop their Rye Patch gold-silver-tungsten-antimony property in Pershing County, Nevada.

The Rye Patch property, comprised of 75 unpatented lode claims and one patented lode claim, covers approximately 1,500 acres and 2.5 miles of prospective strike length over the productive Humboldt Thrust Fault.

On November 5, 2011, the Company announced that it had signed a definitive Option Lease Agreement Gold Range Company LLC (GRC). The Rye Patch property is comprised of 75 unpatented lode claims and one patented lode claim, covers approximately 1,500 acres and 2.5 miles of prospective strike length over the productive Humboldt Thrust Fault.

7. Deferred exploration and evaluation expenditures – mineral acquisition costs – (continued)

The terms of the definitive Option Lease Agreement are:

1) The Company will make a US$ 10,000 payment upon signing the Letter of Intent;
2) The Company will make a US$ 10,000 payment upon signing the option lease agreement;
3) The Company will make a US$ 20,000 payment on the 1st anniversary of signing the lease option agreement;
4) The Company will make a US$ 30,000 payment on the 2nd anniversary of signing the lease option agreement;
5) The Company will make a US$ 50,000 payment on the 3rd anniversary of signing the lease option agreement;
6) The Company will make a US$ 100,000 payment on the 4th anniversary of signing the lease option agreement;
7) The Company will make a US$ 200,000 payment on the 5th anniversary of signing the lease option agreement and thereafter for a total of 20 years renewable in 20 year increments.

The advance royalty payments shall be deductible from future production royalties.

GRC retains a 5% NSR which shall be subject to a buy-down clause in favour of RXX to 3% NSR for US$3,000,000 and to an additional buy-down to 1.5% NSR for an additional amount of US$3,000,000. The advance production royalty payments shall be deductible from future production royalties. There are no work commitments in the deal.

At January 31, 2012, the Company has incurred cumulative exploration and evaluation expenditures of **$109,482** on this project. As at January 31, 2012, no commercially viable mineral reserve has been found on this project and as a result the Company has expensed the exploration and evaluation expenditures. The Company plans to continue preliminary exploration in the spring of 2012 and develop a summer/fall exploration program shortly afterwards.

Pogonip

On May 16, 2011, the Board of Directors approved a Letter of Intent with Gold Range Company ("GRC") for exploration and development rights to the Pogonip Ridge mineral property in the State of Nevada. The Pogonip Ridge is comprised of 17 patented lodge claims and 58 unpatented mining claims covering approximately 1,800 acres of Nevada's prolific Battle Mountain-Eureka Trend.

On October 13, 2011, the Company announced the staking of 86 additional unpatented lode mining claims in north-central Nevada covering a total of 1,777 acres (719 hectares) strategically located between Ely Gold's and Solitario's Mt. Hamilton Gold-Silver Project and their own Pogonip Ridge Silver-Gold Property. This more than doubles the size of the Red Ore Gold's property to 3,120 acres (1,262 hectares).

On November 5, 2011, the Company announced that it had signed a definitive Option Lease Agreement Gold Range Company LLC (GRC). The Agreement on the Pogonip property has 58 unpatented lode claims, 16 patented lode claims and one patented mill site, comprised of approximately 725 hectares covering a 3 km strike length of highly favourable prospective geology.

The terms of the definitive Option Lease Agreement are:

1) The Company will make a US$ 5,000 payment upon signing the letter of intent (non-refundable);
2) The Company will make a US$ 15,000 payment upon signing an option lease agreement;
3) The Company will make a US$ 20,000 payment on the 1st anniversary of signing the lease option agreement;
4) The Company will make a US$ 30,000 payment on the 2nd anniversary of signing the lease option agreement;
5) The Company will make a US$ 50,000 payment on the 3rd anniversary of signing the lease option agreement;
6) The Company will make a US$ 100,000 payment on the 4th anniversary of signing the lease option agreement;
7) The Company will make a US$ 200,000 payment on the 5th anniversary of signing the lease option agreement and thereafter;

The advance royalty payments shall be deductible from future production royalties.

Gold Range Company has reserved a 4% NSR on all materials produced or sold from the property. The Company has a right to "buy-down" the NSR for US$ 1,000,000 per point or pro-rata portion thereof to a minimum NSR of 1.5%. There are no work commitments in the deal.

At January 31, 2012, the Company has incurred cumulative exploration and evaluation expenditures of **$108,650** on this project. As at January 31, 2012, no commercially viable mineral reserve has been found on this project and as a result the Company has expensed the exploration and evaluation expenditures. The Company plans to continue preliminary exploration in the spring of 2012 and develop a summer/fall exploration program shortly afterwards.

(Expressed in Canadian Dollars)

7. Deferred exploration and evaluation expenditures – mineral acquisition costs – (continued)

General exploration

At January 31, 2012, the Company has incurred cumulative exploration and evaluation expenditures of **$6,427** on general exploration. General exploration is primarily due diligence performed on properties which the Company is in the process of acquiring or which the management of the Company has decided not to further pursue past the initial due diligence. These costs are expensed in the period in which they are incurred and are assigned to a property only if the Company proceeds to acquire the exploration rights to the property. As at January 31, 2012, the Company decided not to further pursue these properties.

