

**MONSTER MINING CORP.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**For the three month period ended October 31, 2012**

(Stated in Canadian Dollars)

(Unaudited)

**NOTICE TO READER OF THE UNAUDITED CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

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

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

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

<b>As at</b>	<b>October 31, 2012</b>	<b>July 31, 2012</b>
<b><u>ASSETS</u></b>		
Current		
Cash	\$ 1,568	\$ 8,293
Available for sale investments – Note 3	6,500	8,000
Harmonized sales taxes recoverable	5,303	2,340
Prepaid expenses – Note 7	25,000	23,751
	<b>38,371</b>	42,384
Non-current assets		
Equipment – Note 4	18,843	22,711
Drilling advance – Note 5	165,256	165,256
Exploration and evaluation assets – Note 5	4,338,686	4,340,773
	<b>4,522,785</b>	4,528,740
<b>Total assets</b>	<b>\$ 4,561,156</b>	<b>\$ 4,571,124</b>
<b><u>LIABILITIES</u></b>		
Current liabilities		
Trade and other payables	\$ 481,591	\$ 438,754
Advances payable– Note 7	15,000	120,000
	<b>496,591</b>	558,754
<b><u>EQUITY</u></b>		
Share capital – Notes 5 and 6	5,371,422	5,371,422
Contributed surplus – Note 6	1,196,922	1,196,922
Accumulated comprehensive gain (loss) – Note 4	(7,500)	(6,000)
Accumulated deficit	(2,496,279)	(2,549,974)
	<b>4,064,565</b>	4,012,370
<b>Total liabilities and equity</b>	<b>\$ 4,561,156</b>	<b>\$ 4,571,124</b>

SIGNED ON BEHALF OF THE BOARD:

<u>“Robert Eadie”</u> Robert Eadie	Director	<u>“Gary Arca”</u> Gary Arca	Director
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The accompanying notes form an integral part of these condensed interim financial statements

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

<b>For the three months ended October 31,</b>	<b>2012</b>	<b>2011</b>
Revenue		
Revenue from option agreements – Note 5	\$ 125,000	\$ -
<b>Total revenue</b>	<b>125,000</b>	<b>-</b>
Expenses – Note 7		
Accounting and audit fees	7,250	14,376
Depreciation	3,868	5,505
Finance cost	3,002	2,781
Foreign exchange (gain) loss	(175)	4,684
Legal and corporate services	6,534	31,022
Management activities	24,399	32,412
Office, rent and administration	16,070	20,132
Shareholder communications	7,846	132,948
Transfer agent and filing fees	2,511	36,810
<b>Total expenses</b>	<b>(71,305)</b>	<b>(280,670)</b>
Earnings (loss) for period	53,695	(280,670)
Other comprehensive loss		
Unrealized loss on available for sale investments	(1,500)	(19,500)
<b>Total comprehensive earnings (loss) for the period</b>	<b>\$ 52,195</b>	<b>\$ (300,170)</b>
<b>Basic and diluted loss per share – Note 8</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>

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

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

<b>For the three months ended October 31,</b>	<b>2012</b>	<b>2011</b>
Operating Activities		
Earnings (loss) for the period	\$ 53,695	\$ (280,670)
Adjustments to reconcile earnings (loss) to net cash used in operating activities:		
Depreciation	3,868	5,505
Finance cost	3,002	-
Share-based compensation	-	29,143
Changes in non-cash working capital items:		
Finance cost paid	(219)	-
Harmonized sales taxes recoverable	(2,963)	(45,544)
Prepaid expenses	(1,249)	(65,747)
Trade and other payables	46,892	16,111
Cash inflows from (outflows for) operating activities	<b>103,026</b>	<b>(341,202)</b>
Investing Activities		
Acquisition of equipment	-	(1,440)
Sale of short term investment	-	501,950
Investment in exploration and evaluation assets	(4,751)	(328,441)
Cash inflows from (outflows for) investing activities	<b>(4,751)</b>	<b>172,069</b>
Financing Activities		
Advances payable	(105,000)	-
Cash outflows for financing activities	<b>(105,000)</b>	<b>-</b>
Total decrease in cash during the period	<b>(6,725)</b>	<b>(169,133)</b>
Cash, beginning of the period	<b>8,293</b>	<b>284,426</b>
Cash, end of the period	<b>\$ 1,568</b>	<b>\$ 115,293</b>

Non-cash transactions – Notes 5 and 6

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

**MONSTER MINING CORP.**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
For the three months ended October 31, 2012 and 2011  
(Stated in Canadian Dollars)  
(Unaudited)

