SOLOMON RESOURCES LIMITED

An Exploration Stage Company

Condensed Consolidated Interim Financial Statements

Three and Nine months ended April 30, 2012 and April 30, 2011

Unaudited

Expressed in Canadian Dollars

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SOLOMON RESOURCES LTD.

An Exploration Stage Company

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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SOLOMON RESOURCES LIMITED

(an exploration stage company)

Condensed Consolidated Statement of Interim Financial Position
(unaudited - expressed in Canadian Dollars)

	Note		April 30, 2012	July 31, 2011
Assets				
Cash		$	11,795	263,179
Tenement bond	5		-	2,101
Receivables			23,087	47,658
Prepaid expenses			7,057	49,515
Total current assets			41,939	362,453
Reclamation deposit	6		10,000	10,000
Equipment	7		47,768	82,460
Mineral Property interests	8		278,111	1,875,498
Total non-current assets			335,879	1,967,958
Total assets		**$**	**377,818**	**2,330,411**
Liabilities				
Accounts payable and accrued liabilities		$	232,060	181,615
Total liabilities			232,060	181,615
Equity				
Share Capital	9		29,472,747	29,348,425
Contributed Surplus			1,284,285	1,237,575
Accumulated Deficit			(30,611,274)	(28,437,204)
Total equity			145,758	2,148,796
Total equity and liabilities		**$**	**377,818**	**2,330,411**
Going concern	2			
Commitments	16			
Subsequent events	17			

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

Approved on behalf of the Board:

"Ron Netolitzky"	*"Randy Rogers"*
Ron Netolitzky, Director	**Randy Rogers, Director**

SOLOMON RESOURCES LIMITED

(an exploration stage company)

Condensed Consolidated Statements of Interim Comprehensive Income

(unaudited - expressed in Canadian Dollars)

		Nine months ended April 30		Three months ended April 30	
		2012	**2011**	**2012**	**2011**
General and Administrative Expenses					
Management fees		$ 93,828	$ 200,231	$ 29,694	$ 69,192
Share based payments		45,543	109,793	-	-
Travel, promotion and shareholder costs		37,759	106,865	19,234	7,995
Professional fees		54,281	72,867	2,161	14,407
Property investigation		9,439	-	-	-
Office and miscellaneous		44,225	60,239	20,804	35,018
Rent		27,447	14,607	9,000	4,818
Property maintenance		13,745	-	3,204	-
Transfer agent fees		8,743	9,826	779	869
Amortization		33,265	23,655	12,843	9,409
Total general and administrative expenses		368,275	598,083	97,719	141,708
Other items					
Oil and gas royalties		7,674	9,824	6,422	3,398
Interest received		-	5,383	-	2,091
Write off of expenditures on mineral properties		(1,849,740)	(604,036)	(1,849,740)	(2,144)
Recovery of expenditures on mineral properties		27,868	-	-	-
Premium on issue of flow through shares		8,000	-	-	-
Flow through share financing costs		(102)	-	-	-
Gain / (loss) on exchange		506	(438)	299	(562)
Total other items		(1,805,794)	(589,267)	(1,843,020)	2,784
Loss before income taxes		(2,174,069)	(1,187,350)	(1,940,738)	(138,924)
Income tax recovery / (Expense)	Note 10				
Current		-	-	-	-
Deferred		-	-	-	-
Comprehensive loss for the period		**$ (2,174,069)**	**$ (1,187,350)**	**$ (1,940,738)**	**$ (138,924)**
Loss per share - basic and diluted		(0.08)	(0.05)	(0.07)	(0.01)
Weighted average number of shares outstanding (basic and diluted)		25,762,673	21,760,980	26,669,972	22,809,805

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

SOLOMON RESOURCES LIMITED

(an exploration stage company)

Statement of Interim Changes to Shareholders' Equity

(unaudited - expressed in Canadian Dollars)

For the nine months to April 30, 2012	Number of shares	Capital stock (note 9)	Contributed surplus	Accumulated deficit	Total equity
At July 31, 2011	**24,669,972**	**$ 29,348,425**	**$ 1,237,575**	**$ (28,437,204)**	**$ 2,148,796**
Shares issued for cash	2,000,000	147,000			$ 147,000
Share issue costs (cash based)		(21,513)			(21,513)
Warrants issued as finders' fees		(1,166)	1,166		-
Share based payments			45,544		45,544
Net (loss) for the period				(2,174,069)	(2,174,069)
At April 30, 2012	**26,669,972**	**$ 29,472,747**	**$ 1,284,285**	**$ (30,611,274)**	**$ 145,758**

