



**(An Exploration Stage Company)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)**

**(Expressed in Canadian dollars)**

**Three Months Ended August 31, 2012 and 2011**

**Corporate Head Office**

Suite 2300 – 1177 West Hastings Street  
Vancouver, British Columbia  
V6E 2K3  
Tel: 604-638-3246

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**CORVUS GOLD INC.**

(An Exploration Stage Company)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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**August 31, 2012 and 2011**

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**CORVUS GOLD INC.**

(An Exploration Stage Company)

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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	<b>August 31, 2012</b>	<b>May 31, 2012</b>
	(unaudited)	(audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	\$ 5,646,217	\$ 6,800,377
Accounts receivable	201,740	32,581
Prepaid expenses	81,742	115,018
	5,929,699	6,947,976
<b>Property and equipment</b> (note 4)	33,955	38,375
<b>Reclamation bond</b> (note 5)	173,636	-
<b>Exploration and evaluation assets</b> (note 6)	20,037,259	18,701,812
	\$ 26,174,549	\$ 25,688,163
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8)	\$ 979,526	\$ 516,817
<b>Shareholders' equity</b>		
Share capital (note 7)	35,617,904	33,278,504
Contributed surplus	7,820,046	8,591,140
Accumulated other comprehensive income (loss) – cumulative translation differences	(899,266)	32,084
Deficit	(17,343,661)	(16,730,382)
	25,195,023	25,171,346
	\$ 26,174,549	\$ 25,688,163

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**Nature and continuance of operations** (note 1)**Subsequent events** (note 13)**Approved on behalf of the Directors:**“Jeffrey Pontius” Director“Anton Drescher” Director

**CORVUS GOLD INC.**

(An Exploration Stage Company)

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

THREE MONTHS ENDED AUGUST 31,

	<b>2012</b>	<b>2011</b>
<b>Expenses</b>		
Administration (note 8)	\$ 880	\$ 2,023
Charitable donations	5,138	6,861
Consulting fees (notes 7 and 8)	58,476	178,418
Depreciation	2,820	3,559
Insurance	13,191	14,710
Investor relations (note 7)	110,130	62,304
Office and miscellaneous	42,344	21,911
Professional fees (notes 7 and 8)	66,693	74,070
Property investigation expenditures (recovery)	(111)	(2,497)
Regulatory	11,889	1,393
Rent (note 8)	17,523	8,382
Travel	55,220	11,276
Wages and benefits (notes 7 and 8)	254,949	95,029
<b>Loss before other items</b>	<b>(639,142)</b>	<b>(477,439)</b>
<b>Other items</b>		
Interest income	14,268	8
Foreign exchange gain (loss)	11,595	(7,745)
	25,863	(7,737)
<b>Net loss for the period</b>	<b>(613,279)</b>	<b>(485,176)</b>
<b>Other comprehensive income (loss)</b>		
Exchange difference on translating foreign operations	(931,350)	139,798
<b>Comprehensive loss for the period</b>	<b>\$ (1,544,629)</b>	<b>\$ (345,378)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>	<b>50,077,400</b>	<b>41,660,261</b>

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

**CORVUS GOLD INC.**

(An Exploration Stage Company)

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

THREE MONTHS ENDED AUGUST 31,

	<b>2012</b>	<b>2011</b>
<b>Operating activities</b>		
Net loss for the period	\$ (613,279)	\$ (485,176)
Add items not affecting cash:		
Depreciation	2,820	3,559
Share-based payment charges (note 7)	64,333	142,450
(Gain) loss on foreign exchange	(11,595)	7,745
Changes in non-cash items:		
Accounts receivable	(152,886)	(4,413)
Accrued interest	(12,637)	-
Prepaid expenses	33,683	(45,644)
Accounts payable and accrued liabilities	(32,002)	(23,686)
<b>Cash used in operating activities</b>	<b>(721,563)</b>	<b>(405,165)</b>
<b>Financing activities</b>		
Cash received from issuance of shares	1,502,100	-
<b>Cash provided by financing activities</b>	<b>1,502,100</b>	<b>-</b>
<b>Investing activities</b>		
Expenditures on property and equipment	-	(6,047)
Increase in reclamation deposit	(173,636)	-
Expenditures on exploration and evaluation assets	(1,781,583)	(779,659)
Recovery on exploration and evaluation assets	-	61,554
<b>Cash used in investing activities</b>	<b>(1,955,219)</b>	<b>(724,152)</b>
<b>Effect of foreign exchange on cash</b>	<b>20,522</b>	<b>(6,214)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,154,160)</b>	<b>(1,135,531)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>6,800,377</b>	<b>7,355,406</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 5,646,217</b>	<b>\$ 6,219,875</b>

Supplemental cash flow information (note 11)

**CORVUS GOLD INC.**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Number of shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income – Cumulative Translation Differences	Deficit	Total
<b>Balance, May 31, 2011</b>	<b>41,660,261</b>	<b>\$ 27,751,004</b>	<b>\$ 8,262,735</b>	<b>\$ (1,001,823)</b>	<b>\$ (14,198,995)</b>	<b>\$ 20,812,921</b>
Net loss for the period	-	-	-	-	(485,176)	(485,176)
Other comprehensive income						
Exchange difference on translating foreign operations	-	-	-	139,798	-	139,798
Share-based payment charges	-	-	154,321	-	-	154,321
<b>Balance, August 31, 2011</b>	<b>41,660,261</b>	<b>27,751,004</b>	<b>8,417,056</b>	<b>(862,025)</b>	<b>(14,684,171)</b>	<b>20,621,864</b>
Net loss for the period	-	-	-	-	(2,046,211)	(2,046,211)
Other comprehensive income						
Exchange difference on translating foreign operations	-	-	-	894,109	-	894,109
Shares issued for cash						
Private placement	8,250,000	5,527,500	-	-	-	5,527,500
Share-based payment charges	-	-	174,084	-	-	174,084
<b>Balance, May 31, 2012</b>	<b>49,910,261</b>	<b>33,278,504</b>	<b>8,591,140</b>	<b>32,084</b>	<b>(16,730,382)</b>	<b>25,171,346</b>
Net loss for the period	-	-	-	-	(613,279)	(613,279)
Other comprehensive income						
Exchange difference on translating foreign operations	-	-	-	(931,350)	-	(931,350)
Shares issued for cash						
Exercise of stock options	2,000,000	1,502,100	-	-	-	1,502,100
Reclassification of contributed surplus on exercise of stock options	-	837,300	(837,300)	-	-	-
Share-based payment charges	-	-	66,206	-	-	66,206
<b>Balance, August 31, 2012</b>	<b>51,910,261</b>	<b>\$ 35,617,904</b>	<b>\$ 7,820,046</b>	<b>\$ (899,266)</b>	<b>\$ (17,343,661)</b>	<b>\$ 25,195,023</b>

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

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**CORVUS GOLD INC.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Expressed in Canadian dollars)

THREE MONTHS ENDED AUGUST 31, 2012 AND 2011

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated on April 13, 2010 under the BCBCA.

