CARMAX MINING CORP.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2012 AND 2011
(Expressed in Canadian Dollars)

MORGAN & COMPANY
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Carmax Mining Corp.

Report on the financial statements

We have audited the accompanying financial statements of Carmax Mining Corp., which comprise the statements of financial position as at July 31, 2012, July 31, 2011 and August 1, 2010, and the statements of operations and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years ended July 31, 2012 and July 31, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Carmax Mining Corp. as at July 31, 2012, July 31, 2011 and August 1, 2010, and its financial performance and its cash flows for the years ended July 31, 2012 and July 31, 2011 in accordance with International Financial Reporting Standards.

Vancouver, Canada — "Morgan & Company"

November 27, 2012 — Chartered Accountants

Tel: (604) 687 – 5841
Fax: (604) 687 – 0075
www.morgan-cas.com

MEMBER OF
jhi

P.O. Box 10007 Pacific Centre
Suite 1488 – 700 West Georgia Street
Vancouver, BC V7Y 1A1

CARMAX MINING CORP.

STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

		JULY 31, 2012		JULY 31 2011 (Note 16)		AUGUST 1 2010 (Note 16)
ASSETS						
Current Assets						
Cash	**$**	**20,365**	$	970,396	$	36,465
Short term investments		**751,165**		1,756,051		1,003,062
Other receivables		**15,972**		137,727		3,343
B.C. Mining Exploration Tax Credit receivable		**445,754**		233,237		21,040
Exploration advances		**8,334**		8,334		8,334
Prepaid expenses		**22,000**		-		403
Total Current Assets		**1,263,590**		3,105,745		1,072,647
Equipment (Note 5)		**6,513**		3,760		-
Investment (Note 6)		**4,000**		16,000		19,000
Reclamation Deposits (Note 7)		**110,000**		110,000		110,000
Exploration and Evaluation Assets (Note 8)		**7,474,947**		6,950,121		5,912,599
Total Assets	**$**	**8,859,050**	$	10,185,626	$	7,114,246
SHAREHOLDERS' EQUITY AND LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	**$**	**47,728**	$	641,625	$	4,284
Deferred Tax Liabilities		**-**		-		76,000
Total Liabilities		**47,728**		641,625		80,284
Shareholders' Equity						
Share capital (Note 9)		**12,366,842**		12,366,842		9,680,947
Share-based payment reserve		**531,943**		579,227		152,017
Accumulated other comprehensive loss		**(20,500)**		(8,500)		(5,500)
Deficit		**(4,066,963)**		(3,393,568)		(2,793,502)
Total Equity		**8,811,322**		9,544,001		7,033,962
Total Shareholders' Equity and Liabilities	**$**	**8,859,050**	$	10,185,626	$	7,114,246

These financial statements were approved and authorized for issue by behalf of the Board of Directors on November 27, 2012 by:

"Jevin Werbes"	"Matthew G Wright"
Chief Executive Officer	Chief Financial Officer

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

CARMAX MINING CORP

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	FOR THE YEARS ENDED JULY 31 2012	2011 (Note 16)
Expenses		
Consulting	**$ 51,500**	$ 45,000
Investor relations	**50,000**	31,500
Management fees	**60,000**	105,500
Office and sundry	**39,054**	39,227
Professional fees	**56,515**	85,932
Promotion and entertainment	**7,181**	4,309
Rent	**27,000**	24,000
Share-based compensation	**23,000**	347,400
Shareholder communications	**8,276**	12,405
Transfer agent and regulatory fees	**17,203**	48,592
Travel	**4,148**	8,769
Loss Before Other Items	**(343,877)**	(752,634)
Other Items		
Interest income	**11,349**	11,278
Write-off of exploration and evaluation assets	**(411,151)**	-
	(743,679)	(741,356)
Loss Before Income Taxes	**(743,679)**	(741,356)
Deferred Income Tax Recovered	**-**	76,000
Net Loss For The Year	**(743,679)**	(665,356)
Other Comprehensive Loss		
Unrealized loss arising on available for sale investment	**(12,000)**	(3,000)
Comprehensive Loss For The Year	**(755,679)**	(668,356)
Basic and Diluted Loss per Share	**$ (0.03)**	$ (0.01)
Weighted Average Number Of Shares Outstanding	**27,515,998**	15,461,583

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

CARMAX MINING CORP.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JULY 31, 2012 AND 2011

	SHARE CAPITAL				SHARE BASED PAYMENT		ACCUMULATED OTHER COMPREHENSIVE				TOTAL SHAREHOLDERS'
	SHARES		AMOUNT		RESERVE		LOSS		DEFICIT		EQUITY
Balance, July 31, 2010	10,783,968	$	9,680,947	$	152,017	$	(5,500)	$	(2,793,502)	$	7,033,962
Revaluation of investment to market value	-		-		-		(3,000)		-		(3,000)
Shares issued pursuant to resource property agreement	50,000		11,500		-		-		-		11,500
Shares issued for cash - flow-through units	1,009,000		110,990		-		-		-		110,990
Shares issued for cash - non-flow-through units	15,435,000		2,943,810		-		-		-		2,943,810
Finder's units issued pursuant to private placement	171,850		18,903		-		-		-		18,903
Shares issued on exercise of share purchase warrants	66,180		9,927		-		-		-		9,927
Share issuance costs	-		(409,235)		145,100		-		-		(264,135)
Share-based payments	-		-		347,400		-		-		347,400
Expiration of share-based compensation	-		-		(65,290)		-		65,290		-
Net loss for the year	-		-		-		-		(665,356)		(665,356)
Balance July 31, 2011	27,515,998		12,366,842		579,227		(8,500)		(3,393,568)		9,544,001
Revaluation of investment to market value	-		-		-		(12,000)		-		(12,000)
Share-based payments	-		-		23,000		-		-		23,000
Expiration of share-based compensation	-		-		(70,284)		-		70,284		-
Net loss for the year	-		-		-		-		(743,679)		(743,679)
Balance, July 31, 2012	**27,515,998**	**$**	**12,366,842**	**$**	**531,943**	**$**	**(20,500)**	**$**	**(4,066,963)**	**$**	**8,811,322**

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

CARMAX MINING CORP.

STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	FOR THE YEARS ENDED JULY 31	
	2012	2011 (Note 16)
Cash Flows From (Used In) Operating Activities		
Loss for the year	**$ (743,679)**	$ (665,356)
Items not affecting cash:		
Depreciation	**-**	-
Stock based compensation	**23,000**	347,400
Deferred income taxes recovered	**-**	(76,000)
Accrued interest	**4,886**	(2,989)
Write-off of exploration and evaluation assets	**411,151**	-
	(304,642)	(396,945)
Changes in non-cash working capital items:		
Prepaid expenses	**(22,000)**	403
Other receivables	**121,755**	(134,384)
Accounts payable and accrued liabilities	**(55,766)**	96,552
Cash Outflows From Operating Activities	**(260,653)**	(434,374)
Cash Flows From (Used in) Investing Activities		
Short term investments (net)	**1,000,000**	(750,000)
Exploration and evaluation assets	**(1,472,361)**	(697,190)
Acquisition of equipment	**(4,500)**	(4,000)
B.C. Mining Exploration Tax Credit receivable	**(212,517)**	-
Cash Outflows from Investing Activities	**(689,378)**	(1,451,190)
Cash Flows From (Used in) Financing Activities		
Shares issued for cash	**-**	3,064,727
Share issue costs	**-**	(245,232)
Cash Inflow from Financing Activities	**-**	2,819,495
(Decrease) Increase In Cash For The Year	**(950,031)**	933,931
Cash, Beginning Of Year	**970,396**	36,465
Cash, End Of Year	**$ 20,365**	$ 970,396
Supplemental Disclosure Of Cash Flow Information		
Interest paid	**$ -**	$ -
Income taxes paid	**$ -**	$ -
Non-Cash Financing And Investing Activities		
Shares issued for resource property acquisition	**$ -**	$ 11,500
Finder’s units issued pursuant to private placement	**$ -**	$ 18,903
Broker’s options granted pursuant to private placement	**$ -**	$ 145,100

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

1. NATURE OF OPERATIONS

Carmax Mining Corp. was incorporated under the Canada Business Corporations Act on June 16, 2000 and is listed on the TSX Venture Exchange.

The address of the Company's corporate office and principal place of business is Suite 300 – 235 West 15th Street, West Vancouver, British Columbia, V7T 2X1.

The Company's principal business activity is the acquisition and exploration of resource properties. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

Pursuant to the shareholders' approval on August 6, 2010, the Company changed its name to Carmax Mining Corp. and consolidated its common shares on a 10 old shares for 1 new share basis.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This is the first time that the Company has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (pre-changeover Canadian GAAP).

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 16.

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company is the Canadian dollar, being the currency of the economic environment of the Company's operations. The functional currency is also the presentation currency.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. See Note 4 for Critical Accounting Estimates and Judgments made by management in the application of IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements set out below have been applied consistently in all material respects.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. As of July 31, 2012 and July 31, 2011, the Company had no cash equivalents.

Short Term Investments

Short term investments include investments that are convertible to known amounts of cash and have a maturity of one year or less.

Basic and Diluted Loss per Share

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

Exploration and Evaluation Assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation costs for mineral properties

Once the legal right to explore a property has been acquired, exploration and evaluation expenditures are recognized and capitalized. Mineral exploration costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Once the technical feasibility and commercial viability of extraction of the mineral resources has been determined, the property is considered to be a property under development and is reclassified as such. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an impairment loss is recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and Evaluation Assets (Continued)

Exploration and evaluation costs for mineral properties (Continued)

Facts and circumstances that indicate a test for impairment as defined in *IFRS 6 exploration and evaluation assets* include the following:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The recoverability of the amounts capitalized for the undeveloped mineral property is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, the title to its properties are in good standing

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant estimation uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated commodity prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

Mining Tax Credits

Mining tax credits are recorded in the financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration and evaluation assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment

Exploration equipment is recorded at cost and depreciated over its estimated useful life at the following rate: - 30% straight line per annum.

The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

Share-based payments

Equity-settled share based payments for directors, officers, employees and consultants are measured at fair value using the Black-Scholes option valuation model at the stock option grant date and recorded as an expense in the financial statements with a corresponding increase in the share-based payment reserve. The fair value determined at the grant date of the equity-settled share based payments is expensed using the graded vesting method over the vesting period based on the Company’s estimate of the amount of shares that will eventually vest. Consideration paid by optionees on exercise of stock options together with their fair values are credited to share capital. The fair values of expired stock options are credited to deficit.

Compensation expense on stock options granted to consultants is measured at the earlier of the completion of performance and the date the options are vested at the fair value of the goods and services received and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of the Black-Scholes model. The expected life used in the model is adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Income Taxes

Income tax expense comprises of current and deferred tax. Current and deferred tax is recognized in the statement of operations except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current income taxes are the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities are presented as non-current.

Impairment of Long-lived Assets

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the statement of operations for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial assets in the following categories depending on the purpose for which the instruments were acquired.

Financial assets are classified into one of four categories: Financial assets at fair value through profit or loss ("FVTPL"), Held-to-maturity investments, available for sale ("AFS") financial assets and loans and receivable.

The Company has classified cash, and short term investments as FVTPL and reclamation deposits and other receivables as loans and receivable, which are recorded at amortized cost.

