(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

May 31, 2012 and 2011

Corporate Head Office

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CORVUS GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements and all information in the annual report are the responsibility of the Board of Directors and management. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Management maintains the necessary systems of internal controls, policies and procedures to provide assurance that assets are safeguarded and that the financial records are reliable and form a proper basis for the preparation of financial statements.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. This committee, which reports to the Board of Directors, meets with the independent auditors and reviews the consolidated financial statements.

The consolidated financial statements have been audited by MacKay LLP, Chartered Accountants, who were appointed by the shareholders. The independent auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements.

"Jeffrey Pontius"
Jeffrey Pontius,
Chief Executive Officer

"Peggy Wu"
Peggy Wu,
Chief Financial Officer

August 24, 2012
Vancouver, Canada

CHARTERED
ACCOUNTANTS
MacKay LLP

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Independent Auditor's Report

To the Shareholders of
Corvus Gold Inc.

We have audited the accompanying consolidated financial statements of Corvus Gold Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at May 31, 2012, May 31, 2011, and June 1, 2010, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended May 31, 2012 and May 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Corvus Gold Inc. and its subsidiaries as at May 31, 2012, May 31, 2011, and June 1, 2010 and its financial performance and its cash flows for the years ended May 31, 2012 and May 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of Corvus Gold Inc. to continue as a going concern.

"MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
August 24, 2012

CORVUS GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	May 31, 2012	May 31, 2011	June 1, 2010
		(note 14)	(note 14)
ASSETS			
Current assets			
Cash and cash equivalents (note 4)	$ 6,800,377	$ 7,355,406	$ -
Accounts receivable	32,581	191,660	97
Prepaid expenses	115,018	61,271	13,566
	6,947,976	7,608,337	13,663
Property and equipment (note 5)	38,375	44,302	-
Exploration and evaluation assets (note 6)	18,701,812	13,553,597	11,672,706
	$ 25,688,163	$ 21,206,236	$ 11,686,369
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities (note 8)	$ 516,817	$ 393,315	$ 85,094
Shareholders' equity			
Share capital (note 7)	33,278,504	27,751,004	1
Contributed surplus	8,591,140	8,262,735	23,013,646
Accumulated other comprehensive income – cumulative translation differences	32,084	(1,001,823)	-
Deficit	(16,730,382)	(14,198,995)	(11,412,372)
	25,171,346	20,812,921	11,601,275
	$ 25,688,163	$ 21,206,236	$ 11,686,369

Plan of arrangement and transfer of assets (note 1)
Nature and continuance of operations (note 2)
Subsequent event (note 15)

Approved on behalf of the Directors:

"Jeffrey Pontius" Director

"Anton Drescher" Director

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

CORVUS GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
YEARS ENDED MAY 31,

		2012		2011
				(note 14)
Expenses				
Administration (note 8)	$	7,046	$	4,587
Charitable donations		23,475		6,413
Consulting fees (notes 7 and 8)		341,494		1,653,417
Depreciation		14,630		7,849
Insurance		52,904		28,001
Investor relations (note 7)		435,071		464,824
Office and miscellaneous		175,895		41,148
Professional fees (notes 7 and 8)		343,026		314,820
Property investigation expenditures		11,125		6,473
Regulatory		56,672		129,048
Rent (note 8)		59,653		10,177
Travel		160,412		22,877
Wages and benefits (notes 7 and 8)		885,870		485,531
Loss before other items		(2,567,273)		(3,175,165)
Other items				
Interest income		19,667		23
Operator fee income		-		380,602
Foreign exchange gain		16,219		7,917
		35,886		388,542
Net loss for the year		(2,531,387)		(2,786,623)
Other comprehensive income				
Exchange difference on translating foreign operations		1,033,907		(1,001,823)
Comprehensive loss for the year	$	(1,497,480)	$	(3,788,446)
Basic and diluted loss per share	$	(0.06)	$	(0.07)
Weighted average number of shares outstanding		41,998,376		37,647,905

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

CORVUS GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
YEARS ENDED MAY 31,

