Red Ore Gold Inc.

Consolidated Financial Statements

July 31, 2011
(expressed in Canadian dollars)

Red Ore Gold Inc.

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MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

The consolidated 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 1.

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 consolidated 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
September 14, 2011

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

Red Ore Gold Inc.
Consolidated Statement of Financial Position

(expressed in Canadian dollars)

	Notes	July 31 2011	April 30 2011
Assets			
Current assets:			
Cash	4	$ 470,393	$ 457,081
Accounts receivable		-	17,615
Prepaid expenses		20,000	361
Other assets		128,500	-
Total current assets		618,893	475,057
Reclamation bond	6	17,964	17,847
Total assets		$ 636,856	$ 492,904
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	7	$ 233,508	$ 214,517
Due to parent company	8	414,099	214,872
Provisions	9	103,500	-
Total current liabilities		751,106	429,389
Shareholders' equity			
Share capital	10	480,042	12,542
Shares to be issued	11	89,750	542,500
Accumulated other comprehensive income		2,001	1,296
Accumulated deficit		(693,747)	(477,935)
Equity attributable to the owners of the Company		(121,954)	78,403
Non-controlling interest in subsidiary	20	7,704	(14,888)
Total shareholders' equity		(114,250)	63,515
Total liabilities and shareholders' equity		$ 636,856	$ 492,904
Contingencies and commitments	21		
Nature of operations and going concern	1		

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

Approved by the Board of Directors:

Director Director

Red Ore Gold Inc.
Consolidated Statement of Comprehensive Loss

(expressed in Canadian dollars)	Notes	Three months ending July 31 2011	Year ending April 30 2011
Expenses			
Management & Directors fees	16	$ 15,000	$ 53,000
Promotion & Investor Conference		14,141	17,467
Regulatory, exchange, AGM, press release and transfer agent fees		5,893	350
Professional fees		111,473	133,265
Exploration and evaluation expenditures		60,498	216,285
Compensation shares	16	1,700	85,000
General and administrative	14	15,711	14,818
		(224,415)	(520,185)
Other expenses			
Finance costs		(646)	(278)
Foreign exchange loss		1,817	(753)
		1,171	(1,031)
Net loss for the period		$ (223,243)	$ (521,216)
Other Comprehensive loss:			
Foreign currency translation adjustment		$ 1,175	$ 2,160
Total Comprehensive loss for the period		$ (222,068)	$ (519,056)
Net loss atributable to:			
Owners of the company		$ (215,812)	$ (477,395)
Non-controlling interest		(7,431)	(43,821)
Net loss for the period		$ (223,243)	$ (521,216)
Total Comprehensive loss attributable to:			
Owners of the company		$ (214,637)	$ (475,235)
Non-controlling interest	20	(7,431)	(43,821)
Total Comprehensive loss		$ (222,068)	$ (519,056)
Earnings per share			
Loss per common share:			
Basic and diluted	15	$ (0.02)	$ (0.16)
Weighted average number of common shares outstanding:			
Basic and diluted		9,708,489	2,973,849
Nature of operations and going concern	1		

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

Red Ore Gold Inc.

Consolidated Statement of Changes in Shareholders' Equity

(expressed in Canadian dollars)

	Notes	Share Capital	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		-	2,160	-	1,296	864	2,160
Share issued upon incorporation	10	1	-	-	1	-	1
Share capital issued	10	12,541	-	-	12,541	-	12,541
Shares to be issued	11	542,500	-	-	542,500	-	542,500
Additional contribution by non-controlling interest		-	-	-	-	27,529	27,529
Balance at April, 30 2011		555,042	2,160	(521,216)	78,403	(14,888)	63,515
Loss for the period		-	-	(223,243)	(215,812)	(7,431)	(223,243)
Cumulative translation adjustment		-	1,175	-	705	470	1,175
Share capital issued	10	467,500	-	-	467,500	-	467,500
Shares to be issued	11	(452,750)	-	-	(452,750)	-	(452,750)
Additional contribution by non-controlling interest		-	-	-	-	29,553	29,553
Balance at July 31, 2011		569,792	3,335	(744,459)	(121,954)	7,704	(114,250)

Nature of operations and going concern 1

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

Red Ore Gold Inc.
Consolidated Statement of Cash Flow

(expressed in Canadian dollars)