8. Reclamation Bond

On February 4, 2011, Bottle Creek Exploration LLC, a subsidiary of the Company remitted a bond in the amount of US$ **18,794** to the Bureau of Land Management ("BLM") in the United States. The bond was required in order to obtain the right for disturbance of public land in Nevada at seventeen drill locations identified by the Company. The bond does not relieve the Company of the potential environmental liabilities for improper disposal of hazardous waste, unauthorized disposal of debris, the spilling of oil, noxious fluids and chemicals on the ground. Once the drill program is completed and the status of the site reviewed by the BLM, the Company is eligible to recover all or part of the bond remitted dependant on the existing condition of the drill site.

9. Accounts payable and other liabilities

Accounts payable and other liabilities aged analysis:

	Accounts payable and other liabilities as at January 31, 2012	Accounts payable and other liabilities as at April 30, 2011
Not more than 3 months	$ 78,244	$ 214,517
More than 3 months but not more than 6 months	156,430	-
More than 6 months but not more than 1 year	-	-
More than 1 year	5,000	-
Total	**$ 239,674**	**$ 214,517**

Terms and conditions of the above financial liabilities:
1) Trade payables and accrued liabilities are non-interest bearing and are normally settled on 30 to 60 day terms.
2) Included in the accounts payable and accrued liabilities are $6,000 accrued to Directors and Officers as retainers and management fees.

10. Due to parent company

As at January 31, 2012, the Company has a balance of **$ 225,657** (April 30, 2011 - $214,872) owing to Galahad Metals Inc., its parent company, for advances made to fund start-up costs, initial IPO costs as well as advances for the exploration and evaluation of its Bottle Creek, Ryepatch and Pogonip properties. The advances are non interest bearing with no set terms of repayment.

11. Provisions

The Change in provision balance is comprised of the following for the nine month period ending January 31, 2012:

	Provisions
Balance, beginning of period	$ -
PI Financial commissions (A)	-
Balance, end of period	$ -

(Expressed in Canadian Dollars)

11. Provisions – (continued)

A) The Company will pay a commission of 10% of the gross proceeds of the offering on the closing of the IPO to PI. PI may elect to receive the commission in cash or in whole or part, in units at a deemed price of $0.30 per unit. The Company will also issue to PI on closing of the IPO, compensation options equal in number to 10% of the aggregate number of units sold under the IPO. Each compensation option will entitle PI to purchase one common share at any time and from time-to-time for a period of 24 months following the closing date of the IPO at an exercise price equal to $0.30 per common share. As at June 30, 2011, the Company recorded a provision of $103,500 for the commissions payable to PI Financial based on the minimum IPO gross proceeds being achieved.

As at September 30, 2011, Management of the Company had decided that the IPO would be postponed due to difficulty in securing a sufficient number of shareholders to qualify for listing on the TSX-Venture. Management has subsequently made the decision to commence a private placement in November 2011 to raise sufficient funds to ensure adequate working capital and continue to advance exploration on its current properties. Therefore, when the Company resumes its IPO the final prospectus will be amended for funds required within the next 12 months based on proceeds raised in the October 2011 private placement. Management has decided that the minimum amount of funds which will be required in once the IPO is resumed cannot be reasonably determined at this time and as a result have removed the provision for commissions owing to PI Financial. Management will reassess the need for a provision once the private placement has been completed and the IPO resumed.

As at January 31, 2012 Management of the Company has not resumed the IPO and are in the process of completing a listing application with the TSX Venture. As part of the listing application the Company will issue a private placement to raise the minimum funds as will be approved by the TSX Venture.

12. Share capital and reserves

a) Common shares

The Company is authorized to issue an unlimited number of common shares with no par value, issuable in series. The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

Share held in escrow

As of January 31, 2012, the number of common shares held in escrow is 6,613,430. These shares have been included in the issued and outstanding shares and will be released from escrow as per the vesting schedule:

On the date the Issuer's securities are listed on a Canadian exchange (the listing date)	10% of the escrow securities
6 months after the listing date (992,014 common shares)	15% of the remaining escrow securities
12 months after the listing date (992,014 common shares)	15% of the remaining escrow securities
18 months after the listing date (992,014 common shares)	15% of the remaining escrow securities
24 months after the listing date (992,014 common shares)	15% of the remaining escrow securities
30 months after the listing date (992,014 common shares)	15% of the remaining escrow securities
36 months after the listing date (992,017 common shares)	The remaining escrow securities

b) Preferred shares

The Company is authorized to issue an unlimited number of preference shares with no par value, issuable in series.

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. No preferred shares have been issued since the Company's inception.

12. Share capital and reserves – (continued)

Share issuances

On May 5, 2011, the Company issued 935,000 units to investors at a price of $0.50 per unit for gross proceeds of up to $467,500 as part of a private placement. Each unit consists of one common share of the Company and one common share purchase warrant. Each Warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.75 per common share exercisable on or before January 31, 2013.