The Company is an exploration stage entity engaged in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At August 31, 2012, the Company was in the exploration stage and had interests in properties in Alaska and Nevada, U.S.A and Quebec, Canada.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral property interests. The recoverability of amounts shown for exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets. The carrying value of the Company's exploration and evaluation assets does not reflect current or future values.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and/or obtaining additional financing. The Company has sustained losses from operations, and has an ongoing requirement for capital investment to explore its exploration and evaluation assets. Based on its current plans, budgeted expenditures, and cash requirements, the Company does not have sufficient cash to finance its current plans for at least 12 months from the date of approval of the August 31, 2012 condensed interim consolidated financial statements. The Company expects that it will need to raise substantial additional capital to accomplish its business plan over the next several years. The Company expects to seek additional financing through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available.

These condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of presentation**Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "*Interim Financial Reporting*". The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended May 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale or fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****Approval of consolidated financial statements**

The condensed interim consolidated financial statement of Corvus for the three months ended August 31, 2012 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on October 11, 2012.

**New accounting policies not yet adopted**

The following standards and interpretations have been issued but are not yet effective and have not been early adopted by the Company and the Company has yet to assess the full impact:

**IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard will be effective for the Company for the year ended May 31, 2016.

**IFRS 10 Consolidated Financial Statements**

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard will be effective for the Company for the year ended May 31, 2014.

**IFRS 11 Joint Arrangements**

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The standard will be effective for the Company for the year ended May 31, 2014.

**IFRS 12 Disclosures of Interests in Other Entities**

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard will be effective for the Company for the year ended May 31, 2014.

**IFRS 13 Fair Value Measurement**

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The standard will be effective for the Company for the year ended May 31, 2014.

**IAS 27 Separate Financial Statements**

IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. The standard will be effective for the Company for the year ended May 31, 2014.



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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****New accounting policies not yet adopted (cont'd)**IAS 28 Investments in Associates and Joint Ventures

IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13. The standard will be effective for the Company for the year ended May 31, 2014.

IAS 1 Presentation of Financial Statements

IAS 1 amendment requires components of other comprehensive income (OCI) to be separately presented between those that may be reclassified to income and those that will not. The amendments are effective for annual periods beginning on or after July 1, 2012. The standard will be effective for the Company for the year ended May 31, 2014.

IAS 32 Financial Instruments: Presentation

IAS 32 amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after July 1, 2012. The standard will be effective for the Company for the year ended May 31, 2014.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The standard will be effective for the Company for the year ended May 31, 2014.

**3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS***Fair Value of Financial Instruments*

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The fair values of amounts due to related parties included in accounts payable and accrued liabilities have not been disclosed as their fair values cannot be reliably measured since the parties are not at arm's length.

*Fair Value Hierarchy*

Financial instruments recorded at fair value on the Consolidated Statements of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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THREE MONTHS ENDED AUGUST 31, 2012 AND 2011

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**3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)**

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The following table presents the financial instruments recorded at fair value in the Consolidated Statements of Financial Position, classified using the fair value hierarchy described above:

<b>August 31, 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 5,646,217	\$ -	\$ -

  

<b>May 31, 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 6,800,377	\$ -	\$ -

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

**a) Credit risk**

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto in Canada is as follows:

	<b>August 31, 2012</b>	<b>May 31, 2012</b>
Cash and cash equivalents	\$ 5,646,217	\$ 6,800,377

At August 31, 2012, the Company held a total of \$4,000,000 (May 31, 2012 - \$5,000,000) cash equivalents which consist of Guaranteed Investment Certificates ("GICs"):

	<b>Quantity</b>	<b>Maturity Date</b>	<b>Annual Yield</b>
BMO Variable Rate GIC	\$ 4,000,000	May 22, 2013	1.25%
	\$ 4,000,000		

The Company's cash and cash equivalents at August 31, 2012 consists of \$5,587,953 in Canada and \$58,264 in the United States. Concentration of credit risk exists with respect to the Company's Canadian cash and cash equivalents as all amounts are held at two major Canadian financial institutions. Credit risk with regard to cash held in the United States is mitigated as the amount held in the United States is only sufficient to cover short-term requirements. With respect to receivables at August 31, 2012, the Company is not exposed to significant credit risk as the majority are from governmental agencies and interest accruals.

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**3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)****b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At August 31, 2012, the Company had cash and cash equivalents balance of \$5,646,217, which will be sufficient to meet its obligations related to its accounts payable and accrued liabilities of \$979,526.

All non-derivative financial liabilities are made up of accounts payable and accrued liabilities and are due within three months of the period end as shown below. The Company does not have any derivative financial liabilities.

Liabilities as at August 31, 2012 were as follows:

	<b>0 to 3 months</b>	<b>3 to 6 months</b>	<b>6 to 12 months</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 979,526	\$ -	\$ -	\$ 979,526

Liabilities as at May 31, 2012 were as follows:

	<b>0 to 3 months</b>	<b>3 to 6 months</b>	<b>6 to 12 months</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 516,817	\$ -	\$ -	\$ 516,817

**c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

**(i) Interest rate risk**

The Company is not subject to material interest rate risk.

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**3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)****(c) Market risk (cont'd)****(ii) Foreign currency risk**

The Company is exposed to foreign currency risk to the extent that certain monetary financial instruments and other assets are denominated in United States dollars. The Company has not entered into any foreign currency contracts to mitigate this risk, as it believes this risk is minimized by the minimal amount of cash held in United States funds, nor entered into any hedging arrangements with respect to mineral exploration and evaluation expenditure commitments denominated in United States dollars. The Company's sensitivity analysis suggests that a consistent 3% change in the absolute rate of exchange for the United States dollars, the foreign currency for which the Company has net monetary assets employed, would affect net assets by approximately \$25,000, foreign exchange gain (loss) by approximately \$3,000 and accumulated other comprehensive income by \$22,000. As at August 31, 2012, the Company had the following financial instruments in USD:

	<b>CAD equivalent</b>		<b>USD</b>	
Cash	\$	281,374	\$	285,456
Accounts receivable	\$	168,448	\$	170,892
Accounts payable and accrued liabilities	\$	754,195	\$	765,136

As at August 31, 2012, USD amounts were converted at a rate of USD 1.00 to CAD 0.9857.