	Notes	Three months ending July 30 2011 $	Year ending April 30 2011 $
Cash flow from operating activities			
Net loss for the period		$ (223,243)	$ (521,216)
Adjustments to reconcile loss to net cash used in operating activities:			
Unrealized foreign exchange		4,286	4,159
Finance cost		646	278
Common shares issued as compensation	16	1,700	85,000
Change in non-cash working capital balances:			
Accounts receivable		17,615	(16,662)
Prepaid expenses		(19,639)	(361)
Reclamation bond		(117)	603
Accounts payable and accrued liabilities		17,698	192,645
Cash generated from operations		(201,054)	(255,554)
Income tax paid		-	-
Total cash (outflows) from operating activities		**$ (201,054)**	**$ (255,554)**
Cash flows from investing activities			
Net cash acquired on acquisition of subsidiary	3	-	23,372
Total cash inflows from investing activities		**$ -**	**$ 23,372**
Cash flows from financing activities			
Proceeds from share issuance	10	$ 10,000	$ 1
Shares to be issued	8	3,050	457,500
Due to parent company		199,227	214,871
Contributions by non-controlling interest		29,553	19,168
Deferred IPO costs - Net of provisions		(25,000)	-
Finance cost		(646)	(278)
Total cash inflows from financing activities		**$ 216,184**	**$ 691,262**
Effect of foreign exchange on cash		$ (1,817)	$ (1,999)
Total increase in cash during the period		$ 13,312	$ 457,081
Cash and cash equivalents - Beginning of period		457,081	-
Cash and cash equivalents - End of period		**$ 470,393**	**$ 457,081**

The notes to the audited 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 (the “subsidiary” or “BCE”).

The consolidated financial statements were not approved by the Board of Directors**.**

Going concern

These consolidated 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 July 31, 2011, the Company had total cash of **$ 470,393** of which **$ 17,698** is to be used for exploration in BCE (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 consolidated 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 three period ended July 31, 2011.

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). The financial information is prepared under the historical cost convention and in accordance with the recognition and measurement principles contained within IFRSs.

2. Significant accounting policies – (continued)

Statement of Compliance with International Financial Reporting Standards ("IFRS")

These are the Company's first IFRS unaudited interim consolidated financial statements to be presented in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") for the period ending July 31, 2011.

Basis of Consolidation

The Company's financial statements consolidate those of the parent company and its US subsidiary as at July 31, 2011. BCE has a reporting date of June 30, 2011.

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.

Use of estimates

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

These unaudited interim consolidated financial statements include estimates that, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Significant estimates about the future that management has used in the preparation of these consolidated financial statements that could result in a material adjustment to the carrying amount of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The recoverability of accounts receivable that are included in the consolidated statement of financial position;
- The provision for income tax and the composition of future income tax assets and liabilities in the consolidated statement of financial position;
- Management assumption of no material restoration, rehabilitation and environmental obligations, based on the facts and circumstances that existed during this reporting period;
- Managements assumption that activities relating to its exploration and evaluation properties have not yet reached a stage where the Company's activities permits a reasonable assessment of reserves, and therefore all exploration and evaluation expenditures incurred during this reporting period are reflected in consolidated statement of comprehensive income/loss;
- The impairment of assets that are included in the consolidated statement of financial position;
- 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.

Cash

Cash in the statement of consolidated financial position comprise cash at banks. The Company's cash is invested with major financial institutions in business accounts. The Company does not invest in any asset-backed deposits/investments.

Exploration and evaluation expenditures

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and resources and includes costs such as exploratory drilling and sample testing and the costs of pre-feasibility studies. Exploration and evaluation expenditures for each area of interest are expensed in the year in which they are incurred.

Purchased exploration and evaluation assets are expensed at their cost of acquisition or at fair value if purchased as part of a business combination.

2. Significant accounting policies – (continued)

Impairment

Mining property assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company measures, presents and discloses any resulting impairment loss in the consolidated statement of comprehensive loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognized as income immediately.

Mining properties options agreements

From time to time, the Company may acquire or dispose of mining properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded in the consolidated statement of financial position. Option payments are recorded as mining properties costs or recoveries when the payments are made or received.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars (“$” or “C$”), which is the functional and presentation currency for Red Ore. The functional currency for Bottle Creek Exploration LLC is the United States dollar (“US$”).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated.

