FALCO PACIFIC RESOURCE GROUP INC.
(formerly Druk Capital Partners Inc.)

FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

JUNE 30, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Falco Pacific Resources Group Inc.
(formerly Druk Capital Partners Inc.)

We have audited the accompanying financial statements of Falco Pacific Resources Group Inc. (formerly Druk Capital Partners Inc.), which comprise the statements of financial position as at June 30, 2012, June 30, 2011 and July 1, 2010 and the statements of loss and comprehensive loss, changes in equity and cash flows 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 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 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 audit 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 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 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.

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Falco Pacific Resources Group Inc. (formerly Druk Capital Partners Inc.) as at June 30, 2012, June 30, 2011 and July 1, 2010 and the results of its operations and its cash flows for the years ended June 30, 2012 and 2011 in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

October 26, 2012

FALCO PACIFIC RESOURCE GROUP INC.
(formerly Druk Capital Partners Inc.)
STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	June 30, 2012	June 30, 2011 (Note 12)	July 1, 2010 (Note 12)
ASSETS			
Current			
Cash and cash equivalents (Note 4)	$ 1,946,039	$ 1,678,261	$ 164,506
Prepaid expenses	35,121	-	-
Refundable deposit (Note 5)	-	150,000	-
	$ 1,981,160	$ 1,828,261	$ 164,506
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities (Note 7)	$ 40,735	$ 60,848	$ 23,000
Shareholders' equity			
Capital stock (Note 8)	2,552,438	1,882,158	175,000
Reserves (Note 8)	39,487	39,487	-
Deficit	(651,500)	(154,232)	(33,494)
	1,940,425	1,767,413	141,506
	$ 1,981,160	$ 1,828,261	$ 164,506

Nature and continuance of operations (Note 1)
Subsequent events (Note 13)

Approved on behalf of the Board of Directors:

"Darin Wagner" Director *"Gordon Neal"* Director

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

FALCO PACIFIC RESOURCE GROUP INC.
(formerly Druk Capital Partners Inc.)
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
YEAR ENDED JUNE 30

	2012	2011
EXPENSES		
Office and miscellaneous	$ 26,278	$ 300
Filing fees	43,544	17,844
Foreign exchange loss	7,493	-
Professional fees	122,707	22,630
Consulting	137,136	27,218
Share-based payments	-	18,615
Travel	10,110	34,131
	(347,268)	(120,738)
Write-off of equity investment (Note 5 and 6)	(150,000)	-
Loss and comprehensive loss for the year	$ (497,268)	$ (120,738)
Basic and diluted loss per common share	$ (0.09)	$ (0.05)
Weighted average number of common shares outstanding – basic and diluted (Note 3)	5,312,350	2,457,241

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

FALCO PACIFIC RESOURCE GROUP INC.
(formerly Druk Capital Partners Inc.)
STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)
YEARS ENDED JUNE 30

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (497,268)	$ (120,738)
Adjustments for non-cash items:		
Share-based payments	-	18,615
Write-off equity investment	150,000	-
Changes in non-cash working capital items:		
Increase (decrease) in accounts payable and accrued liabilities	(20,113)	37,848
Increase in prepaid expense	(35,121)	-
Increase in refundable deposit	-	(150,000)
Cash provided by operating activities	(402,502)	(214,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	673,883	1,784,262
Share issuance costs	(3,603)	(56,232)
Proceeds from issuance of special warrants	2,141,775	-
Special warrant finance costs	(77,411)	-
Loan to TansAfrican Gold Inc.	(430,335)	-
Refund to special warrant holders	(1,634,029)	-
Cash provided by financing activities	670,280	1,728,030
Increase in cash during the year	267,778	1,513,755
Cash, beginning of year	1,678,261	164,506
Cash, end of year	$ 1,946,039	$ 1,678,261
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	-	-

Supplementary disclosures with respect to cash flows (Note 11)

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

FALCO PACIFIC RESOURCE GROUP INC.
(formerly Druk Capital Partners Inc.)
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
YEARS ENDED JUNE 30

