CONDENSED INTERIM FINANCIAL STATEMENTS OF

GOLDSOURCE MINES INC.

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(UNAUDITED)

Notice of no Auditor review of Financial Statements.

The accompanying unaudited condensed interim 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 condensed interim financial statements in accordance with the standards established by International Financial Reporting Standards for a review of financial statements by an entity's auditor.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONDENSED INTERIM FINANCIAL REPORTING

The accompanying condensed interim financial statements of Goldsource Mines Inc. ("the Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the condensed interim financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management is responsible for establishing internal controls over financial reporting for the Company. Management has designed and implemented internal controls over financial reporting that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Audit Committee of the Board of Directors meets periodically with Management to review results of the condensed interim financial statements and related financial reporting matters prior to submitting the condensed interim financial statements to the Board of Directors for approval. The Audit Committee is appointed by the Board of Directors and all of its members are independent directors. The Audit Committee is responsible for engaging or re-appointing the external auditors.

The condensed interim financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

GOLDSOURCE MINES INC.

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GOLDSOURCE MINES INC.
CONDENSED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED PREPARED BY MANAGEMENT)
(Expressed in Canadian Dollars)

AS AT

		June 30, 2012		December 31, 2011
ASSETS				
Current Assets				
Cash	$	239,421	$	415,039
Short term investments		751,264		1,510,800
Amounts receivable		5,000		5,000
Taxes receivable		22,022		49,554
Prepaid expenses		18,997		16,531
Held-for-trading securities (note 6)		94,500		168,750
Total Current Assets		1,131,204		2,165,674
Non-Current Assets				
Investment subject to significant influence (note 7)		750,000		750,000
Equipment (note 8)		21,309		28,243
Exploration and evaluation assets (note 9, 10)		18,705,500		18,417,803
Total Non-Current Assets		19,476,809		19,196,046
TOTAL ASSETS	$	20,608,013	$	21,361,720
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (note 10)	$	91,836	$	490,604
Flow through share premium (note 12)		-		60,095
Shareholders' Equity				
Capital stock (note 12)		29,863,065		29,863,065
Reserves (note 12)		7,849,431		7,825,863
Deficit		(17,196,319)		(16,877,907)
Total Shareholders' Equity		20,516,177		20,811,021
TOTAL LIABILITES AND SHAREHOLDERS' EQUITY	$	20,608,013	$	21,361,720

Nature and continuance of operations (note 1)

Approved by the Board and authorized for issue on August 23, 2012.

"J. Scott Drever"	*"Graham C. Thody"*
Director	**Director**

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

GOLDSOURCE MINES INC.
CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED PREPARED BY MANAGEMENT)
(Expressed in Canadian Dollars)

	Three Months ended June 30,		Six Months ended June 30,	
	2012	**2011**	**2012**	**2011**
GENERAL AND ADMINISTRATIVE EXPENSES				
Insurance	$ 9,058	$ 10,839	$ 16,533	$ 23,450
Investor relations	-	11,728	1,181	17,787
Office and miscellaneous	7,211	11,081	22,076	22,895
Professional fees (note 10)	23,462	14,877	75,689	55,304
Regulatory and transfer agent fees	2,535	7,505	17,302	15,033
Remuneration (note 10)	53,909	73,125	127,722	146,297
Rent and communications	8,038	8,767	12,153	16,682
Shareholder communications	6,045	10,961	9,859	24,017
Trade shows and conferences	5,042	14,282	5,042	30,912
Travel and related costs	-	2,714	1,500	2,714
LOSS BEFORE OTHER ITEMS	115,300	165,879	289,057	355,091
OTHER ITEMS				
Interest income	3,329	6,544	7,542	7,259
Other income (note 12)	-	-	60,095	-
Realized gain on held-for-trading securities	-	17,661	-	17,661
Share-based compensation (note 12)	-	(59,595)	(22,742)	(187,144)
Transaction costs (note 10)	-	(4,365)	-	(4,365)
Unrealized (loss) gain on held-for-trading securities (note 6)	(40,500)	(59,500)	(74,250)	138,500
	(37,171)	(99,255)	(29,355)	(28,089)
NET COMPREHENSIVE LOSS FOR THE PERIOD	$ (152,471)	$ (265,134)	$ (318,412)	$ (383,180)
Basic and diluted comprehensive loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding	27,033,729	23,419,845	27,033,729	21,724,607

