MONSTER MINING CORP.

FINANCIAL STATEMENTS

July 31, 2011

(Stated in Canadian Dollars)

CHARTERED ACCOUNTANTS
MacKay LLP

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Independent Auditor's Report

To the Shareholders of
Monster Mining Corp.

We have audited the accompanying financial statements of Monster Mining Corp., which comprise the balance sheets as at July 31, 2011 and July 31, 2010, and the statements of operations and comprehensive loss, deficit and cash flows for the years then ended, 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 financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 from 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 auditor's 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 auditor considers 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Monster Mining Corp. as at July 31, 2011 and July 31, 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Monster Mining Corp. to continue as a going concern.

"MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
November 18, 2011

MONSTER MINING CORP.
BALANCE SHEETS
July 31, 2011 and 2010
(Stated in Canadian Dollars)

	July 31, 2011	July 31, 2010
ASSETS		
Current		
Cash and cash equivalents – Note 3	**$ 786,376**	$ 7,305
Marketable securities – Note 4	**35,000**	65,000
GST/HST recoverable	**190,928**	17,214
Prepaid expenses – Note 10	**51,286**	68,037
	1,063,590	157,556
Equipment – Note 5	**44,196**	3,368
Drilling Advance - Note 6	**165,256**	400,000
Mineral properties – Note 7	**3,493,516**	1,525,893
	$ 4,766,558	$ 2,086,817
LIABILITIES		
Current		
Accounts payable and accrued liabilities – Note 10	**$ 151,625**	$ 110,805
Notes payable – Note 8	**-**	115,000
	151,625	225,805
Future income tax liabilities – Note 13	**-**	122,000
	151,625	347,805
SHAREHOLDERS' EQUITY		
Share capital – Note 9	**5,287,368**	1,814,354
Subscription received – Note 9	**-**	50,500
Contributed surplus – Note 9	**1,267,207**	450,180
Deficit	**(1,939,642)**	(576,022)
	4,614,933	1,739,012
	$ 4,766,558	$ 2,086,817

Nature of Operations – Note 1
Commitments – Notes 7 and 9
Subsequent Events – Notes 7 and 15

APPROVED ON BEHALF OF THE BOARD:

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

SEE ACCOMPANYING NOTES

MONSTER MINING CORP.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the years ended July 31, 2011 and 2010
(Stated in Canadian Dollars)

Years ended July 31,	**2011**	2010
Expenses		
Accounting and office administration – Note 10	**$ 78,897**	$ 9,863
Amortization	**16,539**	1,950
Audit fees	**41,120**	15,000
Bank charges and interest	**2,069**	900
Consulting fees – Note 10	**204,485**	25,428
Interest expense – Note 10	**733**	13,795
Legal and corporate services	**101,736**	8,570
Transfer agent and filing fees	**54,812**	-
Management fees – Note 10	**40,000**	-
Rent – Note 10	**39,642**	9,009
Shareholder communications – Note 10	**162,926**	24,046
Stock-based compensation – Note 9	**716,045**	-
Loss for the year before other items and income taxes	**(1,459,004)**	(108,561)
Other items		
Unrealized gain (loss) on marketable securities – Note 4	**(30,000)**	51,000
Foreign exchange (loss)	**(11)**	-
Interest income	**3,395**	-
Total other items	**(26,616)**	51,000
Loss for the year before income taxes	**(1,485,620)**	(57,561)
Future income tax recovery – Note 13	**122,000**	10,000
Loss and comprehensive loss for the year	**$ (1,363,620)**	$ (47,561)
Basic and diluted loss per share	**$ (0.06)**	$ (0.01)
Weighted average number of shares outstanding	**23,264,384**	16,694,657

SEE ACCOMPANYING NOTES

MONSTER MINING CORP.
STATEMENTS OF DEFICIT
For the years ended July 31, 2011 and 2010
(Stated in Canadian Dollars)

Years ended July 31	**2011**	2010
Deficit, beginning of the year	**$ (576,022)**	$ (528,461)
Loss for the year	**(1,363,620)**	(47,561)
Deficit, end of the year	**$ (1,939,642)**	$ (576,022)

SEE ACCOMPANYING NOTES

MONSTER MINING CORP.
STATEMENTS OF CASH FLOWS
For the years ended July 31, 2011 and 2010
(Stated in Canadian Dollars)