	Capital Stock			Reserves		
	Shares	Amount	Special Warrants	Share Based Payment Reserve	Deficit	Total Shareholders' Equity
Balance as at June 30, 2010 and July 1, 2010	3,500,000	$ 175,000	$ -	$ -	$ (33,494)	$ 141,506
Initial public offering, net of share issue costs	2,000,000	170,314	-	-	-	170,314
Private placement, net of share issue costs	2,699,934	1,557,716	-	-	-	1,557,716
Share issue costs – non-cash	-	(20,872)	-	20,872	-	-
Share-based payments	-	-	-	18,615	-	18,615
Loss for the year	-	-	-	-	(120,738)	(120,738)
Balance as at June 30, 2011	8,199,934	1,882,158	-	39,487	(154,232)	1,767,413
Issuance of special warrants, net of finances cost	-	-	2,064,364	-	-	2,064,364
Refund of special warrants (Note 5)	-	-	(2,064,364)	-	-	(2,064,364)
Private placement, net of share issue costs	1,643,617	670,280	-	-	-	670,280
Loss for the year	-	-	-	-	(497,268)	(497,268)
Balance as at June 30, 2012	9,843,551	$ 2,552,438	$ -	$ 39,487	$ (651,500)	$ 1,940,425

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Falco Pacific Resource Group Inc. (the "Company") (formerly Druk Capital Partners Inc.) was incorporated under the Business Corporations Act (British Columbia) on March 16, 2010 and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. The address of the Company's registered office is 409-1080 Mainland Street, Vancouver British Columbia, Canada, V6B 2T4.

During the current year, the Company entered into a share exchange agreement with TransAfrican Gold Inc. ("TGI") to acquire 100% of its issued and outstanding shares. TGI holds interests to certain mineral exploration properties in Tanzania The transaction did not close and the Company decided not to further pursue the transaction (Notes 5 and 6).

Subsequent to year end the company completed the acquisition of the rights, titles, and interests in the Rouyn-Noranda base/precious metals camp. With the acquisition complete the company will commence the business of exploration and development of these exploration and evaluation assets for base/precious metals. Upon resumption of trading the Company will no longer be considered a Capital Pool Company and will commence trading as a TSX Venture issuer (Note 13).

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations are dependent upon its ability to either secure additional equity capital or generate cash flow from operations in the future, which is not assured. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to secure additional equity capital or generate cash from operations in the future.

2. BASIS OF PREPARATION

These financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accoutning Standarads Board ("IASB") and the interpretations of the IFRS interpretations committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these financial statements resulted in changes to the accounting policies as compared to the most recent annual financial statements prepared under Canadian generally accepted accounting principles ("GAAP"). The Company's transition date to IFRS is July 1, 2010.

The rules for first-time adoption of IFRS are set out in IFRS 1, "First-time adoption of International Financial Reporting Standards". In preparing the Company's first IFRS financial statements, these transition rules have been applied to the amounts previously reported in accordance with GAAP. Historical results and balances have been restated under IFRS. These financial statements should be read in conjunction with the Company's 2010 and 2011 GAAP annual financial statements, and in consideration of the disclosure regarding the transition from Canadian GAAP to IFRS included in Note 12. These financial statements were authorized by the Company's Board of Directors on October 26, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The inputs used in accounting for stock-based compensation expense, which are included in the consolidated statements of operations; and

ii) The recognition of deferred income taxes.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit and highly liquid short-term interest bearing variable rate investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income taxes

Income tax presented comprises current and deferred tax. Income tax 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 is recorded using the asset and liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes (cont'd...)

A deferred tax asset is recognized only 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 future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. 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 by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Equity investments

Investments in companies in which the Company has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. Under the equity method, the original cost of the investee is adjusted for the Company's share of post-acquisition earnings or losses and is reduced for dividends received.

Equity investments are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the equity investment exceeds its fair value. Any impairment losses and the Company's share of the post-acquisition results of the investee for the year are recognized as profit or loss in the statement of loss and comprehensive loss.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

3,500,000 shares outstanding at June 30, 2012 have been excluded from the weighted average number of shares outstanding because they are contingently returnable.

Financial instruments

<u>Financial assets</u>

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 is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd...)

Financial assets (cont'd…)

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 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 Company'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 operations and comprehensive 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 equity. 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 equity and recognized in the statement of operations and comprehensive 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 is 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 statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities: This category includes amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and cash equivalents as fair value through profit and loss. Receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

... Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd...)

Financial liabilities (cont'd…)

- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices; and

- Level 3 – inputs for the asset or liability that are not based on observable market date (unobservable inputs).

New accounting standards and interpretations

Financial Instruments IFRS 9, "Financial Instruments" ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10"), which builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. IFRS 10 also provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted.

