MONSTER MINING CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended January 31, 2012

(Stated in Canadian Dollars)

(Unaudited)

NOTICE TO READER OF THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements for the period ended January 31, 2012 have been prepared by and are the responsibility of the Company's management. These financial statements have not been reviewed or audited by the Company's auditors.

MONSTER MINING CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian Dollars)
(Unaudited)

	January 31, 2012	July 31, 2011 (Notes 16 and 17)	August 1, 2010 (Notes 16 and 17)
ASSETS			
Current			
Cash – Notes 5	**$ 38,048**	$ 284,426	$ 7,305
Short-term investment – Note 5	**-**	501,950	-
Available for sale investments – Note 6	**12,500**	35,000	65,000
Harmonized sales taxes recoverable	**37,025**	190,928	17,214
Prepaid expenses – Note 12	**25,850**	51,286	68,037
	113,423	1,063,590	157,556
Non-current assets			
Equipment – Note 7	**34,602**	44,196	3,368
Drilling advance – Note 8	**165,256**	165,256	400,000
Exploration and evaluation assets – Note 8	**4,276,964**	3,493,516	1,525,893
	4,476,822	3,702,968	1,929,261
Total assets	**$ 4,590,245**	$ 4,766,558	$ 2,086,817
LIABILITIES			
Current liabilities			
Trade and other payables	**$ 363,826**	$ 151,625	$ 110,805
Notes payable– Note 9	**-**	-	115,000
	363,826	151,625	225,805
Non-current liabilities			
Deferred income tax liabilities – Note 11	**-**	-	304,000
	363,826	151,625	529,805
SHAREHOLDERS' EQUITY			
Share capital – Notes 8 and 10	**5,057,823**	4,990,296	1,531,327
Subscription received – Note 10	**-**	-	50,500
Contributed surplus – Note 10	**1,245,173**	1,267,207	450,180
Accumulated comprehensive gain (loss) – Note 6	**(1,500)**	21,000	51,000
Accumulated deficit	**(2,075,077)**	(1,663,570)	(525,995)
	4,226,419	4,614,933	1,557,012
Total liabilities and shareholders' equity	**$ 4,590,245**	$ 4,766,558	$ 2,086,817

Corporate Information – Note 1
Commitments – Notes 8 and 10
Subsequent Events – Note 18
SIGNED ON BEHALF OF THE BOARD:

"Robert Eadie" Director — *"Andrew de Verteuil"* Director
Robert Eadie — Andrew de Verteuil

The accompanying notes form an integral part of these condensed interim financial statements

MONSTER MINING CORP.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Stated in Canadian Dollars)
(Unaudited)

	For the three months ended January 31,		For the six months ended January 31,	
	2012	2011 (Notes 16 and 17)	**2012**	2011 (Notes 16 and 17)
Revenue				
Premium on flow-through shares	**$ -**	$ -	**$ -**	$ 14,045
Revenue from option agreements – Note 8	**23,113**	-	**23,113**	-
Total revenue	**23,113**	-	**23,113**	14,045
Expenses – Note 12				
Accounting and audit fees	**8,199**	29,892	**22,575**	49,942
Deferred tax expense	**-**	-	**-**	44,032
Depreciation	**5,530**	3,898	**11,034**	7,440
Finance cost	**3,522**	81	**6,304**	1,708
Foreign exchange loss	**108**	-	**4,792**	-
Legal and corporate services	**7,106**	65,937	**38,128**	94,672
Management activities	**26,240**	22,398	**58,652**	31,550
Office, rent and administration	**18,119**	24,087	**38,251**	46,847
Shareholder communications	**58,322**	12,812	**191,270**	47,107
Transfer agent and filing fees	**26,804**	7,499	**63,614**	9,529
Total expenses	**(153,950)**	(166,604)	**(434,620)**	(332,827)
Loss for the period	**(130,837)**	(166,604)	**(411,507)**	(318,782)
Other comprehensive loss				
Unrealized gain (loss) on available for sale investments	**(3,000)**	6,000	**(22,500)**	4,500
Total comprehensive loss for the period	**$ (133,837)**	$ (160,604)	**$ (434,007)**	$ (314,282)
Basic and diluted loss per share – Note 13	**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.02)

MONSTER MINING CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)
(Unaudited)

For the six months ended January 31,	**2012**	2011 (Notes 16 and 17)
Operating Activities		
Loss for the period	**$ (411,507)**	$ (318,782)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation	**11,035**	7,440
Premium on flow-through shares	**-**	(14,044)
Share-based compensation	**45,493**	-
Deferred tax expense	**-**	44,032
Changes in non-cash working capital items:		
Harmonized sales taxes recoverable	**153,903**	(69,709)
Prepaid expenses	**25,436**	31,796
Trade and other payables	**71,041**	(11,754)
Cash outflows for operating activities	**(104,599)**	(331,021)
Investing Activities		
Acquisition of equipment	**(1,440)**	(46,802)
Sale of short term investments	**501,950**	-
Investment in exploration and evaluation assets	**(642,289)**	(595,684)
Cash outflows for investing activities	**(141,779)**	(642,486)
Financing Activities		
Notes payables	**-**	(115,000)
Proceeds from share issuance	**-**	1,365,999
Deferred financing fees	**-**	(41,115)
Cash inflows from financing activities	**-**	1,209,884
Total increase (decrease) in cash during the period	**(246,378)**	236,377
Cash, beginning of the period	**284,426**	7,305
Cash, end of the period	**$ 38,048**	$ 243,682

Non-cash Transactions – Notes 8 and 10

MONSTER MINING CORP.
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
From August 1, 2010 to January 31, 2012
(Stated in Canadian Dollars)
(Unaudited)

	Number of Shares Outstanding	Share Capital	Subscription received	Contributed Surplus	Accumulated comprehensive gain (loss)	Accumulated Deficit	Total Equity
Balance – August 1, 2010	17,143,220	$ 1,531,327	$ 50,500	$ 450,180	$ 51,000	$ (525,995)	$ 1,557,012
Common shares issued pursuant to:							
-Private placement at $0.25	5,048,000	1,262,000	(50,500)	-	-	-	1,211,500
-Flow though private placement at $0.275	561,815	154,499	-	-	-	-	154,499
Pursuant to debt settlement at $0.25	122,812	30,703	-	-	-	-	30,703
Flow through tax deduction	-	(14,045)	-	-	-	-	(14,045)
Net loss for the period	-	-	-	-	-	(318,781)	(318,781)
Unrealized gain (loss) on marketable securities	-	-	-	-	4,500	-	4,500
Balance – January 31, 2011	22,875,847	2,964,484	-	450,180	55,500	(844,776)	2,625,388
Net loss for the period	-	-	-	-	-	(818,794)	(818,794)
Common shares issued pursuant to:							
-Public offering ("IPO") of units at $0.40	5,000,000	1,880,000	-	120,000	-	-	2,000,000
-Acquisition of exploration and evaluation assets at $0.40	1,000,000	400,000	-	-	-	-	400,000
-Acquisition of exploration and evaluation assets at $0.44	50,000	22,000	-	-	-	-	22,000
Share issue costs:	-	-	-	-	-	-	-
- Cash payments	-	(295,206)	-	-	-	-	(295,206)
- Agents' warrants granted	-	(26,000)	-	26,000	-	-	-
Shares released from escrow	-	45,018	-	(45,018)	-	-	-
Stock based compensation	-	-	-	716,045	-	-	716,045
Unrealized gain (loss) on marketable securities	-	-	-	-	(34,500)	-	(34,500)
Balance – July 31, 2011	28,925,847	4,990,296	-	1,267,207	21,000	(1,663,570)	4,614,933
Net loss for the period	-	-	-	-	-	(411,507)	(411,507)
Shares released from escrow	-	67,527	-	(67,527)	-	-	-
Stock based compensation	-	-	-	45,493	-	-	45,493
Unrealized gain (loss) on marketable securities	-	-	-	-	(22,500)	-	(22,500)
Balance – January 31, 2012	**28,925,847**	**$ 5,057,823**	**$ -**	**$ 1,245,173**	**$ (1,500)**	**$ (2,075,077)**	**$ 4,226,419**

