BULLDOG EXPLORATIONS LTD.
(formerly SinoGas West Inc.)

FINANCIAL STATEMENTS

Years Ended May 31, 2012 and 2011

BULLDOG EXPLORATIONS LTD.
May 31, 2012
Contents

THOMPSON PENNER & LO LLP
CERTIFIED GENERAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bulldog Explorations Ltd.:

Report on the financial statements

We have audited the accompanying financial statements of Bulldog Explorations Ltd., which comprise the statements of financial position as at May 31, 2012 and 2011, and June 1, 2010, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended May 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for 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 Bulldog Explorations Ltd. as at May 31, 2012 and 2011, and June 1, 2010, and its financial performance and its cash flows for the years ended May 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 2 (b) to the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern.

...Continued

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

We draw attention to Note 2 (a) to the financial statements which describes that Bulldog Explorations Ltd. adopted International Financial Reporting Standards on June 1, 2011 with a transition date of June 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at May 31, 2011, and June 1, 2010 and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended May 31, 2012 and 2011 and related disclosures.

Thompson Penner & Lo LLP

Certified General Accountants

September 26, 2012
Calgary, Alberta, Canada

BULLDOG EXPLORATIONS LTD.
STATEMENT OF FINANCIAL POSITION
As at

	May 31, 2012	May 31, 2011	June 1, 2010
ASSETS			
Current assets			
Cash and cash equivalents	**$ 773,153**	$ 710,471	$ 744,101
Other receivables	**37,757**	884	1,587
Prepaids and deposits	**93,431**	-	-
Deferred charges *(Note 5)*	**-**	-	12,304
	904,341	711,355	757,992
Exploration and evaluation assets *(Note 6)*	**18,555**	-	-
Total assets	**$ 922,896**	$ 711,355	$ 757,992
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**$ 47,089**	$ 9,257	$ 7,819
Deferred income tax liability *(Note 8)*	**87,500**	-	-
Total liabilities	**134,589**	9,257	7,819
SHAREHOLDERS' EQUITY			
Share capital *(Note 9)*	**962,286**	746,105	746,105
Contributed surplus *(Note 9)*	**73,559**	62,150	62,150
Warrants *(Note 9)*	**36,119**	-	-
Deficit	**(283,657)**	(106,157)	(58,082)
Total shareholders' equity	**788,307**	702,098	750,173
Total liabilities and shareholders' equity	**$ 922,896**	$ 711,355	$ 757,992

Commitments and Contingencies, and Subsequent Events (Notes 11 and 12)

Approved by the Board:

signed "Bedo Kalpakian" Director

signed "Christopher Kape" Director

BULLDOG EXPLORATIONS LTD.
STATEMENT OF COMPREHENSIVE LOSS
For the years ended May 31, 2012 and 2011

	2012	2011
Revenue	**$ -**	$ -
Expenses		
Professional fees	**144,093**	48,497
Stock-based compensation	**54,345**	-
Rent	**9,115**	-
Office	**5,348**	64
Management fees	**5,000**	-
Travel	**1,550**	-
Insurance	**900**	-
Interest and bank charges	**764**	315
Loss from operations	**221,115**	48,876
Other income		
Interest income	**679**	801
Loss before income tax	**220,436**	48,075
Income taxes		
Current income tax *(Note 8)*	**-**	-
Deferred income tax *(Note 8)*	**-**	-
Loss and comprehensive loss	**$ 220,436**	$ 48,075
Basic and diluted loss per common share	**$ 0.0166**	$ 0.0039
Weighted average number of common shares outstanding, basic and diluted	**13,240,000**	12,200,000

BULLDOG EXPLORATIONS LTD.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended May 31, 2012 and 2011

	Number of shares	Share capital stated value	Contributed surplus	Warrants	Deficit	Total equity
Balances at June 1, 2010	12,200,000	$ 746,105	$ 62,150	$ -	$ (58,082)	$ 750,173
Shares issued	-	-	-	-	-	-
Warrants issued	-	-	-	-	-	-
Stock options issued	-	-	-	-	-	-
Loss and comprehensive loss	-	-	-	-	(48,075)	(48,075)
Balances at May 31, 2011	12,200,000	746,105	62,150	-	(106,157)	702,098
Shares issued	**7,800,000**	**216,181**	**-**	**-**	**-**	**216,181**
Warrants issued	**-**	**-**	**-**	**36,119**	**-**	**36,119**
Stock options issued	**-**	**-**	**54,345**	**-**	**-**	**54,345**
Stock options expired (Agent's)	**-**	**-**	**(42,936)**	**-**	**42,936**	-
Loss and comprehensive loss	**-**	**-**	**-**	**-**	**(220,436)**	**(220,436)**
Balances at May 31, 2012	**20,000,000**	**$ 962,286**	**$ 73,559**	**$ 36,119**	**$ (283,657)**	**$ 788,307**