For the nine months to April 30, 2011	Number of shares	Capital stock (note 9)	Contributed surplus	Accumulated deficit	Total equity
At July 31, 2010	**16,311,695**	**$ 27,798,018**	**$ 1,010,935**	**$ (27,155,435)**	**1,653,518**
Shares issued for cash	6,498,110	1,490,065			1,490,065
Share issue costs (cash based)		(113,543)			(113,543)
Warrants issued as finders' fees		(112,623)			(112,623)
Share based payments			109,793		109,793
Net (loss) for the period				(1,187,350)	(1,187,350)
At April 30, 2011	**22,809,805**	**$ 29,061,917**	**$ 1,120,728**	**$ (28,342,785)**	**$ 1,839,860**

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

SOLOMON RESOURCES LIMITED

(an exploration stage company)

Condensed Consolidated Statements of Interim Cash Flows

(unaudited - expressed in Canadian Dollars)

		Nine months ended April 30	
		2012	**2011**
Operating activities			
Net loss for the period	$	(2,174,069)	(1,187,350)
Items not affecting cash			
Amortization, including amortization capitalized		38,528	23,655
Share based payments		45,544	109,793
Write off of expenditure on exploration properties		1,849,740	604,036
Operating cash flows		(240,257)	(449,865)
Changes in non-cash working capital			
Tenement bond		2,101	(1,298)
Receivables		24,571	(66,810)
Prepaid expenses		42,458	71,560
Accounts payable and accrued liabilities		50,445	(117,902)
		119,575	(114,450)
Cash from (used in) operating activities		**(120,682)**	**(564,315)**
Financing activities			
Cash proceeds (net) on issue of new shares		125,487	1,376,523
Cash provided by financing activities		**125,487**	**1,376,523**
Investing activities			
Cash expended on mineral properties		(252,353)	(602,405)
Acquisition of equipment		(3,836)	(43,450)
Cash from (used in) investing activities		**(256,190)**	**(645,855)**
Inflow / (Outflow) of cash		**(251,384)**	**166,353**
Cash			
Beginning of period		263,179	573,353
End of period	**$**	**11,795**	**739,706**

Supplemental disclosure with respect to cash flows - note 11.

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

1. NATURE OF OPERATIONS

Solomon Resources Limited (the "Company") was incorporated on August 1, 1989 under the laws of British Columbia. The Company is in the process of exploring and developing its mineral property interests and has not determined whether the properties contain economically recoverable reserves of ore. The Company has not earned significant revenues from its mineral property interests and is considered to be in the exploration stage. The Company's head office is at 2701B Highway 6, Box 938, Vernon, BC, Canada.

2. GOING CONCERN ASSUMPTION

The Company's financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast doubt on the validity of this assumption. The business of mining exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations or a sale of any projects. The Company currently has no significant source of revenue, and has significant cash requirements to meet its administrative overhead, pay its debts and liabilities, and maintain its mineral interests. The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition, exploration and development of mineral properties, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and continue to explore mineral property interests. There is no assurance that these plans will be successful.

The Company reported comprehensive losses of $1,940,738 and $138,924 for the three months ended April 30, 2012 and 2011, respectively, and $2,174,069 and $1,187,350 for the nine months ended April 30, 2012 and 2011, respectively, and has an accumulated deficit in the exploration stage of $30,611,274 as at April 30, 2012 (July 31, 2011 - $28,437,204). Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions.

3. CURRENCY AND BASIS OF PREPARATION

These condensed consolidated interim financial statements are stated in Canadian dollars, which is the Company's functional and reporting currency.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34') using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The accounting policies have been selected to be consistent with IFRS as is expected to be effective on July 31, 2012, the Company's first annual IFRS reporting date. The standards and interpretations within IFRS are subject to change and accordingly the accounting policies for the annual period that are relevant to these condensed consolidated financial statements will be finalized only when the first annual IFRS financial statements are prepared for the year ending July 31, 2012.

