OTIS

GOLD CORP

Consolidated Financial Statements

For the years ended June 30, 2012 and 2011

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Otis Gold Corp.

We have audited the accompanying consolidated financial statements of Otis Gold Corp. which comprise the consolidated statements of financial position as at June 30, 2012, June 30, 2011 and July 1, 2010, and the consolidated statements of comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years ended June 30, 2012 and June 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Otis Gold Corp. as at June 30, 2012, June 30, 2011, and July 1, 2010, and its financial performance and its cash flows for the years ended June 30, 2012 and June 30, 2011 in accordance with International Financial Reporting Standards.

"D&H Group LLP"

Vancouver, B.C.
October 29, 2012

Chartered Accountants

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Otis Gold Corp.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	June 30, 2012	June 30, 2011 (Note 16)	July 1, 2010 (Note 16)
ASSETS			
CURRENT ASSETS			
Cash	$ 1,706,317	$ 4,596,565	$ 3,458,450
Amounts receivable (Note 4)	16,091	37,803	7,878
Prepaid expenses and deposits (Note 5)	55,568	65,659	48,504
Reclamation deposit	7,330	–	–
	1,785,306	4,700,027	3,514,832
RECLAMATION DEPOSIT	11,889	19,219	9,119
EQUIPMENT (Note 6)	38,499	47,978	16,849
EXPLORATION AND EVALUATION ASSETS (Note 7)	15,146,999	12,020,083	5,054,708
	$ 16,982,693	$ 16,787,307	$ 8,595,508
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	$ 93,361	$ 194,120	$ 206,015
SHAREHOLDERS' EQUITY			
SHARE CAPITAL (Note 8)	20,011,378	18,724,504	9,533,962
RESERVES (Note 9)	1,260,570	1,028,941	577,453
ACCUMULATED DEFICIT	(4,382,616)	(3,160,258)	(1,721,922)
	16,889,332	16,593,187	8,389,493
	$ 16,982,693	$ 16,787,307	$ 8,595,508

NATURE OF OPERATIONS (Note 1)

EVENTS AFTER THE REPORTING PERIOD (Note 15)

The accompanying notes are an integral part of these consolidated financial statements.

These consolidated financial statements were approved for issue by the Board of Directors on October 29, 2012 and are signed on its behalf by:

/s/Craig T. Lindsay
Craig T. Lindsay, Director

/s/Sean Mitchell
Sean Mitchell, Director

Otis Gold Corp.

For the years ended June 30, 2012 and 2011

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

		2012		2011 (Note 16)
EXPENSES				
Consultants (Note 10)	$	189,066	$	175,607
Office expenses		177,504		151,123
Share-based compensation (Note 9)		147,829		481,932
Investor relations and advertising (Note 10)		127,824		288,424
Professional fees		93,271		92,365
Travel and entertainment		81,310		88,337
Regulatory costs		27,584		46,613
Property investigations		12,827		9,942
Depreciation of equipment		11,883		8,462
Bank charges		2,895		2,845
		(871,993)		(1,345,650)
OTHER ITEMS				
Interest income		22,824		29,796
Gain on sale of equipment		170		–
Foreign exchange loss		(28,894)		(1,208)
Impairment of exploration and evaluation assets (Note 7)		(344,465)		(121,274)
		(350,365)		(92,686)
COMPREHENSIVE LOSS FOR THE YEAR		(1,222,358)		(1,438,336)
DEFICIT, beginning of year		(3,160,258)		(1,721,922)
DEFICIT, end of year	$	(4,382,616)	$	(3,160,258)
LOSS PER SHARE, basic and diluted	$	(0.03)	$	(0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		44,941,193		35,084,550

The accompanying notes are an integral part of these consolidated financial statements.