On June 13, 2011, after consultation through PI with respect to pricing of the common shares to be issued in connection with the Red Ore Gold's proposed IPO, the Board of Directors passed a resolution to effectively reduce the price of the April private placement from $0.50 per unit to $0.25 per unit and to amend the warrant exercise price to $0.40, down from $0.75. To give effect to the foregoing dilution, as of July 31, 2011, the Board of Directors has approved the issuance of double the amount of compensation shares and the issuance of rights to the investors who participated in the Red Ore Gold's initial private placement which closed on May 5, 2011. The rights offering will allow investors to subscribe for an additional 935,000 units at a price of $0.01 per unit. In connection with this rights offering, the warrants previously issued to the investors will be amended to increase the number of warrants granted to equal the total number of common shares subscribed for by such investors and to reduce the exercise price to $0.40. A total of 935,000 warrants were issued in the May 5, 2011, private placement with an exercise price of $0.75 per share. As a result of the adjustment the Company will recall the outstanding warrants and issue 1,870,000 warrants with an exercise price of $0.40 per common share. The rights offering and notice of adjustment of warrants expire on August 31, 2011, if they are not exercised by the shareholder.

On July 8, 2011, Galahad Metals Inc. declined to exercise their rights offering to acquire an additional 8,838,939 shares.

On August 31, 2011, the Company had received executed rights offering from existing shareholders as well as proceeds of $9,350 and issued 935,000 common shares at a price of $0.01 per share. There were no warrants offered in conjunction to these shares.

On October 24, 2011, the Company issued 100,000 units to investors at a price of $0.10 per unit for gross proceeds of up to $10,000 as part of a private placement. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.20 per common share exercisable on or before November 1, 2013.

On October 27, 2011, the Company issued 600,000 units to investors at a price of $0.10 per unit for gross proceeds of up to $60,000 as part of a private placement. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.20 per common share exercisable on or before November 1, 2013.

On October 28, 2011, the Company issued 100,000 units to investors at a price of $0.10 per unit for gross proceeds of up to $10,000 as part of a private placement. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.20 per common share exercisable on or before November 1, 2013.

On November 16, 2011, the Company issued 775,000 units to investors at a price of $0.10 per unit for gross proceeds of up to $77,500 as part of a private placement. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.20 per common share exercisable on or before November 1, 2013.

On December 1, 2011, the Company issued 2,250,000 units to investors at a price of $0.10 per unit for gross proceeds of up to $225,000 as part of a private placement. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.20 per common share exercisable on or before November 1, 2013.

On December 29, 2011, the Company issued 2,460,000 units to investors at a price of $0.10 per unit for gross proceeds of up to $246,000 as part of a private placement. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.20 per common share exercisable on or before November 1, 2013.

(Expressed in Canadian Dollars)

12. Share capital and reserves – (continued)

On January 4, 2012, the Company issued 1,150,000 common shares to officers and consultants of the Company. These shares have a deemed value of $0.10 per common share and have no warrants associated with the share issuance.

On January 11, 2012, the Company issued 200,000 common shares per the Pogonip and Ryepatch land management agreement. The shares have a deemed value of $0.10 per common share and have no warrants associated with the share issuance.

On January 20, 2012, the Company issued 100,000 units to investors at a price of $0.10 per unit for gross proceeds of up to $10,000 as part of a private placement. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.20 per common share exercisable on or before November 1, 2013.

c) Contributed surplus

Amounts recorded in contributed surplus relate to the fair value of the stock options and compensation options.

On January 11, 2012, the Company granted 1,350,000 stock options to Directors, Officers, and consultants of the Company with an exercise price of $0.10 per common share and expiring on January 10, 2015.

	January 31, 2012 (CAD $)	April 30, 2011 (CAD $)
Balance, beginning of the year	**$ -**	$ -
Stock-based compensation	**131,490**	-
Balance, end of the year	**$ 131,490**	$ -

d) Warrants

As at January 31, 2012, the Company had a total of 8,540,000 common share warrants issued. The following is a summary of changes in warrants from April 30, 2011, to January 31, 2012:

	Number of Warrants	**Dollar value if Exercised**
Balance at April 30, 2011	**-**	**$ -**
Warrants issued in the May 2011 private placement	935,000	701,250
Warrants cancelled as part of the rights offering	(935,000)	(701,250)
Warrants issued under the rights offering	1,870,000	748,000
Warrants issued in the October 2011 private placement	6,670,000	1,334,000
Balance January 31, 2012	**8,540,000**	**$ 2,082,000**

As at January 31, 2012, the Company had warrants issued as follows:

Number of warrants	**Exercise price**	**Expiry**
1,870,000	$ 0.40	April 30, 2013
6,670,000	$ 0.20	November 1, 2013

On October 27, 2011, the Company paid a finder's fee with respect to October subscriptions comprised of $28,500 and 285,000 finder's warrants. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.20 per common share exercisable on or before November 1, 2013.