The Company has classified the investment as AFS. Available for sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income or loss until the asset is realized, at which time they will be recorded in net income or loss.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when one or more events that occurred after the initial recognition of the financial asset have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

Impairment losses on loans and receivables carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's financial liabilities include accounts payables and accrued liabilities. Subsequent to initial recognition, accounts payable and accrued financial liabilities are measured at amortized cost using the effective interest method.

Rehabilitation Provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Provisions are determined by discounting the risk-adjusted expected future cash flows to take into consideration risks and uncertainties involving the transaction. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation cost is depreciated on the same basis as the related asset. The liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognition in the statement of operations.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision.

The Company's estimates are reviewed at each reporting date for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of operations for the period.

Translation of Foreign Currencies

The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined and are not subsequently retranslated.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of operation in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share Capital

Share issue costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are charged to operations.

Fair value of warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method to determine the fair value of warrants issued. The value of warrants issued to brokers is determined by using the Black-Scholes model.

Flow-through shares

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. Any premium, being the excess of the proceeds over the market value of the common shares, is recorded as a liability. At the later of the renouncing and the incurrence of the expenditure, the Company de-recognizes the liability, and the premium amount is recognized as a credit to deferred tax in the statement of operations. The Company may be subject to a Part XII.6 tax on flow-through proceeds, renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Accounting standards issued but not yet applied

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards issued but not yet applied (Continued)

The following new standards, amendments and interpretations, which have not been early adopted in these financial statements, will not have an effect on the Company's future results and financial position:

- IFRS 10 Establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities (Effective for annual periods beginning on or after January 1, 2013)
- IFRS 11 Establishes principles for financial reporting by parties to a joint arrangement (Effective for annual periods beginning on or after January 1, 2013)
- IFRS 12 Applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity (Effective for annual periods beginning on or after January 1, 2013)
- IFRS 13 Defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements (Effective for annual periods beginning on or after January 1, 2013)
- IAS 27 Contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements (Effective for periods beginning on or after January 1, 2013)
- IAS 28 Sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures (Effective for periods beginning on or after January 1, 2013)

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements, 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. The Company has adopted this amendment.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

4. USE OF ESTIMATES AND JUDGEMENTS (Continued)

Critical Accounting Estimates

The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Impairment

Assets, especially exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the recoverable amount requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Notes 9 and 10.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Rehabilitation provisions

Management's best estimates regarding the rehabilitation provisions are based on the current economic environment. Changes in estimates of contamination, restoration standards and restoration activities result in changes to provisions from period to period. Actual rehabilitation provisions will ultimately depend on future market prices for future rehabilitation obligations. Based on management's best estimate, the Company does not have any significant rehabilitation obligations as at July 31, 2012 and 2011.

Critical Judgments Used in Applying Accounting Policies

Going concern

Financial statements are prepared on a going concern basis unless management either intends to liquidate the Company or to cease trading, or has no realistic alternative to do so. Assessment of the Company's ability to continue as a going concern requires the consideration of all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This information includes estimates of future cash flows and other factors, the outcome of which is uncertain. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cost significant doubt upon the Company's ability to continue as a going concern those uncertainties are disclosed. Management has determined that disclosure is not required in these statements.

(Expressed in Canadian Dollars)

4. USE OF ESTIMATES AND JUDGEMENTS (Continued)

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period the new information becomes available.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

5. EQUIPMENT

	FIELD EQUIPMENT
Cost	
Balance, July 31, 2011	$ 4,000
Additions	4,500
Disposals	-
Balance July 31, 2012	$ 8,500
Amortization	
Balance, July 31, 2011	$ 240
Charge for the period	1,747
Disposals	-
Balance July 31, 2012	$ 1,987
Net Book Value	
At July 31, 2012	**$ 6,513**

(Expressed in Canadian Dollars)

5. EQUIPMENT (Continued)

	FIELD EQUIPMENT
Cost	
Balance, August 1, 2010	$ -
Additions	4,000
Disposals	-
Balance July 31, 2011	$ 4,000
Amortization	
Balance, August 1, 2010	$ -
Charge for the year	240
Disposals	-
Balance July 31, 2011	$ 240
Net Book Value	
At July 31, 2011	$ 3,760

6. INVESTMENT

	JULY 31 2012	JULY 31 2011
Alexandria Minerals Corporation – 100,000 common shares quoted at market value	**$ 4,000**	$ 16,000

7. RECLAMATION DEPOSITS

Prior to the commencement of exploration of the Eaglehead Property in British Columbia, the Company was required to post two bonds totalling $110,000, which will be refunded to the Company upon completion of reclamation to the satisfaction of the Inspector of Mines. The reclamation deposits are being held in term deposits with various interest rates. The Company has no contractual liabilities or existing obligations arising from environmental or reclamation costs.

CARMAX MINING CORP.

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2012 AND 2011
(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

Mineral property costs for the year ended July 31, 2012, comprise:

	GOLDTIP PROPERTY	WHISKEY JACK CREEK PROPERTY	EAGLEHEAD PROPERTY	TOTAL
Property Acquisition Costs				
Balance, July 31, 2011	$ 329,000	$ 4,000	$ 611,500	$ 944,500
Write-off in the year	(329,000)	-	-	(329,000)
Balance, July 31, 2012	$ -	$ 4,000	$ 611,500	$ 615,500
Deferred exploration expenditures				
Balance, July 31, 2011	$ 82,151	$ 474,392	$ 5,449,078	$ 6,005,621
Additions in the year				
Engineering and consulting	-	-	140,030	140,030
Camp costs	-	-	45,814	45,814
Supplies	-	-	3,076	3,076
Board and travel	-	-	90,219	90,219
Assays	-	-	176,727	176,727
Reports and mapping	-	-	77,700	77,700
Transportation	-	-	18,761	18,761
Labour and technicians	-	-	31,240	31,240
Assessment costs	-	-	-	-
Drilling	-	-	579,220	579,220
Equipment rental	-	-	5,000	5,000
Amortization of field equipment	-	-	1,747	1,747
B.C. Mining Exploration Tax Credit receivable	-	-	(233,557)	(233,557)
	-	-	935,977	935,977
Write-off in the year	(82,151)	-	-	(82,151)
Balance, July 31, 2012	$ -	$ 474,392	$ 6,385,055	$ 6,859,447
Total balance, July 31, 2012	$ -	$ 478,392	$ 6,996,555	$ 7,474,947