Otis Gold Corp.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011
(Expressed in Canadian Dollars)

	Share capital								
	Number of shares		Amount		Reserves		Accumulated deficit		Shareholders' equity
Balance at July 1, 2010	27,175,439	$	9,533,962	$	577,453	$	(1,721,922)	$	8,389,493
Common shares issued for:									
Cash	10,769,843		6,790,389		–		–		6,790,389
Exploration and evaluation assets	4,750,000		2,691,000		–		–		2,691,000
Exercise of stock options	241,000		176,554		(66,103)		–		110,451
Less: Share issue costs	–		(467,401)		35,659		–		(431,742)
Share-based compensation	–		–		481,932		–		481,932
Comprehensive loss for the year	–		–		–		(1,438,336)		(1,438,336)
Balance at June 30, 2011	42,936,282	$	18,724,504	$	1,028,941	$	(3,160,258)	$	16,593,187
Common shares issued for:									
Cash	7,292,500		1,385,575		72,925		–		1,458,500
Less: Share issue costs	–		(98,701)		10,875		–		(87,826)
Share-based compensation	–		–		147,829		–		147,829
Comprehensive loss for the year	–		–		–		(1,222,358)		(1,222,358)
Balance at June 30, 2012	50,228,782	$	20,011,378	$	1,260,570	$	(4,382,616)	$	16,889,332

The accompanying notes are an integral part of these consolidated financial statements.

Otis Gold Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2012 and 2011
(Expressed in Canadian Dollars)

		2012		2011
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Loss for the year	$	(1,222,358)	$	(1,438,336)
Items not affecting cash				
Depreciation of equipment		11,883		8,462
Share-based compensation		147,829		481,932
Impairment of exploration and evaluation assets		344,465		121,274
Changes in non-cash working capital				
Decrease (increase) in				
Amounts receivable		21,712		(29,925)
Prepaid expenses and deposits		10,091		(17,155)
Increase (decrease) in				
Accounts payable and accrued liabilities		(100,759)		(11,895)
		(787,137)		(885,643)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Reclamation deposits		-		(10,100)
Purchase of equipment		(2,404)		(39,591)
Expenditures on exploration and evaluation assets		(3,471,381)		(4,395,649)
		(3,473,785)		(4,445,340)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of common shares		1,458,500		6,900,840
Share issue costs paid		(87,826)		(431,742)
		1,370,674		6,469,098
NET CHANGE IN CASH DURING THE YEAR		(2,890,248)		1,138,115
CASH, beginning of year		4,596,565		3,458,450
CASH, end of year	$	1,706,317	$	4,596,565

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Otis Gold Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on April 24, 2007.

The Company's principal business activities are the acquisition of rights to explore for minerals and the exploration of acquired rights. All of the Company's exploration and evaluation assets are located in Idaho, USA.

The Company's common shares are listed on the TSX Venture Exchange under the trading symbol "OOO:V". The Company's share options and share purchase warrants are not listed.

The Company's principal office is located at:

880 – 609 Granville Street
Vancouver, British Columbia V6C 1G5
Canada

The amounts shown as exploration and evaluation assets represent net costs to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The recoverability of these amounts and any additional amounts required to place the exploration and evaluation assets into commercial production are dependent upon certain factors. These factors include the existence of ore deposits sufficient for commercial production and the Company's ability to obtain the required additional financing necessary to develop its exploration and evaluation assets.

The Company has working capital as at June 30, 2012 of $ 1,691,945 (2011- $ 4,505,907) and an accumulated deficit of $ 4,382,616 (2011 - $ 3,163,258). These consolidated financial statements have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's ability to continue as a going concern is dependent upon obtaining additional financing to meet its operating and exploration expenses in the future. Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and future prospects of the Company. Accordingly, these consolidated financial statements do not give effect to adjustments to assets or liabilities that may be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

Adoption of International Financial Reporting Standards ("IFRS") and Statement of Compliance

These are the Company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company has applied First-Time Adoption of International Financial Reporting Standards ("IFRS 1") on the transition from previous Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS and the impact of the transition is explained in Note 16, including the effects of the transition to IFRS on the Company's financial position, equity, comprehensive loss and cash flows.

Subject to the application of the transition election described in Note 16, the accounting policies applied in these consolidated financial statements and described below have been applied consistently to all periods presented, including the opening statement of financial position as at July 1, 2010 (the Company's "Transition Date"), except where the Company applied certain exemptions upon transition to IFRS.

