ROMIOS GOLD RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2012 and 2011
(Expressed in Cdn $)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by and are the responsibility of the management of Romios Gold Resources Inc. (the "Company"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of the financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibility and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee. The consolidated financial statements have been audited by Wasserman Ramsay, an independent firm of chartered accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

(*signed*) "*Tom Drivas*"
Chief Executive Officer

(signed) "Michael D'Amico"
Chief Financial Officer

October 16, 2012

Wasserman
Ramsay

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Romios Gold Resources Inc.:

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

Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Romios Gold Resources Inc. and its subsidiary as at June 30, 2012 and 2011 and July 1, 2010 and the results of its operations and cash flows for the years ended June 30, 2012 and 2011 in accordance with International Financial Reporting Standards.

Wasserman Ramsay

Markham, Ontario
October 16, 2012

Chartered Accountants
Licensed Public Accountants

Romios Gold Resources Inc.

Consolidated Statement of Financial Position

(Expressed in Cdn $)

As at	**June 30 2012 $**	June 30 2011 $	July 1 2010 $
		(Note 13)	**(Note 13)**
Assets			
Current			
Cash and cash equivalents (note 4)	**2,601,758**	4,844,114	885,067
Cash and cash equivalents for future exploration activities (note 4)	**592,491**	-	847,857
Accounts receivable	**23,978**	236,469	49,874
Prepaid expenses	**298,363**	172,339	64,994
	3,516,590	5,252,922	1,847,792
Marketable securities (note 5)	**18,182**	-	-
Exploration and evaluation assets			
Acquisition costs (note 5)	**4,165,576**	2,150,407	2,044,017
Deferred exploration expenditures (note 5)	**20,219,589**	15,849,677	11,626,774
	27,919,937	23,253,006	15,518,583
Liabilities			
Current			
Accounts payable & accruals	**210,991**	1,435,315	445,834
Common shares subscribed, not issued	**-**	-	60,000
	210,991	1,435,315	505,834
Deferred flow through share premium liability	**158,011**	-	14,156
Deferred income tax	**2,580,211**	1,544,825	2,233,336
	2,949,213	2,980,140	2,753,326
Contingencies and commitments (note 12)			
Shareholders' equity			
Share capital (note 6(a))	**30,796,443**	24,853,487	16,843,673
Warrants (note 6(c))	**198,403**	3,659	42,442
Contributed surplus (note 7)	**3,380,051**	3,093,790	3,305,805
Deficit	**(9,404,173)**	(7,678,070)	(7,426,663)
	24,970,724	20,272,866	12,765,257
	27,919,937	23,253,006	15,518,583

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

APPROVED ON BEHALF OF THE BOARD ON OCTOBER 16, 2012

"Signed"
Anastasios (Tom) Drivas

"Signed"
Frank van de Water

Romios Gold Resources Inc.

Consolidated Statements of Changes in Equity

(Expressed in Cdn $)

	Share Capital $	Warrants $	Contributed Surplus $	Deficit $	Total $
At July 1, 2010	16,843,673	42,442	3,305,805	(7,426,663)	12,765,257
Net loss and comprehensive loss for the period	-	-	-	(251,407)	(251,407)
Common shares issued, net	2,223,930	-	-	-	2,223,930
Shares issued for property acquisition	39,300	-	-	-	39,300
Flow throw shares issued, net	1,182,887	-	-	-	1,182,887
Valuation of compensation warrants	(293,945)	293,945	-	-	-
Contribution on exercise of warrants	332,378	(332,728)	350	-	-
Common shares issued on exercise of options and warrants	4,103,553	-	-	-	4,103,553
Contribution on exercise of options	421,712	-	(421,712)	-	-
Share-based payments	-	-	209,347	-	209,347
At June 30, 2011	24,853,488	3,659	3,093,790	(7,678,070)	20,272,867
Net loss and comprehensive loss for the period	-	-	-	(1,726,103)	(1,726,103)
Common shares issued, net	893,424	-	-	-	893,424
Shares issued for property acquisition	2,000,000				2,000,000
Common shares issued on exercise of options and warrants	50,200	-	-	-	50,200
Flow throw shares issued, net	3,153,267	-	-	-	3,153,267
Valuation of compensation warrants	(198,403)	198,403	-	-	-
Contribution on exercise of warrants	3,659	(3,659)	-	-	-
Contribution on exercise of options	40,808	-	(40,808)	-	-
Share-based payments	-	-	327,069	-	327,069
At June 30, 2012	30,796,443	198,403	3,380,051	(9,404,173)	24,970,724

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

Romios Gold Resources Inc.

Consolidated Statements of Profit and Loss, and Comprehensive Profit and Loss

(Expressed in Cdn $)

	For the years ended June 30	
	2012	2011
	$	$
		(Note 13)
Expenses		
Professional fees	**369,645**	290,682
Management fees and salaries	**150,000**	150,315
Office and general	**131,440**	117,172
Shareholder communication	**209,938**	333,915
Share-based payments	**327,069**	209,347
Loss for the period before the following	**(1,188,092)**	(1,101,431)
Gain on sale of exploration and evaluation assets (note 5)	**50,000**	-
Mark to market of fair value through profit and loss financial assets (note 5)	**(6,818)**	-
Interest income	**45,565**	24,523
Net profit/(loss) for the period	**(1,099,345)**	(1,076,908)
Deferred income tax recovery (expense)	**(626,758)**	825,501
Net profit/(loss) and comprehensive profit/(loss)	**(1,726,103)**	(251,407)
Basic and diluted loss per share	**0.01**	0.00
Weighted average number of shares outstanding	**153,445,126**	120,220,555

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

Romios Gold Resources Inc.