BULLDOG EXPLORATIONS LTD.
STATEMENT OF CASH FLOWS
For the years ended May 31, 2012 and 2011

	2012	2011
Cash and cash equivalents provided by (used in):		
Cash flows from (used in) operating activities		
Loss and comprehensive loss	**$ (220,436)**	$ (48,075)
Stock-based compensation	**54,345**	-
Changes in non-cash operating working capital:		
Other receivables	**(36,873)**	703
Prepaids and deposits	**(93,431)**	-
Accounts payable and accrued liabilities	**37,832**	1,438
	(258,563)	(45,934)
Cash flows from (used in) financing activities		
Deferred charges	**-**	12,304
Share issuance *(Note 9)*	**380,000**	-
Share issuance costs	**(50,200)**	-
	329,800	12,304
Cash flows from (used in) investing activities		
Purchase of exploration and evaluation assets *(Note 6)*	**(8,555)**	-
INCREASE (DECREASE) IN CASH	**62,682**	(33,630)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**710,471**	744,101
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$ 773,153**	$ 710,471

1. GENERAL BUSINESS DESCRIPTION

Bulldog Explorations Ltd. (the "Corporation"), formerly SinoGas West Inc., was incorporated on December 21, 2007, under the provisions of the Business Corporations Act of the Province of Alberta, Canada. On December 22, 2009, the Corporation completed its initial public offering of common shares and on January 11, 2010 commenced trading as a Capital Pool Corporation as defined in the TSX Venture Exchange (the "Exchange") Listings Policy 2.4 ("CPC Policy"). The registered office of the Corporation is Suite 1000, 1177 West Hastings Street, Vancouver, British Columbia. The Corporation's registrar and transfer agent is Computershare Investor Services Inc. located at 510 Burrard Street, Vancouver, British Columbia, Canada, V6C 3B9.

On April 24, 2012 the Corporation completed its qualifying transaction by entering into an option agreement to acquire a 60% interest in certain mineral properties in Saskatchewan as described in Note 6. As a result, the Corporation is no longer considered a Capital Pool Corporation. It is now classified as a Tier 2 mining issuer as defined in the Exchange Policy 2.1. The principal business of the Corporation is exploration and development of prospective mineral properties.

2. STATEMENT OF COMPLIANCE

(a) Statement of compliance

The Corporation's financial statements for the years ended May 31, 2012 and 2011 are the first annual financial statements that comply with International Financial Reporting Standards ("IFRS").

The Corporation's transition date to IFRS was June 1, 2010 ("Transition Date"). The Corporation prepared its opening IFRS statement of financial position at that date. The IFRS adoption date is June 1, 2011 ("Changeover date or Adoption date").

The financial statements have been prepared in compliance with IFRS. Subject to certain transition elections and exceptions disclosed in Note 10, the Corporation has consistently applied the accounting policies used in preparation of its opening IFRS statement of financial position at June 1, 2010 throughout the 2011 and 2012 years presented, as if these policies had always been in effect. Note 10 discloses the impact of the transition to IFRS on the Corporation's reported financial position, loss and comprehensive loss and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation's financial statements for the year ended May 31, 2011 prepared under Canadian GAAP.

The Board of Directors approved the financial statements on September 26, 2012.

2. STATEMENT OF COMPLIANCE

(b) Basis of presentation

The financial statements are prepared on the going concern basis, using historical cost, except for certain financial assets and financial liabilities, which are measured at fair value. The operations of the Corporation are currently being financed from funds which the Corporation raised from past private placements of its shares. The Corporation has not yet earned operational revenue as it is still in the exploration phase of its business. The Corporation is therefore reliant on the continuing support from its existing and future shareholders until operational revenues are earned sufficient to cover expenses and repay liabilities. Because the timing of such future revenues cannot be predicted, it is uncertain whether the company can continue as a going concern.