In the Company’s consolidated financial statements, all assets and liabilities of its subsidiary are translated at the yearend exchange rate into Canadian dollars upon consolidation. Income and expenditure amounts are translated into Canadian dollars at the average exchange rate for the year. All exchange differences arising from the translation into the reporting currency are recorded in the cumulative translation account as part of other comprehensive income in the statement of comprehensive loss.

Segment reporting

In identifying its operating segments, management generally follows the geographical location of the Company’s projects, which represents the main zones in which the Company has operations.

The activities undertaken by all of the operating segments are exploration and evaluation of mineral resources. Each of these operating segments is managed separately as each of these segments requires resources allocated specifically to the projects as well as different marketing approaches for potential joint ventures and financings.

Corporate assets, liabilities as well as profit and loss which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial periods under review, this primarily applies to the Company’s head office in Vancouver.

2. Significant accounting policies – (continued)

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Timing or the amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Any reimbursement that the company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However the asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are not recognized for future operating losses.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development and ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of each asset, as soon as the obligations to incur such costs arise. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The costs are charged against the profit and loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight line method as appropriate.

The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount of timing of the underlying cash flows needed to settle the obligation.

Costs of restoration of subsequent site damage that is created by the ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses

As at July 31, 2011 the Company has reported provisions $103,500 for anticipated commissions owed relating to its current initial public offering (refer to note 9).

Equity reserves

Share capital represents the nominal value of the shares issued.

Contributed Surplus includes any stock option credits and other share based remuneration issued to directors, officers and contractors.

Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefit.

Accumulated comprehensive income includes all transactions recorded in other comprehensive income/loss on an accumulated basis.

Non-controlling interest includes the portion of the consolidated loss attributable to the non controlling interest of the Company's subsidiary.

Deficit includes all current and prior period losses.

Warrants

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated entirely to common shares.

2. Significant accounting policies – (continued)

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the equity instruments issued is measured by the use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based options are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in the statement of comprehensive loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income/loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. Significant accounting policies – (continued)

Loss per share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Financial instruments

Financial Assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity, available for sale, or held for trading as appropriate. The Company determines the classification of its financial asset at the initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

Purchases or sales of financial assets that require the delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the trade date.

The company's financial assets include cash and accounts receivables.

Subsequent measurement

a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss includes financial assets held for trading, and financial assets designated upon initial recognition at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the statement of comprehensive income.

The company has designated cash upon initial recognition as at fair value through profit or loss.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is accounted by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

The company has designated accounts receivable as loans and receivables.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

The rights to receive cash flows from the asset have expired; and

The Company has transferred its rights to receive cash flows from the asset or has assumed the obligation to pay the received cash flows in full without material delay to a third party under "pass-through" arrangement; and either, a) the company has transferred substantially all of the risks and rewards of the asset, or b) the company has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all of the risks or rewards of the asset, nor is transferred control of the asset, the asset recognized to the extent of the Company's continuing involvement with the asset.

2. Significant accounting policies – (continued)

In that case, the company will also recognize an associated financial liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Impairment of financial assets

The company assess at the reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indicators that the debtor is experiencing significant financial difficulties, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganizations and where observable data indicates that there is a measurable decrease in the estimated cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the company first assesses individually whether objective evidence of impairment exists individually for financial assets which are individually significant, or collectively for financial assets which are not individually significantly. Assets which are individually assessed for impairment for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated cash flows. The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive loss.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or as loans and borrowings. The company determines the classification of its financial liabilities at the initial recognition, as appropriate.

All financial liabilities are measured at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The company’s financial liabilities includes accounts payable and accrued liabilities, provisions and amounts due to the parent company.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

a) Loans and borrowings

After initial recognition loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when a financial liability is derecognized, as well as through the amortization process. Amortization process is calculated by taking into account any discount or premium paid on acquisition and fees or costs that are an integral part of the effective interest rate. The amortization is included in finance costs in the statement of comprehensive income.

The company has designated accounts payable and accrued liabilities, provisions and amounts due to the parent company as loans and borrowings.

2. Significant accounting policies – (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are trade in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deductions for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arms length market transactions, reference to the current fair value of a similar instrument, discounted cash flow analysis or other valuation model.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted market prices in active markets for identical assets and liabilities.
Level 2 – valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data.