	2012	2011 (note 14)
Operating activities		
Net loss for the year	$ (2,531,387)	$ (2,786,623)
Add items not affecting cash:		
Depreciation	14,630	7,849
Share-based payment charges (note 7)	313,777	2,202,759
Gain on foreign exchange	(16,219)	(7,917)
Changes in non-cash items:		
Accounts receivable	(4,520)	(18,301)
Accrued interest	(1,511)	-
Prepaid expenses	(56,958)	(55,542)
Accounts payable and accrued liabilities	7,897	86,464
Cash used in operating activities	(2,274,291)	(571,311)
Financing activities		
Additional funding by ITH	-	764,512
Funding provided by ITH under Plan of Arrangement (note 1)	-	3,300,000
Cash received from issuance of shares	5,527,500	7,040,000
Share issuance costs	-	(424,140)
Cash provided by financing activities	5,527,500	10,680,372
Investing activities		
Expenditures on property and equipment	(6,047)	(52,721)
Expenditures on exploration and evaluation assets	(4,224,715)	(6,500,265)
Recovery on exploration and evaluation assets	383,285	3,808,889
Cash used in investing activities	(3,847,477)	(2,744,097)
Effect of foreign exchange on cash	39,239	(9,558)
Increase (decrease) in cash and cash equivalents	(555,029)	7,355,406
Cash and cash equivalents, beginning of the year	7,355,406	-
Cash and cash equivalents, end of the year	$ 6,800,377	$ 7,355,406

Supplemental cash flow information (note 11)

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

CORVUS GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Number of shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income – Cumulative Translation Differences	Deficit	Total
Balance, June 1, 2010 (note 14)	**1**	**$ 1**	**$ 23,013,646**	**$ -**	**$ (11,412,372)**	**$ 11,601,275**
Nevada and Other Alaska Business	1	1	1,585,682	-	-	1,585,683
ITH working capital contribution	-	-	3,300,000	-	-	3,300,000
Shares issued under Plan of Arrangement	33,614,009	27,899,328	(27,899,328)	-	-	-
Reclassify contributions by way of share-based payment charges from share capital to contributed surplus	-	(6,662,577)	6,662,577	-	-	-
Private placement	8,000,000	7,040,000	-	-	-	7,040,000
Shares issued for property acquisition	46,250	43,475	-	-	-	43,475
Share-based payment charges	-	-	1,455,074	-	-	1,455,074
Share issuance costs	-	(569,224)	145,084	-	-	(424,140)
Net loss	-	-	-	-	(2,786,623)	(2,786,623)
Exchange difference on translating foreign operations	-	-	-	(1,001,823)	-	(1,001,823)
Balance, May 31, 2011 (note 14)	**41,660,261**	**27,751,004**	**8,262,735**	**(1,001,823)**	**(14,198,995)**	**20,812,921**
Private placement	8,250,000	5,527,500	-	-	-	5,527,500
Share-based payment charges	-	-	328,405	-	-	328,405
Net loss	-	-	-	-	(2,531,387)	(2,531,387)
Exchange difference on translating foreign operations	-	-	-	1,033,907	-	1,033,907
Balance, May 31, 2012	**49,910,261**	**$ 33,278,504**	**$ 8,591,140**	**$ 32,084**	**$ (16,730,382)**	**$ 25,171,346**

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

1. PLAN OF ARRANGEMENT AND TRANSFER OF ASSETS

On August 25, 2010, International Tower Hill Mines Ltd. ("ITH") completed a Plan of Arrangement (the "Arrangement") under the British Columbia Business Corporations Act ("BCBCA") 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 (collectively, the "Nevada and Other Alaska Business") were indirectly spun out into a new public company, being Corvus Gold Inc. ("Corvus" or the "Company").

The Arrangement was approved by the board of directors of each of ITH and Corvus and by the shareholders of ITH and was accepted for filing by the Toronto Stock Exchange ("TSX") on behalf of both ITH and Corvus. In connection with the completion of the Arrangement, the common shares of Corvus were listed on the TSX.

Under the Arrangement, each shareholder of ITH received (as a return of capital) one Corvus common share for every two ITH common shares held as at the effective date of the Arrangement and exchanged each old common share of ITH for a new common share of ITH. As part of the Arrangement, ITH transferred its wholly-owned subsidiary Corvus Gold Nevada Inc. (formerly Talon Gold Nevada Inc.) ("Corvus Nevada"), incorporated in Nevada, United States (which held the North Bullfrog property), to Corvus and a wholly-owned Alaskan subsidiary of ITH sold to Raven Gold Alaska Inc. ("Raven Gold"), incorporated in Alaska, United States, a wholly owned subsidiary of Corvus, the Terra, Chisna, LMS and West Pogo properties. As a consequence of the completion of the Arrangement, Corvus now holds the Terra, Chisna, LMS, West Pogo and North Bullfrog properties (the "Spin-out Properties").