For the years ended July 31,	**2011**	2010
Cash Flows provided by (used in) Operating Activities		
Loss for the year	**$ (1,363,620)**	$ (47,561)
Items not affecting cash:		
Amortization	**16,539**	1,950
Future income tax recovery	**(122,000)**	(10,000)
Stock-based compensation	**716,045**	-
Unrealized gain (loss) on marketable securities	**30,000**	(51,000)
	(723,036)	(106,611)
Changes in non-cash working capital items:		
GST/HST recoverable	**(173,714)**	(8,745)
Prepaid expenses	**16,751**	(21,101)
Accounts payable and accrued liabilities	**25,323**	85,294
	(854,676)	(51,163)
Cash Flows used in Investing Activities		
Marketable securities	**-**	(9,000)
Equipment	**(57,367)**	(5,318)
Mineral property costs	**(1,264,679)**	(231,359)
	(1,322,046)	(245,677)
Cash Flows provided by (used in) Financing Activities		
Notes payable	**(115,000)**	-
Issuance of common shares	**3,365,999**	63,500
Share issue costs	**(295,206)**	-
	2,955,793	63,500
Increase (decrease) in cash during the year	**779,071**	(233,340)
Cash and cash equivalents, beginning of the year	**7,305**	240,645
Cash and cash equivalents, end of the year	**$ 786,376**	$ 7,305
Cash	**284,426**	7,305
Cash equivalents	**501,950**	-
	$ 786,376	$ 7,305
Cash paid for:		
Interest	**$ 733**	$ 11,392
Mineral property expenditures included in accounts payable and accrued liabilities	**$ 26,198**	$ 58,391

Supplemental cash flow information – Note 14

SEE ACCOMPANYING NOTES

Note 1 **Nature of Operations**

The Company was incorporated in the Province of British Columbia on May 3, 2007 under the *Business Corporations Act* (British Columbia) under the name "Northex Ventures Inc." and changed its name to "Monster Mining Corp." on August 20, 2008. The Company was registered as an extra-territorial corporation under the *Business Corporations Act* (Yukon) on July 10, 2009. The Company completed its IPO pursuant to its prospectus dated April 26, 2011 (the "Prospectus") and commenced trading on the TSX Venture Exchange ("TSXV") on May 19, 2011.

The Company is in the exploration stage and has entered into option and purchase agreements to acquire mineral properties in the Yukon, Canada. The economic recoverability of the properties resources has yet to be determined. As at July 31, 2011, the Company had $786,376 in cash and cash equivalents, working capital of $911,965 and no long-term debt.

The amounts shown as mineral properties represent net costs to date and do not necessarily represent present or future values. The recoverability of amounts shown for mineral properties and the Company's ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying claims, the ability of the Company to obtain necessary financing to complete their development and upon future profitable production or proceeds from the disposition thereof. These material uncertainties cast doubt on the Company's ability to continue as a going concern.

The Company will require additional financing from time to time, and while the Company has been successful in raising equity financing through the issuances of common shares in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

Note 2 **Significant Accounting Policies**

Management has prepared the financial statements of the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. These financial statements have been prepared within the framework of the significant accounting policies summarized below:

Note 2 **Significant Accounting Policies** – (cont'd)

a) Use of Estimates

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of these financial statements requires management to make estimates and assumptions. The most significant estimates include, but are not limited to: the recoverability of mineral property costs; the future cost of asset retirement obligations; the amounts of contingencies; and assumptions used in the accounting for stock-based compensation such as volatility, expected term and risk free interest rate. Using these estimates and assumptions, management makes various decisions in preparing the financial statements including:

- Whether long-lived assets, equipment, mineral properties and deferred exploration costs are impaired, and if so, estimates of the fair value of those assets and any corresponding impairment charge;
- The ability to realize future income tax assets;
- The useful lives of long-lived assets and the measurement of amortization;
- The fair value of reclamation and closure cost obligations where estimable;
- The likelihood of loss contingencies occurring and the amount of any potential loss; and
- The amount of stock-based compensation expense.

As the estimation process is inherently uncertain, actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the financial statements.

b) Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 5,887,000 (2010: Nil) were not included in the computation of loss per share because their effect was anti-dilutive.

c) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the tax and accounting basis of assets and liabilities. The future tax assets or liabilities are calculated using the tax rates for the period in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

Note 2 **Significant Accounting Policies** – (cont'd)

d) Stock-based Compensation

The Company has a stock-based compensation plan, whereby stock options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options granted is expensed over their vesting period using the graded vesting method with a corresponding increase to contributed surplus. The fair value of options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur.