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (Continued)

Mineral property costs for the year ended July 31, 2011 comprise:

	GOLDTIP PROPERTY	WHISKEY JACK CREEK PROPERTY	EAGLEHEAD PROPERTY	TOTAL
Property Acquisition Costs				
Balance, August 1, 2010	$ 319,000	$ 4,000	$ 550,000	$ 873,000
Additions in period				
Shares issued	-	-	11,500	11,500
Cash	10,000	-	50,000	60,000
	10,000	-	61,500	71,500
Balance, July 31, 2011	$ 329,000	$ 4,000	$ 611,500	$ 944,500
Deferred exploration expenditures				
Balance, August 1, 2010	$ -	$ 474,392	$ 4,565,207	$ 5,039,599
Additions in period				
Engineering and consulting	19,000	-	79,525	98,525
Camp costs	-	-	61,385	61,385
Supplies	-	-	5,299	5,299
Board and travel	19,310	-	84,408	103,718
Assays	5,000	-	14,640	19,640
Reports and mapping	7,225	-	1,992	9,217
Transportation	412	-	1,593	2,005
Labour and technicians	25,200	-	29,744	54,944
Assessment costs	6,004	-	-	6,004
Drilling	-	-	814,503	814,503
Equipment rental	-	-	2,739	2,739
Amortization of field equipment	-	-	240	240
B.C. Mining Exploration Tax Credit receivable	-	-	(212,197)	(212,197)
	82,151	-	883,871	966,022
Balance, July 31, 2011	$ 82,151	$ 474,392	$ 5,449,078	$ 6,005,621
Total balance, July 31, 2011	$ 411,151	$ 478,392	$ 6,060,578	$ 6,950,121

8. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Whiskey Jack Creek Property

Prior to August 1, 2010, and per an option agreement, the Company acquired a 100% interest, subject to a 3% net smelter return royalty, in three mineral claims located in Cairo Townships, Ontario, known as the Whiskey Jack Creek Property. Considerations for the acquisition were cash payments totalling $45,000. The Company also incurred exploration expenditures in excess of $200,000, the minimum requirement per the option agreement.

Upon commencement of commercial production on the property, the Company shall pay the optionor a 3% net smelter return royalty to be reduced to 1% after the payment of $2,000,000 in royalty payments.

The Company acquired an additional 5 claims through staking, consisting of 41 units adjoining the Whiskey Jack Creek Property to the south and east.

Prior to August 1, 2010, the Company entered into an Earning Option Agreement with Alexandria Minerals Corporation (“AMC”), whereby the Company granted to AMC the right to explore and acquire a 50% interest in the 41 units owned by the Company adjoining the Whiskey Jack Creek Property, and to acquire a 50% interest in the rights to the Whiskey Jack Creek Property held by the Company. The agreement is subject to a 3% net smelter return royalty, 2% of which can be purchased by AMC for $500,000 per ½%.

Prior to August 1, 2010, AMC earned its 50% interest in the property by issuing a total of 100,000 common shares of AMC with a fair value of $16,000 and paying $25,000 total cash payments. AMC incurred exploration expenditures in excess of the $300,000 minimum amount required under the agreement. A joint venture is to be established and the parties are currently negotiating the agreement, which will designate a 50% interest for each of the Company and AMC to further develop the property; and AMC will be the operator and manager of the property.

b) Eaglehead Property

The Company has an agreement, effective October 31, 2005, with two directors of the Company, to acquire a 100% interest in the Eaglehead Property claims, subject to a 2.5% net smelter return royalty, located near the Dease Lake area of north central British Columbia.

Consideration for the acquisition are cash payments totalling $350,000, issuing 300,000 common shares and spending $6,000,000 in exploration and development work over a period of seven years ending October 31, 2011. The Company will earn 30% after it spends $2,000,000, a further 30% after it spends the next $2,000,000 and a final 40% after it spends the last $2,000,000. The Company may also purchase a 1.5% royalty interest for $2,000,000.

During the year ended July 31, 2008, the Company successfully staked an additional six claims adjoining the Eaglehead Property to the southeast.

During the year ended July 31, 2009, the Company earned its 60% interest in the property.

During the year ended July 31, 2011, the Company completed all the terms of the acquisition agreement and earned its 100% interest in the property.

8. EXPLORATION AND EVALUATION ASSETS (Continued)

c) Goldtip Property

On May 5, 2010, the Company entered into an agreement with a director and president of the Company to acquire 59 mineral tenures in the Arlin Mining division of British Columbia ("The Goldtip Property"). The agreed purchase price for the claims was $90,000 cash (paid) and the issuance of 1,000,000 common shares of the Company (issued). The Company also agreed to pay finder's fees comprising $9,000 cash (paid) and the issuance of 100,000 common shares of the Company (issued).

During the year ended July 31, 2011, the Company successfully staked an additional six claims adjoining the Goldtip Property at a cost of $10,000.

During the year ended July 31, 2012, the Company determined that further exploration was not warranted and accordingly the exploration and evaluation asset was written off.

9. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value

b) Issued and Outstanding

On August 6, 2010, the Company consolidated its common stock on a 10 old shares for 1 new share basis.

During the year ended July 31, 2012 there were no share issuances.