**(iii) Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk or commodity price risk. The Company has no financial instruments exposed to such risk.

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**4. PROPERTY AND EQUIPMENT**

	<b>Computer Equipment</b>	<b>Vehicles</b>	<b>Total</b>
<b>Cost</b>			
<b>Balance, May 31, 2012</b>	\$ 23,820	\$ 38,001	\$ 61,821
Additions	-	-	-
Currency translation adjustments	(986)	(1,736)	(2,722)
<b>Balance, August 31, 2012</b>	\$ 22,834	\$ 36,265	\$ 59,099
<b>Depreciation</b>			
<b>Balance at May 31, 2012</b>	\$ 8,056	\$ 15,390	\$ 23,446
Depreciation of the period	1,160	1,660	2,820
Currency translation adjustments	(378)	(744)	(1,122)
<b>Balance at August 31, 2012</b>	\$ 8,838	\$ 16,306	\$ 25,144
<b>Carrying amounts</b>			
<b>At May 31, 2012</b>	\$ 15,764	\$ 22,611	\$ 38,375
<b>At August 31, 2012</b>	\$ 13,996	\$ 19,959	\$ 33,955

**5. RECLAMATION BOND**

As at August 31, 2012 the Company has not commenced development of any exploration and evaluation assets and accordingly a reasonable estimate of the timing of the cash flows cannot be made. The Company has posted non-interest bearing bonds totalling \$173,636 (USD 176,155) with the Nevada Division of Minerals in the State of Nevada as security for these obligations. Fair value cannot be reasonably determined and accordingly the bonds have been recorded at historical cost, adjusted for current exchange rates.

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**6. EXPLORATION AND EVALUATION ASSETS**

Accumulated costs in respect of mineral tenures and mineral rights owned, leased or under option, consist of the following:

	West Pogo (note 6(b))	Chisna (note 6(a))	North Bullfrog (notes 6(e))	LMS (note 6(c))	Terra (note 6(d))	Gerfaut (note 6(f))	Total
<b>Balance, May 31, 2012</b>	\$ 603,848	\$ 1,900,581	\$ 9,775,562	\$ 2,600,181	\$ 3,802,518	\$ 19,122	\$ <b>18,701,812</b>
Acquisition costs:							
Cash payments	-	-	-	-	-	-	-
Common shares issued	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Deferred exploration costs:							
Advance to contractors	-	-	148,718	-	-	60,900	<b>209,618</b>
Administration	-	-	-	-	-	-	-
Aircraft services	-	4,521	-	-	9,801	-	<b>14,322</b>
Assay	-	-	220,789	-	-	701	<b>221,490</b>
Drilling	-	-	573,551	2,041	-	-	<b>575,592</b>
Equipment rental	-	25	63,347	-	-	-	<b>63,372</b>
Field costs	30	1,108	63,773	139	1,127	2,257	<b>68,434</b>
Geological/Geophysical	-	2,320	156,354	-	7,471	37,577	<b>203,722</b>
Land maintenance & tenure	5,528	-	120,835	6,617	121	-	<b>133,101</b>
Permits	-	-	30,364	-	-	-	<b>30,364</b>
Professional fees	-	-	-	-	3,744	-	<b>3,744</b>
Studies	-	-	696,747	-	-	-	<b>696,747</b>
Transportation	-	-	-	408	-	-	<b>408</b>
Travel	-	-	29,197	-	-	11,289	<b>40,486</b>
	5,558	7,974	2,103,675	9,205	22,264	112,724	<b>2,261,400</b>
Total expenditures for the period	5,558	7,974	2,103,675	9,205	22,264	112,724	<b>2,261,400</b>
Cost Recovery	-	-	-	-	-	-	-
Currency translation adjustments	(27,819)	(86,914)	(517,874)	(119,176)	(174,170)	-	<b>(925,953)</b>
<b>Balance, August 31, 2012</b>	\$ <b>581,587</b>	\$ <b>1,821,641</b>	\$ <b>11,361,363</b>	\$ <b>2,490,210</b>	\$ <b>3,650,612</b>	\$ <b>131,846</b>	\$ <b>20,037,259</b>

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)**

On August 25, 2010, International Tower Hill Mines Ltd. (“ITH”) completed a Plan of Arrangement (the “Arrangement”) whereby its existing Alaska mineral properties (other than the Livengood project) and related assets and the North Bullfrog mineral property and related assets in Nevada were indirectly spun out into Corvus. As a consequence of the completion of the Arrangement, Corvus now holds the Terra, Chisna, LMS, West Pogo and North Bullfrog properties (“Spin-out Properties”).

Pursuant to the Arrangement, the obligations and interests in the Spin-out Properties under the various property and related agreements have been transferred from ITH to the Company.

**a) Chisna Property, Alaska**

The Chisna property is located in the eastern Alaska Range, Alaska, and is comprised of unpatented mineral claims owned 100% by the Company and fee simple lands leased from Ahtna Incorporated.

On November 2, 2009, ITH and Talon Gold Alaska, Inc. (ITH’s wholly-owned Alaskan subsidiary) (“Talon Gold”) entered into an agreement (as amended) with Ocean Park Ventures Corp. (“OPV”). Pursuant to the agreement, an Alaskan subsidiary of OPV (“Subco”) and Raven Gold formed a joint venture (the “OPV/Raven JV”) for the purpose of exploring and developing the Chisna property.

The initial interests of Subco and Raven Gold in the OPV/Raven JV are 51% and 49% respectively. Raven Gold’s initial contribution to the OPV/Raven JV will be its interest in the Chisna Project. Subco’s contribution to the OPV/Raven JV will be funding for the OPV/Raven JV totalling USD 20,000,000 over five years; of which USD 5,000,000 must be provided during the first year. The first year amount is reduced to USD 2,000,000 if, at any time during such year, the London PM gold fix price and the LME closing copper price are each below USD 700/oz and USD 1.70/lb, respectively, for a period of ten consecutive trading days. If Subco fails to fund any portion of the initial USD 5,000,000 (or USD 2,000,000 as applicable) in the first year, Raven Gold will be entitled to terminate the OPV/Raven JV and OPV and Subco will be jointly indebted to Raven Gold for the difference between USD 5,000,000 (or USD 2,000,000 as applicable) and the amount actually funded. Subco has funded the required USD 5,000,000.