The Board believes that the Corporation will have sufficient cash and other resources to fund its activities and to continue its operations for the foreseeable future and for the Corporation to continue to meet its liabilities as they fall due, and for at least the next twelve months from the date of approval of these financial statements. The financial statements have, therefore, been prepared on the going concern basis.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity:

Stock based compensation

The amounts recorded relating to the fair value of stock options and warrants issued are based on estimates of the future volatility of the Corporation's share price, estimated market price of the Corporation's shares at grant date, expected lives of the options, expected dividends and other relevant assumptions. Consequently the actual value of stock based compensation expense and value of warrants may vary from the amount estimated.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash consists of cash held in bank. The carrying amounts approximate the fair value because at the date of purchase they have maturities of less than ninety days.

(b) Loss per share

The Corporation uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. This calculation proved to be anti-dilutive for the periods presented.

(c) Comprehensive income

Comprehensive income is the change in shareholders' equity, during a period, from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Corporation reports a statement of income and comprehensive income and accumulated other comprehensive income is added to the statement of shareholders' equity for any unrealized gains and losses on financial assets classified as available for sale.

(d) Stock-based compensation

The Company accounts for stock-based compensation granted to directors, officers and employees using the Black-Scholes option-pricing model to determine the fair value of the plan at grant date. An estimated forfeiture rate is incorporated into the fair value calculated and adjusted to reflect the actual number of options that vest. Stock-based compensation is recorded and reflected as stock-based compensation expense over the vesting period with a corresponding amount reflected in contributed surplus. At exercise, the associated amounts previously recorded as contributed surplus are reclassified to common share capital.

(e) Income taxes

The Corporation follows the asset and liability method for determining income taxes. Under this method, deferred income tax assets and liabilities are recognized for temporary differences between the carrying amounts for financial statement purposes and the tax basis for certain assets and liabilities. Deferred income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be settled.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Income taxes *(Continued)*

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Corporation does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

(f) Flow-through shares

The Corporation will from time to time issue flow-through shares to finance portions of its capital expenditure program. Pursuant to terms of the flow-through share agreement, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, the proceeds of the issuance of flow through shares are allocated between the offering of the shares and the sale of the tax benefits. The allocation is based on the difference between the quoted price of the existing shares and the amount the subscriber pays for the flow through shares. A liability is recognized for this difference. The liability is reversed when the tax benefits are renounced and a deferred tax liability is recognized with income tax expense being recognized as the difference between the amount of the deferred tax liability and the liability recognized on issuance.

(g) Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the acquisition date fair value of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as exploration and evaluation (“E&E”) assets. Costs incurred before the Corporation has obtained the legal rights to explore an area are recognized in profit or loss.

Acquisition costs, including general and administrative costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Where the Corporation’s exploration commitments for a mineral or oil and gas property are performed under option agreements with a third party, the proceeds of option payments under such agreements are applied to the mineral property to the extent costs are incurred. The excess, if any, is recorded to the statement of loss. Provincial government mining credits are applied against the related mineral properties.

E&E assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Exploration and evaluation assets *(Continued)*

Industry specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure on further E&E activities is neither budgeted nor planned;
- Title to the asset is compromised
- Adverse changes in the taxation and regulatory environment and;
- Adverse changes in variation in commodity prices and markets.

Once the technical feasibility and commercial viability of the extraction of mineral resources and oil and gas properties in an area of interest are demonstrable, E&E assets attributable to that area of interest are first tested for impairment and then reclassified to mining or oil and gas property and development assets within property and equipment. To date, none of the Corporation's mineral or oil and gas properties has demonstrated technical feasibility and commercial viability.

Recoverability of the carrying amount of any E&E assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(h) Financial Instruments

(i) Classification and measurement

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through the statement of income", "loans and receivables", "available-for-sale", "held-to-maturity", or "financial liabilities measured at amortized cost" as defined by IAS 39, "Financial Instruments: Recognition and Measurement".

Financial assets and financial liabilities at "fair value through profit and loss" are either classified as "held for trading" or "designated at fair value through profit and loss" and are measured at fair value with changes in fair value recognized in the income statement. Transaction costs are expensed when incurred. The Corporation has designated cash as "held for trading".

Financial assets and financial liabilities classified as "loans and receivables", "held-to-maturity", or "financial liabilities measured at amortized cost" are measured at amortized cost using the effective interest method of amortization. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held-to-maturity" financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity. "Financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through profit and loss" and that are not derivatives. The corporation has designated accounts payable and accrued liabilities as "financial liabilities measured at amortized cost".