During the year ended July 31, 2011, the Company had the following share transactions:

i) On June 1, 2011, the Company completed a private placement comprising of 13,844,000 non-flow-through units at a price of $0.20 per unit for total gross proceeds of $2,768,800.

Each non-flow-through unit consists of one non-flow-through common share and one non-transferable non-flow-through share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional non-flow-through common share at a price of $0.30 for the first year and $0.40 for the second year following the closing of the private placement.

As compensation for the placing of the units, the Company paid cash commissions of $182,864 and issued 938,610 broker's options exercisable at $0.20 into units with a fair value of $145,100. Each unit is identical in all respects to the non-flow-through units placed in the private placement. The Company also incurred other issuance costs comprising legal filing and regulatory fees aggregating $41,198.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

b) Issued and Outstanding (Continued)

ii) On October 6, 2010, the Company completed a private placement comprising of 1,009,000 flow-through units and 1,591,000 non-flow-through units at a price of $0.11 per unit for total gross proceeds of $286,000.

Each flow-through unit consists of one flow-through common share and one non-transferable non-flow-through share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional non-flow-through common share at a price of $0.15 for the first year and $0.20 for the second year following the closing of the private placement.

Each non-flow-through unit consists of one non-flow-through common share and one non-transferable non-flow-through share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional non-flow-through common share at a price of $0.15 for the first year and $0.20 for the second year following the closing of the private placement.

As compensation for the placing of the units, a finder's fee payable resulted in the issuance of 171,850 finder's units at $0.15 per unit with a fair value of $18,903. Each finder's unit is identical in all respects to the non-flow-through units placed in the private placement. The Company also incurred other issuance costs comprising legal filing and regulatory fees aggregating $21,169.

iii) On October 21, 2010, the Company issued 50,000 common shares with a fair value of $11,500 pursuant to the Eaglehead mineral property agreement.

iv) During the year ended July 31, 2011, the Company issued 66,180 common shares pursuant to the exercise of share purchase warrants for aggregate proceeds of $9,927.

c) Warrants

A summary of changes in share purchase warrants for the years ended July 31, 2012 and 2011 is presented below:

	YEAR ENDED JULY 31, 2012		YEAR ENDED JULY 31, 2011	
	NUMBER	**WEIGHTED AVERAGE EXERCISE PRICE**	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of year	**16,549,670**	**$ 0.28**	-	$ -
Issued	**-**	**-**	16,615,850	0.28
Exercised	**-**	**-**	(66,180)	(0.15)
Balance, end of year	**16,549,670**	**$ 0.28**	16,549,670	$ 0.28

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

c) Warrants (Continued)

As at July 31, 2012, share purchase warrants were outstanding for the purchase of common shares as follows:

NUMBER OF SHARES	EXERCISE PRICE YEAR 2	NUMBER EXERCISABLE AT JULY 31, 2012	EXPIRY DATE
2,705,670	$0.20	2,705,670	October 5, 2012
13,844,000	$0.40	13,844,000	May 30, 2013
16,549,670		16,549,670	

On October 5, 2012, warrants to acquire 2,705,670 common shares expired unexercised.

d) Broker's Options

A summary of changes in broker's options for the years ended July 31, 2012 and 2011 is presented below:

	YEAR ENDED JULY 31, 2012		YEAR ENDED JULY 31, 2011	
	NUMBER	**WEIGHTED AVERAGE EXERCISE PRICE**	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of year	**938,610**	**$ 0.20**	-	$ -
Granted	**-**	**-**	938,610	0.20
Balance, end of year	**938,610**	**$ 0.20**	938,610	$ 0.20

As at July 31, 2012, broker's options were outstanding for the purchase of units comprised of one common share and one share purchase warrant as follows:

NUMBER OF SHARES	EXERCISE PRICE	NUMBER EXERCISABLE AT JULY 31, 2012	EXPIRY DATE
938,610	$0.20	938,610	May 30, 2013

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS

Stock Options

The Company has a fixed stock option plan which follows the policies of the TSX Venture Exchange ("TSX-V") regarding stock option awards granted to directors, officers, employees and consultants. The stock option plan allows a maximum of 20% of the issued shares to be reserved for issuance under the plan.

A summary of changes in stock options for the years ended July 31, 2012 and 2011 is presented below:

	YEAR ENDED JULY 31, 2012		YEAR ENDED JULY 31, 2011	
	NUMBER	**WEIGHTED AVERAGE EXERCISE PRICE**	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of year	**2,071,000**	**$ 0.23**	235,000	$ 1.06
Granted	**50,000**	**0.20**	1,921,000	0.23
Expired/forfeited	**(150,000)**	**(0.26)**	(85,000)	(1.18)
Balance, end of year	**1,971,000**	**$ 0.23**	2,071,000	$ 0.23

As at July 31, 2012, options were outstanding for the purchase of common shares as follows:

NUMBER OF SHARES	**PRICE PER SHARE**	**NUMBER EXERCISABLE AT JULY 31, 2012**	**EXPIRY DATE**	**REMAINING WEIGHTED AVERAGE CONTRACTUAL LIFE (YEARS)**
50,000	$ 0.26	50,000	April 24, 2013	0.91
271,000	$ 0.24	271,000	October 21, 2013	1.48
725,000	$ 0.26	725,000	October 27, 2015	3.50
875,000	$ 0.20	875,000	June 17, 2016	4.12
50,000	$ 0.20	50,000	September 7, 2016	4.35
1,971,000	$ 0.23	1,971,000		2.18

Compensation costs attributable to the granting and vesting of share options are measured at fair value and expensed with a corresponding increase to share-based payment reserve. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in share-based payment reserve is recorded as an increase to share capital. Upon expiry, the amounts recorded for share-based compensation are transferred to the deficit from the share-based payment reserve.