The accompanying notes form an integral part of these condensed interim financial statements

MONSTER MINING CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six months ended January 31, 2012
(Stated in Canadian Dollars)
(Unaudited)

Note 1 Corporate Information

Monster Mining Corp. (the "Company") was incorporated in the Province of British Columbia on May 3, 2007 under the Business Corporations Act (British Columbia) under the name "Northex Ventures Inc." and changed its name to "Monster Mining Corp." on August 20, 2008. The Company was registered as an extra-territorial corporation under the Business Corporations Act (Yukon) on July 10, 2009. The Company completed its IPO pursuant to its prospectus dated April 26, 2011 (the "Prospectus") and commenced trading on the TSX Venture Exchange (the "Exchange") on May 19, 2011 under the symbol MAN. The Company is in the exploration stage and has entered into option and purchase agreements to acquire mineral properties in the Yukon, Canada.

The address of the Company's corporate office and principal place of business is 750 – 580 Hornby Street, Vancouver, British Columbia, Canada.

Note 2 Basis of Preparation

a) Statement of Compliance

The financial statements for the Company for the year ending July 31, 2012, will be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("Pre-changeover GAAP"). These condensed interim financial statements for the six month period ended January 31, 2012, have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, and as they are part of the Company's first IFRS annual reporting period, IFRS 1 First-Time Adoption of International Financial Reporting Standards has been applied.

As these condensed interim financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with Pre-changeover GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed interim financial statements should be read in conjunction with the Company's 2011 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 18.

Note 2 Basis of Preparation – (cont'd)

a) Statement of Compliance – (cont'd)

The condensed interim financial statements were authorized for issue by the Board of Directors on March 23, 2012.

b) Basis of Measurement

The condensed interim financial statements have been prepared on a historical cost basis, as modified by the revaluation of held-for-trading financial assets.

The condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest dollar, unless otherwise indicated.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

c) Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a loss of $411,507 during the six months ended January 31, 2012, and, as of that date, the Company's accumulated deficit was $2,075,077. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. As at January 31, 2012, the Company had $38,048 in cash, working capital deficiency of $250,403 and no long-term debt and the Company does not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, there is no assurance it will be able to raise funds in this manner in the future and there remains significant doubt as to the Company's ability to continue as a going concern.

These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying consolidated financial statements.

Note 3 Summary of Significant Accounting Policies

The accounting policies set out below are expected to be adopted for the year ending July 31, 2012 and have been applied consistently to all periods presented in these condensed interim financial statements and in preparing the opening IFRS balance sheet at August 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Foreign Currency Transactions

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the period end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the period end and the related translation differences are recognised in the Company's profit or loss. Exchange gains and losses arising on the retranslation of held-for-trading financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in the Company's profit or loss. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in profit or loss or other comprehensive loss, consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Note 3 Summary of Significant Accounting Policies – (cont'd)

b) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

c) Pre-Exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

d) Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation ("E&E") expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying and sampling costs, drilling costs, payments made to contractors, geologists, consultants, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to E&E activities, including general and administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditures, in excess of estimated recoveries, are written off to the Company's profit or loss.

The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". E&E assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral E&E expenditures are classified as intangible assets.

Note 3 Summary of Significant Accounting Policies – (cont'd)

e) Option payments received

Where a third party has been granted the option to acquire an interest in a property owned by the Company, the fair value of any proceeds received in respect of that property is applied to the E & E amount capitalized on the Company's statement of financial position. Once the amount capitalized in respect of that property has been reduced to $Nil, any further payments received are reported as revenue on the Company's statement of comprehensive loss.

f) Reclamation Deposits

Cash which is subject to contractual restrictions on use is classified separately as "reclamation deposits". Reclamation deposits are classified as loans and receivables.

g) Equipment

Recognition and Measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in the Company's profit or loss as incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measure reliably. All other repairs and maintenance are charged to the Company's profit or loss during the financial period in which they are incurred.

Note 3 Summary of Significant Accounting Policies – (cont'd)

g) Equipment – (cont'd)

Gains and Losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized, net, within other income in profit or loss.

Depreciation

Depreciation in profit or loss is provided on a straight-line basis over the estimated useful life of the assets as follows:

Computer equipment	Straight line over 2.5 years
Vehicle	Straight line over 3.3 years
Furniture & Equipment	Straight line over 5.0 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

h) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets including E&E assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit. A cash-generating unit being, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has no cash generating unit for which impairment testing is performed.

An impairment loss is charged to the Company's profit or loss, except to the extent that they reverse gains previously recognized in other comprehensive loss/income.

i) Financial Instruments

Financial assets are classified as one of the following categories based upon the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Note 3 Summary of Significant Accounting Policies – (cont'd)

h) Financial Instruments – (cont'd)

Loans and Receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and subsequently carried at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company's cash, harmonized sales tax recoverable and short-term investments are all accounted for as loans and receivables.

Available-for-Sale

Non-derivative financial assets not included in the above category and other than those qualifying as subsidiaries are classified as available-for-sale. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/profit. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset, which constitutes objective evidence of impairment, the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income is recognized in the Company's profit or loss. If there is no quoted market price, no active market, and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to the Company's profit or loss.

Impairment on Financial Assets

At each reporting date, the Company assesses 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, there is objective evidence of impairment as a result of one or more events that has occurred subsequent to the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Note 3 Summary of Significant Accounting Policies – (cont'd)

h) Financial Instruments – (cont'd)

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprised of trade and other payables and due to related parties. These liabilities are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortised cost using the effective interest rate method. This ensures that, any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

i) Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by E&E activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities include: restoration, reclamation and revegetation of the affected exploration sites.

The Rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on the passage of time, current market discount rates and liability specific risks. Adjustments to the liability as a result of any of these changes are recognized as a corresponding change to the E&E asset.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

Note 3 Summary of Significant Accounting Policies – (cont'd)

j) Income Taxes

Current tax and deferred tax are recognized in the Company's profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated 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 period 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 utilised. 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.

k) Share Capital

Financial instruments issued by the Company are classified as equity, only to the extent that they do not meet the definition of a financial liability or asset. The Company's common shares, share warrant and share options are classified as equity instruments.

Incremental costs, directly attributable to the issue of new shares, warrants or options, are shown in equity as a deduction, net of tax, from proceeds

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognised as other income and the related deferred tax is recognized as a tax provision.

Note 3 Summary of Significant Accounting Policies – (cont'd)

k) Share Capital – (cont'd)

Proceeds received from issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds in Note 11. As at January 31, 2012 the Company has expended all proceeds received.

The Company may also be subject to a Part XII.6 on flow-through proceeds renounced under the Look back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

l) Profit or Loss Per Share

Basic profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares, by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period.

m) Share Based Payments

Where equity-settled share options are awarded to employees or non-employees, the fair value of the options at the date of grant is charged to the Company's profit or loss over the vesting period. The number of equity instruments expected to vest at each reporting date, are taken into account so that 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 modifications, is charged to the Company's profit or loss 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 Company's profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Note 3 Summary of Significant Accounting Policies – (cont'd)

m) Share Based Payments – (cont'd)

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the Company's profit or 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 is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations.