2. **BASIS OF PRESENTATION AND ADOPTION OF IFRS** - continued

Basis of presentation

The Company's consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The comparative figures presented in these consolidated financial statements are in accordance with IFRS and any changes from figures previously reported under Canadian GAAP have been disclosed in Note 16.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3. **SIGNIFICANT ACCOUNTING POLICIES**

Details of the group

In addition to the Company, the consolidated financial statements include a subsidiary. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

As at June 30, 2012 and 2011, the Company's subsidiary is as follows:

- Otis Capital USA Corp., Nevada, USA

Critical Judgements and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. **SIGNIFICANT ACCOUNTING POLICIES** – continued

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

(ii) Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Management has determined that there were no triggering events as defined in IFRS 6 with respect to the Company's Oakley (Idaho) and Kilgore (Idaho) properties.

(iii) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Cash

Cash includes cash on hand and demand deposits. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution.

Amounts Receivable

Receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities and are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

3. **SIGNIFICANT ACCOUNTING POLICIES** – continued

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

All capitalized exploration and evaluation assets are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that the exploration and evaluation asset is not expected to be recovered, it is charged to the results of operations.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment is depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of 20%.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive loss.

The Company compares the carrying value of equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

3. **SIGNIFICANT ACCOUNTING POLICIES** - continued

Impairment of Long-Lived Assets

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

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

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a pre-tax risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company did not have any decommissioning obligations as at June 30, 2012 and 2011.

Current and Deferred Income Taxes

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive income (loss), except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the income tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. **SIGNIFICANT ACCOUNTING POLICIES** – continued

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit and loss.

Financial assets classified as fair value through profit and loss are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as fair value through profit and loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable and reclamations bonds are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At June 30, 2012 the Company has not classified any financial assets as available for sale.

Transaction costs associated with fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3. **SIGNIFICANT ACCOUNTING POLICIES** - continued

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as fair value through profit and loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At June 30, 2012 the Company has not classified any financial liabilities as fair value through profit and loss.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the closing date. The balance, if any, is allocated to the attached share purchase warrants.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of the Company's subsidiary is prepared in the local currency of its home jurisdiction. Consolidation of the subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. The subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate the subsidiary's financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive income (loss) presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive income (loss).

Foreign Currency Transactions

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

3. **SIGNIFICANT ACCOUNTING POLICIES** - continued

Accounting Standards and Interpretations Issued but Not Yet Adopted

The following accounting standards, amendments and interpretations have been issued but are not effective until annual periods beginning after July 1, 2012, unless otherwise indicated, earlier application is permitted. As at the date of these financial statements, the following standards, amendments and interpretations have not been applied in these financial statements.

(i) IFRS 9 *Financial Instruments* (New; to replace IAS 39); effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 10 *Consolidated Financial Statements*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidated - Special Purpose Entities*.

(iii) IFRS 11 *Joint Arrangements*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS supersedes the current IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Ventures*.

(iv) IFRS 12 *Disclosure of Interest in Other Entities*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

(v) IFRS 13 *Fair Value Measurements*; to be applied for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

(vi) IAS 12 *Income Taxes, Amendments Regarding Deferred Tax: Recovery of Underlying Assets*; effective for annual periods beginning on or after January 1, 2012.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

(Expressed in Canadian Dollars)

4. **AMOUNTS RECEIVABLE**

		June 30, 2012		June 30, 2011		July 1, 2010
Canadian federal sales tax recoverable	$	10,981	$	16,206	$	4,751
Interest receivable		5,110		21,597		3,127
	$	16,091	$	37,803	$	7,878

5. **PREPAID EXPENSES AND DEPOSITS**

		June 30, 2012		June 30, 2011		July 1, 2010
Consulting	$	14,000	$	14,850	$	–
Corporate development and website design		24,974		36,635		40,563
Insurance		6,620		3,736		3,829
Other		9,974		10,438		4,112
	$	55,568	$	65,659	$	48,504

6. **EQUIPMENT**

	2012					
		Computer equipment		Office and field equipment		Total
Cost						
Balance, July 1, 2011	$	29,678	$	29,853	$	59,531
Additions		1,732		1,472		3,204
Disposals		–		(800)		(800)
Balance, June 30, 2012		31,410		30,525		61,935
Depreciation and cumulative impairment losses						
Balance July 1, 2011		5,788		5,765		11,553
Depreciation		7,348		4,535		11,883
Balance, June 30, 2012		13,136		10,300		23,436
Carrying amount at June 30, 2012	$	18,274	$	20,225	$	38,499