Cash, recognized in the consolidated statement of financial position at fair value, is classified following level 1.

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 effective for the financial year beginning January 1, 2011 and have not been early adopted:

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. The Group is currently evaluating the impact that the application of the new standard may have on the presentation of its financial position and results of operations.

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, 2013. The Group is currently evaluating the impact that the application of the new standard may have on the presentation of its financial position and results of operations.

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
Assumed liabilities	(21,872)
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 10)

4. Cash position

	As at July 31, 2011
Cash	$ 452,695
Cash to be used in the Bottle Creek exploration	17,698
Total Cash	**$ 470,393**

Cash earns interest at floating rates based on the daily bank deposit rates.

As at July 31, 2011, US$112,076 was included in the cash of the Company. This amount has been translated into C$ at using the closing exchange rate on July 31, 2011. As at July 31, 2011, US$18,045 was held by Bottle Creek Exploration LLC to be used towards the advancement of exploration and evaluation of the Bottle Creek property.

5. 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 July 31, 2011, the Company has incurred cumulative exploration and evaluation expenditures of $ **22,930** on this project. As at July 31, 2011, 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 summer of 2011.

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 Ryepatch gold-silver-tungsten-antimony property in Pershing County, Nevada.

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

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.

The terms of the LOI calls for ROG to enter into a definitive Option Lease Agreement within 60 days to acquire 100% of the mineral exploration and development rights on the property subject to a net smelter royalty (NSR). There are no work commitments in the deal.

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;
1) The Company will make a US$20,000 payment on the 1st anniversary of signing the lease option agreement;
2) The Company will make a US$ 30,000 payment on the 2nd anniversary of signing the lease option agreement;
3) The Company will make a US$ 50,000 payment on the 3rd anniversary of signing the lease option agreement;
4) The Company will make a US$ 100,000 payment on the 4th anniversary of signing the lease option agreement;
3) 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.

GRC retains a 5% NSR which shall be subject to a buy-down clause in favour of ROG 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.

At July 31, 2011, the Company has incurred cumulative exploration and evaluation expenditures of **$ 11,297** on this project. As at July 31, 2011, 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 sign a lease agreement in the fall of 2011 and commence initial exploration 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.

The terms of the letter of intent are as follows:

The Company has the exclusive right for 60 days to enter into an Option Lease Agreement with GRC for a 100% interest in the Pogonip Ridge property. The advance royalty payments subject to the applicable NSR are as follows:

5) The Company will make a US$ 5,000 payment upon signing the letter of intent (non-refundable);
6) The Company will make a US$ 15,000 payment upon signing an option lease agreement;
7) The Company will make a US$ 20,000 payment on the 1st anniversary of signing the lease option agreement;
8) The Company will make a US$ 30,000 payment on the 2nd anniversary of signing the lease option agreement;
9) The Company will make a US$ 50,000 payment on the 3rd anniversary of signing the lease option agreement;
10) The Company will make a US$ 100,000 payment on the 4th anniversary of signing the lease option agreement;
11) 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%.

At July 31, 2011, the Company has incurred cumulative exploration and evaluation expenditures of **$ 26,272** on this project. As at July 31, 2011, 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 sign a lease agreement in the fall of 2011 and commence initial exploration shortly afterwards.

6. 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.

7. Accounts payable and other liabilities

Accounts payable and other liabilities aged analysis:

	Accounts payable and other liabilities as at July 31, 2011
Not more than 3 months	$ 233,508
More than 3 months but not more than 6 months	-
More than 6 months but not more than 1 year	-
More than 1 year	-
Total	**$ 233,508**

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 $53,000 accrued to Directors and Officers as retainers and management fees.

8. Due to parent company

As at July 31, 2011, the Company has a balance of **$ 414,099** 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.

9. Provisions

The Change in provision balance is comprised of the following for the three month period ending July 31, 2011:

		Provisions
Balance, beginning of period	$	-
PI Financial commissions (A)		103,500
Balance, end of period	$	103,500

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 provisions for the commissions payable to PI Financial based on the minimum IPO gross proceeds being achieved.

10. 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.

10. Share capital and reserves – (continued)

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.