All equity-settled share based payments 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 forfeited, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately 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 that the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

n) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2012 or later periods.

The Company has early adopted the amendments to IFRS which replaces references to a fixed date of "1 January 2004" with "the date of transition to IFRS". This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRS. The amendment is effective for year ends beginning on or after July 1, 2011, however the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition.

Note 3 Summary of Significant Accounting Policies – (cont'd)

n) Standards, Amendments and Interpretations Not Yet Effective – (cont'd)

The following new standards, amendments and interpretations, which have not been early adopted in these condensed interim financial statements, are not expected to have an effect on the Company's future results and financial position:

IFRS 7	Financial Instruments: Disclosures, amendments regarding Disclosures – Transfers of Financial Assets
IFRS 9	Financial Instruments (New; to replace IAS 39 and IFRIC 9)
IFRS 10	Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12)
IFRS 11	Joint Arrangements (New; to replace IAS 31 and SIC-13)
IFRS 12	Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31)
IFRS 13	Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs)
IAS 1	Presentation of Financial Statements, amendments regarding Presentation of Items of Other Comprehensive Income
IAS 12	Income Taxes, amendments regarding deferred Tax: Recovery of Underlying Assets
IAS 19	Employee Benefits (Amended in 2011)
IAS 27	Separate Financial Statements (Amended in 2011)
IAS 28	Investments in Associates and Joint Ventures (Amended in 2011)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (New)

Note 4 Critical Accounting Estimates and Judgements

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

The effect of a change in accounting estimate is recognized prospectively by including it in the Company's profit or loss in the period of the change, if it affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

Note 4 Critical Accounting Estimates and Judgements – (cont'd)

a) Exploration and Evaluation Expenditures

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

b) Title to Mineral Property Interests

Although the Company takes steps to verify title to mineral properties in which it has an interest, these procedures do no guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recuperated.

c) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with employees, and some with non-employees, by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

Note 5 Cash and Short-Term Investments

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

At January 31, 2012 and August 1, 2010, the Company had no Guaranteed Investment Certificates ("GIC"). At July 31, 2011, the Company held a GIC with a market value of $501,950 (January 31, 2012 and August 1, 2010: $Nil), earning interest income at approximately 1.05% per annum and maturing on September 28, 2011. Management considers this instrument to be a "short-term investment" on the Company's statement of financial position due to its ability to be exchanged for cash at the Company's option at any time prior to maturity.

All of the Company's cash and short-term investments are held at two financial institutions and as such the Company is exposed to the risks of those financial institutions.

Note 6 Available for sale investments

Available for sale investments consists of investments in common shares of Dawson Gold Corp (formerly Uldaman Capital Corp) ("Dawson") and shares of O'Conner Lake Mines Ltd. ("O'Connor").

On November 23, 2011, Dawson consolidated its shares, 2 pre-consolidated shares for 1 post-consolidated share. At August 1, 2010, July 31, 2011, and January 31, 2012 the Company held the following Dawson shares:

	Quantity Shares			
	Pre-consolidated	**Post-Consolidated**	**Original Value**	**Fair Value**
Balance, August 1, 2010	300,000	150,000	$ 9,000	$ 60,000
Balance, July 31, 2011	300,000	150,000	$ 9,000	$ 30,000
Balance, January 31, 2012	**300,000**	**150,000**	**$ 9,000**	**$ 7,500**

At August 1, 2010, July 31, 2011, and January 31, 2012 the Company held the following O'Conner shares.

	January 31, 2012			July 31, 2011	August 1, 2010
	Shares	**Original Value**	**Fair Value**	Fair Value	Fair Value
O'Conner	100,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000

Note 6 Available for sale investments– (cont'd)

The fair value of Dawson has been determined by reference to published price quotations in an active market and the fair value of O'Connor has been determined by the last share issuance price recorded by O'Connor.

During the period ended January 31, 2012 the Company reported an unrealized loss on Dawson shares of $22,500 (January 31, 2011: a gain of $4,500) in its condensed statement of comprehensive loss.

Note 7 Equipment

	Computer Equipment	Vehicles	Furniture & Equipment	Total
Cost				
Balance, August 1, 2010	$ 5,318	$ -	$ -	$ 5,318
Additions for the year	13,530	35,464	8,373	57,367
Balance, July 31, 2011	18,848	35,464	8,373	62,685
Additions for the period	1,440	-	-	1,440
Balance, January 31, 2012	**$ 20,288**	**$ 35,464**	**$ 8,373**	**$ 64,125**
Depreciation and impairment loss				
Balance, August 1,2010	$ 1,950	$ -	$ -	$ 1,950
Depreciation for the year	6,165	10,137	237	16,539
Balance, July 31, 2011	8,115	10,137	237	18,489
Depreciation for the period	4,876	5,320	838	11,034
Balance, January 31, 2012	**$ 12,991**	**$ 15,457**	**$ 1,075**	**$ 29,523**
Carrying amounts				
Balance, August 1, 2010	$ 3,368	$ -	$ -	$ 3,368
Balance, July 31, 2011	$ 10,733	$ 25,327	$ 8,136	$ 44,196
Balance, January 31, 2012	**$ 7,297**	**$ 20,007**	**$ 7,298**	**$ 34,602**

Note 8 **Exploration and Evaluation Assets**

	Blanche	Franklin Creek	Keno Lightning	McKay Hill	Red Ridge	Total
Acquisition costs:						
Balance, August 1, 2010	$ 30,000	$ 70,000	$ 10,000	$ 20,000	$ -	$ 130,000
Cash Payment	-	-	60,000	60,000	15,000	135,000
50,000 common shares issued at $0.44	-	-	-	-	22,000	22,000
300,000 common shares issued at $0.40	-	-	-	120,000	-	120,000
700,000 common shares issued at $0.40	-	-	280,000	-	-	280,000
Balance, July 31, 2011	30,000	70,000	350,000	200,000	37,000	687,000
Option payment received	-	(70,000)	-	-	-	(70,000)
Balance, January 31, 2012	**$ 30,000**	**$ -**	**$ 350,000**	**$ 200,000**	**$ 37,000**	**$ 617,000**
Exploration costs:						
Balance, August 1, 2010	$ -	$ 6,588	$ 1,324,210	$ 65,095	$ -	$ 1,395,893
Assays and sampling	-	-	8,775	-	-	8,775
Airborne geophysics	-	-	240,989	56,155	-	297,144
Claim maintenance	-	-	10,354	1,285	-	11,639
Mapping and reports	-	-	1,511	-	-	1,511
Transportation	-	-	50,446	9,977	-	60,423
Geological	-	300	317,392	3,617	1,167	322,476
Excavator	-	-	24,964	-	-	24,964
Drilling	-	-	420,423	-	-	420,423
Field cost	-	-	191,928	244	-	192,172
Camp construction	-	-	57,671	-	-	57,671
Site restoration	-	-	20,000	-	-	20,000
YMIP funding	-	-	-	(6,575)	-	(6,575)
Balance, July 31, 2011	-	6,888	2,668,663	129,798	1,167	2,806,516