The Company's consolidated financial statements reflect the Statements of Financial Position, Comprehensive Loss, Cash Flows and Changes in Equity of the Nevada and Other Alaska Business as if Corvus existed in its present form during the years reported. The Statements of Comprehensive Loss for the period to August 25, 2010 which is included in the results to May 31, 2011, include an allocation of ITH's general and administrative expenses incurred. The allocation of general and administrative expenses was calculated on the basis of the ratio of costs incurred on the Spin-out Properties in each period presented as compared to the costs incurred on all exploration and evaluations assets of ITH in each of these periods. The financial statements have been presented under the continuity of interests basis of accounting with Statement of Financial Position amounts based on the amounts recorded by ITH. Management cautions readers of these financial statements that the allocation of expenses does not necessarily reflect future general and administrative expenses.

The opening deficit of the Company at June 1, 2010 was calculated by applying the same allocation principles outlined above to the cumulative transactions relating to the Spin-out Properties from the date of acquisition of those mineral properties to May 31, 2010 and includes an allocation of ITH's general and administrative expenses from the date of acquisition of those mineral properties to May 31, 2010. The allocation of general and administrative expense was calculated on the basis of the ratio of costs incurred on the Spin-out Properties in each prior year as compared to the costs incurred on all exploration and evaluations assets of ITH in each of those prior years.

Total funding from ITH through the Nevada and Other Alaska Business to August 25, 2010 are summarized in the table below:

Type of funding		Amount
Share-based payment charges (note 7)	$	821,171
Cash		764,512
Total	$	1,585,683

2. 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 May 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 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 has sufficient cash to finance its current plans for at least 12 months from the date of approval of the May 31, 2012 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Canadian Institute of Chartered Accountants Handbook was revised in 2010 to incorporate International Financial Reporting Standards ("IFRS") and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. The Company has commenced reporting on this basis in these consolidated financial statements.

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). For all periods up to and including the year ended May 31, 2011, the Company had previously prepared its financial statements in accordance with the Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). These consolidated financial statements for the year ended May 31, 2012 are the first the Company has prepared in accordance with IFRS. Subject to certain transition elections disclosed in note 14, the Company has consistently applied the same accounting policies in its opening IFRS Statement of Financial Position as at June 1, 2010 and retroactively to all periods presented, as if the policies had always been in effect.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of presentation (cont'd)

The 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. Note 14 discloses the impact of the transition from Canadian GAAP to IFRS on the Company's reported financial position, operating and cash flows, including the nature and effect of significant changes in accounting policies from those used in its consolidated financial statements for year ended May 31, 2011.

Approval of consolidated financial statements

The consolidated financial statement of Corvus for the year ended May 31, 2012 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 24, 2012.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (collectively, the "Group"), Corvus Nevada (a Nevada corporation) and Raven Gold (an Alaska corporation). All intercompany transactions and balances were eliminated upon consolidation.

Significant Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future periods if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the carrying value and the recoverability of the exploration and evaluation assets included in the Statements of Financial Position, the assumptions used to determine the fair value of share-based payments in the Statement of Comprehensive Loss, allocation of administrative expenses on the spin-out from ITH, and the estimated amounts of reclamation and environmental obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant Accounting Estimates and Judgments (cont'd)

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The Company made the following critical accounting judgments:

- The determination of deferred tax assets and liabilities recorded in the financial statement.
- The determination of whether technical feasibility and commercial viability can be demonstrated for its exploration and evaluation assets. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment. As at May 31, 2012 management had determined that no reclassification of exploration and evaluation assets was required.
- The determination of functional currency. In accordance with IAS 21 *"The Effects of Changes in Foreign Exchange Rates"*, management determined that the functional currency of Corvus Nevada and Raven Gold is US dollars and for all other entities within the Group, the functional currency is Canadian dollars, as these are the currencies of the primary economic environment in which the companies operate.