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

GOLDSOURCE MINES INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED PREPARED BY MANAGEMENT)
(Expressed in Canadian Dollars)

For the six months ended June 30,	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (318,412)	$ (383,180)
Items not affecting cash:		
Share-based compensation	22,742	187,144
Interest income	(7,542)	(7,259)
Other income	(60,095)	-
Realized gain on held-for-trading securities	-	(17,661)
Unrealized loss (gain) on held-for-trading securities	74,250	(138,500)
Cash flows before changes in working capital items	(289,057)	(359,456)
Amounts receivable	-	122
Taxes receivable	27,532	(19,735)
Prepaid expenses	(2,466)	(2,555)
Accounts payable and accrued liabilities	(94,117)	117,362
Net cash used in operating activities	(358,108)	(264,262)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	-	3,708,400
Share issuance costs	-	(402,507)
Net cash provided by financing activities	-	3,305,893
CASH FLOW FROM INVESTING ACTIVITIES		
Short term investments	750,000	(2,250,000)
Interest received	17,079	5,216
Exploration and evaluation	(584,589)	(682,223)
Proceeds from held-for-trading securities	-	298,411
Net cash provided by (used in) investing activities	182,490	(2,628,596)
Change in cash, during period	(175,618)	413,035
CASH, beginning of period	415,039	132,634
CASH, end of period	$ 239,421	$ 545,669

Supplemental disclosure with respect to cash flows (note 11)

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

GOLDSOURCE MINES INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED PREPARED BY MANAGEMENT)
(Expressed in Canadian Dollars)

	Capital Stock								
	Number		Amount		Reserves Share-Based Payments		Deficit		Total
Balance at January 1, 2011	20,010,533	$	26,434,334	$	7,506,838	$	(15,856,972)	$	18,084,200
Issuance pursuant to property agreement	358,696		237,500		-		-		237,500
Issuance of capital stock	6,664,500		3,708,400		-		-		3,708,400
Share issuance costs	-		(402,507)		-		-		(402,507)
Fair value of agent warrants	-		(54,513)		54,513		-		-
Flow through share premium	-		(60,095)		-		-		(60,095)
Stock options forfeited	-		-		(14,750)		-		(14,750)
Share-based compensation	-		-		193,859		-		193,859
Loss for the period	-		-		-		(368,430)		(368,430)
Balance at June 30, 2011	27,033,729		29,863,119		7,740,460		(16,225,402)		21,378,177
Share issuance costs	-		(54)		-		-		(54)
Share-based compensation	-		-		85,403		-		85,403
Loss for the period	-		-		-		(652,505)		(652,505)
Balance at December 31, 2011	27,033,729		29,863,065		7,825,863		(16,877,907)		20,811,021
Share-based compensation	-		-		23,568		-		23,568
Loss for the period	-		-		-		(318,412)		(318,412)
Balance at June 30, 2012	27,033,729	$	29,863,065	$	7,849,431	$	(17,196,319)	$	20,516,177

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Goldsource Mines Inc. (the "Company" or "Goldsource") is incorporated under the jurisdiction of the Province of British Columbia, Canada pursuant to the British Columbia Business Corporations Act. All dollar amounts are expressed in Canadian dollars unless otherwise indicated. The head office and principal address of the Company is 570 Granville Street, Suite 501, Vancouver, BC, Canada, V6C 3P1. The address of the Company's registered and records office is 19th Floor, 885 West Georgia Street, Vancouver, BC, Canada, V6C 3E8. The Company is listed on the TSX Venture Exchange (under the symbol GXS).