Note 8 **Exploration and Evaluation Assets - (cont'd)**

	Blanche	Franklin Creek	Keno Lightning	McKay Hill	Red Ridge	Total
Exploration costs: - (cont'd)						
Balance, July 31, 2011 - (cont'd)	-	6,888	2,668,663	129,798	1,167	2,806,516
Assays and sampling	-	-	20,182	-	-	20,182
Airborne geophysics	-	-	56,703	16,233	-	72,936
Claim maintenance	-	-	316	-	-	316
Transportation	-	-	53,185	19,747	-	72,932
Geological	-	-	251,084	6,578	2,554	260,016
Excavator	-	-	83,318	-	-	83,318
Drilling	-	-	241,560	-	-	241,560
Field cost	-	-	83,738	-	-	83,738
Camp construction	-	-	25,138	-	-	25,138
Option Payment Received	-	(6,888)	-	-	-	(6,888)
Balance, January 31, 2012	**$ -**	**$ -**	**$ 3,483,887**	**$ 172,356**	**$ 3,721**	**$ 3,659,964**
Total Exploration and evaluation assets						
Balance, August 1, 2010	$ 30,000	$ 76,588	$ 1,334,210	$ 85,095	$ -	$ 1,525,893
Balance, July 31, 2011	$ 30,000	$ 76,888	$ 3,018,663	$ 329,798	$ 38,167	$ 3,493,516
Balance, January 31, 2012	**$ 30,000**	**$ -**	**$ 3,833,887**	**$ 372,356**	**$ 40,721**	**$ 4,276,964**

Note 8 Exploration and Evaluation Assets - (cont'd)

a) Blanche

The Company acquired a 25% interest in the Blanche Claim in the Keno Hill area of the Yukon on August 1, 2007 pursuant to a third party property option agreement whereby the Company was granted the claims as they fell within an area of interest. By agreement dated January 17, 2010, the Company acquired another 50% interest in the Blanche Claim, in consideration of 100,000 shares of the Company.

b) Franklin Creek

Pursuant to a purchase agreement dated May 5, 2007, as amended on March 14, 2008 and December 1, 2010, between the Company and Dynamic Resources Corp. ("Dynamic") the Company acquired a 100% interest in three claim groups in the Yukon and Northwest Territories, more commonly known as the MAG Claim Group and the ALAN Claim Group, Northwest Territories and 16 claims known as the Franklin Creek Claim Group (Guy 1 – 16) located in the Whitehorse Mining District, Yukon Territory. Consideration paid was as follows:

i) Payment of $50,000 in cash (paid);
ii) issuance of 100,000 common shares (issued); and

By Sale Agreement dated March 25, 2010, between the Company and O'Connor Lake Mines Ltd., ("O'Connor") the Company granted O'Connor an undivided 100% interest in the MAG Claim Group and the ALAN Claim Group, in consideration of O'Connor issuing to the Company 100,000 common shares (received and recorded at a deemed value of $5,000).

In addition, for the acquisition of the MAG Claim Group, the Company is to receive:

i) Payment of $10,000 and 100,000 shares of O'Connor common stock to the Company within 15 business days of O'Connor's shares being listed on the Canadian National Stock Exchange ("CNSX") or the Exchange;
ii) a further $10,000 and 100,000 shares to be issued on the first anniversary of the listing date of O'Connor's shares on the CNSX or the Exchange; and
iii) 1,000,000 shares of O'Connor upon completion of a bankable feasibility study.

Note 8 Exploration and Evaluation Assets - (cont'd)

b) Franklin Creek – (cont'd)

In addition, for the acquisition of the ALAN Claim Group, the Company is to receive:

i) Payment of $10,000 and 100,000 shares of O'Connor common stock to the Company within 15 business days of O'Connor's shares being listed on the CNSX or the Exchange;
ii) a further $10,000 and 100,000 shares to be issued on the first anniversary of the listing date of O'Connor's shares on the CNSX or the Exchange; and
iii) 1,000,000 shares of O'Connor upon completion of a Bankable Feasibility study.

Under the agreement O'Connor is required to maintain all claims in good standing and to pay to the Company a 2% NSR.

On September 27, 2010, the Company entered into an agreement with Strategic Metals Ltd. ("SMD") to sell the Franklin Creek Claim Group (Guy 1-16).

The Company has agreed to sell an undivided 100% interest in the claims to SMD in consideration of one half (50%) of any of the proceeds from any sale, option or disposition of all or any part of the claims, as well as from SMD's Hopper Claims (Hopper 1 – 168 and 170 mineral claims in the Whitehorse Mining District) and SMD's Gal claims (Gal 1 – 8 mineral claims, also in the Whitehorse Mining District) (the Company and SMD's combined claims collectively referred to as the "Property").

"Proceeds" from the Property include any and all cash payments, share issuances and royalty interests.

The parties agree that the title of the Guy claims will be held in trust by SMD. SMD is entitled to abandon at any time any or all of the claims by giving writing notification to the Company of its intention to do so. The Company will have 30 days to have title transferred back to it, or abandon the claims.

During the period ended January 31, 2012 the Company received $100,000 from SMD as its share of the proceeds related to the Hopper claims. The proceeds were allocated, $76,888 to prior amounts capitalized in E&E activities and $23,113 (January 31, 2011: $Nil) as revenue in the Company's statement of comprehensive loss.

Note 8 Exploration and Evaluation Assets - (cont'd)

c) Keno Lightning

By agreement dated August 1, 2007, the Company entered into an option agreement to acquire a 100% interest (the "Option") from the owners (the "Optionors") of certain mining claims situated in the Mayo Mining District, Yukon, more commonly known as the Keno Lightning Property ("Keno").

In order to maintain the Option in good standing and earn a 100% undivided interest in Keno, the Company must pay $100,000 and issue 700,000 common shares of the Company to the Optionors and incur $300,000 in exploration expenditures as follows:

i) pay $10,000 upon signing the Agreement (paid);
ii) pay an additional $15,000 by June 3, 2011 (paid);
iii) pay an additional $15,000 by May 19, 2012 ($9,000 paid);
iv) pay an additional $15,000 by May 19, 2013 ($9,000 paid);
v) pay an additional $15,000 by May 19, 2014 ($9,000 paid);
vi) pay an additional $15,000 by May 19, 2015 ($9,000 paid);
vii) pay an additional $15,000 by May 19, 2016 ($9,000 paid);
viii) issue 700,000 shares by June 3, 2011 (issued); and
ix) incur $300,000 in exploration expenses on Keno on or before December 31, 2009 (incurred).

Keno is subject to a 3% NSR to the Optionors. The Company has the option to purchase up to 2% of this royalty interest for $300,000 for the first 1%, and $1,200,000 for the second 1%.

Of the consideration, $30,000 in cash payments ($7,500 paid) and 210,000 (issued) of the shares issued will be paid to a director of the Company.

On October 25, 2011, the Company entered into an option agreement with Midnight Sun Mining Corp. ("Midnight Sun") granting Midnight Sun the option to acquire a 20% interest in the Company's Keno Property in exchange of $7,500,000 in exploration expenditures. In order to exercise the option, Midnight Sun paid a total of $200,000 of exploration expenditures on the Keno Property at the acceptance of the agreement.

During the period ended January 31, 2012, Midnight Sun was unable to meet its exploration commitment losing its option to acquire an interest in the Keno Property.

Note 8 Exploration and Evaluation Assets - (cont'd)

d) McKay Hill

By agreement dated September 1, 2007 and amended November 21, 2010, the Company entered into an option agreement to acquire a 100% interest in 20 mining claims situated in the Mayo Mining District, Yukon ("McKay Hill").