Options Issued to Employees

The fair value measured at the grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, expected forfeitures, the term of the option, the share price at grant date and the expected volatility of the underlying share, the dividend yield and the risk free interest rate of the option.

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS (Continued)

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

As a result of the re-pricing of 150,000 stock options on October 27, 2010, the Company recorded share–based payment expense of $nil (2011 - $7,600). Stock options were re-priced as follows:

- 100,000 from $1.00 to $0.26 expiring August 29, 2011.
- 50,000 from $1.00 to $0.26 expiring April 24, 2013.

During the years ended July 31, 2012 and 2011, the Company recorded $23,000 (2011 - $347,400) in share–based payment expense for options accruing or vesting during the year.

The fair value of each stock option granted to employees is estimated on the date of grant. The fair value of stock options granted to non-employees that vest over time, are re-valued at each vesting period. All stock options are estimated using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	YEARS ENDED JULY 31,	
	2012	2011
Risk free rate	**1.68%**	2.29
Dividend yield	**Nil**	Nil
Expected life	**4.34 Years**	4 Years
Forfeiture rate	**0%**	0%
Expected volatility	**148%**	101%
Weighted average fair value per option grant	**$0.14**	$0.18

11. INCOME TAXES

A reconciliation of income taxes at statutory rates to the Company's effective income tax expense is as follows:

	2012	2011
Statutory tax rate	**26%**	27%
Expected tax recovery based on statutory Canadian combined federal and provincial tax rates	**$ (191,000)**	$ (202,000)
Non-deductible permanent differences	**7,000**	95,000
Effect of change in tax rate	**5,000**	(5,000)
Tax benefits on renunciations of flow-through shares	**-**	(30,000)
Change in estimate	**(5,000)**	-
Unrecognized benefits of tax losses	**184,000**	66,000
Deferred income tax expense (recovery)	**$ -**	$ (76,000)

(Expressed in Canadian Dollars)

11. INCOME TAXES (Continued)

The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	2012	2011
Non-capital losses carried forward	**$ 984,000**	$ 887,000
Equipment	**9,000**	9,000
Investments	**5,000**	-
Share issuance costs deductible in future periods	**40,000**	60,000
Deferred income tax assets	**1,038,000**	956,000
Excess of book value over tax value:		
Resources properties and deferred exploration expenditures	**(789,000)**	(891,000)
Net deferred income tax assets (liabilities)	**249,000**	65,000
Unrecognized deferred tax assets	**(249,000)**	(65,000)
	$ -	$ -

The Company has Canadian non-capital losses carried forward of approximately $3,937,000 (2011 - $3,549,000) that may be available for tax purposes. The potential tax benefits of these losses have not been recognized as realization is not considered more likely than not. The losses expire as follows:

2014	$ 168,000
2015	$ 295,000
2026	$ 511,000
2027	$ 508,000
2028	$ 578,000
2029	$ 515,000
2030	$ 447,000
2031	$ 527,000
2032	$ 388,000

12. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company, and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

At July 31, 2012, included in accounts payable and accrued liabilities is $2,577 (July 31, 2011 - $3,390) owing to two companies controlled by individual directors, $9,184 (July 31, 2011 - $6,840) owing to a company controlled by an officer for services rendered to the Company, and $Nil (July 31, 2011 - $13,227) owing to two directors of the Company for expenses and services rendered. The amounts payable are non-interest bearing, unsecured and have no specific terms of repayment.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (Continued)

During the years ended July 31, 2012 and 2011, the Company also incurred the following expenses charged by key management personnel and companies directly controlled by key management personnel.

	YEARS ENDED JULY 31 **2012**	2011
Balance Sheet Items		
Mineral property acquisition cost	**$ -**	$ 10,000
Deferred exploration expenditures	**57,513**	15,500
Share issue costs	**-**	21,454
	$ 57,513	$ 46,954
Statement of Operations Items		
Consulting fees	**$ -**	$ 15,000
Management fees	**60,000**	35,500
Office administration	**27,000**	30,500
Professional fees	**19,650**	14,450
Promotion and entertainment	**2,800**	-
Rent	**27,000**	24,000
Share based payments	**19,000**	287,700
Shareholder communications	**-**	2,700
	$ 155,450	$ 409,850

Management fees of $nil (2011 - $70,000), and stock based compensation of $nil (2011 – 6,000) were paid or incurred in respect of a former director who resigned during the prior year.

13. CAPITAL DISCLOSURES

The Company was formed for the purpose of acquiring exploration and development stage natural resource properties. The Board of Directors determines the Company's capital structure and makes adjustments to it based on funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The directors have not established a quantitative return on capital criteria for capital management.

The Company holds three mineral properties and generates no revenue. Accordingly, the Company will be dependent in the future upon external financing to fund future exploration programs and its administrative costs. The Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential, provided it has adequate financial resources to do so.

The Board of Directors reviews its capital management approach on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable.

(Expressed in Canadian Dollars)

13. CAPITAL DISCLOSURES (Continued)

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

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

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

Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Financial assets measured at fair value on a recurring basis:

	FAIR VALUE INPUT LEVEL	**YEAR ENDED JULY 31, 2012**		YEAR ENDED JULY 31, 2011	
		CARRYING AMOUNT	**ESTIMATED FAIR VALUE**	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Financial Assets:					
Cash	1	$ 20,365	$ 20,365	$ 970,396	$ 970,396
Short term investment	1	$ 751,165	$ 751,165	$ 1,756,051	$ 1,756,051
Investment	1	$ 4,000	$ 4,000	$ 16,000	$ 16,000

Due to the relatively short term liquidity of reclamation deposits and accounts payable and accrued liabilities, the fair value of these instruments approximate their carrying values.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

a) Credit Risk

The Company's credit risk is primarily attributable to cash, short term investments, reclamation deposits and the investment. Cash, short-term investments and reclamation deposits are held with one reputable Canadian chartered bank which is closely monitored by management. The investment consists of shares of Alexandria Minerals Corp, a publicly listed entity. Management believes that the credit risk concentration with respect to financial instruments included in cash, short-term investments and amounts receivable is minimal.

b) 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 July 31, 2012, the Company held cash and short term investments aggregating $771,530 (July 31, 2011 - $2,726,447) and had current liabilities of $47,728 (July 31, 2011 - $641,625). All of the Company's liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

c) Market Risk

i) Interest Rate Risk

The Company had cash balances and short term investments, and no interest bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks.

ii) Foreign Currency Risk

The Company's functional currency and the reporting currency is the Canadian dollar. Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

The Company does not participate in any hedging activities to mitigate any gains or losses which may arise as a result of exchange rate changes.