The Company uses the Black-Scholes option-pricing model to determine the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value.

e) Share issue costs

Share issue costs and deferred costs of future financings, which include commissions, professional and regulatory fees are deferred and charged to share capital on completion of the financing or expensed if the financing is not completed.

f) Financial Instruments

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial assets are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately.

The Company's financial instruments consist of cash and cash equivalents and marketable securities which are classified as held-for-trading, amounts receivable which are classified as loans and receivables, and accounts payable and accrued liabilities and notes payables, which are classified as other financial liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Note 2 **Significant Accounting Policies** – (cont'd)

f) Financial Instruments – (cont'd)

In 2009, the CICA amended Section 3862, "Amendment to Financial Instruments – Disclosures" to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The adoption of this standard is consistent with recent amendments to financial instrument disclosure standards in International Financial Reporting Standards ("IFRS"). All of the financial instruments measured at fair value on the balance sheet are included in Level 1.

g) Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on an annual basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company and the assessment of future probability of revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry norms for the stage of exploration of such properties, 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.

Note 2 Significant Accounting Policies – (cont'd)

h) Asset Retirement Obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The obligation is measured initially at fair value using present value methodology and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability will be adjusted for any changes in the amount or timing of the underlying future cash flows and increased by the amount of the implied interest ("accretion") inherent in the use of discounted present value methodology; adjustments to the liability will be charged against earnings as appropriate. Capitalized asset retirement costs are depreciated on the same basis as the related asset and are included in determining the results of operations.

It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or of cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

i) Impairment of Long-lived Assets

Canadian GAAP requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at July 31, 2011 and 2010.

j) Future Accounting Changes

International Financial Reporting Standard

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The effective date for the Company is for interim and annual financial statements relating to fiscal years beginning on August 1, 2011. This transition will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended July 31, 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

(Stated in Canadian Dollars) – Page 6

Note 2 **Significant Accounting Policies** – (cont'd)

k) Equipment

Equipment is recorded at cost. The Company provides for amortization using the straight line method and the following annual rates:

Computer software	2.5 years
Computer hardware	2.5 years
Vehicle	3.3 years
Furniture & Equipment	5.0 years

l) Flow through shares

The Company accounts for flow-through shares in accordance with "Abstract EIC 146" of the Canadian Institute of Chartered Accountants ("CICA"). The Abstract recommends that upon renunciation to the shareholders, the Company will reduce share capital and record a temporary future income tax liability for the amount of the tax deduction renounced to shareholders. In instances where the Company has sufficient available discretionary deductible differences available to offset the renounced tax deductions, the realization of these differences will be credited to operations at the date of renunciation.

m) Warrants

The Company accounts for warrants issued as part of units in a private placement by allocating the proceeds from the financing to the shares and warrants, pro-rata, using the market value of the shares and the fair value of the warrants. The fair value of the warrants is calculated using the Black-Scholes option-pricing model. Funds raised, which are attributable to the warrants, are credited to contributed surplus.

Note 3 **Cash and cash equivalents**

At July 31, 2011, cash and cash equivalents included Guaranteed Investment Certificates ("GIC") with a market value of $501,950 earning interest income at approximately 1.05% per annum and maturing on September 28, 2011. Management considers this instrument to be a cash equivalent due to its ability to be exchanged for cash at the Company's option at any time prior to maturity.

At July 31, 2010, the Company had no GICs.

(Stated in Canadian Dollars) – Page 7

Note 4 **Marketable Securities**

At July 31, 2011 the Company held 300,000 shares of Dawson Gold Corp (formerly Uldaman Capital Corp) ("Dawson") and 100,000 shares of O'Conner Lake Mines Ltd. ("O'Connor") which are classified as held-for-trading. During the year ended July 31, 2011 the Company reported an unrealized loss on Dawson shares of $30,000 (July 31, 2010: gain of $51,000) in its statement of operations.