The adoption of IFRS resulted in changes to certain accounting policies as compared to the most recent annual financial statements prepared as of July 31, 2011 under Canadian Generally Accepted Accounting Principles (CGAAP). The accounting policies set out below have been applied consistently to all periods presented.

The impact of the transition from CGAAP to IFRS is explained and illustrated in Note 18 to the Condensed Consolidated Interim Financial Statements for the three months ended October 31, 2011, which may be found on SEDAR dated January 30, 2012 and on the Company's website.

Comparative figures in the statements of financial position, and the notes thereto, are provided for July 31, 2011, being the most recent year-end. Comparative figures in the income statements are provided for the three and nine months ended April 30, 2011.

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, SRM XXK (a Mongolian corporation), Avasca Inc. (a British Columbia company), Valhalla Minerals U.S. Incorporated (a Delaware corporation), Thor Gold Alaska Inc. (an Alaskan Corporation) and Solomon (Australia) Pty. Ltd. (an Australian corporation). Due to a change in circumstances in the Australian subsidiary in the year ended July 31, 2010, its operations were reclassified from self-sustaining to integrated and the translation method was changed prospectively. All significant intercompany balances and transactions have been eliminated.

4. SIGNIFICANT ACCOUNTING POLICIES

Following the first time adoption of IFRS, all significant accounting policies were recorded in the notes to the Condensed Consolidated Financial Statements for the three months ended October 31, 2011. Only those accounting policy notes that have changed or expanded materially since the date of the last annual report are recorded below.

(a) Mineral property interests and deferred exploration costs

All costs related to the acquisition, exploration and development of mineral property interests are capitalized on a property-by-property basis once legal title to the property has been secured. If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations. If, after management review for impairment, conducted at least quarterly at cash generating unit level, it is determined that the carrying amount of a mineral property interest is impaired, that property is written down to its estimated fair value.

From time to time the Company may expend significant resources in the investigation of a property prior to securing legal title. All costs associated with such investigation are charged to property investigation when incurred.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to income.

(b) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years. If the carrying amount of equipment at cash generating unit level is considered to exceed the recoverable amount an impairment loss is recognised in profit and loss to the extent of the impairment. If there is a recovery in the recoverable amount the impairment loss may be reversed or partially reversed.

(c) Share based payments (formerly referred to as Stock-based compensation)

The Company grants share options to acquire common shares of the Company to directors, officers and employees. The fair value of the options to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes option pricing model. For both employees and non-employees, the fair value is recognized as an expense with a corresponding increase in contributed surplus. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

(d) Provisions for property restitution (formerly referred to as Asset retirement obligations)

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and discount rates. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows discounted for the market discount rate. Over time the discounted liability is increased for the changes in the present value based on the current market discount rates and liability risks. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

(e) Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them, by agreement, for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. The Company treats the premium, if any, of the issue price over the fair value of the shares as income arising from the sale of the tax deductions. The fair value of the shares is determined as the closing market price of the shares on the date the financing is closed. On the date of the issue of the shares the fair value of the shares issued is credited to share capital and the premium, if any, is credited to liabilities. On the date the Company fulfills the flow-through share financing agreements and the renunciation of expenditures is filed with taxation authorities the premium is recognized as income. The tax impact to the Company of the renunciation is recorded through the recognition of a deferred tax liability; however, where available, a portion of the deferred income tax assets that were not previously recognized are recognized as a recovery of deferred income taxes in order to absorb the deferred income tax liability created by the renunciation.

(f) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years. Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

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

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

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.

(g) Financial instruments

Financial assets are classified into one of four categories:

- fair value through profit or loss (“FVTPL”);
- held-to-maturity (“HTM”);
- available-for-sale (“AFS”); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) FVTPL financial assets

Financial assets classified as FVTPL are stated at fair value with any resultant change in fair value recognized in comprehensive loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

(ii) HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company does not have any assets classified as HTM investments.

(iii) AFS financial assets

Short-term investments and other assets not otherwise designated are classified as AFS and stated at fair value on the date of acquisition and each subsequent reporting date. Any change in fair value is recognized as other comprehensive income or loss and classified as a component of equity.

(iv) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method.

(v) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(vi) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the nature of the instrument.

5. TENEMENT BOND

The Company's tenement bond in respect of previously disposed mineral property interests in Australia in the amount of $2,051 (July 31, 2011 - $2,100) (AU $2,000) has been disclosed as part of Receivables while Company awaits a refund. The authorities in Australia have released the Company from its obligations in respect to the property.