	<b>Number of Shares Outstanding</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Accumulated comprehensive gain (loss)</b>	<b>Accumulated Deficit</b>	<b>Total Equity</b>
Balance – July 31, 2011	28,925,847	\$ 5,216,368	\$ 1,267,207	\$ 21,000	\$ (1,889,642)	\$ 4,614,933
Net loss for the period	-	-	-	-	(280,670)	(280,670)
Stock based compensation	-	-	29,143	-	-	29,143
Unrealized loss on marketable securities	-	-	-	(19,500)	-	(19,500)
Balance – October 31, 2011	28,925,847	5,216,368	1,296,350	1,500	(2,170,312)	4,343,906
Common shares issued pursuant to:						
-Acquisition of exploration and evaluation assets at \$0.20	100,000	20,000	-	-	-	20,000
Net loss for the period	-	-	-	-	(379,662)	(379,662)
Shares released from escrow	-	135,054	(135,054)	-	-	-
Share- based payments	-	-	35,626	-	-	35,626
Unrealized loss on marketable securities	-	-	-	(7,500)	-	(7,500)
Balance – July 31, 2012	29,025,847	5,371,422	1,196,922	(6,000)	(2,549,974)	4,012,370
Net earnings for the period	-	-	-	-	53,695	53,695
Unrealized loss on marketable securities	-	-	-	(1,500)	-	(1,500)
<b>Balance – October 31, 2012</b>	<b>29,025,847</b>	<b>\$ 5,371,422</b>	<b>\$ 1,196,922</b>	<b>\$ (7,500)</b>	<b>\$ (2,496,279)</b>	<b>\$ 4,064,565</b>

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

**MONSTER MINING CORP.**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
October 31, 2012  
(Stated in Canadian Dollars)  
(Unaudited)

**Note 1**     **Corporate Information**

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

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

**Note 2**     **Basis of Preparation**

a) Statement of Compliance

These unaudited condensed interim financial statements for the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim financial statements, for the three month period ended October 31, 2012, have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, however, they do not include all of the information required for full annual financial statements.

These condensed interim financial statements should be read in conjunction with the Company’s 2012 annual financial statements.

The condensed interim financial statements were authorized for issue by the Board of Directors on December 27, 2012.

b) Basis of Measurement

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

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

**MONSTER MINING CORP.**

Notes to the Condensed Interim Financial Statements

October 31, 2012

(Stated in Canadian Dollars)

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**Note 2**     **Basis of Preparation** – (cont'd)

b) Basis of Measurement – (cont'd)

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The Company's accounting policies and areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 3 and 4 of the Company's 2012 annual financial statements.

c) Going Concern of Operations

The Company has not generated revenue from operations. The Company had earnings of \$53,695 during the period ended October 31, 2012, and, as of that date, the Company's accumulated deficit was \$2,496,279. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. As at October 31, 2012, the Company had \$1,568 in cash, working capital deficiency of \$458,220 and no long-term debt. The Company does not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting year. While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, there is no assurance it will be able to raise funds in this manner in the future and there remains significant doubt as to the Company's ability to continue as a going concern.

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

**Note 3**     **Available for sale investments**

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

On November 23, 2011, Dawson consolidated its shares, 2 pre-consolidated shares for 1 post-consolidated share.

At October 31, 2012 and July 31, 2012 the Company held the following shares:



**MONSTER MINING CORP.**

Notes to the Condensed Interim Financial Statements

October 31, 2012

(Stated in Canadian Dollars)

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**Note 3**     **Available for sale investments - (cont'd)**

	October 31, 2012			July 31, 2012
	Shares	Original Value	Fair Value	Fair Value
O'Conner	100,000	\$ 5,000	\$ 5,000	\$ 5,000
Dawson	150,000	9,000	1,500	3,000
		\$ 14,000	\$ 6,500	\$ 35,000

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

During the period ended October 31, 2012 the Company reported an unrealized loss on Dawson shares of \$1,500 (October 31, 2011: \$19,500) in its statement of comprehensive loss.