(Expressed in Canadian Dollars)

6. **EQUIPMENT** - continued

	2011		
	Computer equipment	Office and field equipment	Total
Costs			
Balance July 1, 2010	$ 4,211	$ 15,821	$ 20,032
Additions	25,467	14,032	39,499
Balance, June 30, 2011	29,678	29,853	59,531
Depreciation and cumulative impairment losses			
Balance July 1, 2010	1,326	1,857	3,183
Depreciation	4,462	3,908	8,370
Balance, June 30, 2011	5,788	5,765	11,553
Carrying amount at June 30, 2011	$ 23,890	$ 24,088	$ 47,978
Carrying amount at June 30, 2010	$ 2,885	$ 13,964	$ 16,849

7. **EXPLORATION AND EVALUATION ASSETS**

Kilgore Gold Project
In July 2008, the Company entered into an option agreement whereby it could earn up to a 75% interest in the Kilgore Gold Project located in Clark County, Idaho and the Hai and Gold Bug properties located in Lemhi County, Idaho. The Kilgore property is covered by 162 federal lode mining claims and the Hai and Gold Bug properties are covered by 19 federal lode mining claims.

Up to December 2010 and under the option agreement, the Company had paid a total of US $ 200,000, issued 1,300,000 common shares and completed over US $ 3,000,000 in exploration expenditures. In December 2010, the Company entered into an option agreement to acquire a 100% interest in the Kilgore Gold Project, replacing all future requirements of the joint venture and eliminating a 2% net smelter returns royalty (“NSR”) in favour of the vendor. The Company issued 2,000,000 common shares (accounted for at their estimated fair value of $1,320,000), paid US $ 750,000 in January 2011, US $ 750,000 in April 2011, and US $ 250,000 in November 2011 to acquire a 100% interest.

Oakley Project – The Oakley Project consists of 2 properties – Blue Hill Creek and Cold Creek Gold, which are adjacent to each other.

a) **Blue Hill Creek (“Blue Hill Creek” or “BHC”)**

On June 11, 2008, the Company entered into an option agreement to acquire a 100% interest in the Blue Hill Creek property located in Cassia County, Idaho; the property consists of 18 unpatented federal lode mining claims and an adjacent 80 acre Idaho State lease.

7. **EXPLORATION AND EVALUATION ASSETS** - continued

During the year ended June 30, 2011, the Company paid a total of US $ 88,000, issued 2,250,000 common shares (estimated fair value of $ 1,155,000), and incurred US $ 20,574 of exploration costs. Up to June 30, 2012, the Company has paid a total of US $ 218,000 and has issued a total of 6,000,000 common shares to acquire an undivided 70% interest in BHC. In order to acquire an undivided 100% interest, the Company may do the following:

(i) On or before July 15, 2012, pay US $ 80,000 to acquire an aggregate 85% interest in BHC; and

(ii) On or before July 15, 2013, pay US $ 100,000 to acquire an aggregate 100% interest in BHC.

After the reporting period, the Company waived its right to acquire an 85% and 100% interest in BHC. See Note 15.

The Company will be responsible for filing and paying all annual assessments and fees relating to BHC.

A 2.5% NSR will be paid to the vendors on production of gold from BHC. At any time, the Company may buy the NSR, or a portion thereof, for US $ 1,000,000 per percentage point (i.e. $ 2,500,000 for the entire NSR).

b) **Cold Creek Gold**

The Cold Creek property, located in Cassia County, Idaho, consists of 53 unpatented federal lode mining claims. The Company acquired the claims in exchange for payment of the costs associated with staking the property.

Buckhorn Property

The Buckhorn property, located in Lemhi County, Idaho, consists of 20 unpatented lode mining claims.