Raven Gold was the operator of the OPV/Raven JV during the first year. In year two, Subco is the operator and in years three and thereafter, Subco will be entitled to continue to be the operator of the OPV/Raven JV and to maintain operatorship until and unless it ceases to hold a majority interest in the OPV/Raven JV. Any work program proposed by the operator will be subject to approval by the five member OPV/Raven JV management committee. After Subco has completed its USD 20,000,000 initial contribution, the OPV/Raven JV participant with the greatest interest in the OPV/Raven JV will be entitled to nominate three members of the management committee.

If Subco funds the entire required USD 20,000,000 within five year period, it will have the option to acquire a further 19% interest in the OPV/Raven JV by producing a positive bankable feasibility study in respect of the Chisna Project within five years after electing to exercise such option, and by funding any additional exploration required to produce such a study. The feasibility study must support a mining operation at a minimum level of 300,000 ounces per year of gold equivalent production. If Subco does not fund the entire required USD 20,000,000 within five year period, then Subco will be deemed to have withdrawn from the OPV/Raven JV and will thereafter have no residual interest in the Chisna property.

In consideration for ITH providing the resources for Raven Gold to enter into the OPV/Raven JV, OPV is required to issue 200,000 common shares to ITH following satisfaction of the conditions precedent to the formation of the OPV/Raven JV (received on March 15, 2010) and an additional 200,000 shares each anniversary thereafter (ITH received 200,000 shares on March 15, 2011 and 200,000 shares on March 20, 2012), to a total of 1,000,000 shares, provided the OPV/Raven JV is in good standing.

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****a) Chisna Property, Alaska (cont'd)**

The formation of the OPV/Raven JV, and the rights of OPV/Subco under the OPV/Raven JV Agreement, were subject to a pre-emptive right in favour of AngloGold under the AngloGold Agreement, which was waived by AngloGold on November 17, 2009. Consequently, Subco and Raven Gold proceeded with the OPV/Raven JV, and will be bound by the existing Indemnity and Pre-emptive Rights Agreement among AngloGold, ITH and Talon Gold, as provided for in the AngloGold Agreement. The principal effect of that agreement on the OPV/Raven JV will be indemnity provisions relating to the Chisna Project, and AngloGold will have no further pre-emptive right in respect of the Chisna Project.

The formation of the OPV/Raven JV was accepted for filing by the TSXV on behalf of OPV on March 15, 2010 and ITH received the initial 200,000 common shares of OPV required under the November 2, 2009 OPV/Raven JV Agreement. As Operator, Raven Gold was entitled to earn an operator's fee. For the three months ended August 31, 2012, OPV became the Operator therefore Raven Gold earned a total of \$nil (2011 - \$nil) in operator fee income.

On March 24, 2010, Raven Gold entered into a Mineral Exploration Agreement with Option to Lease with Ahtna Incorporated ("Ahtna"), an Alaska Native Regional Corporation, concerning approximately 26,516 hectares of fee simple lands in the Athell Area of Alaska surrounding or adjacent to some of the blocks of mineral claims owned by Raven Gold (the "Ahtna Agreement"). Pursuant to the agreement, Ahtna has consented to the transfer of Raven Gold's rights to the OPV/Raven JV. Further consent will be required if Raven Gold ceases to be the operator under the OPV/Raven JV. The Ahtna lands are included in the Chisna Project and are subject to the OPV/Raven JV. All costs of the Ahtna Agreement are for the account of OPV while it is making its initial contribution, and will be for the account of the OPV/Raven JV once OPV has completed its initial contribution.

The key terms of the Ahtna Agreement include the following:

- exclusive right to explore, and the option to enter into a mining lease to develop and mine, the subject lands for a six-year period
- annual option payments of USD 1.00 – USD 1.25 per acre
- minimum exploration expenditures of USD 4.00 – USD 8.00 per acre, provided that if the agreement is not terminated at the end of any option year, the exploration expenditures for the next year become a firm commitment
- at the end of the third year, Raven Gold will release at least 50% of the original lands subject to the agreement
- preferential contracting, hiring and training practice for Ahtna shareholders or designees
- scholarship contributions to the Ahtna Heritage Foundation (USD 10,000/year, subject to increase for inflation)
- all surface work subject to Ahtna archaeological and cultural clearance



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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****a) Chisna Property, Alaska (cont'd)**

Upon Raven Gold having expended an aggregate of USD 1,000,000 (including 2,500 feet of core drilling) and having completed a feasibility study over some or all of the land subject to the exploration agreement within the six year term of the Ahtna Agreement, Raven Gold has the option to enter into a mining lease. The key terms of the mining lease include:

- exclusive mining rights for an initial term of ten years and so long thereafter as commercial production continues
- minimum exploration expenditures of USD 4.00 – USD 9.00 per acre subject to the lease until commercial production is achieved, escalating over time
- advance minimum royalty payments of USD 6.00 – USD 12.00 per acre escalating over time (50% deductible from production royalties)
- NSR production royalties for gold and silver scaled from 2.5% (gold price USD 550 per ounce or less) to 14% (gold price USD 1,900 per ounce or higher). 2.5% on base metals and 3% on all minerals other than gold, silver or base metals
- in the event Raven Gold acquires rights to minerals within the area subject to the lease, the acquired minerals lands are subject to a production royalty in favour of Ahtna of 2% of the gross value of any gold and silver and a NSR of 1% on base metals
- Ahtna is also entitled to receive an amount by which 20% of the net profits realized by Raven Gold from its mining operations on Ahtna minerals (10% in the case of non-Ahtna minerals) in any year exceed the aggregate royalties paid by Raven Gold to Ahtna in that year
- Ahtna has the right to acquire a working interest in the lands subject to the lease, which is to be greater than or equal to 10% but not more than 15%, upon Raven Gold having made a production decision, and in consideration, Ahtna will be required to fund ongoing operations after such exercise in an amount equal to 200% of Ahtna's percentage share of the pre-production expenditures incurred by Raven Gold (not including advance minimum royalty payments to Ahtna). Should Ahtna exercise such option, it would become a participant in the OPV/Raven JV.

**b) West Pogo Property, Alaska**

The West Pogo property is located approximately 50 kilometres north of Delta Junction, Alaska, and consists of unpatented mineral claims owned 100% by the Company.

On March 24, 2010, ITH entered into a binding letter of intent with First Star Resources Inc. ("First Star") in connection with the West Pogo Property (the "WP LOI"). Under the terms of the WP LOI, a US subsidiary of First Star ("First Star US") has the ability to earn an initial 55% interest, and a second option to earn a further 45%, for a total of 100% interest. On December 2, 2011, full ownership of the West Pogo Property was returned to the Company by agreement with First Star as a consequence of First Star US not completing the required expenditures.