13. Common shares to be issued

On January 13, 2011, the Board of Directors approved compensation common shares be issued to the Chief Executive Officer, the Chief Financial Officer, and the Comptroller. The Company will issue the 145,000 common shares with an estimated value of $0.50 per common share once it has completed its IPO. There were no warrants associated with the common shares.

On May 9, 2011, the Board of Directors approved compensation common shares be issued to the President. The Company will issue the 25,000 common shares with an estimated value of $0.50 per common share once it has completed its IPO. There were no warrants associated with the common shares.

On June 13, 2011, the Board of Directors in conjunction with the revaluation of the Company's shares from $0.50 to $0.25 per share approved the issuance of 170,000 common shares as compensation to the Chief Executive Officer, the Chief Financial Officer, President and the Comptroller. The shares will be issued with an estimated value of $0.01 per common share once the Company has completed its IPO. There are no warrants associated with the common shares.

On November 3, 2011, the Board of Directors cancelled all of the previously outstanding compensation shares to be issued and in conjunction with the revaluation of the Company's shares from $0.25 to $0.10 per share approved the issuance of 850,000 common shares as compensation to the Chief Executive Officer, the Chief Financial Officer, President and the Comptroller. The shares will be issued with an estimated value of $0.10 per common share and will be issued in January 2012. There are no warrants associated with the common shares.

On November 3, 2011, the Board of Directors approved the issuance of 300,000 common shares as compensation to the President and contractor. The shares will be issued with an estimated value of $0.10 per common share and will be issued in January 2012. There are no warrants associated with the common shares.

On January 3, 2012, the Company issued the 1,150,000 outstanding shares to officers and consultants of the company previously approved by the Board of Directors on November 3, 2011.

As at January 31, 2012, there are no common shares to be issued by the Company.

14. Initial public offering

On June 3, 2011, the Company signed an agreement with PI Financial to act as its exclusive agent with respect to the Company's proposed initial public offering ("IPO"). As part of the IPO the Company will be looking to raise a maximum of $3,000,000 through the sale of units. Each unit will consist of one common share and one transferable common share purchase warrant. It is anticipated that each unit will be issued at a price of $0.30 per unit with a common share purchase warrant exercisable into one additional common share of the Company for two years following the closing date of the IPO at an exercise price of $0.40 per share.

The Company has granted PI Financial an option to cover over-allotments, which will allow PI to offer up to: (i) 1,500,000 additional units; (ii) 1,500,000 additional warrants; or (iii) any combination of additional units and additional warrants so long as the aggregate number of additional common shares does not exceed 1,500,000 common shares and the aggregate number of additional warrants does not exceed 1,500,000 warrants. The over-allotment option may be exercised in whole or in part at any time prior to the closing date of the IPO.

The Company will pay a commission of 10% of the gross proceeds of the offering on the closing of the IPO to PI. The Company will also pay the agent a corporate finance fee of $25,000. PI may elect to receive the commission in cash or, in whole or part, in units at a deemed price of $0.30 per unit. The Company will also issue to PI on closing of the IPO, compensation options equal in number to 10% of the aggregate number of units sold under the IPO. Each compensation option will entitle PI to purchase one common share, at any time and from time to time for a period of 24 months following the closing date of the IPO, at an exercise price equal to $0.30 per common share.

On June 13, 2011, after consultation with PI with respect to pricing of the common shares to be issued in connection with the Company's proposed IPO, the Board of Directors passed a resolution to effectively reduce the price of the April private placement from $0.50 per unit to $0.25 per unit and to amend the warrant exercise price to $0.40, down from $0.75. To give effect to the foregoing dilution, as of June 30, 2011, the Board of Directors has approved the issuance of double the amount of compensation shares and the issuance of rights to the investors who participated in the Company's previous private placement which closed on May 5, 2011. The rights offering will allow investors to subscribe for an additional 935,000 units at a price of $0.01 per unit. In connection with this rights offering, the warrants previously issued to the investors will be amended to increase the number of warrants granted to equal the total number of common shares subscribed for by such investors and to reduce the exercise price to $0.40. Galahad has agreed not to exercise any of the rights issue to it.

(Expressed in Canadian Dollars)

14. Initial public offering – (continued)

On October 3, 2011, the Board of Directors of the Company agreed unanimously to postpone the IPO for an additional 90 days past the December 15, 2011, required closing date. Management's recommendation to postpone the IPO was due to poor economic conditions making it difficult for the Company to raise the required minimum financing as outlined in the final prospectus as well as obtain the required shareholders per the TSX Venture listing conditions. It is the view of the Board of Directors that with an additional 90 day extension on the IPO the Company should be successful in completing its IPO.

On December 14, 2011, – Galahad Metals Inc. ("Galahad") completed a reduction of stated capital in the common shares of Galahad ("Galahad Shares") and the related distribution ("Distribution") to eligible Galahad shareholders of common shares of its subsidiary Red Ore Gold Inc. ("RXX Shares") by way of a tax free return of capital.