The Company is a Canadian resource company engaged in the exploration and development of a substantial coal field in the province of Saskatchewan. Its mineral interests presently consist of coal exploration properties located in Saskatchewan, referred to as the "Border Coal Project" and a 25% joint venture interest in certain coal lands in Manitoba, in Canada. The Company is in the process of exploring its Border Coal Project, has not yet identified a commercial resource and has accumulated losses as at June 30, 2012 of $17,196,319.

The recoverability of the carrying value of the Border Coal Project is dependent upon the discovery of an economically recoverable resource and the Company obtaining the necessary financing to complete exploration, development and construction of processing facilities, obtaining government approvals and attaining future profitable production of the mineral resources.

The Company completed a Preliminary Assessment (PA) on the Border Coal Project in March 2011 which reported the project has the potential to be technically and economically feasible based on a coal to liquids conversion process. A major capital project such as this requires a combination of favorable investment climate, timing, commodity pricing and technology changes to demonstrate rates of return commensurate with the capital at risk. Management believes this combination of circumstances is achievable but there is no certainty these results can be realized. Management recognizes the project requires a special expertise and financial capacity to bring it to fruition and will actively seek out participants with these capabilities.

As at June 30, 2012, the market capitalization of Goldsource was below the carrying value of the Company's net assets which are primarily represented by the Border Coal Project. The Company has reviewed recently valued arms-length transactions for the acquisition of coal projects and has concluded that the carrying value of the Company's net assets is supported.

The Company has sufficient financial resources for exploration and administrative costs for at least twelve months from the end of the reporting period. The Company will require additional financing from time to time and, although it has been successful in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

These condensed interim financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the condensed interim statement of operations and comprehensive loss and condensed interim financial position classifications that would be necessary were the going concern assumption not appropriate.

These condensed interim financial statements were authorized for issue by the board of directors of the Company on August 23, 2012.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements should be read in conjunction with Goldsource's most recently issued financial statements for the year ended December 31, 2011, which includes information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies, use of judgments and estimates were presented in Note 2 of these financial statements, and have been consistently applied in the preparation of these condensed interim financial statements.

Basis of Preparation

These condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

3. NEW STANDARDS NOT YET ADOPTED

The International Accounting Standards Board ("IASB") issued the following pronouncements that are effective for years beginning January 1, 2013, or later and may affect the Company's future financial statements.

- IFRS 9, Financial Instruments
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- IAS 32, Financial Instruments Presentation
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

These new and revised accounting standards have not yet been adopted by Goldsource, and the Company has not yet completed the process of assessing the impact that they will have on its financial statements, or whether to early adopt any of the new requirements.

4. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its Border Coal Project. The Company considers as its capital its shareholders' equity.

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of certain of its assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing and industry conditions. Annual and materially updated budgets are approved by the Board of Directors.

There are no external restrictions on management of capital.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest any excess cash in liquid short term interest-bearing instruments. When utilized, these instruments are selected with regard to the expected timing of expenditures from continuing operations. The Company currently has sufficient capital resources to meet its planned operations and administrative overhead expenses through its current operating year. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

5. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, and interest rate risk. Where material these risks are reviewed and monitored by the Board of Directors.

a. Capital Risk Management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in the shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the 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, incur debt, or return capital to shareholders. As at June 30, 2012, the Company did not have any debt and is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (continued)

b. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company's cash is invested in business accounts with a quality financial institution and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper. However, the Company will require significant additional funding in the future to continue to explore and develop its Border Coal Project. Accordingly, there is a risk that the Company may not be able to secure adequate funding on reasonable terms, or at all, at that future date.

c. Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, short term investments and amounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and short term investments with a high-credit quality financial institution. Receivables are due primarily from the government.

d. Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and short term investments. The Company's practice has been to invest cash at floating rates of interest, in short term investments, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in short term investments as they are generally held with a large and stable financial institution. As at June 30, 2012, with all other variables unchanged, a 1 percentage point change in interest rates would not have a significant impact on the Company's loss and comprehensive loss for the period.

e. Market Risk

The Company's exposure to market risk arises from their held-for-trading securities in Westcore. There is a risk the Company would recognize a loss as a result of a decrease in the fair value of the investment given the nature of Westcore, a mining exploration company.