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial Instruments

(i) Classification and measurement

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

(ii) Derivative financial instruments

The Corporation may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. The Corporation's policy is not to utilize derivative financial instruments for speculative purposes. All financial derivative contracts are classified as "fair value through the statement of income".

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit and loss. Changes in the fair value of separable embedded derivatives are recognized immediately in the income statement. The Corporation has not identified any embedded derivatives.

(iii) Equity instruments

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(iv) Impairment

The Corporation assesses at each balance sheet date whether there is objective evidence that financial assets, other than those designated as "fair value through the statement of income" are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of loss. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of loss in the period. Impairment losses may be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Recent accounting pronouncements

IFRS 9 Financial instruments

The IASB intends to replace IAS 39, "Financial Instruments: Recognition and Measurements" ("IAS 39") with IFRS 9, "Financial Instruments" ("IFRS 9"). IFRS 9 will be published in nine phases, of which the first phase has been published.

For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. This replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. For financial liabilities, the approach to the fair value option may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013. There will be no significant impact to the Corporation upon implementation of the standard.

Fair value measurements

In May 2012, the IASB issued IFRS 13, "Fair Value Measurement" which provides a consistent and less complex definition of fair value and establishes a single source of guidance for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. Prospective application of this standard is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation is currently assessing the impact of this standard.

Reporting entity

In May 2011, The IASB issued IFRS 10, “Consolidated Financial Statements”, IFRS 11, “Joint Arrangements”, IFRS 12, “Disclosures of Interest in Other Entities” and amendments to both IAS 27, “Consolidated and Separate Financial Statements” and IAS 28 “Investments in Associates”.

IFRS 10 creates a single consolidation model by revising the definition of control in order to apply the same control criteria to all types of entities, including joint arrangements, associates and special purpose vehicles. IFRS 11 establishes a principle-based approach to the accounting for joint arrangement by focusing on the rights and obligations of the arrangement and limits the application of proportionate consolidation to arrangements that meet the definition of a joint operation. IFRS 12 is a comprehensive disclosure standard for all forms of interests in other entities, including joint arrangements, associates and special purpose vehicles.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Recent accounting pronouncements

Retrospective application of these standards with relief for certain transactions is effective for fiscal years beginning on or after January 1, 2013, with earlier adoption permitted if all of the standards are collectively adopted. The Corporation is currently assessing the impact of these standards.

Presentation of items other than comprehensive income

In June 2012, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" requiring corporations to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. Retrospective application of this amendment is effective for fiscal years beginning on or after July 1, 2012, with earlier adoption permitted. There will be no significant impact to the Corporation upon implementation of the amended standard.

IAS 12 income taxes

In December 2010, an amendment to IAS 12 was issued to provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2012, with early adoption permitted. The Corporation does not anticipate a significant impact from this amendment on its financial statements.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Risk management overview

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these condensed interim financial statements. The Corporation employs risk management strategies and polices to ensure that any exposure to risk are in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor these risks.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

(b) Fair value of financial statements

The fair values of cash and accounts payable and accrued liabilities approximate their carrying value due to the short-term maturity of these instruments.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and insignificant to the overall fair value measurement.

Cash is measured at fair value based on a Level 1 designation.

(c) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The financial instrument that potentially subjects the Corporation to a significant concentration of credit risk consists of cash. The Corporation mitigates its exposure to credit loss by placing its cash in a major financial institution.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meets its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due.

The Corporation believes that its cash position will be adequate to settle all financial liabilities due within the next twelve months.

(e) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Corporation's net earnings or the value of financial instruments and are largely outside the control of the Corporation. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. As at May 31, 2012, the Corporation is not exposed to any market risk as it has no forward exchange contracts in place nor any working capital items denominated in foreign currencies, no interest rate swaps or financial instruments bearing interest or operations with exposure to fluctuations in commodity prices.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

(f) Capital management

The Corporation's policy for managing capital is to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources available to fund the identification and evaluation of potential mining interests. To secure the additional capital necessary to pursue these plans, the Corporation may adjust spending, raise additional funds through the issuance of equity or by securing strategic partners. The Corporation's officers are responsible for managing the Corporation's capital and the Corporation's Board of Directors is responsible for overseeing this process.

The Corporation 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 Corporation may adjust spending, issue new shares or incur debt. The Corporation's ability to raise additional equity or debt financing is impacted by external conditions including the global economic downturn.