Consolidated Statements of Cash Flows

(Expressed in Cdn $)

	For the years ended June 30	
	2012	2011
	$	$
Operating activities		
Net profit/(loss) for the period	**(1,726,103)**	(251,407)
Items not affecting cash:		
Share-based payments	**327,069**	209,347
Deferred income tax	**626,758**	(825,501)
Mark to market of fair value through profit and loss financial assets	**6,818**	-
Gain on sale of exploration and evaluation assets	**(50,000)**	-
	(815,458)	(867,561)
Net change in non-cash working capital		
Accounts receivable	**212,491**	(186,595)
Prepaid expenses	**(126,024)**	(107,345)
Accounts payable and accrued liabilities	**(1,224,324)**	929,481
	(1,953,315)	(232,020)
Investing activities		
Exploration and evaluation assets acquisition costs	**(15,169)**	(67,090)
Deferred exploration expenditures	**(4,369,912)**	(4,222,903)
Cash proceeds on sale of exploration and evaluation assets (note 5)	**25,000**	-
	(4,360,081)	(4,289,993)
Financing activities		
Private placement of common shares	**4,954,700**	3,705,500
Exercise of options and warrants	**50,200**	4,103,553
Share issue expense	**(341,369)**	(175,850)
	4,663,531	7,633,203
Change in cash and cash equivalents	**(1,649,865)**	3,111,190
Cash and cash equivalents, beginning of period	**4,844,114**	1,732,924
Cash and cash equivalents, end of period	**3,194,249**	4,844,114
Cash comprises:		
Cash and cash equivalents	**2,601,758**	4,844,114
Cash and cash equivalents for future exploration activities	**592,491**	-
	3,194,249	4,844,114
Non-cash financing and investing activities		
Common shares issued for exploration and evaluation assets	2,000,000	39,300
Received shares from sales of exploration and evaluation assets	(25,000)	-

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

1. Nature of operations and going concern

Romios Gold Resources Inc. (“Romios” or "the Company") has interests in resource properties and is in the process of determining whether its properties contain resources that are economically recoverable.

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Company has presented the consolidated financial statements for the year ended June 30, 2012 and the comparative figures for the year ended June 30, 2011 as well as the July 1, 2010 transition date statement of financial position in IFRS as stated in note 13 below. The accompanying consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company’s management.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2012 the Company had no sources of operating cash flows. The Company will therefore require additional funding which, if not raised, would result in the curtailment of activities and project delays. The Company had working capital of $3,305,599 as at June 30, 2012, and has incurred losses since inception, resulting in an accumulated deficit of $9,404,173 as at June 30, 2012. The Company’s ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurances that the Company will be successful in this regard, and therefore, there is doubt regarding the Company’s ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the “going concern” assumption were not appropriate. If the “going concern” assumption were not appropriate for these consolidated financial statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the balance sheet classifications, which could be material, would be necessary.

The recoverability of expenditures on its resource properties and related deferred exploration expenditures is dependent upon the existence of resources that are economically recoverable, confirmation of the Company's ownership interests in the claims, the ability of the Company to obtain necessary financing to complete the exploration and the development of the properties, and upon future profitable production or proceeds from disposition thereof.

2. Basis of preparation and statement of compliance

The consolidated financial statements of the Company as at and for the year ended June 30, 2012 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended June 30, 2011 prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”).

These consolidated financial statements have been prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) in effect as of June 30, 2012.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at July 1, 2010 for the purpose of the transition to IFRS unless otherwise indicated.

Principles of consolidation

The consolidated financial statements include the accounts of 100% owned McLymont Mines Inc. All inter-company accounts and transactions have been eliminated on consolidation.

Presentation Currency

The Company's presentation currency and functional currency is the Canadian dollar ("$").

Significant Accounting Judgments and Estimates

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. 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. The more significant estimates and judgments are as follows:

Critical accounting estimates

The amounts recorded for share-based payment transactions are based on estimates. The Black-Scholes model is based on estimates of assumptions for expected volatility, expected number of option to vest, dividend rate, risk-free interest rate and expected life of the options.

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

Management's assumption of no material restoration, rehabilitation and environmental obligation, is based on the facts and circumstances that existed during the period.

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Future income tax assets also result from unused loss carry- forwards and other deductions. The valuation of future income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash-generating units; and
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage.

Business Combinations

Business combinations that occurred prior to January 1, 2010 were not accounted for in accordance with IFRS 3, Business Combinations (“IFRS 3”) or IAS 27, Consolidated and Separate Financial Statements (“IAS 27”), as the Company in the transition year chose to apply the IFRS 1 exemption discussed in note 13.

Financial Instruments

Financial assets
The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company’s accounting policy for each category are as follows:

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of earnings in the period of determination.

Fair value through profit or loss - This category includes derivatives, and investments acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of comprehensive income (loss).

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive earnings. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from other comprehensive earnings and recognized in the statement of comprehensive income (loss).

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets are impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities
The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company’s accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of earnings.

Other financial liabilities - This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

Fair value hierarchy:

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company has valued all of its financial instruments using Level 1 measurements.

Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period.

Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash, demand deposits and high-interest savings vehicles.

Foreign Currency Translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction.

All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of loss and comprehensive loss**.**

Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management’s judgment that none of the Company’s exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and services providers. The board of directors grants such options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense or charged to exploration and evaluation assets as appropriate, with a corresponding increase 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.

The fair value for share purchase options granted to employees or those providing services similar to those provided by a direct employee is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case the fair value of the share purchase options is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

Income Taxes

Income tax on the profit or loss consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax assets is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill not deductible for tax purposes; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied

Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an exploration and evaluation assets interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either an unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance expense ("notional interest").

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription 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 is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available.

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

Impairment

Exploration and evaluation assets are reviewed on a quarterly basis and when changes in circumstances suggest their carrying value may become impaired. Management considers exploration and evaluation assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows from the use of the property and its related assets and their eventual disposition. If impairment is deemed to exist, the property and its related assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis. Management determined that there was no impairment of carrying value on its properties in the current period.