Galahad shareholders will receive one RXX Share for every 20 Galahad Shares held pursuant to the Distribution, provided that the Galahad shareholder would be entitled to receive 500 or more RXX Shares pursuant to the Distribution and is a resident of Canada or another eligible offshore (i.e. non-United States) jurisdiction. Ineligible Galahad shareholders will receive a cash equivalent of $0.10 for each 20 Galahad Shares owned.

A total of 2,229,851 Red Ore shares were distributed by Galahad as part of the return of capital.

As at January 31, 2012 Management of the Company has not resumed the IPO and are in the process of completing a listing application for obtaining a listing on the TSX Venture. At January 31, 2012, the Company had paid $12,500 of the corporate finance fee to PI Financial in respect to the IPO and had advanced PI $20,000 for anticipated expenditures with the IPO.

15. Stock options

Under the terms of the Company's stock option plan (the "Plan") all options are granted with an exercise price equal to the closing market price on the day immediately preceding the date of grant. The term of options is determined by the Board of Directors and is typically three or five years with a maximum term of 10 years. Options issued to consultants who perform investor relations activities will be subject to a vesting schedule whereby no more than 25% of the options granted may vest in any three month period. The maximum number of options authorized for issue shall be 10% of the outstanding shares in issue at the date of the option grant.

The Company records a charge to the consolidated statement of loss using the Black-Scholes fair valuation option pricing model. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to historic traded daily closing share prices at the date of issuance.

Option pricing models require the inputs of highly subjective assumptions including the expected price volatility. Changes to the subjective input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

	January 2012	April 2011
Average share price at date of grant	$ 0.10	-
Expected volatility	256%	-
Expected option life (in years)	3	-
Risk-free interest rate	1.06%	-
Expected dividend yield	0%	-
Average exercise price at date of grant	$ 0.10	-

Stock option activity is as follows:

Expiry Date	Exercise Price	Options Outstanding	Weighted Average Remaining contractual Life (years)	Options Vested	Options unvested
January 10, 2015	$ 0.10	1,350,000	3.0	1,350,000	-

(Expressed in Canadian Dollars)

15. Stock options – (continued)

	Number	Weighted- Average exercise price	Expiry
Outstanding, April 30, 2011	-	-	
Granted	1,350,000	0.10	January 2015
Expired	-	-	
Forfeited	-	-	
Outstanding, January 31, 2012	1,350,000	0.10	January 2015

2012 activity:

On January 11, 2012, the Board of Directors approved the grant of 1,350,000 stock options at a price of $0.10 expiring January 10, 2015 to Directors, Officers and Consultants of the Company. The value to the stock-based compensation was $131,490, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 1.06%, volatility of 256% and expected life of 3 years. As Red Ore Gold is a private company the volatility of the share price was calculated using the volatility of similar public companies.

16. General and administrative

	January 31 2012 $	April 30 2011 $
Phone, utilities, supplies and other	16,340	6,712
Website, internet and printing	8,195	1,649
Stock option charges	131,490	-
Insurance	-	328
Contractor fees	35,843	6,129
Total	**191,868**	**14,818**

17. Net loss per share

The calculation of the basic and diluted loss per share for the nine months ended January 31, 2012, was based on the loss attributable to common shareholders of the parent of **$ 1,155,069** (April 30, 2011 – $ 482,292) and the weighted average number of common shares outstanding of **11,697,066** (April 30, 2011 – 3,270,859).

18. Related party transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Transactions with Key management personnel

Key management of the Company are members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, Vice President of Exploration, and President. Key management remuneration includes the following:

	January 31, 2012	April 30, 2011
Short-term Key management benefits		
Compensation including bonuses	$ **247,044**	$ 99,345
Long-term Key management benefits		
Share based payments	**139,916**	85,000
Total remuneration	$ **386,960**	$ 184,345

18. Related party transactions – (continued)

(1) The Company has no employees. Compensation includes the Chief Executive and Chief Financial Officers fees, Presidents, VP of Exploration, Corporate Secretary and the Board of Directors. The Board of Directors receives annual retainers of $6,000 per director and $3,000 per committee chairman. Directors are compensated with $250 per meeting from the Company. Key management are entitled to stock options for their services. As at January 31, 2012 Key management received 1,282,500 stock options with a maturity date of January 10, 2015 and an exercise price of $0.10. Using the Black Scholes valuation method the stock options granted to key management were valued at **$124,916**

(2) The Company has a management contract with Robin Dow, the Chairman and CEO of Red Ore Gold Inc., whereby the company pays up to $5,000 a month for accommodation fees and related expenses. The amounts billed were based on normal market rates and amounted to $ **45,000**.

(3) The Company has a consulting contract with Sabino Di Paola, the CFO of Red Ore Gold Inc., whereby the company pays hourly compensation of $100/hour for services rendered as well related expenses. The amounts billed were based on normal market rates and amounted to $ **47,910**.

(4) The Company has a consulting contract with Paul Pitman, the former President of Red Ore Gold Inc., whereby the company pays hourly compensation of $100/hour for services rendered as well related expenses. The amounts billed were based on normal market rates and amounted to $ **10,300**.