The Corporation expects its current capital resources will be sufficient to carry its exploration plans and operations for the upcoming year.

The Corporation’s policy is to maintain a strong capital base for the objectives of maintaining financial flexibility and sustaining for future development of the Corporation. The Corporation monitors its working capital and expected capital spending and issues share capital to manage its development plans. The Corporation’s working capital is made up of cash, accounts receivable and deferred costs less accounts payable and accrued liabilities. The Corporation considers its capital structure to include shareholders’ equity and working capital.

There were no changes in the Corporation's approach to capital management for the year ending May 31, 2012.

5. DEFERRED CHARGES

Deferred charges include costs incurred with respect to identifing and evaluating potential acquisition opportunities for the purpose of completing the major transaction as required under the TSX Venture Exchange policy. If the potential transaction is abandoned, the costs will be expensed in full at the date of abandonment.

Direct costs incurred in respect to the initial public offering (the "Offering") including professional agency and listing fees have been charged against share capital upon successful completion of the Offering on December 22, 2009.

On November 15, 2010, the Corporation terminated the previously signed letter of intent with ARA Safety Inc. dated April 15, 2010 as certain conditions set forth in the letter of intent were not met. Therefore, all the related deferred charges were expensed in 2011.

6. EXPLORATION AND EVALUATION ASSETS

a) Option to Acquire Eagle Lake Property, Saskatchewan

The following transaction constitutes the Corporation's "Qualifying Transaction" as described in Note 1:

Pursuant to the Property Option Agreement dated January 19, 2012 between Eagle Plains Resources Ltd. ("Eagle Plains") and the Corporation, Eagle Plains has given the Corporation the option to acquire a sixty percent (60%) interest in the Eagle Lake Property. In order to exercise the option and acquire the sixty percent (60%) interest in the Eagle Lake Property, the Corporation is required to issue an aggregate of one million Common Shares to Eagle Plains, make staged cash payments to Eagle Plains totaling $300,000 and incur exploration expenditures on the Eagle Lake Property totaling $3-million, as follows:

(1) 200,000 Common Shares within five (5) business days from the date of the Final Exchange Bulletin (issued) (Final Exchange approval obtained on April 24, 2012);

(2) an additional 200,000 Common Shares, $25,000 cash and $350,000 in exploration expenditures on or before the first anniversary of the Final Exchange Bulletin;

(3) an additional 200,000 Common Shares, an additional $50,000 cash and an additional $400,000 in exploration expenditures on or before the second anniversary of the Final Exchange Bulletin;

(4) an additional 200,000 Common Shares, an additional $75,000 cash and an additional $750,000 in exploration expenditures on or before the third anniversary of the Final Exchange Bulletin; and

(5) an additional 200,000 Common Shares, an additional $150,000 cash and an additional $1.5-million in exploration expenditures on or before the fourth anniversary of the Final Exchange Bulletin.

6. EXPLORATION AND EVALUATION ASSETS *(Continued)*

If the Corporation exercises the option and acquires a sixty percent (60%) interest in the Eagle Lake Property, the parties will enter into a joint venture for further exploration and development of the Eagle Lake Property. Eagle Plains' interest in the Eagle Lake Property is subject to a 1% net smelter returns royalty granted to Donald Sawyer pursuant to the letter agreement dated November 30, 2006 between Eagle Plains and Donald Sawyer, which can be repurchased by Eagle Plains in consideration for $1-million.

The Corporation paid Eagle Plains $4,678 on execution of the letter of intent in respect to the preparation of the Technical Report on the Eagle Lake Property which was used for the Qualifying Transaction.

A finder's fee of up to $67,500 is payable in respect of the Qualifying Transaction of which $34,500 has been paid to date to a related party as disclosed in Note 7. The amount has been reported as part of share issuance costs (Note 9(a)(iii)) in connection with the shares issued as part of this Transaction.

b) Cumulative costs

At the balance sheet date, exploration and evaluation assets consisted of the following:

Exclusive option agreement acquired for shares (Note 9(a)(iii))	$ 10,000
Subsequent expenditures:	
Technical reports	8,555
	$ 18,555

7. RELATED PARTY TRANSACTIONS

The Corporation shares office space and certain expenses with Las Vegas From Home.com Entertainment Inc. ("Las Vegas"), High 5 Ventures Inc. (formerly Kokomo Enterprises Inc.) ("High 5") and Big Mojo Capital Inc. ("Big Mojo"), entities controlled by key management personnel. Effective May 1, 2012, rent for the office premises is paid by the Corporation. As of May 1, 2012, Las Vegas, High 5 and Big Mojo are charged by the Corporation for their proportionate share of office rent. However, Las Vegas charges the Corporation, High 5 and Big Mojo for office support services provided by Las Vegas.