In order to maintain the option in good standing and to acquire a 100% undivided interest in the McKay Hill property the Company must pay $110,000, issue 300,000 common shares of the Company to the vendors and incur an aggregate of $100,000 in exploration expenditures as follows:

i) pay $20,000 upon signing the Agreement (paid);
ii) pay $15,000 by June 3, 2011 (paid);
iii) pay an additional $15,000 by May 19, 2012 ($9,000 paid);
iv) pay an additional $15,000 by May 19, 2013 ($9,000 paid);
v) pay an additional $15,000 by May 19, 2014 ($9,000 paid);
vi) pay an additional $15,000 by May 19, 2015 ($9,000 paid);
vii) pay an additional $15,000 by May 19, 2016 ($9,000 paid);
viii) issue 300,000 common shares by June 3, 2011 (issued); and
ix) incur $100,000 in exploration expenses on McKay Hill before December 31, 2011 (incurred).

The property is subject to a 3% NSR to the vendors. The Company has the option to purchase up to 2% of this royalty interest for $300,000 for the first 1%, and $1,200,000 for the second 1%.

Of the consideration, $44,000 in cash payments ($14,000 paid) and 190,000 (issued) of the shares issued will be paid to a director of the Company.

In 2010, an additional 124 claims were staked by the Company at a cost of $13,429.

e) Red Ridge

On June 4, 2011 the Company entered into an option agreement (the "Agreement") to earn a 100% undivided interest in 30 mining claims in the Whitehorse Mining District, more commonly known as the Red Ridge Property (the "Property"). The agreement was accepted by regulatory authorities on June 22, 2011.

Pursuant to the Agreement, the Company may exercise the option by paying an aggregate of $200,000 to the Optionors, issuing an aggregate of 400,000 common shares in the capital of the Company, and incurring an aggregate of $690,000 of exploration expenditures as follows:

Note 8 Exploration and Evaluation Assets - (cont'd)

e) Red Ridge – (cont'd)

i) pay $15,000 upon signing the Agreement (paid);
ii) issue 50,000 common shares 7 days after acceptance from the Exchange on June 22, 2011 (issued);
iii) pay an additional $25,000, issue 50,000 shares and incur exploration expenditures of $30,000 by June 22, 2012;
iv) pay an additional $35,000, issue 100,000 shares and incur exploration expenditures of $60,000 by June 22, 2013;
v) pay an additional $50,000, issue 200,000 shares and incur exploration expenditures of $200,000 by June 22, 2014;
vi) pay an additional $75,000 and incur exploration expenditures of $400,000 by June 22, 2015;

The Optionors are entitled to receive a 3% NSR, half of which can be purchased by the Company at any time for $1,500,000.

Commencing on June 22, 2016, the Company will make advance royalty payments of $20,000 per year, until the earlier of royalty payments being made following production or by June 22, 2021. The advance royalty payments will be offset against amounts later payable to the Optionors upon commencement of production.

f) Drilling Advance

The Company advanced $400,000, of which $165,256 remains to be incurred as at January 31, 2012 (July 31, 2011: $165,256 and August 1, 2010: $400,000) to a shareholder for drilling and geological services on the Company's mineral properties. This transaction was measured at the exchange amount, which is the amount agreed upon by the transacting parties and was made by the Company in order to secure favourable terms and priority on drilling costs and timing.

g) Environmental Protection Practices

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Note 9 Notes payable

At January 31, 2012 and July 31, 2011, the Company had no Notes payable. At August 1, 2010 the Company had notes payable to directors of $115,000, bearing interest at 7%. These notes were repaid during the year ended July 31, 2011.

Note 10 Share Capital and Reserves

a) Common Shares

The Company is authorized to issue an unlimited number of common shares, issuable in series.

The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which are declared from time-to-time. No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual assets.

Pursuant to the Exchange policy guidelines, at January 31, 2012, 8,712,661 (July 31, 2011, 10,455,193, August 1, 2010: Nil) common shares were held in escrow and will be released in 6 instalments, each 6 months, until May 19, 2014.

Initial public offering ("IPO")

On May 19, 2011, the Company completed its IPO pursuant to the Prospectus dated April 26, 2011 and commenced trading on the Exchange on May 19, 2011. Pursuant to the IPO, the Company issued 5,000,000 units at a price of $0.40 per unit for proceeds of $2,000,000. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable at $0.65 per share for a period of 12 months expiring May 18, 2012, provided that should the Company's shares close at or above $0.75 per share for a period of 20 consecutive trading days the Company may then accelerate the expiry date of the Warrants to not less than 60 days following notice being given of such acceleration. The $2,000,000 proceeds from the IPO were allocated to the shares and warrants pro rata, using the market value of the shares and the fair value of the warrants. As a result, share capital increased by $1,880,000 and contributed surplus increased by $120,000.

The fair value of warrants issued was determined using the Black-Scholes model with the following assumptions:

Dividend rate	0%
Risk-free interest rate	1.98%
Expected life	1 Year
Expected annual volatility	70%

The agent for the offering received a cash commission of $160,000, being 8% of the gross proceeds of the IPO, a corporate finance fee of $25,000, warrants to acquire an aggregate of 500,000 shares, exercisable at $0.65 per share for a period of 12 months expiring May 19, 2012 and $26,000 for their expenses incurred. Share issue costs include $26,000 for the fair value of the agent's warrants.

Note 10 Share Capital and Reserves – (cont'd)

a) Common Shares – (cont'd)

Initial public offering ("IPO")

The fair value of agents' warrants was determined using the Black-Scholes model with the following assumptions:

Dividend rate	0%
Risk-free interest rate	1.98%
Expected life	1 Year
Expected annual volatility	70%

The fair values of warrants and agents' warrants have been excluded from the statement of cash flows.

Private Placements

During the year ended July 31, 2011, the Company completed three non-brokered private placements for proceeds of $1,262,000 pursuant to the issuance of 5,048,000 common shares at $0.25 per share and a non-brokered flow through private placement for proceeds of $154,499 pursuant to the issuance of 561,815 common shares at $0.275 per share.

Debt Settlement

During the year ended July 31, 2011, the Company issued 122,812 common shares at a price of $0.25 pursuant to a debt settlement of $30,703.

Acquisition of mineral property

On May 18, 2011, the Company issued 300,000 common shares pursuant to the McKay Hill property acquisition and 700,000 common shares pursuant to the Keno Lightning property acquisition valued at $0.40 per share (Note 8). These shares are valued at $120,000 and $280,000 respectively using the quoted market price of the Company's shares on the date of issuance and have been excluded from the statement of cash flows.

On June 22, 2011, the Company issued 50,000 common shares valued at $0.44 per share pursuant to the Red Ridge Property acquisition (Note 8). These shares are valued at $22,000 using the quoted market price of the Company's shares on the date of issuance and have been excluded from the statement of cash flows.