Under the agreement with the owner, the Company may earn a 100% interest by paying US $ 36,000 (paid), issuing 100,000 shares (issued and valued at $ 64,000), and incurring US $ 110,000 of exploration expenditures by July 31, 2011 (incurred). In addition, the Company must pay the owner an Advanced Minimum Royalty (“AMR”) of US $ 25,000 in 2011, US $ 30,000 per year thereafter, and a 3.5% Net Smelter Returns Royalty if the property goes into production. During the year ended June 30, 2011, the Company paid US $ 25,000, issued 100,000 common shares, and incurred US $ 137,320 of exploration expenditures on the Buckhorn property.

In August, 2011, the Company amended its agreement with respect to the Buckhorn property. Under the amended agreement, in addition to amounts already paid and shares already issued, the Company paid US $ 12,500 (a payment of US $ 25,000 was previously required by July 17, 2011) and was required to incur an aggregate of US $ 160,000 in exploration and development work by August 31, 2012.

During the year ended June 30, 2012, the Company chose to terminate its option, and wrote off $ 344,465 of cost relating to the Buckhorn property.

(Expressed in Canadian Dollars)

7. **EXPLORATION AND EVALUATION ASSETS** - continued

	2012			
	Oakley Idaho	Kilgore Idaho	Buckhorn Idaho	Total
BALANCE, June 30, 2011	$ 3,136,713	$ 8,557,932	$ 325,438	$ 12,020,083
ACQUISITION COSTS	–	291,310	12,500	303,810
EXPLORATION COSTS				
Drilling and assays	–	1,927,729	–	1,927,729
Geologists and contractors	4,273	738,013	526	742,812
Travel	–	150,878	–	150,878
Maintenance fees	4,875	34,127	6,001	45,003
Technical reports	–	175,786	–	175,786
Mapping and surveying	–	29,185	–	29,185
Site office and field supplies	–	96,178	–	96,178
	9,148	3,151,896	6,527	3,167,571
Impairment of exploration and evaluation assets	–	–	(344,465)	(344,465)
BALANCE, June 30, 2012	$ 3,145,861	$ 12,001,138	$ –	$ 15,146,999

	2011				
	Oakley Idaho	Kilgore Idaho	Buckhorn Idaho	Other	Total
BALANCE, July 1, 2010	$ 1,872,616	$ 2,983,008	$ 93,110	$ 105,974	$ 5,054,708
ACQUISITION COSTS	1,243,210	2,949,275	93,652	-	4,286,137
EXPLORATION COSTS					
Drilling and assays	-	1,610,646	81,729	-	1,692,375
Geologists and contractors	14,054	684,525	49,413	546	748,538
Travel	1,595	141,571	7,497	-	150,663
Environmental studies	-	53,269	-	-	53,269
Mapping and surveying	-	11,217	-	-	11,217
Annual maintenance fees	5,137	26,581	-	14,754	46,472
Site office and field supplies	101	97,840	37	-	97,978
	20,887	2,625,649	138,676	15,300	2,800,512
Impairment of exploration and evaluation assets	–	–	–	(121,274)	(121,274)
BALANCE, June 30, 2011	$ 3,136,713	$ 8,557,932	$ 325,438	$ –	$ 12,020,083

(Expressed in Canadian Dollars)

8. COMMON SHARES

At June 30, 2012, the Company's authorized share capital consisted of an unlimited number of voting common shares without par value.

In November 2010, the Company completed the first tranche of a non-brokered private placement of 4,530,000 units at $ 0.55 for gross proceeds of $ 2,491,500. Each unit consists of one common share and one share purchase warrant exercisable at $ 0.80 for 18 months. In March 2011, the Company completed the second tranche of $ 253,000 for an additional 460,000 units on the same terms. Finders' fees of $ 148,296 were paid on the private placement.

In February 2011, the Company completed a non-brokered private placement of 5,779,843 units at $ 0.70 for gross proceeds of $ 4,045,890. Each unit consists of one common share and one-half a share purchase warrant exercisable at $ 1.10 for 18 months. Finder's fees of $ 209,985 were paid and 131,186 finder's warrants were issued, exercisable at $ 1.10 for 18 months.

In March and April 2012, the Company completed a non-brokered private placement in two tranches totaling 7,292,500 units at $ 0.20 for gross proceeds of $ 1,458,500. Each unit consists of one common share and one-half a share purchase warrant exercisable at $ 0.30 for 18 months. Finder's fees of $ 68,075 were paid and 340,375 finder's warrants were issued, exercisable at $ 0.30 for 18 months.