The Company's marketable securities as at July 31, 2011 and 2010 are as follows:

	July 31, 2011			July 31, 2010
	Shares	**Original Value**	**Fair Value**	Fair Value
Dawson	300,000	$ 9,000	$ 30,000	$ 60,000
O'Conner	100,000	5,000	5,000	5,000
	400,000	**$ 14,000**	**$ 35,000**	$ 65,000

Note 5 **Equipment**

	July 31, 2011			July 31, 2010
	Cost	**Accumulated Amortization**	**Net**	Net
Computer software	$ 12,194	$ 5,612	$ 6,582	$ 3,368
Computer hardware	6,654	2,503	4,151	-
Vehicles	35,465	10,137	25,328	-
Furniture & Equipment	8,372	237	8,135	-
	$ 62,685	**$ 18,489**	**$ 44,196**	$ 3,368

Note 6 **Drilling Advance**

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

(Stated in Canadian Dollars) – Page 8

Note 7 **Mineral Properties**

a) Summary of Expenditures

	Blanche	Franklin Creek	Keno Lightning	McKay Hill	Red Ridge	Total
Acquisition costs						
Balance July 31, 2010	$ 30,000	$ 70,000	$ 10,000	$ 20,000	$ -	$ 130,000
Cash Payment	-	-	60,000	60,000	15,000	135,000
50,000 common shares issued at $0.44	-	-	-	-	22,000	22,000
300,000 common shares issued at $0.40	-	-	-	120,000	-	120,000
700,000 common shares issued at $0.40	-	-	280,000	-	-	280,000
Balance July 31, 2011	30,000	70,000	350,000	200,000	37,000	687,000
Exploration costs:						
Balance July 31, 2010	-	6,588	1,324,210	65,095	-	1,395,893
Assays and sampling	-	-	8,775	-	-	8,775
Airborne geophysics	-	-	240,989	56,155	-	297,144
Claim maintenance	-	-	10,354	1,285	-	11,639
Mapping and reports	-	-	1,511	-	-	1,511
Transportation	-	-	50,446	9,977	-	60,423
Geological	-	300	317,392	3,617	1,167	322,476
Excavator	-	-	24,964	-	-	24,964
Drilling	-	-	420,423	-	-	420,423
Field cost	-	-	191,928	244	-	192,173
Camp construction	-	-	57,671	-	-	57,671
Site restoration	-	-	20,000	-	-	20,000
YMIP funding	-	-	-	(6,575)	-	(6,575)
Expenditures during the year	-	300	1,344,453	64,703	1,167	1,410,623
Balance July 31, 2011	-	6,888	2,668,663	129,798	1,167	2,806,516
Mineral Properties, July 31, 2011	**$ 30,000**	**$ 76,888**	**$ 3,018,663**	**$ 329,798**	**$ 38,167**	**$ 3,493,516**

(Stated in Canadian Dollars) – Page 9

Note 7 **Mineral Properties** – (cont'd)

a) Summary of Expenditures – (cont'd)

	Blanche	Franklin Creek	Keno Lightning	McKay Hill	Total
Acquisition costs					
Balance July 31, 2009	$ -	$ 75,000	$ 10,000	$ 20,000	$ 105,000
Property payments					
100,000 common shares issued at $0.30	30,000	-	-	-	30,000
Option payment received	-	(5,000)	-	-	(5,000)
Balance July 31, 2010	30,000	70,000	10,000	20,000	130,000
Exploration costs:					
Balance July 31, 2009	-	4,890	1,188,971	28,870	1,222,731
Assays and sampling	-	-	2,917	9,534	12,451
Claim maintenance	-	1,698	-	-	1,698
Mapping and reports	-	-	1,382	377	1,759
Transportation	-	-	2,673	22,279	24,952
Geological	-	-	88,068	10,500	98,568
Equipment rental	-	-	3,967	-	3,967
Drilling	-	-	367	-	367
Field cost	-	-	35,865	300	36,165
Staking	-	-	-	13,429	13,429
YMIP funding	-	-	-	(20,194)	(20,194)
Expenditures during year	-	1,698	135,239	36,225	173,162
Balance July 31, 2010	-	6,588	1,324,210	65,095	1,395,893
Mineral Properties, July 31, 2010	$ 30,000	$ 76,588	$ 1,334,210	$ 85,095	$ 1,525,893

Note 7 **Mineral Properties** – (cont'd)

a) Blanche

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

b) Franklin Creek

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

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

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

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

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

Note 7 **Mineral Properties** – (cont'd)

b) Franklin Creek – (cont'd)