6. RECLAMATION DEPOSIT

The Company has a reclamation deposit in respect of a previously relinquished option to a mineral property interest in Canada in the amount of $10,000 (July 31, 2011 - $10,000). The site has been dismantled and it is the opinion of management that any environmental disturbance has been mitigated. The Company has requested a full refund of the reclamation deposit.

7. EQUIPMENT

		Cost	Accumulated depreciation	Net book value
At July 31, 2011	$	165,808	(83,348)	82,460
Additions		3,836		3,836
Depreciation for the period			(38,528)	(38,528)
At April 30, 2012	$	169,644	(121,876)	47,768

There were no disposals of equipment during the period, nor any write downs due to impairment.

8. MINERAL PROPERTY INTERESTS

		Mongolia SRM	Ten Mile Creek	South West Yukon	Other Properties	Total
		Note 8 (a)	Note 8 (b)	Note 8 (c)	Note 8 (d)	
Balance, July 31, 2011	$	1,000 $	1,570,618 $	303,878 $	2 $	1,875,498
Expenditures during the period						
Personnel		-	53,243	45,361	-	98,604
Camp costs, travel and helicopter costs		-	40,512	24,403	-	64,915
Mapping		-	27,218	8,163	-	35,381
Sampling		-	42,532	10,502	-	53,034
Options payments/land renewal payments		-	419	-	-	419
Staking costs		-	-	-	-	-
Write-down of expenditures		(1,000)	(1,734,542)	(114,198)	-	(1,849,740)
Balance, April 30, 2012	$	0 $	0 $	278,110 $	2 $	278,112

(a) Mongolia

The Company had acquired various licenses (some of which had been previously relinquished) to explore for minerals in Mongolia.

The Company does not plan any further investment in Mongolia and title to any remaining exploration licenses that were held by the Company at the time operations were suspended in the country has been clouded by the *de facto* expropriation of the remaining Solomon tenures by the Government of Mongolia. Despite obtaining a Supreme Court decision that the subject properties were improperly expropriated there remains no prospect of any of the Mongolian tenures being returned to the Company. Expenditures on the maintenance of a corporate presence in Mongolia have been charged to property maintenance as incurred.

Subsequent to April 30, 2012 the Company's subsidiary in Mongolia has been sold for a nominal amount and the investment has been written off.

(b) Ten Mile Creek, Yukon Territory

In September 2009, the Company entered into an agreement with Radius Gold Inc. ("Radius") of Vancouver, British Columbia, to acquire a 51% interest in the Ten Mile Creek property in the Dawson Mining District, Yukon Territory. Radius holds its interest in the property by way of an option to obtain a 100% interest from the owner of the claims. To earn its interest in the property, the Company must:

(i) Issue 1,000,000 shares as follows:

- 500,000 shares on signing (issued)
- 100,000 shares on or before May 21, 2010 (issued)
- 150,000 shares on or before May 21, 2011 (issued) and
- 250,000 shares on or before May 21, 2012.

(ii) Make cash payments of $500,000 as follows:

- $100,000 on or before May 21, 2010 (paid)
- $150,000 on or before May 21, 2011 (paid) and
- $250,000 on or before May 21, 2012.

(iii) Incur cumulative work expenditures of $2,500,000 as follows:

- $350,000 by December 31, 2010 (incurred)
- $1,000,000 by December 31, 2011 (incurred) and
- $2,500,000 by December 31, 2012.

The Company acquired a further 43 mineral claims adjacent to the property from Radius in October of 2010 which have been incorporated into the existing option agreement between Solomon and Radius.

Subsequent to April 30, 2012, and as announced in a news release published on June 1, 2012 the Company abandoned its option to acquire a 51% interest in the 10 Mile Creek project. Neither the scheduled payment of $250,000 nor the scheduled issue of 250,000 shares before May 21, 2012 was made. The Company's investment in the property, being $1,734,542, was written off in the quarter ended April 30, 2012.

(c) South West Yukon

In the year ended July 31, 2011 the Company began actively acquiring exploration targets in the relatively underexplored Kluane Front Ranges and Ruby Range of Southwest Yukon. To date the Company has acquired by staking, and retained, 100% ownership of the following mineral claims in the Southwest Yukon.