Cash and cash equivalents

Cash equivalents include highly liquid investments that are readily convertible to cash which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Foreign currency translation

The presentation currency of the Company is the Canadian dollar.

The functional currency of each of the parent company and its subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The functional currency of Corvus Nevada and Raven Gold is US dollars, and for the Company the functional currency is Canadian dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the Statement of Comprehensive Income (Loss) in the year in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the Statement of Comprehensive Income (Loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the nonmonetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency translation (cont'd)

Parent and Subsidiary Companies

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at monthly average exchange rates during the year.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's exchange difference on translating foreign operations on the Statement of Comprehensive Income (Loss) and are reported as a separate component of shareholders' equity titled "Cumulative Translation Differences". These differences are recognized in the profit or loss in the year in which the operation is disposed of.

Financial instruments

a) Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL")

A financial asset is classified as FVTPL if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets designated as FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash and cash equivalents are classified as FVTPL and are accounted for at fair value.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Loans and receivables are comprised of accounts receivables.

Held-to-maturity

Held-to-maturity financial assets are measured at amortized cost. The Company does not have any financial assets classified as held-to-maturity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

a) Financial assets (cont'd)

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or not classified in any other financial asset category. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income (loss) and classified as a component of equity. The Company does not have any AFS financial assets.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the financial asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated other comprehensive income (loss) to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

b) Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and FVTPL.

Other financial liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

FVTPL

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the consolidated Statement of Comprehensive Income (Loss). The Company has not classified any financial liabilities as FVTPL.

Property and equipment

a) Recognition and measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

b) Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and equipment (cont'd)

c) Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

d) Gains and losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other items in profit or loss.

e) Depreciation

Depreciation is recognized in profit or loss on a declining-balance basis at the following annual rates:

Computer equipment	-	30% declining balance
Vehicles	-	30% declining balance

Additions during the year are depreciated at one-half the annual rates.

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

Depreciation on assets used in exploration activities are capitalized to exploration and evaluation assets.

Mineral exploration and evaluation expenditures

All of the Company's projects are currently in the exploration and evaluation phase.

a) Pre-exploration costs

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

b) Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, geological and geophysical evaluation, surveying costs, drilling costs, payments made to contractors and depreciation on property and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Mineral exploration and evaluation expenditures (cont'd)

b) Exploration and evaluation expenditures (cont'd)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written-off to the Statement of Comprehensive Income (Loss).

The Company assesses exploration and evaluation assets for impairment at each reporting date.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine development cost". Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

Any incidental revenue earned in connection with exploration activities are applied as a reduction to capitalized exploration costs. Any operational income earned in connection with exploration activities are recognized in the Statement of Comprehensive Loss.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Impairment of non-current assets

Non-current assets are evaluated at each reporting date by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

In calculating recoverable amount, if applicable, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social, legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Reversal of impairment

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions for environmental rehabilitation

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by third-party industry specialists and/or internal expertise, and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Additional disturbances and changes in closure and reclamation estimates are accounted for as incurred with a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of mine.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Share capital

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company. The Company's common shares are classified as equity instruments.

Commissions paid to agents, and other related share issuance costs, such as legal, auditing, and printing, on the issue of the Company's shares are charged directly to share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

Earnings (loss) per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income (Loss) over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income (Loss) over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the Statement of Comprehensive Income (Loss), unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payments (cont'd)

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction. When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up adjusted by the fair value of any monetary consideration received or given. When the asset received or the consideration given up is shares in an actively traded market, the value of those shares will be considered fair value.

Joint venture accounting

Where the Company's exploration and development activities are conducted with others, the accounts reflect only the Company's proportionate interest in such activities.

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:

<u>IFRS 7 – Financial Instruments Disclosures</u>

IFRS 7 add and amend disclosure requirements about transfers of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of IFRS 7 will increase the disclosure requirements when an asset is transferred but is not utilized and new disclosure required when assets are utilized but there is a continuing exposure to the asset after the sale. The amendments will be effective for the Company for the year ended May 31, 2013.

<u>IAS 12 – Income Taxes</u>

IAS 12 provides a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The amendments will be effective for the Company for the year ended May 31, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New accounting policies not yet adopted (cont'd)

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 IFRSs. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New accounting policies not yet adopted (cont'd)

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.

4. 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).