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

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

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

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

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

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

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

Subsequent to July 31, 2011 the Company received $25,000 from SMD related to the Hopper claims.

c) Keno Lightning

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

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

Note 7 Mineral Properties – (cont'd)

c) Keno Lightning – (cont'd)

i) pay to the Optionors $10,000 upon signing the Agreement (paid);
ii) pay to the Optionors a further $15,000 on or before the date which is 15 days from listing the Company's shares on a stock exchange (paid);
iii) pay to the Optionors $15,000 within each of 12, 24, 36, 48 and 60 months from listing of the Company's shares on a stock exchange ($45,000 paid);
iv) issue to the Optionors 700,000 common shares of the Company on or before the date which is 15 days from listing of the Company's shares on a stock exchange (issued); and
v) incur $300,000 in exploration expenses on Keno on or before December 31, 2009 (incurred).

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

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

d) McKay Hill

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

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

i) pay $20,000 upon signing the Agreement (paid);
ii) pay $15,000 within 15 days from listing of the Company's shares on a stock exchange (paid);
iii) pay $15,000 within each of 12, 24, 36, 48 and 60 months from listing of the Company's shares on a stock exchange ($45,000 paid);
iv) issue 300,000 common shares 15 days from listing of the Company's shares on a stock exchange (issued); and
v) incur $100,000 in exploration expenses on McKay Hill before December 31, 2011 (incurred).

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

Note 7 **Mineral Properties** – (cont'd)

d) McKay Hill – (cont'd)

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

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

e) Red Ridge

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

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

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

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

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

f) Environmental Protection Practices

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

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Note 8 **Notes payable**

At July 31, 2010 the Company had notes payable to directors of $115,000, bearing interest at 7%. These notes were repaid during the year ended July 31, 2011.

Note 9 **Share Capital and Contributed Surplus**

a) Authorized:

Unlimited common shares without par value.

b) Shares issued:

	Shares	Amount	Contributed Surplus	Total
Balance July 31, 2009	16,575,485	$1,661,920	$ 450,180	$ 2,112,100
Issued for cash pursuant to:				
Private placement at $0.30	110,000	33,000	-	33,000
Issued for debt settlement at $0.25	357,735	89,434	-	89,434
Issued for acquisition of mineral property at $0.30	100,000	30,000	-	30,000
Balance July 31, 2010	17,143,220	1,814,354	450,180	2,264,534
Issued for cash pursuant to:				
Private placement at $0.25	5,048,000	1,262,000	-	1,262,000
Flow through private placement at $0.275	561,815	154,499	-	154,499
Public offering (“IPO”) at $0.40	5,000,000	1,880,000	120,000	2,000,000
Issued for debt settlement at $0.25	122,812	30,703	-	30,703
Issued for acquisition of mineral property at $0.40	1,000,000	400,000	-	400,000
Issued for acquisition of mineral property at $0.44	50,000	22,000	-	22,000
Share issue costs				
Cash payments	-	(295,206)	-	(295,206)
Agents’ warrants granted	-	(26,000)	26,000	-
Stock based compensation	-	-	716,045	716,045
Shares released from escrow	-	45,018	(45,018)	-
Balance July 31, 2011	**28,925,847**	**$5,287,368**	**$ 1,267,207**	**$ 6,554,575**

Pursuant to TSXV policy guidelines, at July 31, 2011, 10,455,193 common shares were held in escrow and will be released in 6 instalments, each 6 months, until May 19, 2014.

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Note 9 **<u>Share Capital and Contributed Surplus</u>** – (cont'd)

b) Shares issued: – (cont'd)

Initial public offering ("IPO")

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

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

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

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

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

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

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

Note 9 **Share Capital and Contributed Surplus** – (cont'd)

b) Shares issued: – (cont'd)

Private Placements

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

During the year ended July 31, 2010, the Company completed private placements for proceeds of $33,000 pursuant to the issue of 110,000 shares at $0.30 per share; and

Debt Settlement

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

During the year ended July 31, 2010, the Company issued 357,735 common shares at a price of $0.25 pursuant to a debt settlement of $89,434 to one of the Company's directors.

Acquisition of mineral property

On May 18, 2011, the Company issued 300,000 common shares pursuant to the McKay Hill property acquisition and 700,000 common shares pursuant to the Keno Lightning property acquisition valued at $0.40 per share (Note 7). These shares are valued at $120,000 and $280,000 respectively using the quoted market price of the Company's shares on the date of issuance and have been excluded from the statement of cash flows.

