

SIGNAL EXPLORATION INC.

Interim Financial Statements

June 30, 2012

(Unaudited)



1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1



NOTICE TO READER

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

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

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

SIGNAL EXPLORATION INC.
Interim Statements of Financial Position
(Unaudited)

	June 30, 2012	December 31, 2011
Assets		
Current assets		
Cash	\$ 317,016	\$ 516,350
Amount receivable	4,241	17,423
Total current assets	321,257	533,773
Non-current assets		
Exploration and evaluation assets (Note 3)	250,781	150,781
Total assets	\$ 572,038	\$ 684,554
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ –	\$ 24,582
Due to related parties (Note 4)	4,480	49,155
Total liabilities	4,480	73,737
Shareholders' equity		
Share capital (Note 5)	775,026	775,026
Share-based payment reserve	147,831	147,831
Deficit	(355,299)	(312,040)
Total shareholders' equity	567,558	610,817
Total liabilities and shareholders' equity	\$ 572,038	\$ 684,554

Nature and continuance of operations (Note 1)

Approved on behalf of the Board:

/s/ "Barry Hartley"

Barry Hartley, Director

/s/ Brent Hahn

Brent Hahn, Director

(The accompanying notes are an integral part of these financial statements)

SIGNAL EXPLORATION INC.Interim Statements of Comprehensive Loss
(Unaudited)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenue	\$ —	\$ —	\$ —	\$ —
Expenses				
General and administrative	24,585	33,896	33,914	33,914
Property investigation costs (Note 3)	2,783	—	—	—
Total expenses	27,368	—	33,914	33,914
Net loss and comprehensive loss	\$ 27,368	\$ 33,896	\$ 43,259	\$ 33,914
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average shares outstanding	10,350,000	6,576,703	10,350,000	6,429,171

(The accompanying notes are an integral part of these financial statements)

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SIGNAL EXPLORATION INC.Interim Statements of Changes in Equity
(Unaudited)

	Share capital		Share based payment reserve	Share subscription receivable	Deficit	Total shareholders' equity
	Number	Amount				
Balance December 31, 2010	6,280,000	\$ 226,000	\$ –	\$ (48,000)	\$ (50,623)	\$ 127,377
Share subscriptions received	–	–	–	48,000	–	48,000
Common shares issued for cash	300,000	15,000	–	–	–	15,000
Capital contributions	–	20,000	–	–	–	20,000
Net loss	–	–	–	–	(33,914)	(33,914)
Balance, June 30, 2011	6,580,000	\$ 261,000	\$ –	\$ –	\$ (84,537)	\$ 176,463
Balance December 31, 2011	10,350,000	\$ 775,026	\$ 147,831	\$ –	\$ (312,040)	\$ 610,817
Net loss	–	–	–	–	(43,259)	(43,259)
Balance, June 30, 2012	10,350,000	\$ 775,026	\$ 147,831	\$ –	\$ (355,299)	\$ 567,558

SIGNAL EXPLORATION INC.Interim Statements of Cash Flows
(Unaudited)

	Six months ended June 30, 2012	Six months ended June 30, 2011
Cash provided by (used in):		
Operating activities		
Net loss for the period	\$ (43,259)	\$ (33,914)
Changes in non-cash working capital items:		
Amount receivable	13,182	12,651
Accounts payable and accrued liabilities	(24,582)	3,066
Due to related parties	(44,675)	(3,755)
Net cash used in operating activities	(99,334)	(21,952)
Investing activities		
Exploration and evaluation asset expenditures	(100,000)	(23,351)
Net cash used in investing activities	(100,00)	(23,351)
Financing activities		
Proceeds from issuance of common shares	–	83,000
Net cash provided by financing activities	–	83,000
Increase (decrease) in cash	(199,334)	37,697
Cash, beginning	516,350	428
Cash, ending	\$ 317,016	\$ 38,125
Supplemental disclosures:		
Interest paid	\$ –	\$ –
Income taxes paid	\$ –	\$ –

SIGNAL EXPLORATION INC.

Notes to the Interim Financial Statements

March 31, 2012

(In Canadian Dollars)

1. Nature and continuance of operations

Signal Exploration Inc. (the "Company") was incorporated in the province of British Columbia on March 9, 2010. The Company is a resource exploration company that is acquiring and exploring mineral properties. On December 28, 2011, the Company completed an Initial Public Offering ("IPO") and its shares commenced trading on the TSX-Venture Exchange (TSX-V) on January 9, 2012.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2012, the Company has not generated any revenue and has incurred losses since inception. The Company's continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant accounting policies

(a) Basis of preparation

These Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS 34"), Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's financial statements as at and for the year ended December 31, 2011. Accounting policies applied in the preparation of these unaudited interim financial statements are the same as those applied in the preparation of Company's annual financial statements for the year ended December 31, 2011. The unaudited interim financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which are stated at fair value.

New or amended accounting standards that have been issued by the IASB but are not yet effective, and have not been applied by the Company, are as outlined in Note 2 of the 2011 annual financial statements.

These unaudited interim financial statements were authorized for issue by the Board of Directors on August 27, 2012.

(b) Use of estimates and judgments

The preparation of the Company's financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the recoverability of exploration and evaluation assets, fair value of stock-based compensation, and deferred income tax asset valuation allowances.

3. Exploration and evaluation assets

Scotch Creek Property, British Columbia:

Acquisition costs:

Balance, June 30, 2012 and December 31, 2011	\$ 12,000
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Exploration costs:

Balance, December 31, 2011	138,781
Additions	100,000
Balance, June 30, 2012	\$ 250,781

Terra Property, British Columbia:

During the period ended June 30, 2012 the Company entered into an option agreement to earn a 51% interest in the Terra Property by paying \$7,000 in cash and incurring exploration expenses of \$20,000 before December 31, 2012. The Company can earn an additional 24% in the Terra Property by incurring an additional \$300,000 in exploration expenses before December 31, 2016. Subsequent to June 30, 2012 the Company decided not to pursue this agreement and all related costs were expensed as pro perty investigation costs.

4. Related party transactions

During the six months ended June 30, 2012 the Company incurred management fees of \$24,000 (2011: \$Nil) to two companies controlled by two directors of the Company. At June 30, 2012, \$4,480 (2011: \$49,155) was due to two companies controlled by two directors of the Company. Amount due to related parties are unsecured, bear no interest and are due on demand.

5. Share capital

There were no changes to the Company's issued share capital, outstanding warrant and outstanding options during the six months ended June 30, 2012.