Accounting pronouncements issued but not yet adopted

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not early adopted these standards and is currently assessing the impact they will have on the consolidated financial statements.

IFRS 10, Consolidated Financial Statements: 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, Consolidation – Special Purpose Entities.

IFRS 11, Joint Arrangements: IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities-Non – Monetary Contributions by Venturers.

IFRS 12, Disclosure of Interests in Other Entities: IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

IFRS 13, Fair Value Measurements: IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The 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), except in specified circumstances.

In July 2011, the IASB agreed to defer the effective date of IFRS 9, Financial Instruments from 2013 to 2015. The standard is the first part of a multi-phase project to replace IAS 39, Financial Instruments: Recognition and Measurement.

IAS 28, Investments in Associates and Joint Ventures: IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures. Early application is permitted.

IAS 1 – Presentation of Financial Statements: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted. The Company intends to adopt the amendments in its financial statements for the year commencing July 1, 2013. The impact of adoption of these amendments had not yet been determined.

4. Cash and cash equivalents

Cash and cash equivalents and cash and cash equivalents held for future exploration activities consist of cash and investments in Canadian Chartered Bank demand money market funds.

On July 28, 2011, the Company completed a private placement of 4,999,997 flow-through units for gross proceeds of $3,000,000 and on December 8, 2011, the Company completed a private placement of 3,333,000 flow-through shares for gross proceeds of $999,900. These funds were committed to be expended on Canadian Exploration Expenditures ("CEE") and were therefore not available for current working capital purposes.

During the twelve months to June 30, 2012, the Company spent a total of $4,369,912 on exploration activities leaving a balance of $592,491 at June 30, 2012 to be spent on CEE.

5. Exploration and evaluation assets

Acquisition costs

	British Columbia $	**Quebec** $	**Nevada, USA** $	**Total** $
Balance, June 30, 2010	2,000,442	43,575	-	2,044,017
Total additions for the period	36,502	31,422	38,466	106,390
Balance, June 30, 2011	2,036,944	74,997	38,466	2,150,407
Total additions for the period	2,015,169	-	-	2,015,169
Balance June 30, 2012	4,052,113	74,997	38,466	4,165,576

On August 7, 2010, the Company exercised an option and acquired sixty-four acres adjacent to their existing claims in Nevada for total consideration and costs of $38,466.

On October 14, 2011, the Company issued common shares to acquire the remaining 25% interest in the Gulf Claims forming part of the Company's Newmont Lake Property for total consideration and costs of $2,000,000 (Note 6(a)).

Additional costs for British Columbia and Quebec relate primarily to the value of shares for property payment obligations and maintenance fees for claims.

Deferred exploration expenditures

	British Columbia $	**Quebec $**	**Total $**
Balance, June 30, 2010	10,973,965	652,809*	11,626,774
Additions:			
Assessment filings	16,715	-	16,715
Assaying	111,060	33,863	144,923
Contract flying	1,103,099	-	1,103,099
Drilling	989,332	-	989,332
Field communications	11,566	-	11,566
Contract labour	725,289	73,830	799,119
Subcontract labour	135,241	-	135,241
Camp costs	441,163	-	441,163
Other	446,728	155,038	601,766
Total additions for the period	3,980,193	262,731	4,242,924
Balance, before refund	14,954,158	915,540	15,869,698
Quebec refund	-	(20,021)	(20,021)
Balance, June 30, 2011	14,954,158	895,519	15,849,677
Additions:			
Assessment filings	103,815	1,331	105,146
Assaying	298,543	59,323	357,866
Contract flying	1,265,404	-	1,265,404
Drilling**	980,003	-	980,003
Field communications	37,803	-	37,803
Contract labour	864,437	35,836	900,273
Subcontract labour	228,443	-	228,443
Camp costs	414,476	-	414,476
Other	76,906	3,592	80,498
Total additions for the period	4,269,830	100,082	4,369,912
Balance, June 30, 2012	19,223,988	995,601	20,219,589

* Amounts shown are net of refunds totaling $365,349 from the province of Quebec.

** On February 10, 2012, the Company renegotiated its 2011 exploration program drilling contract resulting in a net reduction of $530,455 in drilling expenses which were previously recorded in Deferred Exploration Expenditures. This amount was reversed in the quarter ending March 31, 2012. As part of this revised agreement, the Company had paid a non-refundable deposit of $200,000 toward its 2012 drilling expenditures. This amount is recorded as a prepaid expense.

British Columbia

On March 1, 2005, the Company acquired, through an exchange of shares, a 100% interest in McLymont Mines Inc. ("MMI"), a company whose only significant asset is an interest in the Newmont Lake Property in British Columbia.

In 2006, the Company acquired an option agreement with Galore Creek Staking Syndicate, 2003 (Galore Creek Syndicate) to acquire a 100% interest in 5 land tenures (2,693 hectares) located in the Liard Mining Division of British Columbia, known as the Trek Property.

By June 30, 2011, the Company had earned, from Gulf International Minerals Inc. (“Gulf”), a 75% interest in the Newmont Lake property in British Columbia, which consists of 18 mineral claims (6,175 hectares) in the Liard Mining Division of British Columbia. On September 27, 2011, the Company exercised its option to earn the remaining 25% interest in the Gulf Claims forming part of the Company’s Newmont Lake property for $2,000,000 satisfied by the issuance of 4,282,655 common shares priced at $0.467 per share. The Company now holds a 100% interest in the Gulf Claims, subject to a 1.5% Net Smelter Returns Royalty (“Gulf NSR”) in favour of Gulf. The Company has the option to purchase 1/3 of the Gulf NSR for $1,000,000.

The Company completed its obligations under an option agreement with Roca Mines Inc. (“Roca”) to earn a 50% interest in 8 exploration and evaluation assets (4,000 hectares) in the Liard Mining Division of British Columbia and entered into a joint venture with Roca for the further exploration and development on the properties. Upon reaching commercial production the Company is required to issue the further 200,000 shares to Roca.