(i) The Pacer Claim Group comprises 236 mineral claims located approximately five kilometres west of the town of Haines Junction in the Front Ranges of the Kluane Mountains.

(ii) The Outpost Claim Group comprises 71 mineral claims located approximately fifty kilometres west of the town of Haines Junction.

(iii) The Rosie Claim Group comprises 217 mineral claims located approximately 58 kilometres north of Destruction Bay and 107 kilometres northwest of the village of Haines Junction.

The Company also acquired by staking 100% ownership of the following mineral claims in the Southwest Yukon but has, since April 30, 2012, allowed the claims to lapse and has written off its investment of $114,198 on the properties.

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(iv) The Jenn Claim Group

(v) The Seamus Claim Group

(vi) The Tyke Claim Group

(vii) The Nis Claim Group

(viii) The Sek Claim Group

(d) Other Properties

(i) Sleitat Mountain, Alaska

The Company owns a 20% interest in the Sleitat Mountain Tin-Tungsten-Silver deposit near Dillingham, southwest Alaska. An 80% interest in the property is held by Osisko Mining Corp. The Company is responsible for 20% of any exploration or development expenditures incurred. Should the Company not participate in the expenditures, its interest in the property will be diluted in accordance with industry practice. If the Company's interest is diluted to less than a 10% participating interest, it will retain only a 1% NSR on subsequent production of any metals from the property. The property is not being actively explored and expenditures on the maintenance of the Company's interest in the property are therefore charged to property maintenance as incurred.

(ii) COL-Magnet Copper-Gold Property, British Columbia

Between December 2006 and May 2007, the Company acquired by on-line staking 32 Magnet mineral claims in the Omineca Mining Division in north-central British Columbia.

No exploration work is planned for the immediate future and these properties have been written down to a nominal value.

Environmental

The Company is subject to the 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 conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

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. As at April 30, 2012, the Company has no material property restitution provisions (formerly referred to as asset retirement obligations or ARO's).

Realization of assets

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

9. SHARE CAPITAL

(a) Authorized - Unlimited common shares without par value

(b) Issued

	April 30, 2012	
	Number of shares	Capital stock
Common shares without par value	26,669,972	$ 29,472,747

	July 31, 2011	
	Number of shares	Capital stock
Common shares without par value	24,669,972	$ 29,348,425

During the three months ended April 30, 2012 no new shares were issued. (April 30, 2011 – Nil).

(c) Stock options

Stock option activity in the quarter was as follows:

	Number of Options Outstanding	Exercise Price	Weighted Average Exercise Price
Balance, January 31, 2012	2,292,000	$ 0.10 to $ 3.60	$ 0.30
Expired	(32,000)	$ 3.60	$3.60
Balance, April 30, 2012	2,260,000	$ 0.10 to $3.60	$ 0.26

As at April 30, 2012, the following options were outstanding:

Expiry Date	Exercise Price	Number of shares
January 8, 2013	$ 3.600	20,000
October 2, 2013	$ 2.500	55,000
December 1, 2014	$ 0.265	520,000
December 17, 2015	$ 0.165	760,000
July 1, 2016	$ 0.170	200,000
December 16, 2016	$ 0.100	705,000
Total		**2,260,000**

(d) Share purchase warrants

Share purchase warrants activity in the quarter was as follows:

	Number of Warrants Outstanding	Exercise Price	Weighted Average Exercise Price
Balance, January 31, 2012	15,197,233	$0.10 to $ 0.30	$ 0.27
Expired	2,802,768	$0.30	$0.30
Balance, April 30, 2012	12,394,465	$0.10 to $ 0.30	$ 0.27

As at April 30, 2012 the following warrants were outstanding. Under certain conditions the expiry date may be accelerated:

Expiry Date	Exercise Price	Number of Warrants
July 23, 2012	$ 0.30	9,415,732
December 23, 2012	$ 0.10	16,000
December 23, 2012	$ 0.15	200,000
June 08, 2013	$ 0.30	918,733
November 30, 2013	$ 0.10	1,844,000
Total		**12,394,465**

(f) Agent options

Agent options are the right to purchase units, with each unit being comprised of one share and one share purchase warrant. Agent options outstanding and exercisable at April 30, 2012 are as follows:

Expiry Date	Exercise Price	Number
July 23, 2012	$ 0.30	541,631

10. INCOME TAXES

The Company has available losses that may be carried forward to apply against future years' income for income tax purposes. The approximate losses expire as follows:

Available to	Amount
2015	$ 293,000
2026	4,137,000
2027	378,000
2028	5,000
2029	835,000
2030	492,000
2031	641,000
Indefinitely	640,000
	$ 7,421,000

The tax losses above include approximately $3,576,000 that may be applied against future taxable income in the US expiring in 2026.