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:

May 31, 2012	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 6,800,377	$ -	$ -

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)

May 31, 2011	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 7,355,406	$ -	$ -

June 1, 2010	Level 1	Level 2	Level 3
Cash and cash equivalents	$ -	$ -	$ -

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:

	May 31, 2012	May 31, 2011	June 1, 2010
Cash and cash equivalents	$ 6,800,377	$ 7,355,406	$ -

At May 31, 2012, the Company held a total of $5,000,000 (May 31, 2011 - $nil; Jun 1, 2010 - $nil) cash equivalents which consist of Guaranteed Investment Certificates ("GICs"):

	Quantity	Maturity Date	Annual Yield
BMO Variable Rate GIC	$ 5,000,000	May 22, 2013	1.25%
	$ 5,000,000		

The Company's cash and cash equivalents at May 31, 2012 consists of $6,623,353 in Canada and $177,024 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 May 31, 2012, the Company is not exposed to significant credit risk as the majority are from governmental agencies and interest accruals.

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 May 31, 2012, the Company had cash and cash equivalents balance of $6,800,377, which will be sufficient to meet its obligations related to its accounts payable and accrued liabilities of $516,817.

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

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)

b) Liquidity risk (cont'd)

Liabilities as at May 31, 2012 were as follows:

	0 to 3 months	**3 to 6 months**	**6 to 12 months**	**Total**
Accounts payable and accrued liabilities	$ 516,817	$ -	$ -	$ 516,817

Liabilities as at May 31, 2011 were as follows:

	0 to 3 months	**3 to 6 months**	**6 to 12 months**	**Total**
Accounts payable and accrued liabilities	$ 393,315	$ -	$ -	$ 393,315

Liabilities as at June 1, 2010 were as follows:

	0 to 3 months	**3 to 6 months**	**6 to 12 months**	**Total**
Accounts payable and accrued liabilities	$ 85,094	$ -	$ -	$ 85,094

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.

(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 7% change in the absolute rate of exchange for the United States dollars, the foreign currency for which the Company has net assets employed, would affect net assets by approximately $142,000, foreign exchange gain (loss) by approximately $2,000 and accumulated other comprehensive income by $140,000. As at May 31, 2012, the Company had the following financial instruments in USD:

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)

c) Market risk (cont'd)

	CAD equivalent	USD
Cash	$ 335,639	$ 324,948
Accounts receivable	$ 9,319	$ 9,022
Accounts payable and accrued liabilities	$ 423,054	$ 409,579

As at May 31, 2012, USD amounts were converted at a rate of USD 1.00 to CAD 1.0329.

(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.

5. PROPERTY AND EQUIPMENT

	Computer Equipment	Vehicles	Total
Cost			
Balance, June 1, 2010	$ -	$ -	$ -
Additions	16,793	35,928	52,721
Currency translation adjustments	(308)	(293)	(601)
Balance, May 31, 2011	16,485	35,635	52,120
Additions	6,047	-	6,047
Currency translation adjustments	1,288	2,366	3,654
Balance, May 31, 2012	$ 23,820	$ 38,001	$ 61,821
Depreciation			
Balance, June 1, 2010	$ -	$ -	$ -
Depreciation for the year	2,507	5,342	7,849
Currency translation adjustments	(34)	3	(31)
Balance, May 31, 2011	2,473	5,345	7,818
Depreciation of the year	5,254	9,376	14,630
Currency translation adjustments	329	669	998
Balance at May 31, 2012	$ 8,056	$ 15,390	$ 23,446
Carrying amounts			
At June 1, 2010	$ -	$ -	$ -
At May 31, 2011	$ 14,012	$ 30,290	$ 44,302
At May 31, 2012	$ 15,764	$ 22,611	$ 38,375