Note 10 Share Capital and Reserves – (cont'd)

b) Contributed Surplus

As at January 31, 2012, July 31, 2011 and August 1, 2010, contributed surplus consisted of the following:

	January 31, 2012	July 31, 2011	August 1, 2010
Warrants	$ 120,000	$ 120,000	$ -
Agent warrants	26,000	26,000	-
Share purchase options	1,099,173	1,121,207	450,180
Contributed surplus	**$ 1,245,173**	$ 1,267,207	$ 450,180

c) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants as at January 31, 2012, July 31, 2011 and August 1, 2010 and the changes during the periods ended January 31, 2012 and the year ended July 31, 2011 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Amount
Outstanding at August 1, 2010	-	$ -	$ -
Issued	2,500,000	0.65	120,000
Outstanding at July 31, 2011 and January 31, 2012	**2,500,000**	**$ 0.65**	**$ 120,000**

At January 31, 2012, there were 2,500,000 warrants exercisable to purchase one common share for each option held as follows:

Number of Warrants	Exercise Price	Expiry Date
2,500,000	$0.65	May 18, 2012
2,500,000	**$0.65**	

Note 10 Share Capital and Reserves – (cont'd)

d) Agents' Warrants

A summary of the Company's outstanding Agent Warrants as at January 31, 2012, July 31, 2011 and August 1, 2010 and the changes during the periods ended January 31, 2012 and the year ended July 31, 2011 is presented below:

	Number of Agent Options	Weighted Average Exercise Price	Amount
Outstanding at August 1, 2010	-	$ -	$ -
Issued	500,000	$ 0.65	26,000
Outstanding at July 31, 2011 and January 31, 2012	**500,000**	$ 0.65	$ 26,000

Note 10 Share Capital and Reserves – (cont'd)

e) Share-Based Payments

The Company, in accordance with the policies of the Exchange, is authorized to grant share purchase options to directors, officers, employees and service providers to acquire up to 10% of common stock outstanding (the" Plan"). Under the Plan, options may be granted at, not less than the closing market price of the Company's shares on the day preceding the grant for a maximum term of 5 years. No amounts are paid or payable by the recipient on receipt and the options are not dependent on any performance-based criteria. Share purchase options will vest when granted except where granted for investor relations activities which vest and may be exercised in accordance with the vesting provisions as to ¼ of the options each 3 months.

The following is a summary of changes in options from July 31, 2011 to January 31, 2012:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Period Granted	Exercised	Forfeited Canceled	Closing Balance	Closing Exercisable
05/19/11	05/19/16	$0.40	2,537,000	-	-	(30,000)	2,507,000	2,507,000
05/19/11	05/19/13	$0.40	350,000	-	-	-	350,000	175,000
			2,887,000	-	-	(30,000)	2,857,000	2,682,000
Weighted Average Exercise Price			$0.40	$ -	$ -	$0.40	$0.40	$0.40

During the period ended January 31, 2012, the Company expensed $45,493 in relation to incentive stock options which vested during the period.

The following is a summary of changes in options from August 1, 2010 to July 31, 2011:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Year Granted	Exercised	Forfeited	Closing	Closing, Vested and Exercisable
05/19/11	05/19/16	$0.40	-	2,537,000	-	-	2,537,000	2,537,000
05/19/11	05/19/13	$0.40	-	350,000	-	-	350,000	-
			-	2,887,000	-	-	2,887,000	2,537,000
Weighted Average Exercise Price			$ -	$ 0.40	$ -	$ -	$ 0.40	$ 0.40

During the year ended July 31, 2011, the Company expensed $38,045 in relation to incentive stock options which vested during the year.

Note 10 Share Capital and Reserves – (cont'd)

e) Share-Based Payments – (cont'd)

The weighted average fair value, at grant date, of options granted during the year ended July 31, 2011, was $0.40 per option. No options were granted during the period ended January 31, 2012.

Options issued to directors and employees are determined using the Black-Scholes option pricing model. Options issued to service providers are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes model.

The Black-Scholes option pricing model, takes into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

During the year ended July 31, 2011 the Company granted incentive stock options to an investor relations and corporate communications service provider to acquire 350,000 shares at an exercise price of $0.40 per share until May 19, 2013. Additionally the Company granted 2,537,000 stock options to directors, officers, and consultants, exercisable at a weighted average price of $0.40 for a period of five years. The fair value of the options granted was estimated, using the Black-Scholes option pricing model with the following weighted average assumptions at date of grant:

Grant date mm/dd/yy	05/19/11	05/19/11
Expiry date mm/dd/yy	05/19/16	05/19/13
Spot price at grant	$0.40	$0.40
Exercise price	$0.40	$0.40
Dividend rate	0%	0%
Risk-free interest rate	1.98%	1.98%
Expected life	5 Years	5 Years
Expected annual volatility	84%	84%
Fair value	$678,000	$93,556

During the year ended July 31, 2011, the Company expensed $38,045 (2010: $Nil) in relation to incentive stock options which vested during the year.

Note 10 Share Capital and Reserves – (cont'd)

d) Expenses Arising from Share-Based Payment Transactions

Share-based payment transactions arising from options which vested during the period are recognized in the Company expenses as follows:

	January 31, 2012	January 31, 2011
Shareholder communications	**$ 45,493**	$ -
Total share-based compensation	**$ 45,493**	$ -

Note 11 Income Taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate for the full financial year applied to the pre-tax income of the interim period. The Company's effective tax rate for the period ended January 31, 2012 was 26.38% (January 31, 2011: 28.33%).

The difference between tax expense for the period and the expected income taxes based on the statutory rate are as follows:

	January 31, 2012	January 31, 2011
Loss before income taxes	**$ (411,507)**	$ (318,782)
Basic statutory and provincial income tax rate	**26.38%**	28.33%
Expected tax recovery on net loss, before income tax	**(108,500)**	(90,300)
Non deductible items	**13,000**	1,000
Change in tax rate	**4,600**	(2,500)
	(90,900)	(91,800)
Increase (decrease) in valuation allowance	**90,900**	91,800
Total income tax expense (recovery)	**$ -**	$ -

The nature and tax effect of the temporary differences giving rise to the deferred income tax assets and liabilities at January 31, 2012 and January 31, 2011 are summarized as follows:

	July 31, 2011	**Recognized in profit or loss**	**Recognized in equity**	**January 31, 2012**
Non-capital losses carried forward	$ 251,981	$ 108,500	$ -	$ 360,481
Share issuance cost	63,836	-	-	63,836
Capital assets	4,135	-	-	4,135
Marketable securities	(2,625)	-	-	(2,625)
Exploration & evaluation expenditures	(392,124)	-	-	(392,124)
	(74,797)	108,500	-	33,703
Less: Valuation allowance	74,797	(108,500)	-	(33,703)
Deferred income tax liability	**$ -**	**$ -**	**$ -**	**$ -**

Note 11 Income Taxes – (cont'd)

	August 1, 2010	Recognized in profit or loss	Recognized in equity	July 31, 2011
Non-capital losses carried forward	$ 48,000	$ 203,981	$ -	$ 251,981
Share issuance cost	7,000	-	56,836	63,836
Capital assets	-	4,135	-	4,135
Marketable securities	(6,000)	3,375	-	(2,625)
Exploration & evaluation expenditures	(353,000)	(39,124)	-	(392,124)
	(304,000)	172,367	56,836	(74,797)
Less: Valuation allowance	-	131,633	(56,836)	74,797
Deferred income tax liability	**$ (304,000)**	**$ 304,000**	**$ -**	**$ -**

As at January 31, 2012, the Company had estimated non-capital losses for Canadian tax purposes of $1,362,902. These losses may be carried forward to reduce taxable income derived in future years. A summary of these tax losses and their year of expiry are as follows:

Year of Expiry	Non-Capital Losses
2027	$ 7,500
2028	37,126
2029	80,929
2030	90,701
2031	791,667
2032	354,979
Total	$ 1,362,902

The potential benefits of these carry-forward non-capital losses and deductible temporary differences have not been recognized in these condensed interim financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Note 12 Related Party Transactions

The following is a summary of charges incurred by the Company with related parties:

Six months ended		January 31, 2012		January 31, 2011
Accounting and audit fees	$	10,500	$	16,500
Exploration and evaluation assets		-		55,250
Finance cost		-		733
Management activities		41,360		25,000
Office, rent and administration		30,000		27,000
Shareholder communications		7,500		7,500
Total	$	89,360	$	131,983

During the period ended January 31, 2012, the Company incurred office, rent and administration charges of $30,000 (January 31, 2011: $27,000), accounting fees of $10,500 (January 31, 2011: $16,500), and shareholders communications of $7,500 (January 31, 2011: $7,500) to a two companies controlled by a director and officer of the Company.