In May 2011, the IASB issued IFRS 11, Joint Arrangements ("IFRS 11"), which enhances accounting for joint arrangements, particularly by focusing on the rights and obligations of the arrangement, rather than the arrangement's legal form. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities and prohibits proportionate consolidation. IFRS 11 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted.

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"), which is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. IFRS 12 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted.

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"), which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). IFRS 13 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted.

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements ("IAS 1"), to change the disclosure of items presented in other comprehensive income into two groups, based on whether those items may be recycled to profit or loss in the future. The amendments to IAS 1 apply to financial statements for annual periods beginning after July 1, 2012, with early adoption permitted.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting standards and interpretations (cont'd...)

The Company is currently evaluating the impact of these new and amended standards on its financial statements.

4. CASH AND CASH EQUIVALENTS

	June 30, 2012	June 30, 2011	July 1, 2010
Cash held in trust	$ -	$ 44,284	$ 164,506
Cash held in bank	1,946,039	1,633,977	-
	$ 1,946,039	$ 1,678,261	$ 164,506

5. REFUNDABLE DEPOSIT AND LOAN TO TRANSAFRICAN GOLD INC.

Refundable deposit

As part of a letter of intent with TransAfrican Gold Inc. ("TGI"), the Company advanced $150,000 to TGI in April 2011. In October 2011 the Company entered a formal share exchange agreement with TGI. In April 2012, it was Company's opinion that TGI was in material default of the share exchange agreement, therefore all loan amounts previously advanced to TGI became immediately due and payable.

Loan to TransAfrican Gold Inc.

In relation to the proposed acquisition of TGI the Company loaned funds to TGI in the amount of $430,335 ("the Loan") for working capital purposes as part of the proceeds from the special warrant private placement (Note 9). The Loan bore interest of 4.0% per annum compounded semi-annually, commencing from the date of each advance. The interest was to be repaid upon repayment of the Loan. The Loan amount was to be repaid upon closing of the proposed acquisition of TGI. If the share exchange agreement did not close, the due date would have been the earliest of 12 months following the date of the first advance, the date TGI completes a financing at least equal to the amount owing, or on any default by TGI at the election of the Company. TGI has also agreed to pay a bonus payment equal to 4.5% of the loaned amount upon maturity. The loan was secured by the assets of TGI.

Termination of TransAfrican Gold Inc. Share Exchange Agreement

Approval by the TSX-V of the qualifying transaction with TGI did not occur during the 2012 year. As a result of a default in the share exchange agreement, the Loan to TGI and the refundable deposit became immediately due and payable. The special warrant holders received a pro-rata interest in the Loan to TGI and a distribution of the remaining funds held by the Company, which was equal to $2,064,364 ($1,634,029 in cash, $430,335 of the Loan.

(Expressed in Canadian Dollars)

5. REFUNDABLE DEPOSIT AND LOAN TO TRANSAFRICA GOLD INC. (cont'd...)

Termination of TransAfrican Gold Inc. Share Exchange Agreement (cont'd…)

The Company has agreed to collaborate with the special warrant holders, who have collectively formed a B.C.-incorporated private company, Druk Loan Recovery Corp. ("Druk Recovery"), to enable administration and collection of their Loan and the Company's refundable deposit with TGI. The Company has vended the refundable deposit to TGI into Druk Recovery in exchange for 24.7% of the common shares of Druk Recovery. The special warrant holders also vended the Loan on the same terms for a 75.3% of the common shares of Druk Recovery. The Company accounts for its investment in Druk Recovery as an equity investment (Note 6).

6. INVESTMENTS

		Investments
Balance as at July 1, 2010 and June 30, 2011	$	-
Vending of refundable deposit into Druk Recovery (Note 5)		150,000
Write-off of equity investment		(150,000)
Balance as at June 30, 2012	$	-

As stated in Note 5, the Company has a 24.7% ownership in Druk Recovery which has been incorporated for the purpose of pursuing the collection of the refundable deposit. There is currently uncertainty regarding the amount that will ultimately become collectible, as a result, the company wrote the investment down to zero. Any future recovery of the deposit will be recognized through the statements of loss and comprehensive loss as a recovery of investment.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2012		June 30, 2011		July 1, 2010
Trade payables	$	2,786	$	18,572	$	-
Accrued liabilities		37,949		42,276		23,000
	$	40,735	$	60,848	$	23,000

8. CAPITAL STOCK AND RESERVES

Authorized: Unlimited common shares without par value

Shares held in Escrow: 3,500,000

During the year ended June 30, 2012:

a) In February 2012 the Company issued 1,643,617shares at a price of $0.41 per share in a private placement with certain former special warrant holders for gross proceeds of $673,883. Share issue costs of $3,603 were incurred.