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(a)(ii))	Chisna (note 6(a)(i))	North Bullfrog (notes 6(c), (d), (e))	LMS (note 6(b)(i))	Terra (note 6(b)(ii))	Gerfaut (note 6(f))	**Total**
Balance, June 1, 2010	$ 469,611	$ 1,495,706	$ 3,721,471	$ 2,092,920	$ 3,892,998	$ -	**$ 11,672,706**
Acquisition costs:							
Cash payments	-	-	110,186	-	-	-	**110,186**
Common shares issued	-	-	43,475	-	-	-	**43,475**
	-	-	153,661	-	-	-	**153,661**
Deferred exploration costs:							
Advance to contractors	-	(519,059)	-	-	-	-	**(519,059)**
Aircraft services	-	947,592	-	-	1,125	-	**948,717**
Administration	-	20,929	-	-	-	-	**20,929**
Assay	-	204,987	428,590	-	-	-	**633,577**
Drilling	-	657,653	1,026,535	-	-	-	**1,684,188**
Equipment rental	-	121,948	2,460	-	-	-	**124,408**
Field costs	-	269,881	246,377	-	99	-	**516,357**
Geological/geophysical	-	1,699,010	296,366	1,458	4,808	-	**2,001,642**
Land maintenance & tenure	44	269,539	143,029	554	644	-	**413,810**
Operator fee	-	379,653	-	-	-	-	**379,653**
Professional fees	3,719	2,771	-	11,337	38,511	-	**56,338**
Transportation	-	24,716	15,273	356	317	-	**40,662**
Travel	317	423,037	49,431	66	-	-	**472,851**
	4,080	4,502,657	2,208,061	13,771	45,504	-	**6,774,073**
Total expenditures for the year	4,080	4,502,657	2,361,722	13,771	45,504	-	**6,927,734**
Cost Recovery	-	(4,063,270)	-	(17,399)	-	-	**(4,080,669)**
Currency translation adjustments	(34,995)	(157,017)	(328,398)	(155,224)	(290,540)	-	**(966,174)**
Balance, May 31, 2011	**$ 438,696**	**$ 1,778,076**	**$ 5,754,795**	**$ 1,934,068**	**$ 3,647,962**	**$ -**	**$ 13,553,597**

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Accumulated costs in respect of mineral tenures and mineral rights owned, leased or under option, consist of the following (cont'd):

	West Pogo (note 6(a)(ii))	Chisna (note 6(a)(i))	North Bullfrog (notes 6(c), (d), (e))	LMS (note 6(b)(i))	Terra (note 6(b)(ii))	Gerfaut (note 6(f))	**Total**
Balance, May 31, 2011 (carried forward)	$ 438,696	$ 1,778,076	$ 5,754,795	$ 1,934,068	$ 3,647,962	$ -	**$ 13,553,597**
Acquisition costs:							
Cash payments	-	-	109,913	-	-	10,000	**119,913**
Common shares issued	-	-	-	-	-	-	**-**
	-	-	109,913	-	-	10,000	**119,913**
Deferred exploration costs:							
Advance to contractors	5,435	-	46,414	6,506	-	-	**58,355**
Administration	-	-	-	-	-	-	**-**
Aircraft services	-	-	1,103	-	-	-	**1,103**
Assay	38,871	-	674,523	24,910	-	-	**738,304**
Drilling	-	-	1,366,456	323,155	-	-	**1,689,611**
Equipment rental	256	-	15,875	691	-	-	**16,822**
Field costs	409	3,598	482,279	3,134	336	3,206	**492,962**
Geological/Geophysical	91,631	127,712	561,526	136,014	2,918	470	**920,271**
Land maintenance & tenure	16,486	115,496	179,276	19,971	773	-	**332,002**
Professional fees	2,324	1,760	795	5,906	10,003	-	**20,788**
Transportation	2,176	-	13,857	3,657	-	-	**19,690**
Travel	2,288	14,460	60,676	7,118	1,868	5,446	**91,856**
	159,876	263,026	3,402,780	531,062	15,898	9,122	**4,381,764**
Total expenditures for the year	159,876	263,026	3,512,693	531,062	15,898	19,122	**4,501,677**
Cost Recovery	(24,837)	(258,982)	-	-	(99,466)	-	**(383,285)**
Currency translation adjustments	30,113	118,461	508,074	135,051	238,124	-	**1,029,823**
Balance, May 31, 2012	**$ 603,848**	**$ 1,900,581**	**$ 9,775,562**	**$ 2,600,181**	**$ 3,802,518**	**$ 19,122**	**$ 18,701,812**

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

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) Properties acquired from AngloGold, Alaska