Details of share purchase warrant transactions during the years ended June, 2012 and 2011 are as follows:

	June 30, 2012	June 30, 2011
Outstanding, beginning of year	9,883,378	5,647,270
Issued	3,986,625	8,011,108
Expired	(6,862,270)	(3,775,000)
Outstanding, end of year	7,007,733	9,883,378

As at June 30, 2012, the Company has outstanding share purchase warrants as follows:

Number	Exercise	Expiry date
3,021,108	$ 1.10	August 2012
3,986,625	0.30	September 2012 and October 2013
7,007,733		

(Expressed in Canadian Dollars)

9. SHARE-BASED COMPENSATION

The Company has an incentive stock option plan (the "plan"). Under the plan, the Company may issue options to purchase common shares, at prices determined by the Board of Directors on the date of award, for periods of not more than five years. Stock options awarded under the plan vest immediately upon issue. The total number of common shares that may be reserved for issue under the stock option plan is limited to 10% of the number of issued common shares.

Share options transactions during the years ended June 30, 2012 and 2011 are as follows:

	Options Outstanding		Weighted average exercise price
Outstanding, June 30, 2010	2,375,000	$	0.43
Awarded	1,250,000		0.63
Exercised	(241,000)		0.46
Expired	(49,000)		0.45
Outstanding, June 30, 2011	3,335,000		0.58
Awarded	800,000		0.30
Expired	(300,000)		0.51
Cancelled	(800,000)		0.70
Outstanding, June 30, 2012	3,035,000	$	0.40

The following is a summary of stock options outstanding at June 30, 2012:

Exercise price	Stock options outstanding	Stock options exercisable	Expiry dates
$ 0.20	260,000	260,000	November 2012
0.50	635,000	635,000	September 2013
0.40	310,000	310,000	August 2014
0.45	680,000	680,000	March 2015
0.50	100,000	100,000	March 2015
0.50	25,000	25,000	August 2015
0.50	150,000	150,000	September 2012
0.52	25,000	25,000	December 2015
0.50	50,000	50,000	June 2016
0.30	800,000	800,000	November 2016
	3,035,000	3,035,000	

(Expressed in Canadian Dollars)

9. **SHARE-BASED COMPENSATION** - continued

The fair value of stock options awarded during 2011 and 2012 was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2012	June 30, 2011
Risk-free interest rate	1.26%	2.07%
Expected volatility	75%	79%
Expected lives	5.0 years	4.2 years
Estimated Forfeiture rate	–	–

The average fair value of stock options awarded during the year ended June 30, 2012 was $ 0.18 (2011 – $ 0.40).

The Black-Scholes option pricing model was developed for use in estimating the fair value of share options that have no vesting provisions and are fully transferable. Also, option pricing models require the use of estimates and assumptions, including expected volatility rates. The Company uses expected volatility rates which are based upon historical experience. Changes in the underlying assumptions used on the Black-Scholes option pricing model could materially affect the fair value estimates.

10. **RELATED PARTY DISCLOSURES**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) Key management personnel compensation

Key management personnel include directors and officers and key management compensation consists of the following:

	2012	2011
Management fees	$ 150,000	$ 136,000
Consulting fees	38,095	33,350
Corporate development and website design services	10,628	16,000
Share-based compensation	81,880	180,560
	$ 280,603	$ 365,910

As at June 30, 2012, $ 3,360 (2011 - $ 8,315) remained unpaid and has been included in accounts payable and accrued liabilities. As at June 30, 2012 $ 14,000 (2011 – $ 22,350) were prepaid and are included in prepaid expenses and deposits.

11. FINANCIAL INSTRUMENTS

a) Fair Value

The Company's financial instruments include cash, accounts receivable, reclamation deposits and accounts payable and accrued liabilities. IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

- Level 1 – applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 – applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 – applies to assets or liabilities for which there are unobservable market data.

  The recorded amounts of cash, accounts receivable, reclamation deposit, and accounts payable and accrued liabilities approximate their respective fair values due to their short-term nature. The recorded amounts of non-current reclamation deposit approximates fair value.