**Note 4**     **Equipment**

	Computer Equipment	Vehicles	Furniture & Equipment	Total
<b>Cost</b>				
Balance, July 31, 2011	\$ 18,848	\$ 35,464	\$ 8,373	\$ 62,685
Additions	2,717	-	-	2,717
Dispositions	(16,109)	-	-	(16,109)
<b>Balance, July 31, 2012 and October 31, 2012</b>	<b>\$ 5,456</b>	<b>\$ 35,464</b>	<b>\$ 8,373</b>	<b>\$ 49,293</b>
<b>Depreciation and impairment loss</b>				
Balance, July 31, 2011	\$ 8,115	\$ 10,137	\$ 237	\$ 18,489
Depreciation for the year	8,649	10,639	1,675	20,963
Recovery on dispositions	(12,870)	-	-	(12,870)
Balance, July 31, 2012	3,894	20,776	1,912	26,582
Depreciation for the period	789	2,660	419	3,868
<b>Balance, October 31, 2012</b>	<b>\$ 4,683</b>	<b>\$ 23,436</b>	<b>\$ 2,331</b>	<b>\$ 30,450</b>
<b>Carrying amounts</b>				
Balance, July 31, 2012	\$ 1,562	\$ 14,688	\$ 6,461	\$ 22,711
<b>Balance, October 31, 2012</b>	<b>\$ 773</b>	<b>\$ 12,028</b>	<b>\$ 6,042</b>	<b>\$ 18,843</b>

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Notes to the Condensed Interim Financial Statements

October 31, 2012

(Stated in Canadian Dollars)

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**Note 5      Exploration and Evaluation Assets**

	<b>Keno Lightning</b>	<b>McKay Hill</b>	<b>Cobalt Hill</b>	<b>Franklin Creek</b>	<b>Red Ridge</b>	<b>Total</b>
<b><u>Acquisition costs:</u></b>						
Balance, July 31, 2011	\$ 380,000	\$ 200,000	\$ -	\$ 70,000	\$ 37,000	\$ 687,000
Cash Payment	6,000	6,000	30,000	-	-	42,000
100,000 common shares issued at \$0.20	-	-	20,000	-	-	20,000
Proceeds received	-	-	-	(70,000)	-	(70,000)
Write-down	-	-	-	-	(37,000)	(37,000)
<b>Balance, July 31, 2012 and October 31, 2012</b>	<b>\$ 386,000</b>	<b>\$ 206,000</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 642,000</b>
<b><u>Exploration costs:</u></b>						
Balance, July 31, 2011	\$2,668,663	\$ 129,798	\$ -	\$ 6,888	\$ 1,167	\$2,806,516
Assays and sampling	22,201	-	-	-	-	22,201
Airborne geophysics	60,737	20,267	-	-	-	81,004
Claim maintenance	7,365	3,394	-	-	-	10,759
Transportation	45,834	19,748	-	-	-	65,582
Geological	293,452	18,989	-	-	2,717	315,158
Excavator	83,318	-	-	-	-	83,318
Drilling	241,560	-	-	-	-	241,560
Field cost	83,309	-	-	-	-	83,309
Camp construction	25,138	-	-	-	-	25,138
Proceeds received	-	-	-	(6,888)	-	(6,888)
YMIP funding	-	(25,000)	-	-	-	(25,000)
Write-down	-	-	-	-	(3,884)	(3,884)
<b>Balance, July 31, 2012</b>	<b>3,531,577</b>	<b>167,196</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,698,773</b>

**MONSTER MINING CORP.**

Notes to the Condensed Interim Financial Statements

October 31, 2012

(Stated in Canadian Dollars)

(Unaudited) - Page 5

**Note 5      Exploration and Evaluation Assets - (cont'd)**

	<b>Keno Lightning</b>	<b>McKay Hill</b>	<b>Cobalt Hill</b>	<b>Franklin Creek</b>	<b>Red Ridge</b>	<b>Total</b>
<b><u>Exploration costs: - (cont'd)</u></b>						
Balance, July 31, 2012 - (cont'd)	3,531,577	167,196	-	-	-	3,698,773
Assays and sampling	(2,087)	-	-	-	-	(2,087)
<b>Balance, October 31, 2012</b>	<b>\$3,529,490</b>	<b>\$ 167,196</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$3,696,686</b>
<b><u>Total Exploration and evaluation assets</u></b>						
Balance, July 31, 2011	\$3,048,663	\$ 329,798	\$ -	\$ 76,888	\$ 38,167	\$3,493,516
Balance, July 31, 2012	\$3,917,577	\$ 373,196	\$ 50,000	\$ -	\$ -	\$4,340,773
<b>Balance, October 31, 2012</b>	<b>\$3,915,490</b>	<b>\$ 373,196</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$4,338,686</b>

**MONSTER MINING CORP.**

Notes to the Interim Condensed Financial Statements

October 31, 2012

(Stated in Canadian Dollars)

(Unaudited) - Page 6

**Note 5      Exploration and Evaluation Assets - (cont'd)**

a)      Keno Lightning

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

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

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

*\* the Company has not made the additional payments of \$6,000 and has not been notified by the optionors, one of them whom is a related party. This amount has been accrued and was included in trade and other payables as at October 31, 2012 (July 31, 2012: \$6,000).*

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 are to a director of the Company.