Tax losses of $640,000 consist of capital losses of $483,000, which may be applied against future taxable capital gains, and non-capital losses of $157,000 may be carried forward indefinitely to apply against future income for Australian tax purposes.

The Company's carry-forward losses for Canadian tax purposes at July 31, 2011 are $3,204,000 (2010 - $2,552,000), which may be carried forward to apply against future income for Canadian tax purposes.

The future benefit of these loss carry-forwards and the resource deductions have not been recorded in these consolidated financial statements as the Company estimates that the benefit of these losses will, more likely than not, not be realized.

In December 2011, the Company renounced $20,000 (December 2010 - $843,384) of exploration expenditures under its flow-through share program and the Company brought to account a premium representing the difference between the proceeds of the issues of the flow through shares and the fair value of the shares, being $8,000 ($Nil for the period ended April 30, 2011). A potential deferred income tax liability in each case was reduced to nil by the recognition of previously unrecognized deferred income tax assets.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Three months ending April 30		**2012**		**2011**
Income tax paid	$	0	$	0
Interest paid on trade payables	$	813	$	0
Mineral property interest expenditures included in accounts payable	$	22,271	$	26,729
Recovery of expenditure on mineral property interests previously written off	$	0	$	0
Write-down of expenditures on mineral property interests	$	1,849,740	$	2,144

12. SEGMENTED INFORMATION

The Company's one reportable operating segment is the exploration of mineral properties. Geographical information is as follows:

		April 30, 2012		July 31, 2011
ASSETS				
Canada	$	373,812	$	2,325,291
Australia		4,006		4,120
Mongolia		-		1,000
	$	377,818	$	2,330,411

13. 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 of its properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, it does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of equity units. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company considers its capital under management to be all 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. Although the Company has been successful at raising funds in the past through the issuance of share capital, there can be no assurance that it will be successful in the future.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the period.

14. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Financial instruments and the risk management thereof are fully described in Note 4 to the Annual Financial Statements for the year ended July 31, 2011. Material issues are described below:

(a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by forecasting the Company's cash flows required by operations and anticipated investing and financing activities and, where necessary, by withholding payments due to related parties. The Company has cash at April 30, 2012 in the amount of $11,895 (July 31, 2011 - $263,179). At April 30, 2012, the Company has current liabilities of $232,060 (July 31, 2011 - $181,615), made up of accounts payable and accrued liabilities which are due within 30 days. The Company does not have any derivative financial liabilities.

15. RELATED PARTY TRANSACTIONS AND BALANCES

During the three months to April 30, 2012, the Company:

(a) Paid $47,319 in fees to directors and a relative of a director (third quarter 2011 - $77,554). $29,694 (2011 - $51,191) was charged to management fees and $17,625 (2011 - $26,363) was capitalized to mineral properties;

(b) Included in prepaid expenses $5,000 (2011 - $5,000) in advances to a director; and

(c) Included in accounts payable and accrued liabilities $175,189 (July 31, 2011 - $102,102) payable to directors and a relative of a director. There are no terms of repayment or interest for amounts payable to an officer, a director and a relative of a director.

16. COMMITMENTS

The Company is committed to monthly lease payments of $3,000 for its premises. The rental payments schedule is as follows:

2012	$	36,000
2013		36,000
2014		36,000
2015		36,000
2016		21,000
	$	165,000

17. SUBSEQUENT EVENTS

Subsequent to April 30, 2012

1. The Company relinquished its option on the Ten Mile Creek property and wrote off its investment of $1,735,543;
2. The Company did not renew certain claims in the South West Yukon and wrote off its investment of $114,198 in those properties;
3. The Company sold its subsidiary in Mongolia for $1 and wrote off its remaining investment of $1,000; and
4. The Company has incurred material expenditures on property investigation costs in respect to new opportunities. Such costs will be brought to account in the quarter ended July 31, 2012.