The Company also paid management fees of $41,360 (January 31, 2011: $25,000) to two officers and the Company's president who are also directors of the Company and consulting fees included in Exploration and evaluation assets of $Nil (January 31, 2011 $55,250) and Interest of $Nil (January 31, 2011 $733) to companies controlled by two officers of the Company.

Included in prepaid expenses at January 31, 2012, is $5,000 (July 31, 2011: $5,000; August 1, 2010: $Nil) for prepaid rent and refundable expenses advance with a company controlled by a director and $Nil (July 31, 2011 $Nil, August 1, 2010 $30,448) for advances to a company with a director in common.

Included in accounts payable and accrued liabilities at January 31, 2012 is $45,630 (July 31, 2011 $3,267, August 1, 2010 $39,631) due to companies controlled by directors for consulting, expense reimbursement and management fees.

These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

Note 13 Loss Per Share

The denominator for the calculation of loss per share, being the weighted average number of common shares, is calculated as follows:

Six months ended	January 31, 2012	January 31, 2011
Issued common shares at August 1	28,925,847	17,143,220
Effect of shares issued on August 17, 2010	-	878,138
Effect of shares issued on August 30, 2010	-	1,174,494
Effect of shares issued on October 6, 2010	-	78,334
Effect of shares issued on October 14 2010	-	1,927,084
Weighted average number of common shares (basic and diluted)	28,925,847	21,201,270

Note 14 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

There have been no changes in the Company's approach to capital management during the period ended January 31, 2012.

Note 15 Financial Instruments

a) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of January 31, 2012. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
(ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash balance, the balance of which at January 31, 2012 is $38,048. Cash is held at a chartered Canadian financial institution.

c) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company achieves this by maintaining sufficient cash reserves and highly liquid short-term investments. As at January 31, 2012, the Company had $38,048 in cash, working capital deficiency of $250,403 and no long-term debt and the Company does not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, there is no assurance it will be able to raise funds in this manner in the future and there remains significant doubt as to the Company's ability to continue as a going concern. The Company's trade and other payables are due in the short term.

d) Currency Risk

Currency risk is the risk that funds held in currencies other than the operating currency will fluctuate negatively, resulting in a foreign exchange loss. The Company is exposed to currency risk with respect to its cash, the balance of which at January 31, 2012 was $38,048. At January 31, 2012, the Company held no funds in foreign denominations.

Note 16 Comparative Figures

Certain comparative figures for the period ended January 31, 2011 and as at July 31, 2011 and August 1, 2010, have been reclassified to conform to the current year's financial statement presentation.

Note 17 First Time Adoption of International Financial Reporting Standards

The Company's financial statements for the year ending July 31, 2012, are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was August 1, 2010 (the "Transition Date"). IFRS 1 requires first time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be July 31, 2012. However, it also provides certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to Transition to IFRS, the Company prepared its financial statements in accordance with Pre-changeover GAAP.

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Pre-changeover GAAP.

Optional Exemptions

The IFRS 1 applicable exemptions and exceptions applied in the conversion from Pre-changeover GAAP to IFRS are as follows:

Business Combinations

The Company elected to not retrospectively apply IFRS 3 Business Combinations to any business combinations, as no business combinations had occurred prior to its Transition Date.

Share-Based Payment Transactions

The Company has elected to not retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 only to all outstanding equity instruments that are unvested at the Transition Date.

Compound Financial Instruments

The Company has elected to not retrospectively separate the liability and equity components of compound instruments for which the liability component is no longer outstanding at the Transition Date.

Note 17 First Time Adoption of International Financial Reporting Standards – (cont'd)

Optional Exemptions – (cont'd)

Changes in Existing Decommissioning, Restoration and Similar Liabilities

The Company has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. As a result, the Company has re-measured the provisions at August 1, 2010 under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.

Borrowing Costs

The Company has elected to no apply the transitional provisions of IAS 23 Borrowing Costs, which permits prospective capitalization of borrowing costs on qualifying assets from the Transition Date.

Mandatory Exemptions

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements of IAS 39 Financial Instruments: Recognition and Measurement, prospectively from the Transition Date. As a result, any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with Pre-changeover GAAP have not been reviewed for compliance with IAS 39.

Estimates

The estimates previously made by the Company under Pre-changeover GAAP were not revised for the application of IFRS except where necessary to reflect any differences in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to reverse estimates.

Reconciliation of Pre-Changeover GAAP Equity and Comprehensive Loss to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive income as shown below have resulted in reclassifications of various amounts on the statement of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

Note 17 First Time Adoption of International Financial Reporting Standards – (cont'd)

Reconciliation of Pre-Changeover GAAP Equity and Comprehensive Loss to IFRS – (cont'd)

i) *Flow-through shares*

Under Pre-changeover GAAP, the proceeds from issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium if any investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting period, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

As a result, for issuances of flow-through shares for which expenditures have been incurred, share capital was increased by $407,973 at the date of transition (July 31, 2011: $140,454) and retained earnings were increased by $101,027 (July 31, 2011: decreased $196,045). The impact on net income for the six months-ended January 31, 2012 was $Nil (six months-ended January 31, 2011: $29,987; year-ended July 31, 2010 $Nil).

ii) Available-for Sale Investments

The Company's marketable securities were classified as held-for-trading investments under Pre-changeover GAAP. These investments were carried at their fair value and any fluctuations in their values, whether realized or unrealized, were reported as a gain or loss in the Company's loss for the period. Under IFRS, these investments are classified as available-for-sale and any fluctuations in their fair values, which are not deemed to be other than temporary, are reported in the Company's comprehensive loss for the period.

As a result, the Company's deficits as at August 1, 2010, January 31, 2011 and July 31, 2011, have been increased by $51,000, $55,500, and $21,000, respectively for accumulated net gains which had previously been reported in the Company's deficit and the Company's accumulated comprehensive gain at those dates have been increased by the same amount to reflect the reclassification.

Similarly, the Company's loss for the period ended January 31, 2011 was reduced by $4,500, and the loss for the year ended July 31, 2011 has been increased by $30,000, as those unrealized gains and losses, respectively, have been included in the Company's total comprehensive loss for those periods.