Financial instruments carrying value and fair value

The Company's financial instruments consist of cash, short term investments, securities, amounts receivable and accounts payable and accrued liabilities. The carrying value of amounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short periods until settlement.

As at June 30, 2012, the Company's classification of financial instruments within the fair value hierarchy is summarized as follows:

	Level 1	Level 2	Level 3	Total
Cash	$ 239,421	$ -	$ -	$ 239,421
Short term investments	$ 751,264	$ -	$ -	$ 751,264
Held-for-trading securities	$ 94,500	$ -	$ -	$ 94,500

6. HELD-FOR-TRADING SECURITIES

	June 30, 2012	December 31, 2011
Opening balance	$ 168,750	$ 473,000
Changes in marked-to-market value	(74,250)	(23,500)
Disposals	-	(280,750)
Closing balance	94,500	168,750

Under IFRS, held-for-trading securities are to be recorded at fair value at each reporting date and the resulting gains or losses are to be included in the results for the period. For the six months ended June 30, 2012, the Company's 675,000 (2011 – 675,000) Westcore common shares had an unrealized marked-to-market loss (gain) of $74,250 (2011 – ($138,500)).

(Expressed in Canadian Dollars)

7. INVESTMENT SUBJECT TO SIGNIFICANT INFLUENCE

	June 30, 2012	December 31, 2011
Joint Venture with Westcore Energy Ltd.	$ 750,000	$ 750,000

By agreement dated December 10, 2009, with Westcore the Company agreed to apply its proprietary geophysical matrix to Westcore's Fugro airborne geophysical data and to provide Westcore with specific drill sites on its Saskatchewan and Manitoba coal lands. As partial consideration, the Company was issued in fiscal 2009 an initial 100,000 Westcore common shares with a value of $50,000.

Westcore was successful in drilling at least one intercept consisting of not less than 10 meters of coal on each of two drill targets identified by the Company effective March 2010, and the following additional conditions applied:

(a) Westcore issued an additional 1 million common shares with a value of $710,000 to the Company.

(b) The Company earned a 25% working interest in all of Westcore's existing coal lands in Saskatchewan and Manitoba. The initial value attributed to this interest was $750,000 and recorded this value as service income in fiscal 2010.

(c) Westcore and the Company entered into a 75% / 25% joint venture agreement dated December 17, 2010 with terms and conditions standard to mining industry joint ventures. As part of the joint venture agreement Westcore is required to expend an additional $3 million on the aforementioned lands before the Company will be required to contribute its 25% share of expenditures. The Company has contributed its 100% interest in its 10 sections of coal permits that are within the Hudson Bay North Block located adjacent to the Company's Border Property in Saskatchewan. A management committee established in August 2011, comprises two representatives from Westcore and two from the Company, with voting determined by the participating interest held by each party. There is a 15% royalty for coal mined with the Government of Saskatchewan; and

(d) In the event that Westcore acquires interests from time to time in any additional prospective coal properties in Saskatchewan or Manitoba, the Company shall have the option to acquire a 25% joint venture participating interest therein by paying a pro rata portion of the acquisition costs.