Cash is measured using Level 1 inputs.

b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by depositing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

c) Foreign Exchange Rate Risk

The Company has operations in Canada and the United States subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian and the United States dollars, and the fluctuation of the Canadian dollar in relation to United States dollars will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity.

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

(Expressed in Canadian Dollars)

11. **FINANCIAL INSTRUMENTS** - continued

At June 30, 2012, June 30, 2011, and July 1, 2010 the Company held foreign currency denominated financial assets and liabilities as follows:

	June 30, 2012	June 30, 2011	July 1, 2010
Financial Assets			
Canadian dollars	$ 1,709,645	$ 4,589,025	$ 3,494,414
United States dollars	5,857	96,632	19,416
	$ 1,715,502	$ 4,685,657	$ 3,513,830

	June 30, 2012	June 30, 2011	July 1, 2010
Financial Liabilities			
Canadian dollars	$ 7,620	$ 30,016	$ 23,684
United States dollars	64,899	118,458	172,924
	$ 72,519	$ 148,474	$ 196,608

The following table discusses the Company's sensitivity to a 10% increase or decrease in the Canadian dollar (CDN) against the United States dollar denominated financial assets and financial liabilities above. The sensitivity analysis measures the effect from recalculation of these items as at the balance sheet date by using adjusted foreign exchange rates.

June 30, 2011	CDN appreciation by 10%	CDN depreciation by 10%
Comprehensive loss		
Financial assets	$ (8,755)	$ 7,914
Financial liabilities	10,732	(9,702)
June 30, 2012		
Comprehensive loss		
Financial assets	$ (542)	$ 663
Financial liabilities	6,007	(7,342)

The exposure to foreign exchange rate risk is considered minimal.

d) **Liquidity Risk**

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. All of the Company's financial liabilities are classified as current and the Company has a practice of paying their outstanding payables within 30 days.

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS – continued

e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and evaluation activities is subject to risks associated with fluctuations in the market price of commodities.

f) Interest Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest bearing assets in relation to cash at banks and GICs carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

The exposure to interest rates for the Company is considered minimal. The Company has no interest bearing borrowings.

12. CAPITAL RISK MANAGEMENT

The Company manages, as capital, the components of shareholders' equity. The Company's objectives, when managing capital, are to safeguard its ability to continue as a going concern in order to explore its exploration and evaluation assets.

The Company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions and the risk of characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue common shares, borrow and acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's policy is to invest its excess cash, if any, in highly liquid, short-term, interest bearing investments with maturities of one year or less from the date of acquisition.

13. INCOME TAXES

The significant components of the Company's deferred income taxes are as follows as at June 30:

	2012	2011
Deferred income tax assets		
Benefit of loss carryforwards	$ 716,000	$ 502,000
Deductible share issue cost	108,000	127,000
	824,000	629,000
Less: Valuation allowance	(824,000)	(629,000)
	$ –	$ –

(Expressed in Canadian Dollars)

13. **INCOME TAXES** - continued

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes for the years ended June 30:

	2012	2011
Income taxes (recovery) at statutory income tax rates (2012 – 25.0%, 2011 – 26.5%)	$ (187,000)	$ (234,000)
Deductible share issue costs	(46,000)	(44,000)
Non-deductible share-based compensation	37,000	128,000
Addition to loss carryforward	196,000	150,000
	$ –	$ –

As at June 30, 2012 the Company had loss carryforwards of approximately $ 2,756,000, which expire between the 2028 and 2032 fiscal years, available to reduce future years' income taxes.

14. **SEGMENTED INFORMATION**

The Company operates in a single business segment and in two geographic segments. The accounting policies for these segments are the same as those described in Note 3 to the consolidated financial statements.