On March 5, 2012, Raven Gold granted to Alix Resources Corp. ("Alix") the right to earn an interest in the West Pogo Property. In order to earn a 60% interest in the project, Alix is required to incur USD 5,000,000 in work expenditures on the project (with year one being USD 250,000) and pay annual payments of USD 25,000 (paid USD 25,000 on March 19, 2012) to Raven Gold, all over 5 years. Raven Gold will retain a 2 – 3% NSR royalty on the project, with Alix having the right to purchase 1% of the royalty for USD 1,000,000. Alix has the right to purchase Raven Gold's interest in the project by converting each 10% of interest into an additional 1% NSR.

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****c) LMS Property, Alaska**

The LMS property consists of unpatented mineral claims owned 100% by the Company.

On March 24, 2010, ITH entered into a binding letter of intent (the “LMS LOI”) with First Star, in connection with the LMS Property. Under the terms of the LMS LOI, First Star US has the ability to earn an initial 55% interest, and a second option to earn a further 45%, for a total 100% interest. On December 2, 2011, full ownership of the LMS Property was returned to the Company by agreement with First Star as a consequence of First Star US not completing the required expenditures.

**d) Terra Property, Alaska**

The Terra Property consists of State of Alaska unpatented lode mining claims held by the Company and State of Alaska unpatented lode mining claims leased from an individual. The lease requires a payment on execution of USD 25,000 (paid), and advance minimum royalties of USD 25,000 on or before March 22, 2006 (paid), USD 50,000 on or before March 22, 2007 (paid), USD 75,000 on or before March 22, 2008 (paid), USD 100,000 on or before March 22, 2009 (paid) and each subsequent March 22 until March 22, 2015 (paid USD 100,000 on each of February 2, 2010, March 21, 2011 and March 22, 2012), and thereafter USD 125,000 until the expiry of the lease (all of which are recoverable from production royalties). The lessor is entitled to receive a NSR production royalty on gold equal to 3.0% if the gold price is USD 450 per ounce or lower and 4% if the gold price is USD 450 per ounce or higher, plus a NSR royalty of 4% on all other mineral products other than gold. 1% of the royalty may be purchased for USD 1,000,000 and a further 1% for USD 3,000,000.

On February 26, 2010, ITH signed a letter of intent (“LOI”) to enter into a joint venture with American Mining Corporation (“AMC”), a private Nevada corporation, on the Terra Property. Pursuant to the LOI, an Alaskan subsidiary of AMC and Raven Gold were to form a joint venture with the aim of developing the Terra Property to production. On May 17, 2010, AMC assigned the Terra Project LOI to Terra Mining Corporation (“TMC”), a company incorporated under the laws of British Columbia. On September 15, 2010, Raven Gold and Terra Gold Corporation (a US subsidiary of TMC) (“TGC”) entered into the formal joint venture agreement (as amended) to give effect to the joint venture (“Terra JV”). On March 1, 2011, TMC was acquired by, and became a wholly owned subsidiary of, WestMountain Index Advisor, Inc. a public company based in Denver, Colorado (“WestMountain”).

Effective September 15, 2010, TGC will have an initial 51% interest in the Terra Property, subject to TGC funding an aggregate of USD 6,000,000 in direct exploration and development expenditures on or before December 31, 2013 with initial USD 1,000,000 being required prior to December 31, 2011. As part of the funding, TGC will pay Raven Gold an aggregate of USD 200,000 as payment for the camp and equipment previously constructed by ITH and acquired by Raven Gold (USD 33,000 received February 16, 2012 and USD 67,000 received March 5, 2012).

TGC is required to pay to ITH, the former holder of the Terra Property, an aggregate of USD 300,000 (USD 150,000 received by ITH) in stages to December 31, 2012. TGC/TMC are required to deliver to ITH an aggregate of 750,000 common shares of TMC (now 750,000 WestMountain common shares) prior to December 31, 2012, with the initial 250,000 common shares due on or before September 15, 2011 (received by ITH) and an additional 250,000 on or before December 31, 2011 (received by ITH).

TGC has granted Raven Gold a sliding scale NSR royalty between 0.5% and 5% on all precious metal production for the Terra Property and a 1% NSR royalty on all base metal production.

If TGC fails to fund any portion of the initial first year commitment and eventual three year commitment, or if the required payments and shares are not delivered to ITH, Raven Gold will be entitled to terminate the agreement and retain 100% of the property.

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****d) Terra Property, Alaska (cont'd)**

After it has completed its initial USD 6,000,000 contribution, TGC will have the option to increase its interest in the project by 29% (to a total of 80%) by funding an additional USD 3,050,000 of development work. To exercise such option, TGC/TMC will be required to pay ITH an additional USD 150,000 and deliver an additional 250,000 common shares of TMC.

Following TGC having completed its initial contribution (if it does not elect to acquire an additional 29% interest) or having earned an 80% interest (if it does), each party will be required to contribute its pro rata share of further expenditures. Should the interest of Raven Gold be diluted below 10% as a consequence of it not funding its proportionate share of the joint venture expenditures, the residual interest of Raven Gold interest will be converted to an additional property wide 1% NSR royalty on all metals produced.

**e) North Bullfrog Project, Nevada**

The Company's North Bullfrog project consists of certain leased patented lode mining claims and an additional 161 federal unpatented mining claims owned 100% by the Company.

**(i) Interests acquired from Redstar Gold Corp.**

On October 9, 2009, a US subsidiary of ITH at the time (Corvus Nevada) completed the acquisition of all of the interests of Redstar Gold Corp. ("Redstar") and Redstar Gold U.S.A. Inc. ("Redstar US") in the North Bullfrog project, which consisted of the following leases:

- (1) Pursuant to a mining lease and option to purchase agreement made effective October 27, 2008 between Redstar and an arm's length limited liability company, Redstar has leased (and has the option to purchase) 12 patented mining claims referred to as the "Connection" property. The ten-year, renewable mining lease requires advance minimum royalty payments (recoupable from production royalties, but not applicable to the purchase price if the option to purchase is exercised) of USD 10,800 (paid) on signing and annual payments for the first three anniversaries of USD 10,800 and USD 16,200 for every year thereafter (USD 10,800 paid on each of September 30, 2009, 2010 and 2011 and USD 16,000 paid on September 30, 2012). Redstar has an option to purchase the property (subject to the NSR royalty below) for USD 1,000,000 at any time during the life of the lease. Production is subject to a 4% NSR royalty, which may be purchased by the lessee for USD 1,250,000 per 1% (USD 5,000,000 for the entire royalty).
- (2) Pursuant to a mining lease made and entered into as of May 8, 2006 between Redstar and two arm's length individuals, Redstar has leased 3 patented mining claims which form part of the North Bullfrog project holdings. The lease is for an initial term of 10 years, and for so long thereafter as mining activities continue on the claims or contiguous claims held by the lessee. The lessee is required to pay advance minimum royalty payments (recoupable from production royalties) of USD 4,000 on execution, USD 3,500 on each of May 8, 2007, 2008 and 2009 (paid), USD 4,500 on May 8, 2010 and each anniversary thereafter, adjusted for inflation (paid to May 8, 2012). The lessor is entitled to receive a 2% NSR royalty on all production, which may be purchased by the lessee for USD 1,000,000 per 1% (USD 2,000,000 for the entire royalty).
- (3) Pursuant to a mining lease made and entered into as of May 8, 2006 between Redstar and an arm's length private Nevada corporation, Redstar has leased 2 patented mining claims which form part of the North Bullfrog project holdings. The lease is for an initial term of 10 years, and for so long thereafter as mining activities continue on the claims or contiguous claims held by the lessee. The lessee is required to pay advance minimum royalty payments

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****d) North Bullfrog Project, Nevada (cont'd)****(i) Interests acquired from Redstar Gold Corp. (cont'd)**

(recoupable from production royalties) of USD 2,000 on execution, USD 2,000 on each of May 8, 2007, 2008 and 2009 (paid), USD 3,000 on May 8, 2010 and each anniversary thereafter, adjusted for inflation (paid to May 8, 2012). The lessor is entitled to receive a 3% NSR royalty on all production, which may be purchased by the lessee for USD 850,000 per 1% (USD 2,550,000 for the entire royalty).

(4) Pursuant to a mining lease made and entered into as of May 16, 2006 between Redstar and an arm's length individual, Redstar has leased 12 patented mineral claims which form part of the North Bullfrog project holdings. The lease is for an initial term of 10 years, and for so long thereafter as mining activities continue on the claims or contiguous claims held by the lessee. The lessee is required to pay advance minimum royalty payments (recoupable from production royalties) of USD 20,500 on execution and USD 20,000 on each anniversary thereafter (paid to May 16, 2012). The lessor is entitled to receive a 4% NSR royalty on all production, which may be purchased by the lessee for USD 1,000,000 per 1% (USD 4,000,000 for the entire royalty).

(5) Pursuant to a mining lease made and entered into as of May 22, 2006 between Redstar and two arm's length individuals, Redstar has leased 3 patented mineral claims which form part of the North Bullfrog project holdings. The lease is for an initial term of 10 years, and for so long thereafter as mining activities continue on the claims or contiguous claims held by the lessee. The lessee is required to pay advance minimum royalty payments (recoupable from production royalties) of USD 8,000 on execution, USD 4,800 on each of May 22, 2007, 2008 and 2009 (paid), USD 7,200 on May 22, 2010 and each anniversary thereafter, adjusted for inflation (paid to May 22, 2012). The lessor is entitled to receive a 2% NSR royalty on all production, which may be purchased by the lessee for USD 1,000,000 per 1% (USD 2,000,000 for the entire royalty).

(6) Pursuant to a mining lease made and entered into as of June 16, 2006 between Redstar and an arm's length individual, Redstar has leased one patented mineral claims which form part of the North Bullfrog project holdings. The lease is for an initial term of 10 years, and for so long thereafter as mining activities continue on the claims or contiguous claims held by the lessee. The lessee is required to pay advance minimum royalty payments (recoupable from production royalties) of USD 2,000 on execution, USD 2,000 on each of June 16, 2007, 2008 and 2009 (paid), USD 3,000 on June 16, 2010 and each anniversary thereafter, adjusted for inflation (paid to May 6, 2012). The lessor is entitled to receive a 2% NSR royalty on all production, which may be purchased by the lessee for USD 1,000,000 per 1% (USD 2,000,000 for the entire royalty).

As a consequence of the acquisition of Redstar and Redstar US's interest in the foregoing leases, Corvus Nevada is now the lessee under all of such leases. The Company acquired all of the shares of Corvus Nevada on August 26, 2010 upon the completion of the Arrangement.

**(ii) Interests acquired directly by Corvus Nevada**

(1) Pursuant to a mining lease and option to purchase agreement made effective December 1, 2007 between Corvus Nevada and a group of arm's length limited partnerships, Corvus Nevada has leased (and has the option to purchase) patented mining claims referred to as the "Mayflower" claims which form part of the North Bullfrog project. The terms of the lease/option are as follows:

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****d) North Bullfrog Project, Nevada (cont'd)****(ii) Interests acquired directly by Corvus Nevada (cont'd)**

- ⊠ *Terms:* Initial term of five years, commencing December 1, 2007, with the option to extend the lease for an additional five years. The lease will continue for as long thereafter as the property is in commercial production or, alternatively, for an additional three years if Corvus Nevada makes advance minimum royalty payments of USD 100,000 per year (which are recoupable against actual production royalties).
  - ⊠ *Lease Payments:* USD 5,000 (paid) and 25,000 common shares of ITH (delivered) following regulatory acceptance of the transaction; and an additional USD 5,000 and 20,000 common shares on each of the first through fifth lease anniversaries (USD 5,000 paid on each of December 10, 2008, October 14, 2009, November 10, 2010 and September 28, 2011 and 20,000 common shares of ITH delivered on each of September 8, 2008, November 25, 2009 and November 28, 2011). Pursuant to an agreement with the lessors, in lieu of the 20,000 ITH shares due December 1, 2010, Corvus Nevada paid USD 108,750 on November 10, 2010 and delivered 46,250 common shares of the Company on December 2, 2010. If Corvus Nevada elects to extend the lease for a second five-year term, it will pay USD 10,000 and deliver 50,000 common shares of ITH upon election being made, and an additional 50,000 common shares of ITH on each of the sixth through tenth anniversaries.
  - ⊠ *Work Commitments:* USD 100,000 per year for the first three years (incurred), USD 200,000 per year for the years 4 – 6 and USD 300,000 for the years 7 – 10. Excess expenditures in any year may be carried forward. If Corvus Nevada does not incur the required expenditures in year one, the deficiency is required to be paid to the lessors.
  - ⊠ *Retained Royalty:* Corvus Nevada will pay the lessors a NSR royalty of 2% if the average gold price is USD 400 per ounce or less, 3% if the average gold price is between USD 401 and USD 500 per ounce and 4% if the average gold price is greater than USD 500 per ounce.
- (2) Pursuant to a mining lease and option to purchase made effective March 1, 2011 between Corvus Nevada and an arm's length individual, Corvus Nevada has leased, and has the option to purchase, 2 patented mineral claims which form part of the North Bullfrog project holdings. The lease is for an initial term of 10 years, subject to extension for an additional 10 years (provided advance minimum royalties are timely paid), and thereafter for so long thereafter as mining activities continue on the claims. The lessee is required to pay advance minimum royalty payments (recoupable from production royalties, but not applicable to the purchase price if the option to purchase is exercised) of USD 20,000 on execution (paid), USD 25,000 on each of March 1, 2012 (paid), 2013 and 2014, USD 30,000 on March 1, 2015 and each anniversary thereafter, adjusted for inflation. The lessor is entitled to receive a 2% NSR royalty on all production. The lessee may purchase the royalty for USD 1,000,000 per 1%. If the lessee purchases the entire royalty (USD 2,000,000) the lessee will also acquire all interest of the lessor in the subject property.