Pursuant to an Asset Purchase and Sale and Indemnity Agreement dated June 30, 2006, as amended on July 26, 2007, (the "AngloGold Agreement") among ITH, AngloGold Ashanti (U.S.A.) Exploration Inc. ("AngloGold") and Talon Gold Alaska, Inc. (ITH's wholly-owned Alaskan subsidiary) ("Talon Gold"), ITH acquired all of AngloGold's interest in a portfolio of seven mineral exploration projects in Alaska (then aggregating 246 square kilometres) referred to as the Livengood, Chisna, Gilles, Coffee Dome, West Pogo, Blackshell, and Caribou properties (the "Sale Properties"). Consideration consisted of a USD 50,000 cash payment on August 4, 2006, and the issuance of 5,997,295 ITH common shares, representing approximately 19.99% of ITH's issued shares following the closing of the acquisition and two private placement financings raising an aggregate of $11,479,348. AngloGold had the right to maintain its percentage equity interest in ITH, on an ongoing basis, provided that such right will terminate if AngloGold's interest falls below 10% at any time after January 1, 2009.

As further consideration for the transfer of the Sale Properties, ITH granted to AngloGold a 90 day right of first offer with respect to the Sale Properties and any additional mineral properties in Alaska in which ITH acquires an interest and which interest ITH proposes to farm out or otherwise dispose of. If AngloGold's equity interest in ITH is reduced to less than 10%, then this right of first offer will terminate. AngloGold's rights to maintain its interest and right of first offer do not apply to the Company or to the Company's exploration and evaluation assets.

Pursuant to the Arrangement, ITH spun-out the Chisna and West Pogo properties to the Company. Details of the Chisna and West Pogo properties are as follows:

(i) Chisna Property

The Chisna property is located in the eastern Alaska Range, Alaska, and is comprised of mineral claims owned 100% by the Company and acquired pursuant to an agreement dated July 8, 2010 between Talon Gold, as vendor, and Raven Gold, an Alaskan subsidiary of the Company, as purchaser, which closed effective upon the completion of the Arrangement, and additional land optioned by Raven Gold directly from Ahtna Corporation.

On November 2, 2009, ITH and 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.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

a) Properties acquired from AngloGold, Alaska (cont'd)

(i) Chisna Property (cont'd)

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 (received on March 15, 2010) to ITH following satisfaction of the conditions precedent to the formation of the OPV/Raven JV 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.

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 year ended May 31, 2012, OPV became the Operator therefore Raven Gold earned a total of $nil (2011 - $380,602) 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.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

a) Properties acquired from AngloGold, Alaska (cont'd)

(i) Chisna Property (cont'd)

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

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 Athna's percentage share of the pre-production expenditures incurred by Raven Gold (not including advance minimum royalty payments to Ahtna). Should Athna exercise such option, it would become a participant in the OPV/Raven JV.

(ii) West Pogo Property

The West Pogo property is located approximately 50 kilometres north of Delta Junction, Alaska, and is owned 100% by the Company pursuant to an agreement dated July 8, 2010 between Talon Gold, as vendor, and Raven Gold, as purchaser, which closed effective upon the completion of the Arrangement.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

a) Properties acquired from AngloGold, Alaska (cont'd)

(ii) West Pogo Property (cont'd)

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. To earn the 55% interest, First Star US is required to expend USD 2,800,000 in exploration expenditures. To acquire a 100% ownership, First Star will fund the project through to an advanced exploration stage by spending a further USD 2,000,000 prior to December 31, 2015, or by producing, filing and having accepted by the TSXV a NI 43-101 compliant inferred resources of 1,000,000 ounces of gold using a 0.5g/t cut-off grade, whichever costs less. An NSR royalty of 3% or 4% on gold/silver and 1% on all other producers will be payable to Raven Gold. The royalty can be reduced by 1% by paying Raven Gold USD 3,000,000. In pursuance of the WP LOI, Raven and First Star US have entered into an earn-in agreement dated August 16, 2010. In consideration for ITH providing the resources to allow Raven Gold to enter into the WP LOI, First Star or First Star US is required to pay USD 250,000 to ITH (ITH received USD 10,000 on April 9, 2010, USD 20,000 on July 14, 2010 and USD 40,000 on April 27, 2011). If First Star US does not complete the expenditures, or if the required payments to ITH are not made, First Star US will be deemed to have withdrawn from the agreement and will thereafter have no residual interest in the West Pogo Property. 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.

b) Properties optioned from AngloGold, Alaska

In conjunction with the closing of the acquisition of the Sale Properties, ITH entered into option/joint venture agreements with AngloGold with respect to two additional mineral projects in Alaska, referred to as the LMS and the Terra properties (the "Optioned Properties").