During the year ended June 30, 2006, the Company entered into an option agreement with Galore Creek Syndicate to acquire a 100% interest, subject to a 2% net smelter returns royalty, in 2 land tenures (1,321 hectares) located in the Liard Mining Division of British Columbia, known as the RP Property. The agreement was amended in 2010 and now requires a payment of $115,000 cash ($15,000 paid to date with the remaining $100,000 due December 1, 2014). In addition, the Company must issue a total of 800,000 common shares of which 400,000 have been issued and the remaining 400,000 are to be issued as follows: 50,000 shares on each of March 31, 2012 and December 1, 2012 with the remaining 300,000 common shares to be issued December 1, 2013. The revised expenditure commitments now include optional expenditure commitments on the property totaling $900,000, with $100,000 to be spent before December 1, 2012; an additional $300,000 before December 1, 2013; and an additional $500,000 before December 1, 2014. The amendment agreement also required the expansion of the size of the property to a minimum of 248 contiguous cells (claim units) from the current 75 cells (claim units) prior to March 31, 2012. By March 31, 2012 the Company had not fulfilled its obligations, however it received notification that it would not be given a default notice until after December 31, 2012 unless the vendor receives another offer for the properties, at which time the Company will have 30 days to remedy the default or be deemed to be in default.

In 2006, the Company entered into an option agreement with Galore Creek Syndicate to acquire a 100% interest, subject to a 2% net smelter returns royalty, in 1 land tenure (614 hectares) located in the Liard Mining Division of British Columbia, known as the JW Property. The agreement was amended in 2010 and now requires the payment of $115,000 cash, of which $15,000 has been paid with the remaining $100,000 due December 1, 2014, the issue of 700,000 common shares of which 300,000 common shares have been issued and certain expenditure requirements. The remaining 400,000 common shares are to be issued with the revised share issuance schedule as follows: 50,000 shares on each of March 31, 2012 and December 1, 2012; with the remaining 300,000 common shares to be issued December 1, 2013. The expenditure commitments have been replaced with optional expenditure commitments on the property totaling $1,400,000; with $100,000 to be spent before December 1, 2012; an additional $250,000 to be spent before December 1, 2013; an additional $450,000 before December 1, 2014; and an additional $600,000 before December 1, 2015. The amendment agreement also required the expansion of the size of the property to a minimum of 220 contiguous cells (claim units) from the current 35 cells (claim units) prior to March 31, 2012. By March 31, 2012 the Company had not fulfilled its obligations, however it received notification that it would not be given a default notice until after December 31, 2012 unless the vendor receives another offer for the properties, at which time the Company will have 30 days to remedy the default or be deemed to be in default.

The Company also holds a 100% interest in 175 mineral claims in the Liard Mining Division of British Columbia.

Quebec

During the year ended June 30, 2009 the Company acquired a molybdenum property that was the site of the former producing La Corne molybdenum mine approximately 30 kilometres from the town of Val d'Or, Quebec. The property is subject to a 3% Net Smelter Return (NSR) retained by the vendors, of which half (1.5%) can be repurchased for $500,000. The amount expended to June 30, 2012 is $1,380,971.

Ontario and Nevada

At June 30, 2009, the Company wrote down the carrying value of its Ontario and Nevada properties to a nominal amount as the Company's focus is currently on its BC and Quebec properties.

On January 11, 2012, the Company signed an option agreement with Mexivada Mining Corp. ("Mexivada") pursuant to which Mexivada can earn up to 60% interest in the mining rights to the Company's Timmins Hislop property in Hislop Township in the Matheson gold camp, Ontario, Canada. Under the terms of the agreement, the Company has received the first option payment of $25,000 in cash and 454,545 Mexivada shares valued at $25,000, and retains all surface rights. As at June 30, 2012, the Company marked to market the value of the Mexivada shares resulting in a current fair value of $18,182.

6. Share capital

(a) Common shares

The Company is authorized to issue an unlimited number of no par value common shares. The following table provides the details of changes in the number of issued common shares

	Number #	***Amount*** $
Balance, June 30, 2010	102,017,479	16,843,673
Flow through common shares issued, net	9,316,667	1,274,667
Common shares issued July 5, 2010	2,000,000	240,000
Common shares issued July 15, 2010	1,100,000	132,000
Common shares issued for property acquisition	360,000	39,300
Common shares issued December 15, 2010	3,000,000	600,000
Common shares issued March 28, 2011	4,453,333	1,336,000
Common shares issued on exercise of options	2,332,000	469,590
Common shares issued on exercise of broker warrants	2,498,333	377,300
Common shares issued on exercise of warrants	14,872,384	3,256,661
Contribution on exercise of warrants	-	332,380
Contribution on exercise of options	-	421,712
Share issue costs	-	(469,795)
Balance, June 30, 2011	141,950,196	24,853,488
Common shares issued on exercise of broker warrants	60,000	7,200
Flow through common shares issued, net	8,332,997	3,433,260
Common shares issued July 28, 2011	480,769	250,000
Common shares issued on exercise of options	300,000	43,000
Common shares issued for property acquisition	4,282,655	2,000,000
Common shares issued August 9, 2011	1,355,384	704,800
Contribution on exercise of options	-	40,808
Contribution on exercise of warrants	-	3,659
Share issue costs	-	(539,772)
Balance, June 30, 2012	156,762,001	30,796,443

On July 5, 2010, the Company completed a private placement of 2,000,000 units priced at $0.12 per unit for gross proceeds of $240,000. Each unit consisted of one common share and one common share purchase warrant with each warrant entitling the holder to acquire a further share at a price of $0.25 per share. The warrants were exercised. A cash fee of $12,600 and 150,000 broker warrants to acquire non flow-through common shares at a price of $0.12 per share was paid in respect of the closing. The broker warrants were exercised.