**f) Gerfaut Property, Quebec**

On February 2, 2012, the Company signed an Agreement (“Gerfaut Agreement”) with respect to an option/joint venture with Les Ressources Tectonic Inc. (“LRT”), an arm's length private company, whereby the Company may acquire up to an 80% interest in the Gerfaut Property (“Gerfaut claims”), consisting of 60 mineral claims located in Northern Quebec. Under the Gerfaut Agreement, in order to earn an 80% interest in the Gerfaut claims, the Company will be required to:

- Make an initial payment of \$10,000 (paid) on the execution of the initial letter of intent

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****d) Gerfaut Property, Quebec (cont'd)**

- Make aggregate payments to LRT of \$250,000 over five years to May 1, 2017 (all or some of any such payments may be satisfied by the issuance of common shares of the Company at the Company's election) and incur aggregate exploration expenditures on the Gerfaut claims of \$565,000 over five years to May 1, 2017, upon completion of which payments and expenditures the Company will have earned a 60% interest in the Gerfaut claims
- Upon having earned its initial 60% interest, the Company may elect to earn an additional 20% interest (80% total) by incurring additional exploration expenditures of \$2,000,000 on the Gerfaut claims within three years after it has exercised to option to acquire the initial 60% interest
- LRT retains a 2% NSR royalty, of which the Company can buy back half (being 1%) at any time for \$1,500,000
- Following the Company having earned either its initial 60% interest (if it does not elect to or fails to earn an additional 20% interest) or 80% interest, the Company and LRT will enter into a joint venture, in which each party will be responsible for providing its pro rata share of all joint venture expenditures. If a party does not contribute its full share of such expenditures, its interest in the joint venture and the Gerfaut claims will be diluted. If a party's interest is diluted to 10% or less, such party will transfer all interest in the joint venture and Gerfaut claims to the remaining participant in exchange for receipt of a 3% Net Profits Interest.

**Acquisitions**

The acquisition of title to mineral properties is a detailed and time-consuming process. The Company has taken steps, in accordance with industry norms, to verify title to mineral properties in which it has an interest. Although the Company has taken every reasonable precaution to ensure that legal title to its properties is properly recorded in the name of the Company (or, in the case of an option, in the name of the relevant optionor), there can be no assurance that such title will ultimately be secured.

**Environmental Expenditures**

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries. The Company has determined as of August 31, 2012, the disturbances to earth is minimal, therefore did not record provisions for Environmental.

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**7. SHARE CAPITAL****Authorized**

Unlimited common shares without par value.

**Share issuances**

During the period ended August 31, 2012:

- a) An aggregate of 2,000,000 shares were issued on exercise of 2,000,000 stock options for gross proceeds of \$1,502,100.

**Warrants**

Warrants transactions are summarized as follows:

	<b>August 31, 2012</b>		<b>May 31, 2012</b>	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of the period	325,000	325,000	325,000	\$ -
Issued (Agents' Warrants)	-	-	-	1.10
Balance, end of the period	325,000	325,000	325,000	\$ 1.10

The weighted average remaining contractual life of warrants outstanding at August 31, 2012 was 0.25 year.

Warrants outstanding are as follows:

Expiry Date	<b>August 31, 2012</b>		<b>May 31, 2012</b>	
	Exercise Price	Number of Warrants	Exercise Price	Number of Warrants
November 30, 2012	\$ 1.10	325,000	\$ 1.10	325,000

**Stock options**

Stock options awarded to employees and non-employees by the Company are measured and recognized in the Consolidated Statement of Comprehensive Loss or added to exploration and evaluation assets at the fair value of the award. The fair value of all forms of share-based payments is charged to operations or capitalized to exploration and evaluation assets over the vesting period of the options granted. Fair value is estimated using the Black-Scholes option pricing model.

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**7. SHARE CAPITAL (cont'd)****Stock options (cont'd)**

The Company has adopted an incentive stock option plan (the “2010 Plan”). The essential elements of the 2010 Plan provide that the aggregate number of common shares of the Company’s share capital that may be made issuable pursuant to options granted under the 2010 Plan (together with any other shares which may be issued under other share compensation plans of the Company) may not exceed 10% of the number of issued shares of the Company at the time of the granting of the options. Options granted under the 2010 Plan will have a maximum term of ten years. The exercise price of options granted under the 2010 Plan will not be less than the greater of the market price of the common shares (as defined by the Toronto Stock Exchange (“TSX”), currently defined as the 5 day volume weighted average price for the 5 trading days immediately preceding the date of grant) or the closing market price of the Company’s common shares for the trading day immediately preceding the date of grant), or such other price as may be agreed to by the Company and accepted by the TSX. Options granted under the 2010 Plan vest immediately, unless otherwise determined by the directors at the date of grant.

There were no stock options granted during the period ended August 31, 2012.

A summary of the status of the stock option plan as of August 31 and May 31, 2012, and changes during the periods are presented below:

	August 31, 2012		May 31, 2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	4,300,000	\$ 0.76	3,490,000	\$ 0.76
Granted	-	-	1,160,000	0.76
Exercised	(2,000,000)	(0.75)	-	-
Cancelled	-	-	(350,000)	(0.76)
Balance, end of the period	2,300,000	\$ 0.70	4,300,000	\$ 0.76

The weighted average remaining contractual life of options outstanding at August 31, 2012 was 2.20 years.