8. EQUIPMENT

	Equipment	Office Equipment	Vehicles	Computers	Total
Cost					
Balance at January, 1, 2011, December 31, 2011 and June 30, 2012	$ 33,424	$ 10,924	$ 16,500	$ 16,990	$ 77,838
Accumulated depreciation					
Balance at January, 1, 2011	$ 12,699	$ 3,115	$ 5,775	$ 13,864	$ 35,453
Depreciation for the year	6,685	2,185	3,300	1,972	14,142
Balance at December 31, 2011	19,385	5,300	9,075	15,836	49,595
Depreciation for the period	3,342	1,092	1,650	850	6,934
Balance at June 30, 2012	$ 22,727	$ 6,392	$ 10,725	$ 16,686	$ 56,529
Carrying amounts					
At December 31, 2011	$ 14,039	$ 5,624	$ 7,425	$ 1,154	$ 28,243
At June 30, 2012	$ 10,697	$ 4,532	$ 5,775	$ 304	$ 21,309

During the six month period ended June 30, 2012, depreciation of $6,934 (2011 - $7,208) was capitalized to exploration and evaluation assets.

(Expressed in Canadian Dollars)

9. MINERAL PROPERTIES – EXPLORATION AND EVALUATION ASSETS

By agreement ("MPI Agreement") dated April 12, 2006 and amended May 1 and May 15, 2008 and May 31, 2010 with Minera Pacific Inc. ("Minera"), the Company acquired the exclusive rights to use certain information generated from Minera's proprietary UMSERT Methodology which will assist the Company in identifying areas in Saskatchewan and Manitoba that may be prospective for minerals. Minera and the Company have two common officers and directors.

In order to maintain the exclusive rights to use the Information, the Company agreed to pay staged cash payments over a period of two years to Minera totaling $160,000 (paid) and issue a total of 325,000 common shares of the Company (issued) over a period of four years and, by the end of the fifth year, pay an additional $500,000 or issue 250,000 common shares (issued), whichever is the lesser, as determined by the Company in its sole discretion.

The Company has also agreed to pay to Minera $1,000,000 (Feasibility Payment) in the event that the Company completes an independent feasibility study on any property acquired by the Company as a result of the UMSERT Methodology. The Company has agreed to make non-refundable payments to Minera of $100,000 (Advanced Feasibility Payment) in each of the third ($100,000 paid), fourth ($25,000 paid, $75,000 in common shares issued) and fifth years ($25,000 paid, $75,000 in common shares issued) from the effective date of the MPI Agreement as advances against the Feasibility Payment.

Minera is further entitled to receive a 2% gross overriding royalty ("GOR") on commercial production from any such property, and the Company is entitled at any time to purchase one-half of the GOR for $2,000,000.

The MPI Agreement may be terminated by the Company at any time upon written notice to Minera, in which case Minera may elect to receive an assignment of any properties acquired by the Company as a result of the UMSERT Methodology.

Border Property

As at June 30, 2012, the Company holds 53 (2011 – 81) coal mineral licenses comprising 35,629 (2011 – 56,109) hectares.

2012		Saskatchewan Border Property
Balance, January 1, 2012	$	18,417,803
Additions:		
Acquisition and holding costs:		
Permit application and holding costs		195,958
		195,958
Exploration expenditures:		
Fuel		1,323
Operations and general		10,133
Road and pad construction		1,632
Share-based compensation		826
Technical services and consulting		77,826
		91,739
Balance, June 30, 2012	$	18,705,500

(Expressed in Canadian Dollars)

9. MINERAL PROPERTIES – EXPLORATION AND EVALUATION ASSETS (continued)

2011		Saskatchewan Border Property
Balance, January 1, 2011	$	16,058,621
Additions:		
Acquisition and holding costs:		
Acquisition costs		262,500
Permit application and holding costs		316,511
		579,011
Exploration expenditures:		
Air Charter		506,928
Assays and Laboratory		17,858
Drilling		316,967
Fuel		42,705
Operations and general		142,517
Road and pad construction		347,095
Site support		24,905
Share-based compensation		9,709
Technical services and consulting		371,487
		1,780,171
Balance, December 31, 2011	$	18,417,803

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the six months ended June 30, 2012:

Legal Fees

Paid or accrued $50,863 (2011 - $30,927) for legal fees which were included in professional fees to a law firm of which an officer of the Company is a partner.