On July 5, 2010, the Company completed a private placement of 5,066,667 flow-through units priced at $0.15 per unit for gross proceeds of $760,000. Each flow-through unit consisted of one common share and one-half of a common share purchase warrant with each full warrant entitling the holder to acquire a further share at a price of $0.25 per share. The warrants were exercised. A cash fee of $49,000 and 466,667 broker warrants to acquire non flow-through common shares at a price of $0.15 per share for 12 months from closing was paid in respect of the closing. The broker warrants were exercised.

On July 15, 2010, the Company completed an additional private placement of 1,100,000 units priced at $0.12 per unit for gross proceeds of $132,000. Each unit consisted of one common share and one-common share purchase warrant with each warrant entitling the holder to acquire a further share at a price of $0.25 per share. The warrants were exercised. A cash fee of $8,400 and 100,000 broker warrants to acquire non flow-through common shares at a price of $0.12 per share was paid in respect of the closing. The broker warrants were exercised.

On July 15, 2010, the Company completed an additional private placement of 2,250,000 flow-through units priced at $0.15 per unit for gross proceeds of $337,500. Each flow-through unit consisted of one common share and one-half of a common share purchase warrant with each full warrant entitling the holder to acquire a further share at a price of $0.25 per share. The warrants were exercised. A cash fee of $21,780 and 200,000 compensation options to acquire units at a price of $0.15 per unit were issued. Each compensation unit was comprised of one common share and one-half of one non-transferable share purchase warrant. Each full warrant entitled the holder to purchase one common share of the Company at a price of $0.25 per warrant share. These warrants were exercised.

On August 31, 2010, the Company completed a private placement of 2,000,000 flow-through units priced at $0.15 per unit for gross proceeds of $300,000. Each flow-through unit consisted of one flow-through common share and one-half of a common share purchase warrant with each full warrant entitling the holder to acquire a further share at a price of $0.25 per share. These warrants were exercised.

On December 15, 2010, the Company completed an additional private placement of 3,000,000 units priced at $0.20 per unit for gross proceeds of $600,000. Each unit consisted of one common share and one-half of a common share purchase warrant. These warrants expired on December 15, 2011.

On March 28, 2011, the Company completed an additional private placement of 4,453,333 units priced at $0.30 per unit for gross proceeds of $1,336,000. Each unit consisted of one common share and one-half common share purchase warrant. The warrants expired on March 28, 2012.

On July 28, 2011, the Company placed 4,999,997 flow-through units (“FT units”) at a price of $0.60 per unit, for gross proceeds of $3,000,000. Each FT unit consisted of one flow-through common share of the Company and one-half non flow-through share purchase warrant. Each full warrant entitles the holder to acquire an additional common share at $1.00 per share until the earlier of: (i) July 28, 2012; and (ii) in the event that the closing price of the common shares on the TSX Venture Exchange is at least $1.25 for ten consecutive trading days (the “Final Trading Day 2”), the date which is thirty days from the Final Trading Day 2 (the “Trigger Date”).

On July 28, 2011, the Company placed 480,769 working capital units (“WC units”) at a price of $0.52 per unit, for gross proceeds of $250,000. Each working capital unit consisted of one common share of the Company and one share purchase warrant (“WC warrant”). Each WC warrant entitles the holder to acquire an additional common share at $1.00 per share until the earlier of: (i) July 28, 2012; and (ii) the Trigger Date.

A finder's fee of $162,500, a due diligence fee of $65,000 and 548,075 broker options exercisable into units on the same terms as the working capital units at a price of $ 0.52 for a period of twelve months after the Closing Date was paid in respect of the closing.

On August 9, 2011, the Company completed an additional private placement of 1,355,384 working capital units ("WC units") priced at $0.52 per WC unit for gross proceeds of $704,800. Each WC unit consisted of one common share of the Company and one share purchase warrant ("WC warrant"). Each WC warrant entitles the holder to acquire an additional common share at $1.00 per share until the earlier of: (i) August 9, 2012; and (ii) the Trigger Date. Cash finder's fees of $43,876 were paid in respect of the final closing of the offering.

On October 14, 2011, the Company issued 4,282,655 common shares priced at $0.467 per share to acquire the remaining 25% interest in the Gulf Claims forming part of the Company's Newmont Lake Property.

On December 9, 2011, the Company placed 3,333,000 flow-through shares at a price of $0.30 per share for gross proceeds of $999,900. A finder's fee of $69,993 was paid in respect of the closing.

(b) Common share purchase options

The Company has created a stock option plan for the benefit of directors, officers, key employees, and consultants. The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares. As at June 30, 2012, 9,125,000 common shares were reserved for the exercise of stock options granted under the Company's stock option plan (the "Plan").

The following table provides the details of changes in the number of issued common share purchase options during the period:

	Options \#	**Weighted-average exercise price** $
Outstanding at June 30, 2010	8,675,000	0.36
Granted	1,475,000	0.26
Exercised	(2,332,000)	0.20
Expired	(275,000)	0.27
Outstanding at June 30, 2011	7,543,000	0.32
Granted	3,400,000	0.20
Expired	(1,518,000)	0.65
Exercised	(300,000)	0.14
Outstanding at June 30, 2012	9,125,000	0.23
Options exercisable at June 30, 2012	7,375,000	0.23

On November 1, 2010, 150,000 options and 75,000 options for consultants at exercise prices of $0.32 and $ 0.15 respectively, expired.

On November 5, 2010, the Company issued 1,000,000 stock options exercisable at $0.15 per share until November 5, 2015 to a director of the Company.

On December 9, 2010, 457,000 options held by insiders were exercised at a price of $0.12 per share.

On March 3, 2011, 750,000 options held by insiders were exercised at a price of $0.25 per share. In addition, on March 30, 2011, 250,000 options at a price of $0.15 per share were exercised.

On April 14, 2011, 100,000 options and 125,000 options were exercised at prices of $0.14 and $ 0.15 respectively.