The following is a summary of changes in common share capital as at April 30, 2011 and July 31, 2011:

Issued

	Period ended July 31, 2011		Year ended April 30, 2011	
	Common Shares	**Amount**	Common Shares	Amount
Balance, beginning of period	8,838,939	$ 12,542	-	$ -
Common shares issued for cash	935,000	467,500	1	1
Common shares issued for properties	-	-	8,838,938	12,541
Balance, end of period	9,773,939	$ 480,042	8,838,939	$ 12,542

Share held in escrow

As of July 31, 2011, the number of common shares held in escrow is 8,838,939. 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)	0% of the escrow securities
6 months after the listing date (1,325,841 common shares)	15% of the remaining escrow securities
12 months after the listing date (1,325,841 common shares)	15% of the remaining escrow securities
18 months after the listing date (1,325,841 common shares)	15% of the remaining escrow securities
24 months after the listing date (1,325,841 common shares)	15% of the remaining escrow securities
30 months after the listing date (1,767,787 common shares)	20% of the remaining escrow securities
36 months after the listing date (1,767,787 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.

Share issuances

On January 13, 2011, the Company issued 1 common share to Galahad Metals Inc. as part of its incorporation. The Company received cash proceeds of $ 1. No warrants were issued in connection to this placement.

On March 25, 2011, the Company issued 8,838,938 common shares to Galahad Metals Inc. in exchange for Galahads interest in the Bottle Creek Exploration LLC. The common shares were assigned a value of $0.0014 per common share, with no warrants associated to the shares.

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.

10. Share capital and reserves – (continued)

On June 13, 2011, after consultation with 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.

As at July 31, 2011, the Company had not yet issued any shares with respect to the rights offering.

c) Contributed surplus

Amounts recorded in contributed surplus relate to the fair value of the stock options and compensation options. The Company has not granted any stock options as at July 31, 2011.

d) Warrants

As at July 31, 2011, the Company had a total of 935,000 common share warrants issued as part of the May 5, 2011 private placement. The following is a summary of changes in warrants from January 13, 2011, to July 31, 2011:

	Number of Warrants	Dollar value if Exercised
Balance at January 13, 2011	**-**	**$ -**
Warrants	935,000	701,250
Balance July 31, 2011	**935,000**	**$ 701,250**

As at July 31, 2011, the Company had warrants issued as follows:

Number of warrants	Exercise price	Expiry
935,000	$ 0.75	April 30, 2013

As at July 31, 2011, the Company had not yet amend the warrant exercise price to $0.40, down from $0.75 warrants to the May 5, 2011, investors as well as issue the additional warrants per the June 2011 rights offering.

11. 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.

As of July 31, 2011, the Company will issue 305,000 common shares to investors at a price of $0.01 per unit for gross proceeds received of $3,050 as part of the June 13, 2011 rights offering. Under the rights offering the Company is obligated to issue an additional 630,000 common shares to investors upon exercise of their rights. On August 31, 2011, all unexercised rights expire.

12. 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.

As at July 31, 2011, the Company had paid $12,500 of the corporate finance fee and realized a provision for the commission payable to PI Financial, based on the minimum gross proceeds from the IPO. Total deferred IPO costs as at July 31, 2011, amount to $128,500.

13. 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. During the year there were no stock options granted.

14. General and administrative

	July 31, 2011 **$**
Phone, utilities, supplies and other	4,222
Website, internet and printing	4,289
Contractor fees	7,200
Total	**15,711**

15. Net loss per share

The calculation of the basic and diluted loss per share for the three months ended July 31, 2011, was based on the loss attributable to common shareholders of the parent of **$215,812** and the weighted average number of common shares outstanding of **9,708,489**.

16. 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:

	July 31, 2011	April 30, 2011
Short-term key management benefits		
Compensation including bonuses (1)(2)(3)(4)(5)	$ **45,820**	$ 99,345
Long-term key management benefits		
Share based payments (6)	**1,700**	85,000
Total remuneration	$ **47,520**	$ 184,345

(1) The Company has no employees. Compensation includes the Chief Executive and Chief Financial Officers fees, Presidents, VP of Exploration, 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.
(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 $ **15,000**.
(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 $ **16,570**.
(4) The Company has a consulting contract with Paul Pitman, 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 $ **5,500**.
(5) 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 $ **8,750**.
(6) As of June 13, 2011 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 will issue an additional 170,000 common shares with an estimated value of $0.01 per common share. There were no warrants associated with the common shares.