As at July 31, 2012, the Company held no financial assets or liabilities which were denominated in currencies other than the Canadian dollar.

iii) Commodity Price Risk

The Company 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. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

15. COMMITMENT

The Company entered into a contract with Primoris Group Inc. (“Primoris”) of Toronto, Ontario to provide media relations services to the company. Under the terms of the one year agreement which commenced March 23, 2012, Primoris will execute a comprehensive communications program to support the company's growth strategy. Compensation for services rendered, include a monthly fee of $7,000, and the issuance of 79,000 options to purchase common shares exercisable for a period of five years from the date of issuance (the "Options"). As of July 31, 2012, the options had not been granted. The agreement is renewable and can be terminated by either party upon delivery of 30 days written notice.

During August 2012, the Company gave written notice and the contract was terminated.

16. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these financial statements are prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended July 31, 2012, the comparative information presented for the year ended July 31, 2011 and in preparation of the opening IFRS statement of financial position as at August 1, 2010.

IFRS 1, “First-time Adoption of International Financial Reporting Standards” (“IFRS 1”), requires the Company to retrospectively apply all the effective IFRS standards as if the reporting date was July 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time adoption.

In preparing the Company’s opening IFRS statement of financial position, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

In preparing these financial statements in accordance with IFRS 1, the Company has applied the following optional exemptions and exceptions from full retrospective application of IFRS:

Elected exemptions from full retrospective application

Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payments to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to August 1, 2010. There is no adjustment required to the August 1, 2010 statement of financial position as there were no unvested options at the time.

16. FIRST TIME ADOPTION OF IFRS (Continued)

Rehabilitation provision

The Company has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. As a result, the Company has re-measured the provisions at August 1, 2010 under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and determined that there is no adjustment required to the August 1, 2010 statement of financial position.

Business combinations

The Company has elected not to retrospectively apply IFRS 3, Business Combinations, to any business combinations that may have occurred prior to August 1, 2010 its transition date.

Consolidated and separate financial statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 'Business Combinations' retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

Property, plant and equipment

IFRS 1 provides a choice between measuring equipment at its fair value at the date of transition and using those amounts as the deemed cost or using the historical cost valuation under previous GAAP. The Company has chosen to continue to apply the cost model and has not restated equipment under IFRS.

Financial Instruments

The Company has elected to designate its cash and short term investments as fair value through profit or loss upon initial recognition in accordance with an investment strategy that management uses to evaluate performance on a fair value basis. This designation had no impact on the results and financial position of the Company as these financial assets were classified as held-for-trading under Canadian GAAP and recorded at fair value.

Mandatory exceptions to retrospective application

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous pre-changeover Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of August 1, 2010 are consistent with its pre-changeover Canadian GAAP estimates for the same date.

IFRS employs a conceptual framework that is similar to pre-changeover Canadian GAAP. However, some differences exist in certain matters of recognition, measurement and disclosure. The adoption of IFRS has resulted in reclassifications in the Company's reported financial position as at August 1, 2010, and July 31, 2011. In order to allow the users of the financial statements to better understand these changes, the Company's pre-changeover Canadian GAAP statements of operations and comprehensive loss for the year ended July 31, 2011 has been reconciled to IFRS, with the resulting differences explained below. However, as there have been no material adjustments to the cash flows, no reconciliations of the statements of cash flows have been prepared.

(Expressed in Canadian Dollars)

16. FIRST TIME ADOPTION OF IFRS (Continued)

The following is a reconciliation of the Company's Statement of Financial Position as at the transition date of August 1, 2010

	August 1, 2010			
	Canadian GAAP	**Effect of Transition**		**IFRS**
ASSETS				
Current				
Cash	$ 36,465	$ -		**$ 36,465**
Short term investments	1,003,062	-		**1,003,062**
Amounts receivable	3,343	-		**3,343**
B.C. Mining Tax Credit receivable	21,040	-		**21,040**
Exploration advances	-	8,334	(i)	**8,334**
Prepaid expenses	403	-		**403**
Total Current Assets	1,064,313	8,334		**1,072,647**
Investment	19,000	-		**19,000**
Reclamation Deposits	110,000	-		**110,000**
Resource Property	5,920,933	(8,334)	(i)	
		(5,912,599)	(i)	**-**
Exploration and Evaluation Assets	-	5,912,599	(i)	**5,912,599**
Total Assets	$ 7,114,246	$ -		**$ 7,114,246**
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 4,284	$ -		**$ 4,284**
Deferred Tax Liabilities	76,000	-		**76,000**
Total Liabilities	80,284	-		**80,284**
SHAREHOLDERS' EQUITY				
Share Capital	8,541,922	1,139,025	(ii)	**9,680,947**
Share-based Payment Reserve	674,144	(522,127)	(iii)	**152,017**
Accumulated Other Comprehensive Loss	(5,500)	-		**(5,500)**
Deficit	(2,176,604)	(1,139,025)	(ii)	
		522,127	(iii)	**(2,793,502)**
Total Shareholders' Equity	7,033,962	-		**7,033,962**
Total Shareholders' Equity and Liabilities	$ 7,114,246	$ -		**$ 7,114,246**