On April 19, 2011, 300,000 options held by consultants were exercised at a price of $0.15 per share.

On May 6, 2011, 225,000 options at an exercise price of $0.475 per share were granted to geological consultants of the Company and on May 10, 2011, 250,000 options at an exercise price of $0.53 per share were granted to a financial consultant of the Company.

On June 27, 2011 350,000 options were exercised at a price of $0.32 per share and 50,000 options for consultants at exercise prices of $0.32 expired.

On August 5, 2011, 200,000 options held by consultants were exercised at a price of $0.14 per share.

On January 12, 2012, 100,000 options held by consultants were exercised at a price of $0.15 per share.

On June 7, 2012 500,000 options to purchase common shares of the Company at $0.20 per share for two years have been granted to geological and financial consultants.

On June 12, 2012 2,900,000 options to purchase common shares of the Company at $0.20 per share for five years have been granted to four directors and four senior officers.

On June 26, 2012, 1,518,000 options held by insiders at exercise price of $0.65 per share expired.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
150,000	150,000	0.3 months	$0.65	July 09, 2012
1,000,000	1,000,000	11.4 months	$0.32	June 12, 2013
700,000	700,000	11.9 months	$0.32	June 27, 2013
500,000	500,000	18.7 months	$0.15	January 22, 2014
150,000	150,000	24.8 months	$0.15	July 24, 2014
1,750,000	1,750,000	33.3 months	$0.14	April 9, 2015
1,000,000	1,000,000	40.3 months	$0.15	November 8, 2015
225,000	225,000	10.2 months	$0.475	May 6, 2013
250,000	200,000	22.3 months	$0.53	May 10, 2014
500,000	250,000	23.2 months	$0.20	June 7, 2014
2,900,000	1,450,000	59.4 months	$0.20	June 12, 2017
9,125,000	7,375,000			

The weighted average fair value of all the options granted during the year is $0.11 (2011 - $0.21) per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging from 1.30% to 1.63%, expected dividend yield of nil, average expected volatility ranging from 106.29% to 137.46% and expected life term ranging from 24 to 60 months. Under this method of calculation, the Company has recorded $327,069 as stock based compensation during the year ended June 30, 2012, being the fair value of the options vested during the twelve months ended June 30, 2012. Options that have been issued and remain outstanding vest either immediately on date of grant, or in equal installments over a period of up to eighteen months from the date of grant.

(c) Warrants

On certain issuances of common shares, the Company grants warrants entitling the holder to acquire additional common shares of the Company, and the Company grants warrants as consideration for services associated with the placement of such common share issues.

The following table provides the details of changes in the number of outstanding common share purchase warrants:

	Number	***Price Range***
	#	$
Balance June 30, 2010	14,652,598	0.14 to 0.90
Private placement warrants issued	12,501,668	0.12 to 0.40
Warrants exercised	(17,370,718)	0.14 to 0.25
Expired	(5,996,882)	0.15 to 0.90
Balance June 30, 2011	3,786,666	0.12 to 0.40
Private placement warrants issued	5,432,301	0.52 to 1.00
Warrants exercised	(60,000)	0.12
Expired	(3,726,666)	0.30 to 0.40
Balance June 30, 2012	5,432,301	0.52 to 1.00

On December 30, 2010, 83,333 warrants at a price of $0.25 and 4,788,332 warrants at a price of $0.90 expired unexercised.

On December 21, 2010, 693,333 broker compensation warrants were exercised at a price of $0.15 per share, on December 21, 2010 11,023 warrants at a price of $0.25 per share were exercised by an individual, on December 22, 2010, 773,333 broker compensation warrants were exercised at a price of $0.15 and on December 30, 2010, 2,500,000 warrants were exercised at a price of $0.25.

During the three months ended March 31, 2011 broker compensation warrants were exercised as follows: on January 17, 2011, 175,000 at a price of $0.14 per share, on March 8, 2011 150,000 at a price of $0.12 per share and 100,000 at a price $0.15, on March 31, 2011 50,000 at a price $0.15 per share.

In addition, during the three months ended March 31, 2011 2,586,378 warrants were exercised at a price of $0.15 per share and 774,207 warrants were exercised at a price of $0.25 per share.

On January 6, 2011, 200,000 warrants at an exercise price of $0.25 expired unexercised and on January 26, 2011, 50,000 warrants with an exercise price of $0.25 expired unexercised.

During the three months ended June 30, 2011 2,444,523 warrants were exercised at a price of $0.15 per share and 7,072,920 warrants were exercised at a price of $0.25 per share.

In addition, during the three months ended June 30, 2011 40,000 broker compensation warrants were exercised at a price of $0.12 per share.

On July 7, 2011, 60,000 compensation warrants were exercised at a price of $0.12.

On December 15, 2011, 1,500,000 warrants at a price of $0.30 expired unexercised.

On March 28, 2012, 2,226,666 warrants at a price of $0.40 expired unexercised.

Certain issuances of common shares include warrants entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
Warrants	2,499,998	0.9 months	$1.00	July 28, 2012
Warrants	480,769	0.9 months	$1.00	July 28, 2012
Warrants	1,355,384	1.3 months	$1.00	August 9, 2012
Balance June 30, 2012	4,336,151			

Certain issuances of common shares include warrants as partial consideration to the agent for services associated with the share issues. A summary of the outstanding broker warrants is as follows:

	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
Compensation warrants	548,075	0.9 months	$0.52	July 28, 2012
Underlying compensation warrants	548,075	0.9 months	$1.00	July 28, 2012
Balance, June 30, 2012	1,096,150			

All warrants expired unexercised after June 30, 2012.