Stock options outstanding are as follows:

Expiry Date	August 31, 2012			May 31, 2012		
	Exercise Price	Number of Options	Exercisable at Period-End	Exercise Price	Number of Options	Exercisable at Year-End
September 8, 2012 (note 13)	\$ 0.75	710,000	710,000	\$ 0.75	2,680,000	2,680,000
January 21, 2013	\$ 0.82	330,000	330,000	\$ 0.82	360,000	360,000
May 30, 2013	\$ 0.69	100,000	100,000	\$ 0.69	100,000	100,000
July 29, 2016	\$ 0.50	650,000	429,000	\$ 0.50	650,000	214,500
November 17, 2016	\$ 0.67	210,000	69,300	\$ 0.67	210,000	69,300
May 29, 2017	\$ 0.92	300,000	99,000	\$ 0.92	300,000	99,000
		2,300,000	1,737,300		4,300,000	3,522,800



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**7. SHARE CAPITAL (cont'd)****Share-based payments**

The Company uses the fair value method for determining share-based payment charges for all options granted during the periods. The fair value of options granted was \$nil (2011 - \$253,678), determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

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	<b>Three Months Ended August 31, 2011 Grants</b>
Risk-free interest rate	1.39%
Expected life of options	5 years
Annualized volatility	100%
Dividend yield	0.0%
Exercise price	\$0.50

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Fair value per share	\$0.39
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Share-based payment charges have been allocated as follows:

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<b>For the three months ended August 31,</b>	<b>2012</b>	<b>2011</b>
Consulting	\$ 22,476	\$ 142,450
Investor relations	22,353	-
Professional fees	3,701	-
Wages and benefits	15,803	-
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	64,333	142,450
Exploration and evaluation assets – Geological/geophysical	1,873	11,871
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	\$ 66,206	\$ 154,321

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**8. RELATED PARTY TRANSACTIONS**

During the period ended August 31, 2012, the Company entered into the following transactions with related parties:

**Management compensation**

Key management personnel compensation comprised:

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<b>For the three months ended August 31,</b>	<b>2012</b>	<b>2011</b>
Consulting fees to CFO	\$ 18,000	\$ 15,000
Wages and benefits to CEO, President and COO	120,080	72,869
Share-based payments to CEO, President, COO and CFO	22,633	23,740
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	\$ 160,713	\$ 111,609

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**8. RELATED PARTY TRANSACTIONS (cont'd)****Transactions with other related parties**

<b>For the three months ended August 31,</b>	<b>2012</b>	<b>2011</b>
Consulting fees to Corporate Secretary	\$ 3,000	\$ 3,000
Directors fees (included in consulting fees)	15,000	15,000
Professional fees to Vice President	20,500	21,000
Rent expenses to Cardero Resource Corp. (“Cardero”), a company with officers in common	7,995	7,313
Administration expenses to Cardero	800	1,879
Office expenses to Cardero	5,838	8,785
Share-based payments to Vice President, Corporate Secretary and Directors	18,730	118,710
	\$ 71,943	\$ 175,687

As at August 31, 2012, included in accounts payable and accrued liabilities was \$40,664 (May 31, 2012 – \$28,374) in expenses owing to companies related to officers and officers of the Company.

These amounts were unsecured, non-interest bearing and had no fixed terms or terms of repayment. Accordingly, fair value could not be readily determined.

The Company has entered into a retainer agreement dated June 1, 2011 with Lawrence W. Talbot Law Corporation (“LWTLC”), pursuant to which LWTLC agrees to provide legal services to the Company. Pursuant to the retainer agreement, the Company has agreed to pay LWTLC a minimum annual retainer of \$72,000 (plus applicable taxes and disbursements). The retainer agreement may be terminated by LWTLC on reasonable notice, and by the Company on one year’s notice (or payment of one year’s retainer in lieu of notice). An officer of the Company is a director and shareholder of LWTLC.

**9. GEOGRAPHIC SEGMENTED INFORMATION**

The Company operates in one industry segment, the mineral resources industry, and in two geographical segments, Canada and the United States. All current exploration activities are conducted in the United States and Canada. The significant asset categories identifiable with these geographical areas are as follows:

	<b>Canada</b>	<b>United States</b>	<b>Total</b>
<b>August 31, 2012</b>			
Exploration and evaluation assets	\$ 131,846	\$ 19,905,413	\$ 20,037,259
Property and equipment	\$ 1,763	\$ 32,192	\$ 33,955
<b>May 31, 2012</b>			
Exploration and evaluation assets	\$ 19,122	\$ 18,682,690	\$ 18,701,812
Property and equipment	\$ 1,906	\$ 36,469	\$ 38,375

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**9. GEOGRAPHIC SEGMENTED INFORMATION (cont'd)**

<b>For the three months ended August 31,</b>	<b>2012</b>	<b>2011</b>
Net loss for the period – Canada	\$ (286,993)	\$ (326,408)
Net loss for the period – United States	(326,286)	(158,768)
Net loss for the period	\$ (613,279)	\$ (485,176)

**10. CAPITAL MANAGEMENT**

The Company manages its capital structure, being its share capital, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company currently has no significant source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended August 31, 2012. The Company is not subject to externally imposed capital requirements.

**11. SUPPLEMENTAL CASH FLOW INFORMATION**

<b>For the three months ended August 31,</b>	<b>2012</b>	<b>2011</b>
<b>Supplemental cash flow information</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
<b>Non-cash transactions</b>		
Change in accounts receivables included in exploration and evaluation assets	\$ 3,636	\$ (111,984)
Change in prepaid expenses included in exploration and evaluation assets	\$ -	\$ (5,729)
Change in accounts payable included in exploration and evaluation assets	\$ 494,711	\$ (257,055)

**12. SUBSIDIARIES****Significant subsidiaries are:**

	<b>Country of Incorporation</b>	<b>Principal Activity</b>	<b>The Company's effective interest for 2012 and 2011</b>
Raven Gold Alaska Inc.	USA	Exploration company	100%
Corvus Gold Nevada Inc.	USA	Exploration company	100%

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**13. SUBSEQUENT EVENTS**

Subsequent to August 31, 2012:

- a) The Company issued 710,000 common shares on exercise of 710,000 stock options for gross proceeds of \$532,500.
- b) On September 19, 2012 the Company granted incentive stock options to consultants and employees of the Company to purchase 2,995,000 common shares in the share capital of the Company. The options are exercisable on or before September 19, 2017 at a price of \$0.96 per share. The options will vest as to one-third on September 19, 2012, one third on September 19, 2013 and the balance on September 19, 2014.