(Expressed in Canadian Dollars)

16. FIRST TIME ADOPTION OF IFRS (Continued)

The following is a reconciliation of the Company's Statement of Financial Position as at July 31, 2011:

	JULY 31, 2011			
	Canadian GAAP	**Effect of Transition**		**IFRS**
ASSETS				
Current				
Cash	$ 970,396	$ -		**$ 970,396**
Short term investments	1,756,051	-		**1,756,051**
Amounts receivable	137,727	-		**137,727**
B.C. Mining Tax Credit receivable	233,237	-		**233,237**
Exploration advances	-	8,334	(i)	**8,334**
Total Current Assets	3,097,411	8,334		**3,105,745**
Property Plant and Equipment	3,760	-		**3,760**
Investment	16,000	-		**16,000**
Reclamation Deposits	110,000	-		**110,000**
Resource Property	6,958,455	(8,334)	(i)	
		(6,950,121)	(i)	**-**
Exploration and Evaluation Assets	-	6,950,121	(i)	**6,950,121**
Total Assets	$ 10,185,626	$ -		**$ 10,185,626**
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 641,625	$ -		**$ 641,625**
Deferred Tax Liabilities	-	-		**-**
Total Liabilities	641,625	-		**641,625**
SHAREHOLDERS' EQUITY				
Share Capital	11,197,484	1,169,358	(ii)	**12,366,842**
Share-based Payment Reserve	1,166,644	(587,417)	(iii)	**579,227**
Accumulated Other Comprehensive Loss	(8,500)	-		**(8,500)**
Deficit	(2,811,627)	(1,169,358)	(ii)	
		587,417	(iii)	**(3,393,568)**
Total Shareholders' Equity	9,544,001	-		**9,544,001**
Total Shareholders' Equity and Liabilities	$ 10,185,626	$ -		**$ 10,185,626**

(Expressed in Canadian Dollars)

16. FIRST TIME ADOPTION OF IFRS (Continued)

The following is a reconciliation of the Company's net loss and comprehensive loss reported in accordance with pre-changeover Canadian GAAP to its net loss and comprehensive loss in accordance with IFRS for the year ended July 31, 2011.

		Year Ended July 31 2011
Net loss as reported under pre-changeover Canadian GAAP	$	(635,023)
IFRS adjustment decrease		
Deferred income taxes recovered		(30,333)
Net loss as reported under IFRS		(665,356)
Unrealized loss on available for sale investment		(3,000)
Comprehensive loss as reported under IFRS	$	(668,356)

Explanation of Reconciling Items

i) Exploration and Evaluation Assets

Under IFRS 6 mineral property acquisition costs and deferred exploration costs are classified as Exploration and Evaluation Assets. Accordingly resource property costs have been reclassified to conform with financial statement presentation under IFRS.

Under pre-changeover Canadian GAAP, certain non-refundable advances made to contractors for exploration expenditures to be incurred on the Company's mineral properties were capitalized. Under IFRS 6 such advances are classified as exploration advances.

Management has determined that non–refundable advances of $8,334 had been made at transition to IFRS and at July 31, 2011. All of these advances related to exploration of the Eaglehead property.

As a result, the resource property costs (reclassified as exploration and evaluation assets under IFRS) will decrease by $8,334 at August 1, 2010 and July 31, 2011 with a corresponding increase to exploration advances at August 1, 2010 and July 31, 2011.

ii) Flow-through shares

Under pre-changeover Canadian GAAP, share capital was reduced by the amount recognized for future tax liabilities related to the renunciation of flow-through share expenditures at the time of renunciation, to the extent the Company has unrecognized tax benefits from loss carry forwards and tax pools in excess of book values the resulting deferred tax liability is offset by the recognition of previously unrecorded tax assets.

16. FIRST TIME ADOPTION OF IFRS (Continued)

Explanation of Reconciling Items (Continued)

ii) Flow-through shares (Continued)

Under IFRS, the sale of flow-through shares results in a liability being recognized for the excess of the purchase price paid by the investors over the fair value of common shares without the flow-through feature (the "premium") and the fair value of the shares is recorded as equity. At the later of the renouncing and the incurrence of the expenditure the Company de-recognizes the liability and premium amount is recognized as a credit to deferred tax in the income statement. Also a future income tax liability is recorded for the amount of the benefits renounced to third parties and an income tax expense is recognized to the extent that the Company has unrecognized tax assets that are not expected to expire, the premiums are recognized in earnings at the time of the renunciation of the tax pools.

Management has determined that upon transition to IFRS, Share capital will increase by $1,139,025 as a result of the reclassification of the aggregate tax effects of renunciations at August 1, 2010 and there is a corresponding increase to accumulated deficit at August 1, 2010. As at July 31, 2011, Share capital will increase by $1,169,358 as a result of the reclassification of the aggregate tax effects of renunciations and there is a corresponding increase to accumulated deficit.

iii) Share-based payments and reserves

Expiration of share-based compensation – Under pre-changeover Canadian GAAP, the Company's policy was to leave the value recorded for expired, unexercised stock options and share purchase warrants in contributed surplus, now termed share-based reserve under IFRS.

The Company has changed its policy regarding expired share-based compensation whereby amounts recorded for expired, unexercised stock options and warrants are transferred to deficit on expiry. The impact of this change was to decrease the share-based reserve and decrease deficit by $522,127 at August 1, 2010 and by $587,417 at July 31, 2011.

Reconciliation of the statement of cash flow

The impact on the statement of cash flows for the year ended July 31, 2011 is to increase the loss from operations by $30,333 and also to reduce the deferred income taxes recovered by the same amount. As both of these restatements occur within cash flows from operating activities there is no material change to the cash flow statement.