7. Contributed surplus

A summary of changes in contributed surplus is as follows:

	Amount $
Balance, June 30, 2010	3,305,805
Stock based compensation	209,347
Exercise of options	(421,712)
Common shares purchase warrants expired	350
Balance, June 30, 2011	3,093,790
Stock based compensation	327,069
Exercise of options	(40,808)
Balance, June 30, 2012	3,380,051

The number of common shares outstanding on June 30, 2012 was 156,762,001. Taking into account outstanding share purchase options, warrants and 1,000,000 shares reserved for property transactions, the fully diluted common shares that could be outstanding on June 30, 2012 was 172,319,302.

8. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the combined Federal and Provincial statutory tax rate of 30.00% (2011 - 30.00%) to the net loss for the year for reasons noted below:

	June 30 2012 $	June 30 2011 $
Income tax recovery based on statutory rate	**329,800**	323,000
Actual provision per financial statements	**(626,758)**	825,501
Non-deductible items for tax purposes	**(86,300)**	(60,588)
Tax effect of tax rate change	**515,701**	(370,578)
Tax effect of losses recognized	**527,157**	(71,335)
	329,800	323,000

The Company has incurred tax losses of $3,597,000 (2011 - $2,741,000) which may be used to reduce future taxable income. The potential benefit of these losses will expire in the fiscal years ended June 30, if unused, as follows:

	Amount $
2027	642,000
2029	642,000
2030	595,000
2031	910,000
2032	808,000
	3,597,000

In addition to the above losses the Company has available CEE of approximate $6.7 million, CDE of $2.7 million and FDEE $950,000 which can be used to offset future taxable income.

The components of future income tax asset (liability) are as noted below:

	June 30 2012 $	June 30 2011 $
Non-capital losses	**899,507**	685,397
Capital assets	**4,708**	4,708
Exploration and evaluation assets	**(3,484,426)**	(2,234,932)
Valuation allowance	**-**	-
Tax effect of renunciation of exploration expenditures	**(2,580,211)**	(1,544,825)

9. Related party transactions

During the year ended June 30, 2012, the Company incurred related party expenses of $246,725 (2011 – $265,115). These expenses related to management and consulting fees and salaries paid to the Company's senior officers, Tom Drivas, President and Chief Executive Officer, Tom Skimming, V.P. Exploration, Errol Farr, then Michael D'Amico Chief Financial Officer, Garth Kirkham, Director and Antonio de Quadros, Director. As at June 30, 2012 $6,085 (2011 - $28,400) is due and payable to these related parties.

Compensation of key management personnel for the year ended June 30, 2012 and 2011 is summarized as follows:

	2012	2011
Compensation and directors' fees	$ 271,725	$ 280,115
Share-based payments	200,039	111,552

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the years ended June 30, 2012 and 2011.

During the year ended June 30, 2012, the Company incurred expenses of $109,742 (2011 - $94,249) for legal fees to a law firm related to a senior officer and director of the Company, William R. Johnstone. At June 30, 2012, $21,496 (2011 - $19,937) was due and payable.

During the year ended June 30, 2012, the Company incurred expenses of $25,000 (2011 - $15,000) related to directors' fees to Antonio de Quadros, Frank van de Water, Brian Robertson, Jack McOuat and Garth Kirkham.

These amounts were expensed in the period incurred as administrative and general expenses. Expenses and amounts paid and owing are measured at the exchange amount.

These transactions are recorded at exchange amount which is the amount of consideration established and agreed to by the related parties.

10. Financial instruments and risk management

Categories of financial assets and liabilities

Under IFRS, financial instruments are classified into one of the following five categories: Fair value through profit and loss ("FVTPL"), held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments, including those held for sale are classified into the following categories:

	June 30 2012 $	June 30 2011 $
FVTPL [1]	**3,194,249**	4,844,114
Loans and receivables [2]	**23,978**	236,469
Other financial liabilities [3]	**210,991**	1,435,315

(1) Includes cash, committed cash and short-term investments.
(2) Includes accounts receivable related to HST tax refunds.
(3) Includes accounts payable and bank overdraft.

Financial Instruments

The carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

(i) Cash and cash equivalents and cash and cash equivalents held for future exploration are designated as FVTPL financial assets and are recorded at market value. The interest on deposits is insignificant.
(ii) H.S.T. receivable is designated as loans and receivables and is recorded at cost.
(iii) Accounts payable is designated as other financial liabilities and is recorded at cost.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

(a) Market risk

(i) Price risk
Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from the fluctuation of the value of the metals it is exploring for. The Company does not manage commodity price risk through the use of derivative instruments.

Sensitivity

Anticipated changes in the value of gold and base metals would not, in management's opinion, change the recognized value of any of the Company's financial instruments.

(ii) Cash flow fair value interest rate risk

The Company does not have interest-bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the balance of the bank accounts.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Credit risk arises from cash and deposits with banks and financial institutions as well as credit exposures to outstanding receivables.

The Company has no concentration of credit risk. The carrying amounts of financial assets recorded in the consolidated financial statements are adjusted for any impairment and represent the Company's maximum exposure to credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. The Company is currently assessing all options to address its liquidity issues. It is not possible to determine with any certainty the success and adequacy of these initiatives.

11. Capital disclosures

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The capital of the Company consists of capital stock, warrants and contributed surplus.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and will raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements.

12. Contingencies and commitments

As at June 30, 2012:

a) the Company has $ 19,240 in future lease commitments on its principle location,
b) the Company has $40,894 on deposit as property reclamation bonds with various governmental agencies. These amounts are included with prepaid expenses.

13. Impact of adoption of IFRS

The Company has elected to apply the following optional exemptions in its preparation of an opening statement of financial position dated July 1, 2010, the Company's "Transition Date":

- Business combinations
  To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that occurred prior to July 1, 2010.

- Share-based payment transactions
  To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.

- IAS 27 – Consolidated and separate financial statements
  To apply IAS 27 Consolidated and Separate Financial Statements prospectively, as the Company has elected to apply IFRS 3 Business Combinations prospectively.