7. RELATED PARTY TRANSACTIONS *(Continued)*

The amounts due to (from) related parties are unsecured, and are payable on demand and which consist of the following:

	May 31, 2012	May 31, 2011
Receivable from Las Vegas	**$ 10,080**	$ -
Receivable from High 5	**560**	-
Receivable from Big Mojo	**560**	-
Payable to Carscallen LLP	**(905)**	-
Payable to Las Vegas	**(5,600)**	-
Receivable from /(Payable to) related parties	**$ 4,695**	$ -

Related party transactions during the period:

(i) management fees paid to two companies owned by two directors in the amount of $5,000 (May 31, 2011 - $nil);
(ii) consulting fees paid to a company owned by a director in the amount of $2,500 (May 31, 2011 - $nil);
(iii) Paid to/from the Corporation:

The Corporation charged Las Vegas for:
(a) rent of $9,000 (May 31, 2011 - $nil);

The Corporation charged High 5 for:
(b) rent of $500 (May 31, 2011 - $nil); and

The Corporation charged Big Mojo for:
(c) rent of $500 (May 31, 2011 - $nil);

Las Vegas charged the Corporation for:
(d) office support services of $5,000 (May 31, 2011 - $nil).

(iv) a finder's fee of up to $67,500 is payable in respect to the Eagle Lake Property of which $34,500 has been paid to date to Kalpakian Bros. of B.C. Ltd., a company which is owned by two directors of the Corporation (see also Note 11(b)).
(v) Included in professional fees is an amount related to legal fees of $44,393 (May 31, 2011 - $14,636) paid to Carscallen LLP, a law firm in which a former director of the Corporation is a partner.

These transactions are in the normal course of business and measured at the exchange amounts.

8. INCOME TAXES

The provision for income taxes differs from the amount computed by applying the combined federal and provincial rates to the loss before taxes. The difference results from the following:

Rate reconciliation

	May 31, 2012	May 31, 2011
Tax expense at statutory rate (25%)	**$ (55,109)**	$ (12,019)
Effect of permanent differences	**13,586**	-
	(41,523)	(12,019)
Change in valuation allowance	**41,523**	12,019
Income tax provision	**$ -**	$ -

The Corporation's net future income tax asset (liability) is comprised of the following:

Deferred income tax asset

	May 31, 2012	May 31, 2011
Share issuance costs	**$ 50,863**	$ 66.940
Non-capital loss carry-forward	**97,584**	39,984
	148,447	106,924
Valuation allowance	**(148,447)**	(106,924)
Future income tax asset	**$ -**	$ -

Deferred income tax liability

	May 31, 2012	May 31, 2011
Flow through share premium	**$ 87,500**	$ -

Loss carry-forward

2028	**$ 9,454**
2029	**11,220**
2030	**37,408**
2031	**101,854**
2032	**230,399**
	$ 390,335

9. SHARE CAPITAL, CONTRIBUTED SURPLUS AND WARRANTS

(a) Share capital

Authorized

Unlimited number of common shares without nominal or par value
Unlimited number of Class “B” Non-Voting Common Shares without nominal or par value
Unlimited number of preferred shares without nominal or par value

Issued and outstanding

	Number of shares		Amount
Balance at June 1, 2010 and May 31, 2011	12,200,000	$	746,105
Private placement on January 9, 2012 (i)	600,000		30,000
Private placement on April 20, 2012 (ii)	7,000,000		350,000
Flow through share premium	-		(87,500)
Value assigned to warrants	-		(33,675)
Qualifying transaction on April 24, 2012 (iii)	200,000		10,000
Share issuance costs	-		(52,644)
Balance at May 31, 2012	20,000,000	$	962,286

(i) On January 9, 2012, the Corporation completed a private placement of 600,000 common shares at a price of $0.05 for total proceeds of $30,000.

(ii) On April 20, 2012, the Corporation completed a private placement of 7,000,000 flow-through units ("FT Unit") at a price of $0.05 for total proceeds of $350,000. Each FT Unit consist of one flow-through common share and one half of one common share purchase warrant, with each full warrant entitling the holder to acquire one non-flow-through share at a price of $0.10 per share for the first year and $0.15 per share for the second year.