(Expressed in Canadian Dollars)

8. CAPITAL STOCK AND RESERVES (cont'd...)

During the year ended June 30, 2011:

a) In August 2010 the Company completed its IPO by issuing 2,000,000 common shares at $0.10 per share for gross proceeds of $200,000 (net $170,314 after share issue costs of $29,686 which was paid to the agents). In connection with the IPO, 120,000 agent warrants were granted to the brokers at an exercise price of $0.10 per share, exercisable for a period of 24 months from August 30, 2010.

   The value of the warrants is recorded as share issuance costs and determined at $6,317 using the Black Scholes option-pricing model.

b) In March 2011 the Company completed a private issue of 2,699,934 common shares at $0.60 per share for gross proceeds of $1,619,960 (net $1,557,716 after share issue costs of $62,244 which was paid to arm's length finders). In connection with the private placement 58,997 (1,680 on March 7, 2011; 57,317 on March 17, 2011) warrants were granted to arm's length finders at an exercise price of $0.70 per share, exercisable for a period of 18 months from the date of the grant.

   The value of the warrants is recorded as share issuance costs and determined at $14,555 using the Black-Scholes option-pricing model.

Stock options

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, June 30, 2011 and June 30, 2012	250,000	$	0.10
Options exercisable, June 30, 2012	250,000	$	0.10

Stock options outstanding at June 30, 2012 are as follows:

Number of Options	Exercise Price	Expiry Date
250,000	$ 0.10	August 30, 2015

Special warrants

Pursuant to the letter of intent with TGI, the Company issued 3,894,136 special warrants at $0.55 each to raise gross proceeds of $2,141,775. Finders fees of $77,411 were paid in relation to the offering. These special warrants were convertible into common shares of the Company on a 1:1 basis subject to certain conditions being met.

(Expressed in Canadian Dollars)

8. CAPITAL STOCK AND RESERVES (cont'd...)

Special warrants (cont'd…)

As the transaction with TGI was not completed, the Company cancelled all issued and outstanding special warrants and refunded all remaining proceeds received from the special warrants net of the loan advanced to TGI (Note 5).

Share-based payments

The Company adopted an incentive stock option plan (the "**Option Plan**"), which provides that the board of directors may from time to time, in its discretion, and in accordance with Exchange Policies, grant to the directors, officers and technical consultants, non-transferable options to purchase Shares, provided that the number of Shares reserved for issuance will not exceed 10% of the Shares issued and outstanding from time to time, and provided that until completion of a Qualifying Transaction, not more than 550,000 options may be granted in aggregate.

On August 30, 2010 the Company granted options to the Company's officers and directors to purchase up to 250,000 common shares of the Company at an exercise price of $0.10 per share. The options vested on August 30, 2010, the date the common shares of the Company were listed on the TSX Venture Exchange, and are exercisable for five years from the closing date of the Company's initial public offering of securities.

The following assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	June 30, 2012	June 30, 2011
Risk-free interest rate	-	1.25%
Expected life of options	-	5 years
Annualized volatility	-	100%
Dividend rate	-	0%

Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2011 and June 30, 2012	178,997	$ 0.30

Warrants outstanding at June 30, 2012 are as follows:

Number of Warrants	Exercise Price	Expiry Date	
120,000	$ 0.10	August 30, 2012	(expired subsequently)
58,997	$ 0.70	September 17, 2012	(expired subsequently)

(Expressed in Canadian Dollars)

8. CAPITAL STOCK AND RESERVES (cont'd...)

Warrants (cont'd…)

The following assumptions were used for the Black-Scholes valuation of warrants granted during the year:

	June 30, 2012	June 30, 2011
Risk-free interest rate	-	1.25%
Expected life of options	-	2 years
Annualized volatility	-	100%
Dividend rate	-	0%

9. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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 fair value of the Company's receivables, accounts payable and accrued liabilities approximate carrying value, which is the amount payable on the consolidated statements of financial position. The Company's other financial instrument, cash and cash equivalents, under the fair value hierarchy, are based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at large Canadian financial institutions with a portion in interest bearing accounts. The Company has no investment in asset backed commercial paper.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2012, the Company had a cash and cash equivalent balance of $1,946,039 (June 30, 2011 - $1,678,261) to settle current liabilities of $40,735 (June 31, 2011 - $60,848). Management believes that it has sufficient funds to meet its current liabilities as they become due.