Transactions with related companies

In 2011 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 three month period ended July 31, 2011, the Company incurred shared costs of $ **6,242** (April 30, 2011 $1,043). At July 31, 2011 the Company has a payable to Galahad Metals Inc of $**414,099** (April 30, 2011 $214,872) refer to note 8.

17. Financial instruments

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

17. Financial instruments – (continued)

Per financial instrument:

	Financial Instrument Classification	Carrying amount $	Fair value $
Financial assets			
Cash	Financial assets through profit and loss	470,393	470,393
Financial liabilities			
Accounts payable and accrued liabilities	Loans and borrowings	233,508	233,508
Provisions	Loans and borrowings	103,500	103,500
Due to parent company	Loans and borrowings	414,099	414,099

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.

Interest rate risk

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.

Foreign currency risk

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 are those reported to key management translated into Canadian dollars at the closing rates.

17. Financial instruments – (continued)

	Short-term exposure
June 31, 2011	
Financial Assets	US$ 112,076
Financial Liabilities	(175,694)
Total exposure	**US$ (63,618)**

The following table illustrates the sensitivity of profit or loss and equity in regards to the Company's financial assets and financial liabilities and the US$/C$ exchange rate, with all other things being equal.

It assumes a +/- 10% change in the US$/C$ exchange rate for the three month period ended July 31, 2011. The percentage has been based on the average market volatility in exchange rates in the previous 6 months. The sensitivity analysis is based on the Company's financial instruments held as at July 31, 2011.

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

	US$ financial exposure in US$	Average exchange rate between January and July 31, 2011.	Strengthening of C$ by 10%	Effect of profit or loss for the period end July 31, 2011
July 31, 2011	US$ (63,618)	0.9741	0.8767	$ 6,196

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

	US$ financial exposure in US$	Average exchange rate between January and July 31, 2011.	weakening of C$ by 10%	Effect of profit or loss for the period end July 31, 2011
July 31, 2011	US$ (63,618)	0.9741	1.0715	$ (6,196)

Exposures to foreign exchange rates vary over the year depending on the volume of expenditures on the Nevada properties located in the United States. Nonetheless 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 July 31, 2011 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.

17. Financial instruments – (continued)

	July 31, 2011
Classes of financial assets – carrying amounts	
Cash	$ 470,393

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 July 31, 2011, the Company had cash of $ **470,393** to settle current liabilities of $ **751,106**. As at July 31, 2011, the Company's financial liabilities have contractual maturities as summarized below:

	Current		**Non-current**	
July 31, 2011	Within 6 months	6 – 12 months	1 – 5 years	Later than 5 years
Accounts payable and accrued liabilities	$ 233,508	-	-	-
Provisions	103,500	-	-	-
Due to parent company	369,036	45,062	-	-
Total	**$ 706,044**	**45,062**	**-**	**-**

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 made available in the consolidated financial statements.

Fair value of financial instruments

Financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, provisions and due to parent company. At July 31, 2011, there were no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values.

18. 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.

Segment information can be analyzed as follows for the three month period ended July 31, 2011:

	Exploration and evaluation in United States	**Corporate operations**	**Total**
Expenses			
Exploration and evaluation expenditures	60,498	-	60,498
Operating expenses	-	163,916	163,916
Other income and expenses	-	(1,171)	(1,171)
Loss before income tax	**60,498**	**162,745**	**223,243**
Income tax expense	-	-	-
Net loss for the period	**60,498**	**162,745**	**223,243**
Operating assets	35,932	600,924	636,856
Operating liabilities	163,977	587,129	751,106

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

20. Group entities

The following entities are included in these consolidated financial statements:

	Country of incorporation	**Ownership Interest July 31, 2011**
Bottle Creek Exploration LLC	**USA**	**60%**

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:

	July 31, 2011
Non-controlling interest, beginning of year	**$ (14,888)**
Capital contributions made by the non controlling interest during the period	29,553
Share of cumulative translation adjustment	470
Share of losses in Bottle Creek Exploration LLC	(7,431)
Non-controlling interest, end of period	**$ 7,704**

21. 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 July 31, 2011, the Company has three 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.

22. 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, which at July 31, 2011, totals $ **121,954**. 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.

23. Subsequent events

As of August 29, 2011, the Company is committed to issue an aggregate of 935,000 warrants to existing shareholders without consideration, as part of the July 8, 2011 notice of adjustment of warrants.

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