- Restoration, rehabilitation and environmental obligations
  The company has elected to apply the exemption from full retrospective application of decommissioning provisions allowed under IFRS 1.

- IFRIC 4 Determining Whether an Arrangement Contains a Lease
  The Company has elected to apply the transition provisions of IFRIC 4 Determining Whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date. The Company has no significant leases.

IFRS 1 does not permit changes to previously made estimates. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those made under Canadian GAAP.

The following statement is a reconciliation of the opening statement of financial position as at July 1, 2010 from Canadian GAAP to IFRS:

	July 1, 2010		
	Canadian GAAP $	**Effect of transition to IFRS $**	**IFRS $**
Assets			
Current			
Cash and cash equivalents	885,067	-	**885,067**
Cash and cash equivalents for future exploration activities	847,857	-	**847,857**
Accounts receivable	49,874	-	**49,874**
Prepaid expenses	64,994	-	**64,994**
	1,847,792	-	**1,847,792**
Exploration and evaluation assets			
Acquisition costs	2,044,017	-	**2,044,017**
Deferred exploration expenditures	11,626,774	-	**11,626,774**
	15,518,583	-	**15,518,583**
Liabilities			
Current			
Accounts payable and accrued liabilities	445,834	-	**445,834**
Common shares subscribed, not issued	60,000	-	**60,000**
	505,834	-	**505,834**
Deferred flow through share premium liability	-	Note 13(a) 14,156	**14,156**
Deferred income tax	2,480,046	Note 13(a) (246,710)	**2,233,336**
	2,985,880	(232,554)	**2,753,326**
Shareholders' equity			
Share capital	16,129,071	Note 13(a) 714,602	**16,843,673**
Warrants	42,442	-	**42,442**
Contributed surplus	3,277,190	Note 13(b) 28,615	**3,305,805**
Deficit	(6,916,000)	Note 13(a,b) (510,663)	**(7,426,663)**
	12,532,703	232,554	**12,765,257**
	15,518,583	-	**15,518,583**

The following statement is a reconciliation of the statement of financial position as at June 30, 2011 from Canadian GAAP to IFRS:

	June 30, 2011		
	Canadian GAAP $	**Effect of transition to IFRS $**	**IFRS $**
Assets			
Current			
Cash and cash equivalents	4,844,114	-	**4,844,114**
Accounts receivable	236,469	-	**236,469**
Prepaid expenses	172,339	-	**172,339**
	5,252,922	-	**5,252,922**
Exploration and evaluation assets			
Acquisition costs	2,150,407	-	**2,150,407**
Deferred exploration expenditures	15,849,677	-	**15,849,677**
	23,253,006	-	**23,253,006**
Liabilities			
Current			
Accounts payable and accrued liabilities	1,435,315	-	**1,435,315**
Deferred income tax	1,544,825	-	**1,544,825**
	2,980,140	-	**2,980,140**
Shareholders' equity			
Share capital	23,912,719	Note 13(a) 940,768	**24,853,487**
Warrants	3,659	-	**3,659**
Contributed surplus	3,095,103	Note 13(b) (1,313)	**3,093,790**
Deficit	(6,738,615)	Note 13(a,b) (939,455)	**(7,678,070)**
	20,272,866	-	**20,272,866**
	23,253,006	-	**23,253,006**

The Canadian GAAP consolidated statement of loss and comprehensive loss for the year ended June 30, 2011 has been reconciled to IFRS as follows:

	Year ended June 30, 2011		
	Canadian GAAP $	**Effect of transition to IFRS $**	**IFRS $**
Expenses			
Professional fees	290,682	-	**290,682**
Management fees and salaries	150,315	-	**150,315**
Office and general	117,172	-	**117,172**
Shareholder communication	333,915	-	**333,915**
Share-based payments	239,275	Note 13(b) (29,928)	**209,347**
Loss for the year before the following	(1,131,359)	29,928	**(1,101,431)**
Interest income	24,523	-	**24,523**
Net loss for the period	(1,106,836)	-	**(1,076,908)**
Deferred income tax (recovery)	1,284,221	(d) (458,720)	**825,501**
Net profit/(loss) and comprehensive profit/(loss)	177,385	(428,792)	**(251,407)**

Changes to Accounting Policies

The Company has changed certain accounting policies to be consistent with IFRS effective or available for early adoption on June 30, 2012, the Company's first annual IFRS reporting date. Adoption of IFRS has had no material impact on the Company's statements of cash flows for the year ended June 30, 2012 and the period ended June 30, 2011. The changes to accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements, except as disclosed below.

a) Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Under IFRS, 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 recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available. Under Canadian GAAP, the Company recorded the tax cost of expenditures renounced to subscribers on the date the deductions were renounced to the subscribers. Share capital was reduced and future income tax liabilities were increased by the tax cost of expenditures renounced to the subscribers, except that the amount was recognized as a tax recovery to the extent that suitable future tax assets were available.

b) Share-based payment transactions

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. 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, including directors of the Company. The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case they are valued using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

Under Canadian GAAP, the fair value of stock-based awards to employees with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight line basis over the vesting period. Forfeitures of awards are recognized as they occur.

The Company's accounting policies relating to share-based payment transactions have been changed to reflect these differences.

c) Impairment of (non-financial) Assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies relating to impairment of non-financial assets have been changed to reflect these differences and there is no impact on the financial statements.

d) Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. In management's opinion, this change in policy had no impact on the financial statements.

14. Subsequent events

On July 9, 2012, 150,000 options held by a Director at exercise price of $0.65 per share expired unexercised.

By August 9, 2012, all warrants outstanding at June 30, 2012 expired unexercised.

On August 27, 2012, the Company acquired approximately 5,700 hectares of mineral tenures in the Golden Triangle area of British Columbia in return for the granting of a 2% NSR.

On October 2, 2012, the company received $389,000 with respect to a British Columbia Mining Exploration tax credit. This amount will be recorded as a reduction of deferred exploration expenditures.