(iii) In order for the Corporation to earn a 60% interest in the Eagle Lake Property, the Corporation must, over a period of four years, make staged cash payments to Eagle Plains totaling $300,000, carry out $3-million in aggregate exploration expenditures on the Eagle Lake Property, and must issue to Eagle Plains an aggregate of 1,000,000 common shares of the Corporation. As at May 31, 2012, the Corporation issued 200,000 common shares at a deemed price of $0.05 per share. These costs have been recognized and recorded as exploration and evaluation assets.

9. SHARE CAPITAL, CONTRIBUTED SURPLUS AND WARRANTS *(Continued)*

(b) Stock option plan

On April 24, 2012 the Corporation granted options for acquiring 1,690,000 common shares at the price of $0.10 per share to the directors, officers and consultants. These options may be exercised during a period of five years from the date of grant. These options vested immediately.

Options granted and exercised for the year ended May 31, 2012 are as follows:

	May 31, 2012		May 31, 2011	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	**1,100,000**	**0.10**	1,100,000	0.10
Granted	**1,690,000**	**0.10**	-	-
Exercised	**-**	**-**	-	-
Expired (Agent's)	**(810,000)**	**(0.10)**	-	-
Outstanding, end of year	**1,980,000**	**0.10**	1,100,000	0.10

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants:

Stock Options issued April 24, 2012	
Risk-free interest rate	0.78%
Estimated hold period prior to exercise	5 years
Expected volatility in the price of the common shares	100%
Dividend yield	Nil

The following table summarizes the stock options outstanding:

As at May 31, 2012

Number of options outstanding	**Options exercisable**	**Exercise price**	**Remaining contractual life**
1,690,000	**1,690,000**	**0.10**	**5.00 years**
290,000	**290,000**	**0.10**	**0.17 years**
1,980,000	**1,980,000**		

The exercisable options had a weighted average exercise price of $0.10 at May 31, 2012 ($0.10 as at May 31, 2011).

9. SHARE CAPITAL, CONTRIBUTED SURPLUS AND WARRANTS *(Continued)*

(b) Stock option plan

IFRS 2 "Share-based Payments" differs significantly from Canadian GAAP. IFRS requires an estimate of the forfeiture rate at each reporting period. Fair value is adjusted to account for any change in estimates. Historically, under Canadian GAAP, the Corporation did not estimate forfeiture rates. The method of expensing options is significantly different under IFRS 2 compared to Canadian GAAP. The Corporation's Canadian GAAP allowed a straight lining of the expenses related to stock options that vest in tranches ("graded vesting"), however, IFRS 2 requires the Corporation to use an accelerated expensing methodology. For example, in year one, a full year of expense is recognized as well as a portion of each year's subsequent expense. In addition, under IFRS each tranche has its own fair value as at the grant date.

(c) Contributed Surplus

	May 31, 2012		May 31, 2011	
	Number of options	**Amount**	Number of options	Amount
Beginning of the year	**1,100,000**	**$ 62,150**	1,100,000	$ 62,150
Stock options granted	**1,690,000**	**54,345**	-	-
Stock options exercised	**-**	**-**	-	-
Stock options expired (Agent's)	**(810,000)**	**(42,936)**	-	-
End of the year	**1,980,000**	**$ 73,559**	1,100,000	$ 62,150

(d) Warrants

In connection with the private placement on April 20, 2012, 3,500,000 warrants were issued to participants and 254,000 warrants were issued as agent's warrants. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 until April 20, 2013 and thereafter at an exercise price of $0.15 until April 20, 2014. The fair value of these warrants was estimated using the Black-Scholes option model with the following assumptions: expected dividend yield – 0%, expected volatility – 100%, risk - free interest rate of 0.78% and an expected life of one year. The value assigned to the warrants was $33,675 for participants and $2,444 for agent's warrants.

	May 31, 2012		May 31, 2011	
	Number	**Amount**	Number	Amount
Balance, beginning of year	**-**	**$ -**	-	$ -
Issued pursuant to private placement on April 20, 2012	**3,500,000**	**33,675**	-	-
Agent's Warrants	**254,000**	**2,444**	-	-
Balance, end of year	**3,754,000**	**$ 36,119**	-	$ -

10. TRANSITION TO IFRS

The Corporation does not have any material differences between IFRS and Canadian GAAP. As such there are no reconciling items that would materially change the reporting requirements when changing from Canadian GAAP to IFRS.