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.

**MONSTER MINING CORP.**

Notes to the Interim Condensed Financial Statements

October 31, 2012

(Stated in Canadian Dollars)

(Unaudited) - Page 7

**Note 5      Exploration and Evaluation Assets - (cont'd)**

b)      McKay Hill

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

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

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

*\* the Company has not made the additional payments of \$6,000 and has not been notified by the optionors, one of whom is a related party. This amount has been accrued and was included in trade and other payables as at October 31, 2012 (July 31, 2012: \$6,000).*

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

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

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

**MONSTER MINING CORP.**

Notes to the Interim Condensed Financial Statements

October 31, 2012

(Stated in Canadian Dollars)

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**Note 5      Exploration and Evaluation Assets - (cont'd)**

c)      Cobalt Hill

By agreement dated March 28, 2012, the Company entered into an option agreement to acquire a 100% interest (the "Option") from the owner (the "Optionor") in 20 unsurveyed mining claims situated in the Mayo Mining District, Yukon more commonly known as the Cobalt Hill Property ("Cobalt Hill").

In order to maintain the Option in good standing and earn a 100% undivided interest in Cobalt Hill, the Company must pay \$200,000, issue 695,000 common shares of the Company to the Optionor and incur \$400,000 in exploration expenditures over a period of 5 years from the effective date of April 19, 2012 as follows:

- i)      pay \$30,000 upon signing the Agreement (paid);
- ii)     issue 100,000 shares on April 19, 2012 (issued);
- iii)    issue 100,000 shares by April 19, 2013;
- iv)    pay an additional \$30,000, issue 100,000 shares and incur exploration expenditures of \$50,000 by April 19, 2014;
- v)     pay an additional \$40,000, issue 100,000 shares and incur exploration expenditures of \$50,000 by April 19, 2015;
- vi)    pay an additional \$50,000, issue 145,000 shares and incur exploration expenditures of \$100,000 by April 19, 2016;
- vii)   pay an additional \$50,000, issue 150,000 shares and incur exploration expenditures of \$200,000 by April 19, 2017;

The property is subject to a 3% NSR to the optionor. The Company has the option to purchase up to 1.5% of this royalty interest for \$1,500,000.

d)      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 \$5,000).

**MONSTER MINING CORP.**

Notes to the Interim Condensed Financial Statements

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(Stated in Canadian Dollars)

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**Note 5      Exploration and Evaluation Assets - (cont'd)**

d)      Franklin Creek – (cont'd)

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

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

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

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

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

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

During the year ended July 31, 2012 the Company received \$100,000 from SMD as its share of the proceeds related to the Hopper claims which were allocated as \$76,888 to prior amounts capitalized in E&E activities and \$23,112 (July 31, 2011: \$Nil) as revenue in the Company's statement of comprehensive loss.

During the period ended October 31, 2012, the Company sold its undivided 50% beneficial interest in each and all of the Guy, Hopper and Gal claims to SMD for \$125,000. This amount is shown as revenue in the Company's statement of comprehensive earnings (loss).

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Notes to the Interim Condensed Financial Statements

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(Stated in Canadian Dollars)

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### **Note 5     Exploration and Evaluation Assets - (cont'd)**

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. During the year ended July 31, 2012, the Company terminated the proposed acquisition and recorded a write-down of \$40,884 in the statement of comprehensive loss relating to payments and expenditures on this property.

f)     Drilling Advance

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

g)     Environmental Protection Practices

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

### **Note 6     Share Capital and Reserves**

a)     Common Shares

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

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

Pursuant to the Exchange policy guidelines, at October 31, 2012, 6,970,129 (July 31, 2012: 6,970,129) common shares were held in escrow and will be released in 4 instalments, each 6 months, until May 19, 2014.

The Company issued no shares during the period ended October 31, 2012



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**Note 6      Share Capital and Reserves – (cont'd)**b) Contributed Surplus

As at October 31, 2012 and July 31, 2012, contributed surplus consisted of the following:

	<b>October 31, 2012</b>	July 31, 2012
Warrants	\$ 120,000	\$ 120,000
Expired Agent warrants	26,000	26,000
Shares held in escrow	270,108	270,108
Share purchase options	611,114	611,114
Forfeited share purchase options	169,700	169,700
<b>Contributed surplus</b>	<b>\$ 1,196,922</b>	<b>\$ 1,196,922</b>

c) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants as at October 31, 2012 and July 31, 2012 and the changes during the period ended October 31, 2012 and the year ended July 31, 2012 is presented below:

	Number of Warrants	Weighted Average Exercise Price	Amount
Outstanding at July 31, 2011	-	\$ -	\$ -
Issued	2,500,000	0.30	120,000
<b>Outstanding at July 31, 2012 and October 31, 2012</b>	<b>2,500,000</b>	<b>\$ 0.30</b>	<b>\$ 120,000</b>

No warrants were issued during the period ended October 31, 2012.