(5) The Company has a consulting contract with Michael Zamora, the President of Red Ore Gold Inc., whereby the Company pays hourly compensation of $100/hour for services rendered as well related expenses. The amounts billed were based on normal market rates and amounted to $ **31,800**.

(6) The Company has a consulting contract with Garry Smith, the VP of Exploration of Red Ore Gold Inc., whereby the company pays daily compensation of $700/day for services rendered as well related expenses. The amounts billed were based on normal market rates and amounted to $ **110,847**.

(7) The Company has a consulting contract with Patricia Purdy, the Corporate Secretary of Red Ore Gold Inc., whereby the company pays an hourly rate of $50/hour for services rendered as well as related expenses. The amounts billed were based on normal market rates and amounted to $ **1,187**.

(8) As of January 31, 2012, the Board of Directors approved the re-pricing of the compensation common shares be issued to the Chief Executive Office, the Chief Financial Officer and the President. The Company issued a total of 1,100,000 common shares with an estimated value of $0.10 per common share. There were no warrants associated with the common shares. In 2011 the company had accrued $85,000 as compensation expense. In 2012 the company accrued an additional $15,000 of compensation expense relating to the issuance of these shares.

Transactions with related companies

In 2011/12 Red Ore Gold Inc. shared office space with Galahad Metals Inc. The Board of Directors for Red Ore Gold Inc. and Galahad Metals Inc. have agreed that the rent for the operating office in Ottawa shall be paid by Galahad Metals Inc. and all operating costs are to be paid by Red Ore Gold Inc. For the nine month period ended January 31, 2012, the Company incurred shared costs of $ **26,065** (April 30, 2011 $1,043). At January 31, 2012 the Company has a payable to Galahad Metals Inc of $ **225,657** (April 30, 2011 $214,872) refer to note 10.

The Company has a land management fee agreement with 2232097 Ontario Inc., a company controlled by Garry Smith, Red Ore Gold's VP of Exploration, whereby the Company is required to make annual payments as long as it continues its exploration on the Pogonip and Ryepatch properties. Per the agreement the Company is required to make the following payments for both Pogonip and Ryepatch:

- The Company will make a $ 10,000 payment and 100,000 common shares upon signing the option lease agreement;
- The Company will make a $ 20,000 payment and 50,000 common shares on the 1st and 2nd anniversary of signing the lease option agreement;
- The Company will make a $ 25,000 payment and 50,000 common shares on the 3rd anniversary of signing the lease option agreement and thereafter.

As at January 31, 2012, the Company paid a total $20,000 in land management fees in relation to the signing of the option lease agreements with Pogonip and Ryepatch and issued 200,000 common shares.

19. Financial instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and due to parent company. The fair value of these instruments approximates the carrying value due to their short-term nature

Per financial instrument:

	Financial Instrument Classification	Carrying amount $	Fair value $
Financial assets			
Cash	Financial assets through profit and loss	292,747	292,747
Accounts receivable	Loans and receivables	55,072	55,072
Financial liabilities			
Accounts payable and accrued liabilities	Loans and borrowings	239,674	239,674
Due to parent company	Loans and borrowings	225,657	225,657

Cash in the bank

The cash is held in reputable national banks, where funds are held in Canadian and US currencies. Fair value has been taken for Canadian denominated funds by reference to the bank balance per the monthly bank statement at the end of the reporting period. Fair value has been taken for United States denominated funds by reference to the bank balance per the monthly bank statements at the end of the reporting period translated using the end of the day foreign exchange rate posted on the Bank of Canada website.

Financial risk management and objectives

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, foreign currency risk, and commodity price risk).

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Market rate risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

<u>Interest rate risk</u>

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company currently does not have any outstanding interest bearing assets or liabilities nor does it have any outstanding loans receivable. As a result the Company does not have any exposure to fluctuations in the interest rate. The Company's current policy is to invest excess cash in certificates of deposit issued by a Canadian chartered bank with which it keeps its bank accounts.

<u>Foreign currency risk</u>

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Exposure to currency exchange rates arises from the company's project in the United States and as a result expenditures are in US dollars. The Company also holds a bank account in US dollars.

To mitigate the exposure to foreign currency risk the Company typically holds funds in US dollars for short term expenditures. When vendors require significant payment in USD the company will usually purchase the required US currency the same day it makes the payment to the vendor.

The Company does not enter into any forward exchange contracts to mitigate the exposure to foreign currency risk.

Foreign currency denominated financial assets and liabilities which expose the company to currency risk are disclosed below. The amount shown in the table below are those reported to Key management in United States dollars.

(Expressed in Canadian Dollars)

19. Financial instruments – (continued)

	Short-term exposure
January 31, 2012	
Financial Assets	US$ 470,282*
Financial Liabilities	(107,952)
Total exposure	**US$ 362,330**

*Includes cash call receivable of $305,044 from Golden Gryphon USA owing to Bottle Creek Exploration LLC.