9. FINANCIAL INSTRUMENTS (cont'd…)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and interest-bearing investments. The interest earned on the investments approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its financial institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at June 30, 2012, the Company had a total of $Nil in investment-grade short-term deposit certificates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal because of the short-term nature of these investments.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to financial instruments that are denominated in United States dollars ("U.S.$"). Management believes the impact on net loss for the year was not significant.

c) Price risk

The Company intends to enter the mineral exploration industry therefore is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and large metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity.

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

(Expressed in Canadian Dollars)

10. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying consolidated statements of comprehensive loss is provided below:

	Year Ended June 30, 2012	Year Ended June 30, 2011
Accounting loss before income taxes	$ (497,268)	$ (120,738)
Combined federal and provincial statutory income tax rate	25.75%	27.50%
Income tax recovery at statutory tax rates	$ (128,000)	$ (33,000)
Non-deductible expenditures and non-taxable revenues	-	5,000
Impact of future income tax rates applied versus current statutory rate	4,000	2,000
Share issue costs	(1,000)	(25,000)
Change in unrecognized deductible temporary differences	87,000	49,000
Other	38,000	2,000
Total	$ -	$ -

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

Significant components of deferred tax assets that have not been set up are as follows:	Year Ended June 30, 2012	Year Ended June 30, 2011
Share issue costs	$ 14,000	$ 18,000
Non-capital losses	130,000	39,000
Total	$ 144,000	$ 57,000

Tax attributes are subject to review and potential adjustment by tax authorities.

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statements of financial position are as follows:

	Year Ended May 31, 2012	Expiry Dates	Year Ended May 31, 2011	Expiry Dates
Share issue costs	$ 58,000	2031 to 2032	$ 74,000	2031
Non-capital losses	$ 520,000	2030 to 2032	$ 154,000	2030 to 2031

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The following non-cash transactions were not included in the statement of cash flows for the year ended June 30, 2012:

a) None.

The following non-cash transactions were not included in the statement of cash flows for the year ended June 30, 2011:

a) The non-cash financing activities during the year ended June 30, 2011 included $20,872 in non-cash share issuance cost related to warrants issued.

12. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these financial statements have been prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the financial statements for the years ended June 30, 2012 and 2011, and the opening IFRS statement of financial position on July 1, 2010, the “Transition Date”.

There were no significant differences between IFRS and Canadian GAAP in connection with the Company’s statements of financial position, loss and comprehensive loss and deficit or cash flows for the year ended June 30, 2011 or the opening statement of financial position on July 1, 2010.

13. SUBSEQUENT EVENTS

a. On September 12, 2012, the Company entered into a purchase agreement (the “agreement”) with QMX Gold Corporation (“QMX”). QMX is a company incorporated in Ontario and listed on the Toronto Stock Exchange. The transaction will constitute the required Qualifying Transaction (“QT”) of the Company.

Under the agreement, the Company will acquire 100 per cent of QMX's rights, titles and interests in the Rouyn-Noranda base/precious metal camp (excluding those claims that comprise QMX's Lac Pelletier gold property) by:

1) Paying QMX the sum of $5-million upon closing of the proposed transaction (paid)
2) Issuing to QMX on closing Seven million shares (issued)

Provided that QMX retains a 10-per-cent equity interest in the Company on an undiluted basis, the Company has also granted QMX a first right to purchase securities of the Company in any future financing completed by the company in which QMX may be legally entitled to participate following the proposed transaction and the right to nominate one person to the Company’s board of directors. Should QMX's equity interest in the Company at any time fall below 10 per cent (on an undiluted basis), the foregoing rights shall immediately cease and be of no further force and effect.

To finance the purchase agreement, the Company issued 26,282,000 subscription receipts at $ 0.25 each to raise gross proceeds of $6,570,500. The Company incurred cash finders’ fees of 3.5% of the gross proceeds in connection with the subscription receipts. Upon the completion of the QT, the subscription receipts were converted into common shares of the Company. The Company also issued 440,000 finders’ shares at a value of $0.25 per share.

13. SUBSEQUENT EVENTS (cont'd…)

The Company received approval of the QT from the TSX Venture Exchange on September 24, 2012.

b. The Company issues an aggregate 2,095,000 stock options exercisable at $0.30 each to directors, officers, and advisors of the Company. The options are exercisable for 5 years from the closing date of the QT.