During the year ended July 31, 2012, the Company extended the expiry of 2,500,000 warrants from May 18, 2012 to May 18, 2013 and amended the exercise price from \$0.65 to \$0.30.

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

Number of Warrants	Exercise Price	Expiry Date
2,500,000	\$0.30	May 18, 2013

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**Note 6      Share Capital and Reserves – (cont'd)**d) Share-Based Payments

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

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

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the Year			Closing Vested and Exercisable
				Granted	Exercised	Forfeited	
05/19/11	05/19/16	\$0.40	1,902,000	-	-	-	1,902,000
05/19/11	05/19/16	\$0.40	350,000	-	-	-	350,000
			2,252,000	-	-	-	2,252,000
Weighted Average Exercise Price			\$ 0.40	\$ -	\$ -	\$ -	\$ 0.40

No share purchase options were granted during the period ended October 31, 2012.

e) Expenses Arising from Share-Based Payment Transactions

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

	October 31, 2012	October 31, 2011
Shareholder communications	-	29,143
<b>Total share-based payments</b>	<b>\$ -</b>	<b>\$ 29,143</b>

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**Note 7      Related Party Transactions**

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

<b>Period ended October 31,</b>	<b>2012</b>	<b>2011</b>
Accounting and audit fees	\$ 5,250	\$ 5,250
Finance cost	1,835	-
Management activities	24,000	20,000
Office, rent and administration	15,000	15,000
Shareholder communications	3,750	3,750
<b>Total</b>	<b>\$ 49,835</b>	<b>\$ 44,000</b>

During the period ended October 31, 2012, the Company incurred office, rent and administration charges of \$15,000 (October 31, 2011: \$15,000), accounting and audit fees of \$5,250 (October 31, 2011: \$5,250), and shareholders communications of \$3,750 (October 31, 2011: \$3,750), finance cost of \$1,835 (October 31, 2011: \$Nil) to a company controlled by a director and officer of the Company.

The Company also paid management fees of \$24,000 (October 31, 2011: \$20,000) to two officers and the Company's president who are also directors of the Company.

Included in prepaid expenses at October 31, 2012, is \$5,000 (July 31, 2012: \$5,000) for prepaid rent.

Included in accounts payable and accrued liabilities at July 31, 2012 is \$212,959 (July 31, 2012: \$159,079) due to directors and companies controlled by directors for consulting, expense reimbursement, exploration and evaluation assets and management fees.

Included in advances payable at July 31, 2012, is \$15,000 (July 31, 2012: \$120,000) due to a company controlled by a director of the Company. This amounts are unsecured and bear no interest.

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

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**Note 8      Loss Per Share**

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

<u>Period ended October 31,</u>	<u>2012</u>	<u>2011</u>
Issued and outstanding, beginning of the period	28,954,262	28,925,847
Weighted average shares issued during the period	71,585	-
Weighted average number of common shares for the period(basic and diluted)	29,025,847	28,925,847

Share purchase options and warrants totalling 4,752,000 in aggregate, at October 31, 2012, were not included in the computation of diluted earnings per share, because they were not “in-the-money” at any point during the period.

**Note 9      Capital Management**

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

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

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

**Note 10      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 October 31, 2012. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

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

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

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**Note 10    Financial Instruments – (cont'd)**

b)    Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash balance, the balance of which at October 31, 2012 is \$1,568. Cash is held at a chartered Canadian financial institution. The Company is also exposed to credit risk with regard to the drilling advance.

c)    Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company achieves this by maintaining sufficient cash reserves and highly liquid short-term investments. As at October 31, 2012, the Company had \$1,568 in cash, working capital deficiency of \$458,220 and no long-term debt and the Company does not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, there is no assurance it will be able to raise funds in this manner in the future and there remains significant doubt as to the Company's ability to continue as a going concern. The Company's trade and other payables are due in the short term.

d)    Currency Risk

Currency risk is the risk that funds held in currencies other than the operating currency will fluctuate negatively, resulting in a foreign exchange loss. At October 31, 2012, the Company held no funds in foreign denominations.