Note 17 First Time Adoption of International Financial Reporting Standards – (cont'd)

Reconciliation of Statement of Financial Position as at August 1, 2010 – Transition Date

	Pre-Changeover GAAP	Effect of Transition to IFRS	IFRS
ASSETS			
Current			
Cash	$ 7,305	$ -	$ 7,305
Available for sale investments	65,000	-	65,000
Harmonized sales taxes recoverable	17,214	-	17,214
Prepaid expenses	68,037	-	68,037
	157,556	-	157,556
Non-current assets			
Equipment	3,368	-	3,368
Drilling advance	400,000	-	400,000
Exploration and evaluation assets	1,525,893	-	1,525,893
	1,929,261	-	1,929,261
Total assets	$ 2,086,817	$ -	$ 2,086,817
LIABILITIES			
Current liabilities			
Trade and other payables	$ 110,805	$ -	$ 110,805
Notes payable	115,000	-	115,000
	225,805	-	225,805
Deferred income tax liabilities	122,000	182,000	304,000
	347,805	182,000	529,805
SHAREHOLDERS' EQUITY			
Share capital	1,814,354	(283,027)	1,531,327
Subscription received	50,500	-	50,500
Contributed surplus	450,180	-	450,180
Accumulated comprehensive gain (loss)	-	51,000	51,000
Accumulated deficit	(576,022)	50,027	(525,995)
	1,739,012	(182,000)	1,557,012
Total liabilities and shareholders' equity	$ 2,086,817	$ -	$ 2,086,817

Note 17 First Time Adoption of International Financial Reporting Standards – (cont'd)

Reconciliation of Statement of Financial Position as at January 31, 2011

	Pre-Changeover GAAP	Effect of Transition to IFRS	IFRS
ASSETS			
Current			
Cash	$ 243,682	$ -	$ 243,682
Available for sale investments	69,500	-	69,500
Harmonized sales taxes recoverable	86,923	-	86,923
Prepaid expenses	36,241	-	36,241
	436,346	-	436,346
Non-current assets			
Equipment	42,730	-	42,730
Deferred financing fees	41,115	-	41,115
Drilling advance	165,256	-	165,256
Exploration and evaluation assets	2,298,076	-	2,298,076
	2,547,177	-	2,547,177
Total assets	$ 2,983,523	$ -	$ 2,983,523
LIABILITIES			
Current liabilities			
Trade and other payables	$ 10,103	$ -	$ 10,103
Deferred income tax liabilities	122,000	226,032	348,032
	132,103	226,032	358,135
SHAREHOLDERS' EQUITY			
Share capital	3,261,556	(297,072)	2,964,484
Contributed surplus	450,180	-	450,180
Accumulated comprehensive gain (loss)	-	55,500-	55,500
Accumulated deficit	(860,316)	15,540	(844,776)
	2,851,420	(226,032)	2,625,388
Total liabilities and shareholders' equity	$ 2,983,523	$ -	$ 2,983,523

Note 17 First Time Adoption of International Financial Reporting Standards – (cont'd)

Reconciliation of Statement of Financial Position as at July 31, 2011

	Pre-Changeover GAAP	Effect of Transition to IFRS	IFRS
ASSETS			
Current			
Cash	$ 284,426	$ -	$ 284,426
Short-term investment	501,950	-	501,950
Available for sale investments	35,000	-	35,000
Harmonized sales taxes recoverable	190,928	-	190,928
Prepaid expenses	51,286	-	51,286
	1,063,590	-	1,063,590
Non-current assets			
Equipment	44,196	-	44,196
Drilling advance	165,256	-	165,256
Exploration and evaluation assets	3,493,516	-	3,493,516
	3,702,968	-	3,702,968
Total assets	$ 4,766,558	$ -	$ 4,766,558
LIABILITIES			
Current liabilities			
Trade and other payables	$ 151,625	$ -	$ 151,625
SHAREHOLDERS' EQUITY			
Share capital	5,287,368	(297,072)	4,990,296
Contributed surplus	1,267,207	-	1,267,207
Accumulated comprehensive gain (loss)	-	21,000	21,000
Accumulated deficit	(1,939,642)	276,072	(1,663,570)
	4,614,933	-	4,614,933
Total liabilities and shareholders' equity	$ 4,766,558	$ -	$ 4,766,558

Note 17 First Time Adoption of International Financial Reporting Standards – (cont'd)

Reconciliation of Statement of Comprehensive Loss for the Six Months Ended January 31, 2011

	Pre-Changeover GAAP	Effect of Transition to IFRS	IFRS
Revenue			
Premium on flow-though shares	$ -	$ 14,045	$ 14,045
Expenses			
Accounting and audit fees	49,942	-	49,942
Deferred tax expense	-	44,032	44,032
Depreciation	7,440	-	7,440
Finance cost	1,708	-	1,708
Legal and corporate services	94,672	-	94,672
Management activities	31,550		31,550
Office, rent and administration	46,847	-	46,847
Shareholder communications	47,107	-	47,107
Transfer agent and filing fees	9,529	-	9,529
Unrealized gain on marketable securities	(4,500)	4,500	-
Total expenses	(284,295)	(48,532)	(332,827)
Loss for the period	(284,295)	(34,487)	(318,782)
Other comprehensive loss			
Unrealized gain (loss) on Available for sale investments	-	4,500	4,500
Total comprehensive loss for the period	**$ (284,295)**	$ (29,987)	**$ (314,282)**
Basic and diluted loss per share	**$ (0.01)**	$ -	**$ (0.02)**

Note 17 First Time Adoption of International Financial Reporting Standards – (cont'd)

Reconciliation of Statement of Comprehensive Loss for the Three Months Ended January 31, 2011

	Pre-Changeover GAAP	Effect of Transition to IFRS	IFRS
Expenses			
Accounting and audit fees	29,892	-	29,892
Depreciation	3,898	-	3,898
Finance cost	81	-	81
Legal and corporate services	65,937	-	65,937
Management activities	22,398		22,398
Office, rent and administration	24,087	-	24,087
Shareholder communications	12,812	-	12,812
Transfer agent and filing fees	7,499	-	7,499
Unrealized gain on marketable securities	(6,000)	6,000	-
Total expenses	(160,604)	(6,000)	(166,604)
Loss for the period	(160,604)	(6,000)	(166,604)
Other comprehensive loss			
Unrealized gain (loss) on Available for sale investments	-	6,000	6,000
Total comprehensive loss for the period	**$ (160,604)**	$ -	**$ (160,604)**
Basic and diluted loss per share	**$ (0.01)**	$ -	**$ (0.01)**

Note 17 First Time Adoption of International Financial Reporting Standards – (cont'd)

Reconciliation of Statement of Comprehensive Loss for the Year Ended July 31, 2011

	Pre-Changeover GAAP	Effect of Transition to IFRS	IFRS
Revenue			
Finance revenue	$ 3,395	$ -	$ 3,395
Income tax recovery	122,000	-	122,000
Premium on flow-through shares	-	196,045	$ 196,045
	125,395	196,045	321,440
Expenses			
Accounting and audit fees	201,492	-	201,492
Deferred tax expense	-	-	-
Depreciation	16,539	-	16,539
Finance cost	2,802	-	2,802
Foreign exchange loss	11	-	11
Legal and corporate services	484,364	-	484,364
Management activities	379,553		379,553
Office, rent and administration	97,539	-	97,539
Shareholder communications	221,903	-	221,903
Transfer agent and filing fees	54,812	-	54,812
Unrealized loss on marketable securities	(30,000)	30,000	-
Total expenses	(1,489,015)	30,000	(1,459,015)
Loss for the period	(1,363,620)	226,045	(1,137,575)
Other comprehensive loss			
Unrealized gain (loss) on Available for sale investments	-	(30,000)	(30,000)
Total comprehensive loss for the period	**$ (1,363,620)**	**$ 196,045**	**$ (1,167,575)**
Basic and diluted loss per share	**$ (0.06)**	$ -	**$ (0.05)**

Note 18 Subsequent Events

Subsequent to January 31, 2012, the Company announced a non brokered private placement of up to 8,000,000 units (the "Units") at $0.30 per Unit, for proceeds of $2,400,000.

Each Unit will consist of one share and one-half of one share purchase warrant (a "Warrant") with each whole Warrant entitling the holder to acquire an additional common share for two years at $0.45 per share. The Company may choose to accelerate the expiry date of the Warrants if the Company's shares on the Exchange close at a minimum of $0.50 for a period of 20 consecutive trading days.

A finder's fee will subject to the policies of the Exchange. The private placement is subject to Exchange acceptance. All of the securities issued pursuant to this offering will have a hold period expiring four months after the closing date.