On June 22, 2011, the Company issued 50,000 common shares valued at $0.44 per share pursuant to the Red Ridge Property acquisition (Note 7). These shares are valued at $22,000 using the quoted market price of the Company's shares on the date of issuance and have been excluded from the statement of cash flows.

During the year ended July 31, 2010 the Company issued 100,000 common shares at $0.30 per share pursuant to the Blanche property option agreement; These shares are valued at $30,000 using the quoted market price of the Company's shares on the date of issuance and have been excluded from the statement of cash flows.

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Note 9 Share Capital and Contributed Surplus – (cont'd)

c) Commitments:

Stock-based Compensation

The Company, in accordance with the policies of the Exchange, is authorized to grant options to directors, officers, and employees to acquire up to 10% of common shares outstanding. Options may be granted for a maximum term of five years and vest when granted except where granted for investor relations activities, which vest and may be exercised in accordance with the vesting provisions as to ¼ of the options each 3 months.

During the year ended July 31, 2011 the Company granted incentive stock options to an investor relations and corporate communications service provider to acquire 350,000 shares at an exercise price of $0.40 per share until May 19, 2016. The fair value of the 350,000 options granted was estimated to be $93,556, using the Black-Scholes option pricing model with the following weighted average assumptions at date of grant:

Dividend rate	0%
Risk-free interest rate	1.98%
Expected life	5 Years
Expected annual volatility	84%

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

During the year ended July 31, 2011, the Company granted 2,537,000 stock options to directors, officers, and consultants, exercisable at a weighted average price of $0.40 for a period of five years. The fair value of the options granted was estimated to be $678,000 using the Black-Scholes option-pricing model with the following weighted average assumptions at the date of grant:

Dividend rate	0%
Risk-free interest rate	1.98%
Expected life	5 Years
Expected annual volatility	84%

No stock options were granted during the year ended July 31, 2010.

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Note 9 Share Capital and Contributed Surplus – (cont'd)

c) Commitments: – (cont'd)

Stock-based Compensation – (cont'd)

A summary of stock option activity during the years ended July 31, 2011 and 2010 is as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding, July 31, 2009 and 2010	-	$ -
Granted	2,887,000	0.40
Options outstanding July 31, 2011	**2,887,000**	**$ 0.40**

At July 31, 2011, there were 2,887,000 stock options outstanding entitling the holders thereof to purchase one common share for each option held as follows:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date	Contractual Life Remaining
2,537,000	2,537,000	$0.40	May 19, 2016	4.80 years
350,000	-	$0.40	May 19, 2016	4.80 years
2,887,000	**2,537,000**	**$0.40**		**4.80 years**

Warrants

A summary of warrant activity during the year ended July 31, 2011 and 2010 is as follows:

	Number of Shares	Weighted Average Exercise Price
Balance, July 31, 2009 and 2010	-	$ -
Issued	2,500,000	0.65
Balance, July 31, 2011	**2,500,000**	$ 0.65

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Note 9 **Share Capital and Contributed Surplus** – (cont'd)

c) Commitments: – (cont'd)

At July 31, 2011, there were 2,500,000 warrants exercisable to purchase one common share for each option held as follows:

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

Agents' Warrants

A summary of Agent's warrants activity during the year ended July 31, 2011 and 2010 is as follows:

	Expiry Date	Number of Units	Weighted Average Exercise Price
Balance, July 31, 2009 and 2010		-	$ -
Granted	May 19, 2012	500,000	0.65
Balance, July 31, 2011		**500,000**	$ 0.65

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Note 10 **Related Party Transactions** – Notes 6, 7 and 8

The Company incurred the following costs with companies controlled by directors of the Company and with companies controlled by significant shareholders:

	July 31, 2011	July 31, 2010
Accounting and office administration	**$ 45,000**	$ 2,500
Consulting fees	**37,500**	**-**
Interest	**733**	13,795
Shareholder communications	**15,000**	1,250
Management fees	**40,000**	**-**
Mineral properties – exploration costs	**61,750**	9,750
Mineral properties – acquisition cost	**170,500**	**-**
Rent	**34,000**	2,500
	$ 404,483	$ 29,795

Included in prepaid expenses at July 31, 2011 is $5,000 (July 31, 2010: $30,448) for advances to a company with a director in common.