If the Canadian dollar had strengthened against the US dollar by 10% then this would have the following impact:

	USD financial exposure in USD	Bank of Canada average 12 month exchange rate	Strengthening of CAD by 10%	Effect of profit or loss
January 31, 2012	$ 362,330	0.9891	0.8902	($ 35,834)

If the Canadian dollar had weakened against the US dollar by 10% then this would have the following impact:

	USD financial exposure in USD	Bank of Canada average exchange rate	weakening of CAD by 10%	Effect of profit or loss
January 31, 2012	$ 362,330	0.9891	0.8902	$ 35,834

Exposures to foreign exchange rates vary over the year depending on the volume of expenditures on the Nevada properties located in the United States. None the less the analysis above is considered to be representative of the company's exposure to currency risk.

Commodity and equity price risk

The Company is exposed to a price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as they relate to precious and base metals and other minerals, to determine the appropriate course of action to be taken by the Company.

Commodity price can adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and other minerals. Precious and base metals and other mineral prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals and other minerals are produced in the future, a profitable market will exist for them. A decline in the market price of precious and base metals and other minerals may require the Company to reduce mineral resources, which could have a material and adverse effect on its value.

As at January 31, 2012, the Company was not a precious metal, base metals and other minerals producer. Even so, commodity prices may affect the completion of future equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet ongoing obligations.

Credit risk

Credit risk arises due to the potential for one party to a financial instrument to fail to discharge it obligations and cause the other party to suffer a loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and receivables. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company holds its cash and cash equivalents with financial institutions that are believed to be creditworthy.

The Company's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognized at the reporting period, as summarized below.

	January 31, 2012
Classes of financial assets – carrying amounts	
Cash	$ 292,747
Accounts receivable	55,072
	$ 347,819

19. Financial instruments – (continued)

The Company continues to monitor default of accounts receivable and other counterparties and incorporates this information into its credit risk control. The company policy is to deal only with creditworthy counterparties.

Key management of Red Ore Gold considers all of the above financial assets not to be impaired or past due for the above mentioned reporting date and are of good credit quality. None of the financial assets are secured by collateral or other credit enhancements.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flows primarily from its financing activities.

The Company's manages its liquidity needs by carefully monitoring scheduled exploration and evaluation activity as well as forecasted cash inflows and outflows due in day to day business. Liquidity is measured in various time bands, on day to day and week-to-week basis, as well as on long term liquidity needs over 180 day to 360 day look out periods.

The Company maintains cash to meet its liquidity requirements for a 30 day period at a minimum. Funding for long term liquidity needs is based on the ability of the company to successfully complete private placements as well as, in certain cases, to pay the outstanding balances owed in shares of the Company rather than in cash.

As at January 31, 2012, the Company had cash of $ **292,747** to settle current liabilities of $ **465,331**.

The Company considers expected cash flow from financial assets in managing liquidity risk, in particular its cash resources and accounts receivable. The Company's existing cash resources currently do not meet the current cash outflow requirements. As a result the Company is at a risk of not being a going concern if Management is unable to raise the appropriate funds prior to the maturity of the financial liabilities. Appropriate going concern disclosure will be have been made in the consolidated financial statements.

Fair value of financial instruments

Financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and due to parent company. At January 31, 2012, there were no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values.

20. Segmented information

Red Ore Gold is engaged in the acquisition, exploration and evaluation for gold and other precious mineral properties.

Management monitors the operating results of its individual exploration and evaluation project for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the results of the exploration and evaluation to date and the amount of additional exploration which would be required to obtain a high degree of confidence in the project's viability. Hence there would be the likely probability that future economic benefits will flow to the Company. The Company's financing (including private placements, financing costs and finance income) and income taxes are managed on a company basis and are not allocated to exploration and evaluation segments.

Information presented to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the properties geographic location. The reportable segments under IFRS 8 are as follows:

- United States of America
- Corporate operations

No operating segments have been aggregated to form the above reportable operating segment.

(Expressed in Canadian Dollars)

20. Segmented information – (continued)

Segment information can be analyzed as follows for the nine month period ended January 31, 2012:

	Exploration and evaluation in United States	Corporate Operations	Total
Expenses			
Exploration and evaluation expenditures	365,389	-	365,389
Operating expenses	-	770,337	770,337
Other income and expenses	-	(657)	(657)
Loss before income tax	**365,389**	**769,679**	**1,135,069**
Income tax expense	-	-	-
Net loss for the period	**365,389**	**769,679**	**1,135,069**

	Exploration and evaluation in United States	Corporate Operations	Total
Operating assets	432,947	274,617	707,564
Operating liabilities	23,765	441,566	465,331

Segmented liabilities include accounts payable and accrued liabilities, all of which are current.