Key Management Compensation

		June 30, 2012		June 30, 2011
Salaries and short-term benefits				
Remuneration on the statement of operations	$	87,500	$	105,000
Capitalized to the Border Property		50,000		60,000
		137,500		165,000
Share-based payments		21,087		171,377
	$	158,587	$	336,377

Other Transactions

The Company shares rent, salaries and administrative services with a company related by common directors and officers. The Company incurred $61,101 (2011 - $95,044) for their share of rent, salaries and administrative expenses.

Mineral Pacific Inc. has two directors and officers in common with the Company. During the period ended June 30, 2011 the Company issued 358,696 common shares and paid $25,000 in cash pursuant to the terms of the MPI Agreement (note 9).

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Supplemental disclosure of significant non-cash transactions is provided in the table:

		June 30, 2012		June 30, 2011
Non-cash investing and financing activities				
Capitalized to exploration and evaluation assets				
Accounts payable and accrued liabilities	$	25,894	$	232,465

(Expressed in Canadian Dollars)

12. CAPITAL STOCK AND RESERVES

Authorized Shares

The Company's authorized capital stock consists of an unlimited number of common shares and an unlimited number of preferred shares without nominal or par value. At June 30, 2012, the Company had 27,033,729 common shares outstanding and no preferred shares outstanding.

Issued Shares

In May, 2011, the Company completed two offerings to raise gross proceeds of $3,708,400. The Company completed a short form offering of 3,636,000 units ("Units") at $0.55 per Unit for gross proceeds of $1,999,800. The Company completed a private placement of 2,170,000 units ("PP Units") at $0.55 per PP Unit and issued 858,500 flow-through common shares ("Flow-Through Shares") at $0.60 per share, for gross proceeds of $1,708,600. During fiscal 2011, the Company spent the required qualifying expenditures eliminating the flow-through liability of $60,095 which has now been recorded as other income on the statement of operations and comprehensive loss.

Stock Options

The Company has a fixed number stock option plan under which it is authorized to grant stock options to executive officers and directors, employees and consultants enabling them to acquire issued and outstanding common stock of the Company. A maximum of 3,850,000 common shares are reserved for issuance. The exercise price of each option equals the market price of the Company's stock as calculated on the date of the grant. The options can be granted for a maximum term of 10 years and certain options to employees and consultants vest over periods of time, determined by the Board of Directors.

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

	Number of Options	Weighted Average Exercise Price
As at December 31, 2010	3,607,500	$1.03
Forfeited	(12,500)	$1.37
As at December 31, 2011 and June 30, 2012	3,595,000	$1.03

Exercise Price	Expiry Date	Options Outstanding and Exercisable: Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
$ 0.38	April 23, 2013	420,000	0.81	$ 0.38
$ 1.33	June 2, 2013	100,000	0.92	$ 1.33
$ 1.33	October 9, 2013	100,000	1.28	$ 1.33
$ 1.50	December 15, 2013	50,000	1.46	$ 1.50
$ 1.33	May 22, 2014	1,425,000	1.89	$ 1.33
$ 1.58	November 19, 2014	25,000	2.39	$ 1.58
$ 0.82	September 28, 2015	700,000	3.25	$ 0.82
$ 0.90	December 23, 2015	775,000	3.48	$ 0.90
		3,595,000	2.33	$ 1.03

Share-based compensation

The total share-based compensation recognized during the six month period ended June 30, 2012 under the fair value method was $23,568 (2011 - $193,859). The Company expensed $22,742 (2011 - $187,144) and capitalized $826 (2011 - $6,715) as mineral property expenditures.

Warrants

Warrant transactions and the number of warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
As at December 31, 2011 and June 30, 2012	3,336,192	$0.70	19-May-13