IFRS 1 allows for first time adopters to IFRS to take advantage of a number of voluntary exemptions from the general principal of retrospective restatement. The Corporation has taken the following exemptions:

IFRS 2 Share based payments

The Corporation has elected to not apply IFRS 2 to share based payments granted and fully vested before the Corporation's date of transition to IFRS. The Corporation has assessed and quantified the difference in accounting for stock based compensation under IFRS compared to Canadian GAAP and has deemed the difference to be immaterial.

11. COMMITMENTS AND CONTINGENCIES

(a) Pursuant to the Property Option Agreement between Eagle Plains Resources Ltd. ("Eagle Plains") and the Corporation (Note 6), the Corporation is required to issue an aggregate of one million Common Shares to Eagle Plains, make staged cash payments to Eagle Plains totaling $300,000 and incur exploration expenditures on the Eagle Lake Property totaling $3-million as follows:

- **(i)** 200,000 Common Shares within five (5) business days from the date of the Final Exchange Bulletin (issued) (Note 6);
- **(ii)** an additional 200,000 Common Shares, $25,000 cash and $350,000 in exploration expenditures on or before the first anniversary of the Final Exchange Bulletin;
- **(iii)** an additional 200,000 Common Shares, an additional $50,000 cash and an additional $400,000 in exploration expenditures on or before the second anniversary of the Final Exchange Bulletin;
- **(iv)** an additional 200,000 Common Shares, an additional $75,000 cash and an additional $750,000 in exploration expenditures on or before the third anniversary of the Final Exchange Bulletin; and
- **(v)** an additional 200,000 Common Shares, an additional $150,000 cash and an additional $1,500,000 in exploration expenditures on or before the fourth anniversary of the Final Exchange Bulletin.

(b) A finder's fee of up to $67,500 is payable in respect to the Eagle Lake Property of which $34,500 has been paid to date as described in Notes 6 and 7. The final amount of the finder's fee is dependent on the Corporation meeting its obligations covered by the exclusive option for the Eagle Lake Property.

(c) The Corporation leases premises from Golden Properties Ltd. which expires on April 30, 2013. Under the lease, the Corporation is required to pay a base rent of $12,407 per month plus its proportionate share of operating costs for the leased premises plus HST.

11. COMMITMENTS AND CONTINGENCIES *(Continued)*

(d) The Corporation has entered into sub-lease agreements with Las Vegas, High 5, and Big Mojo which expire on April 30, 2013. Under the sublease agreements, the Corporation collects a monthly base rent of $9,000 plus HST from Las Vegas, $500 plus HST from High 5, and $500 plus HST from Big Mojo.

(e) The Corporation has entered into an agreement to sub-lease premises to Viral Network Inc. on a month-to-month basis for a monthly base rent of $3,000 plus HST. The agreement expires on April 30, 2013.

(f) The Corporation has entered into a Consulting Services agreement with BHK Management Inc., a company which is owned by a director of the Corporation, to receive consultancy services at a monthly rate of $2,500 plus HST. The agreement expires on May 10, 2013 and is renewable on a yearly basis.

(g) The Corporation has entered into Management Services agreements with 30 Rock Management Inc. and JAMCO Capital Partners Inc., which are owned by two directors of the Corporation, to receive management services at a monthly rate of $2,500 plus HST payable to each company. The agreements expire on June 30, 2013 and are renewable on a yearly basis.

(h) The Corporation has entered into an agreement for Office Support Services with Las Vegas. Under the agreement, the Corporation is entitled to receive office support services from Las Vegas at a monthly rate of $5,000 plus HST. The agreement expires on April 30, 2012.

12. SUBSEQUENT EVENTS

(a) Pursuant to the Property Option Agreement between Eagle Plains and the Corporation (Notes 6 and 11 (a)), on May 8, 2012 the Corporation entered into a geological contracting agreement (the "Geological Contract") with TerraLogic Exploration Inc. to perform exploration and development work on the Eagle Lake project with an estimated total project cost of $318,000 plus 10% contingency (before HST). The Geological Contract is in effect until project completion and can be terminated by the Corporation upon giving 30 days written notice. Pursuant to the Geological Contract, the Corporation has subsequently made payments of $305,487 (including HST) to TerraLogic Exploration Inc.

(b) During the months of July and August 2012, a total of 290,000 stock options previously granted to former directors and officers have expired unexercised.