21. Group entities

The following entities are included in these consolidated financial statements:

	Country of incorporation	Ownership Interest January 31, 2012
Bottle Creek Exploration LLC	**USA**	**60%**
Red Ore Gold NV Inc.	**USA**	**100%**

Bottle Creek Exploration LLC

Non-controlling interest represents the interest of Bottle Creek Exploration LLC, based on investment amounts adjusted for its proportionate share of income or losses since the date of the acquisition, as follows:

	January 31 2012	April 30 2011
Non-controlling interest, beginning of period	($ 14,888)	$ -
Non-controlling interest, at the date of acquisition	-	8,361
Capital contributions by non controlling interest	211,629	19,168
Share of cumulative translation adjustment	2,748	864
Share of losses in Bottle Creek Exploration LLC	(57,769)	(43,281)
Non-controlling interest, end of period	$ 141,720	($ 14,888)

Red Ore Gold Inc. has an obligation to fund cash calls to its subsidiary Bottle Creek Exploration LLC. in the amount of US $767,154. This obligation has been eliminated on the consolidated financial statements of the Company as it is considered an intercompany balance. At the date of these financial statements the other joint venture partner has an outstanding cash call payable of US$305,044 owing to Bottle Creek Exploration LLC.

From time to time, a party to a joint venture agreement may dispute the other party's compliance with the terms and conditions of the joint venture agreement, in particular as it relates to the contribution of approved exploration expenses and the process related thereto. During the course of the year the Company has received several notices from the Manager of Bottle Creek Exploration LLC advising the Company that they are delinquent in meeting their cash call obligations under the joint venture agreement. If the Company is unable to fund the cash call obligations on a timely basis, there is a risk that Red Ore Gold's ownership interest in Bottle Creek may be diluted.

21. Group entities – (continued)

To date the minority interest company, Golden Gryphon USA has also failed to fully fund its cash calls. The Directors of Red Ore have made a decision not to further fund its outstanding share of the cash call until the minority interest completely funds their outstanding balance, or the Manager of Bottle Creek Exploration is changed.

Red Ore Gold NV Inc.

On November 16, 2011, Red Ore Gold Inc. incorporated a wholly owned subsidiary Red Ore Gold NV Inc. ("RNV") to hold the exploration claims previously held in Red Ore Gold Inc. RNV was incorporated under the laws of the State of Nevada with share capital of 1,000 at a value of $0.01 per share.

22. Contingencies & commitments

A) The Company's operations are governed by governmental laws and regulations regarding environmental protection. Environmental consequences are hardly identifiable, in term of level, impact or deadline. At the present time and to the best knowledge of its Management, the Company is in conformity with the laws and regulations in effect. Restoration costs will be accrued in the financial statements only when they will be reasonably estimated and will be charged to the earnings at the time.

B) The Company has a commitment to pay Pi Financial a total of $50,000 for their acceptance to act as the Company's advisor. As at January 31, 2012, the Company has two monthly installments of $6,250 owing.

C) The Company has a commitment with its Chief Financial Officer in which the Company guarantees a minimum of 250 billable hours at an hourly rate of $100 per hour over a 3 year term ending December 31, 2013.

23. Capital management

The Company's capital structure has been defined by Management as being comprised of shareholders' equity, this is comprised of share capital and other components of equity and accumulated deficit attributable to owners of the Company, which at January 31, 2012, totals ($ **225,386)**. The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations and to finance its exploration activities and general corporate costs. This is achieved by the Board of Directors review and acceptance of exploration budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other funding.

The Company monitors its capital structure using annual forecasted cash flows, exploration budgets and targets for the year as well as corporate capitalization schedules.

The Company currently has no source of revenues; as such the Company is dependent upon external financing to fund its activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Based on available funds, the Company manages its capital structure and makes adjustments to it to maintain flexibility while achieving the objectives stated above as well as support future business opportunities. To manage the capital structure the Company may adjust its exploration programs, operating expenditure plans, or issue new common shares and warrants.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's Management to sustain future development of the business. The Company is not subject to externally imposed capital requirements or covenants.

24. Subsequent events

On February 1, 2012, Red Ore Gold Inc. has granted incentive stock options to purchase 200,000 common shares without par value in the capital of the Company to a person who is a director, officer, employee or consultant of the Company. These options will be exercisable for a period of 3 years expiring January 31, 2015, at a price of $0.10 per common share.

Bottle Creek Exploration LLC is governed by Nevada State law and the terms of its operating agreement. Under the operating agreement, the Manager has all authority and rights authorized under the Nevada Revised Statutes. Except for situations in which the approval of Members is expressly required, or by nonwaivable provisions of applicable law, the Manager has full and complete authority, power and discretion to manage and control the business, affairs and properties of the Bottle Creek Exploration LLC, including the sole right to call meetings of Members, unless otherwise prescribed by statute. On February 27, 2012, the Company delivered a letter to the Manager of Bottle Creek Exploration LLC requesting that the Manager call a meeting of Members for the purpose of, among other things, replacing the Manager with a candidate identified by the Company. The Manager has not responded to this request. The Company is currently reviewing and assessing its options in respect of its ability to replace the Manager. The Company is also currently considering what adjustments, if any, may be required to its accounting policies for the accounting of its investment in Bottle Creek Exploration LLC arising out its ongoing assessment of the Company's ability to control the operations of Bottle Creek Exploration LLC.

On February 27, 2012, the Company made an application to list its common shares on the TSX Venture Exchange. Listing of RXX's common shares and their eventual trading over the TSX Venture Exchange is conditional on fulfilling all conditions required by the TSX Venture Exchange.