Geographic distribution of operating results in the two geographic segments is as follows:

2012	Canada	United States	Total
Total assets	$ 1,773,508	$ 15,209,185	$ 16,982,693
Exploration and evaluation assets	–	15,146,999	15,146,999
Net income (loss)	758,303	(464,055)	1,222,358
Equipment additions	1,733	1,473	3,206
Depreciation of equipment	1,691	10,192	11,883

2011	Canada	United States	Total
Total assets	$ 4,697,571	$ 12,089,736	$ 16,787,307
Exploration and evaluation assets	-	12,020,083	12,020,083
Net income (loss)	(1,214,783)	(223,553)	(1,438,336)
Equipment additions	6,315	33,276	39,591
Depreciation of equipment	1,026	7,436	8,462

15. EVENTS AFTER THE REPORTING PERIOD

(i) The Company waived its right to increase its interest to 85% and to 100% in the Oakley project by withholding a payment of US $ 80,000 to the optioners. Future exploration programs for the Oakley project will be paid for on a pro-rata basis by the Company and the project's optioners. Failure to participate in an exploration program will result in the non-participating party's interest being diluted.

(ii) The Company granted share options to purchase 2,000,000 common shares of the Company at a price of $ 0.15 per share expiring on October 10, 2017.

(iii) The Company adopted a shareholder rights plan. The rights issued under the shareholder rights plan will become exercisable only if a person, together with its affiliates, associates and joint actors, acquires or announces intention to acquire 20% or more of the Company's outstanding common shares, other than by permitted bid. If a take-over bid does not meet the permitted bid requirements of the shareholder rights plan, the rights will entitle shareholders to purchase one additional common share of the Company at an effective 50% discount to the market price of the common shares at that time.

16. TRANSITION TO IFRS

The Company's consolidated financial statements for the year ending June, 2012 will be the first annual financial statements that comply with IFRS and these consolidated financial statements were prepared as described in Note 2, including the application of IFRS 1.

IFRS 1 requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was July 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 June 30, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption.

Initial elections upon IFRS adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

<u>IFRS Exemption options</u>

Share-based payments – IFRS 2 Share-based payments encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply the exemption under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the transition date.

<u>IFRS Mandatory exceptions</u>

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

(Expressed in Canadian Dollars)

16. **TRANSITION TO IFRS** – continued

Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires the Company to reconcile assets, liabilities, equity, comprehensive income (loss) and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive income (loss).

Reconciliations of Canadian GAAP to IFRS

	July 1, 2010			June 30, 2011		
	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS						
Current assets						
Cash	$ 3,458,450	–	$ 3,458,450	$ 4,596,565	–	$ 4,596,565
Amounts receivable	7,878	–	7,878	37,803	–	37,803
Prepaid expenses and deposits	48,504	–	48,504	65,659	–	65,659
	3,514,832	–	3,514,832	4,700,027	–	4,700,027
Reclamation deposits	9,119	–	9,119	19,219	–	19,219
Equipment	16,849	–	16,849	47,978	–	47,978
Exploration and evaluation assets	5,054,708	–	5,054,708	12,020,083	–	12,020,083
	$ 8,595,508	–	$ 8,595,508	$ 16,787,307	–	$ 16,787,307
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	$ 206,015	–	$ 206,015	$ 194,120	–	$ 194,120
SHAREHOLDERS' EQUITY						
Common shares	9,533,962	–	9,533,962	18,724,504	–	18,724,504
Reserves	577,453	–	577,453	1,028,941	–	1,028,941
Accumulated deficit	(1,721,922)	–	(1,721,922)	(3,160,258)	–	(3,160,258)
	8,389,493	–	8,389,493	16,593,187	–	16,593,187
	$ 8,595,508	–	$ 8,595,508	$ 16,787,307	–	$ 16,787,307

	Year ended June 30, 2011		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
Consultants	$ 175,607	–	$ 175,607
Office expenses	151,123	–	151,123
Share-based compensation	481,932	–	481,932
Investor relations	288,424	–	288,424
Professional fees	92,365	–	92,365
Travel and entertainment	88,337	–	88,337
Regulatory costs	46,613	–	46,613
Property investigations	9,942	–	9,942
Depreciation	8,462	–	8,462
Bank charges	2,845		2,845
Loss from operations	(1,345,650)	–	(1,345,650)
Interest income	29,796	–	29,796
Foreign exchange loss	(1,208)		(1,208)
Impairment of exploration and evaluation assets	(121,274)	–	(121,274)
	(92,686)		(92,686)
Loss and Comprehensive loss	$ (1,438,336)	–	$ (1,438,336)