Included in accounts payable and accrued liabilities at July 31, 2011 is $3,267 (July 31, 2010: $39,631) due to companies controlled by directors for consulting, expenses reimbursement and management fees.

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

Note 11 **Capital Management**

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

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets, or return capital to shareholders. The Company is not subject to externally imposed capital requirements. There was no change to the Company's approach to capital management during the year.

Note 12 Financial Instruments

a) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of July 31, 2011. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

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

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

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and cash equivalents, the balance of which at July 31, 2011 is $786,376 (July 31, 2010: $7,305). Cash and cash equivalents are held at a chartered Canadian financial institution. The Company is also exposed to credit risk relating to the $165,256 (July 31, 2010: $400,000) advanced for drilling and geological services.

c) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company achieves this by maintaining sufficient cash reserves. As at July 31, 2011, the Company was holding cash and cash equivalents of $786,376 (July 31, 2010: $7,305). The Company's accounts payable and accrued liabilities are due in the short term.

d) Currency Risk

Currency risk is the risk that funds held in currencies other than the operating currency will fluctuate negatively, resulting in a foreign exchange loss. The Company holds all of its cash in Canadian dollars and does not have significant transactions denominated in foreign currencies. As such, the Company is not significantly exposed to currency risk.

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Note 13 Income Taxes

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	July 31 2011	July 31, 2010
Basic statutory and provincial income tax rate	**27%**	29%
Loss before income taxes	**$(1,485,620)**	$ (57,561)
Expected income tax (recovery) expense	**$ (406,069)**	$ (17,000)
Non-deductible items	**199,819**	-
Change in tax rate	**12,199**	7,000
	(194,051)	(10,000)
Increase (decrease) in valuation allowance	**72,051**	-
Net income tax provision (recovery)	**$ (122,000)**	$ (10,000)

Pursuant to the flow-through financing which occurred during the year ended July 31, 2011, the Company renounced $154,499 in exploration expenditures to flow-through shareholders for the calendar year ended December 31, 2010.

Significant components of the Company's future tax assets and liabilities are as follows:

	July 31, 2011	July 31, 2010
Future income tax assets (liabilities)		
Non-capital losses carried forward	**$ 251,981**	$ 48,000
Share issuance costs	**63,836**	7,000
Capital assets	**4,135**	-
Marketable securities	**(2,625)**	(6,000)
Cumulative exploration and development expenses	**(210,124)**	(171,000)
	107,203	(122,000)
Less: Valuation allowance	**(107,203)**	-
Future income tax liabilities	**$ -**	$ (122,000)

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Note 13 **Income Taxes** – (cont'd)

The Company records a valuation allowance against its net future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward period to utilize all the net future tax assets.

At July 31, 2011, the Company has accumulated non-capital losses approximately $1,007,923, which may be applied against future years' taxable income. The non-capital losses expire as follows:

2027	$ 7,500
2028	37,126
2029	80,929
2030	90,701
2031	791,667
	$ 1,007,923

The Company also has $1,872,855 in deferred exploration resource expenditure pools available for use against future income.

Note 14 **Supplemental Cash Flow Information**

During the year ended July 31, 2011, the Company had the following significant non-cash transactions:

a) Shares issued for properties of $422,000 (2010: $30,000);
b) Shares issued for debt settlement of $30,703 (2010: $89,434);
c) Contributed surplus allocated to share capital of $45,018 (2010: $Nil);
d) Fair value recorded for stock options, warrants and agent warrants of $862,045.

Note 15 **Subsequent Events**

On October 25, 2011 the Company entered into an option agreement with Midnight Sun Mining Corp. ("Midnight Sun") granting Midnight Sun the option to acquire a 20% interest in the Company's Keno Property. In order to exercise the option, Midnight Sun must incur a total of $7,500,000 of exploration expenditures on the Keno Property over the next two years, as follows:

(i) $200,000 no later than December 31, 2011 (the "Anniversary Date");

(ii) an additional $1,000,000 on or before 30 days following the Anniversary Date or January 31, 2012; and

(iii) an additional $1,575,000 on or before each six month period following the Anniversary Date, and no later than December 31, 2013.

If Midnight Sun does not incur the aggregate exploration expenditures of $7,500,000, it will have earned no interest in the Keno-Lightning Property.