Pursuant to the Arrangement, ITH spun-out the LMS and Terra properties to the Company. Details of the LMS and Terra properties are as follows:

(i) LMS Property

The LMS property is now owned 100% by the Company pursuant to an agreement dated July 8, 2010 between Talon Gold, as vendor, and Raven Gold, as purchaser, which closed effective upon the completion of the Arrangement.

With respect to the LMS Property, ITH had the right to earn a 60% interest by incurring aggregate exploration expenditures of USD 3,000,000 by January 30, 2010 (incurred), of which ITH has committed to incur minimum exploration expenditures of USD 1,000,000 during the 2006 calendar year and of USD 750,000 during the 2007 calendar year. Upon ITH having earned its 60% interest in the LMS Property, AngloGold had the right to re-acquire a 20% interest (for an aggregate 60% interest) and become manager of the joint venture by incurring a further USD 4,000,000 in exploration expenditures over a further two years.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

b) Properties optioned from AngloGold, Alaska (cont'd)

(i) LMS Property (cont'd)

On June 10, 2008, ITH entered into an agreement to acquire all of the interest of AngloGold in the Terra and LMS Properties, plus certain other AngloGold rights on the Gilles and West Pogo Properties, for the purchase price of $751,500 to be satisfied by the issuance of 450,000 shares of ITH to AngloGold (issued). The transaction was approved by the NYSE Alternext-US Stock Exchange on July 31, 2008 and by the TSXV on September 10, 2008.

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. To earn the 55% interest, First Star US is required to expend USD 3,500,000 on exploration. To acquire a 100% ownership, First Star US is required to fund the project through to an advanced exploration stage by spending a further USD 3,000,000 prior to December 31, 2015, or by producing, filing and having accepted by the TSXV a NI 43-101 compliant inferred of 2,000,000 ounces of gold using a 0.5g/t cut-off grade, whichever costs less. An NSR royalty of 3% or 4% on gold/silver and 1% on all other products will be payable to Raven. The royalty can be reduced by 1% by paying Raven Gold USD 3,000,000. In pursuance of the LMS LOI, Raven and First Star US have entered into an earn-in agreement dated August 16, 2010. In consideration for ITH providing the resources to allow Raven Gold to enter into the LMS LOI, First Star or First Star US is required to pay USD 280,000 (ITH received USD 10,000 on April 9, 2010, USD 30,000 on July 14, 2010 and USD 60,000 on April 27, 2011). If First Star US does not complete the expenditures, or if the required payments to ITH are not made, First Star US will be deemed to have withdrawn from the agreement and will thereafter have no residual interest in the LMS Property. 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.

(ii) Terra Property

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.

With respect to the Terra Property, ITH had the right to earn a 60% interest by incurring aggregate exploration expenditures of USD 3,000,000 by January 30, 2010, of which ITH committed to incur minimum exploration expenditures of USD 500,000 during the 2006 calendar year and of USD 750,000 during the 2007 calendar year. Upon ITH having earned its 60% interest in the Terra Property, AngloGold had the right to re-acquire a 20% interest (for an aggregate 60% interest) and become manager of the joint venture by incurring a further USD 4,000,000 in exploration expenditures over a further two years. In either case, following ITH and AngloGold having earned their final respective interests, each party will be required to contribute its pro rata share of further exploration expenditures or be diluted. A party that is diluted to 10% or less was to have its interest converted to a 2% NSR royalty.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

b) Properties optioned from AngloGold, Alaska (cont'd)

(ii) Terra Property (cont'd)

On November 5, 2007 ITH provided notice to AngloGold that it has incurred sufficient expenditures to vest its 60% ownership in the Terra Project. AngloGold had 90 days to decide whether or not to exercise its right to earn back an additional 20% interest in the Terra Project by incurring USD 4,000,000 in expenditures over the next two years, and elected not to do so. As AngloGold elected not to exercise its back-in right, each party was therefore responsible for contribution its share of ongoing joint venture expenditures.

On June 10, 2008, ITH entered into an agreement to acquire all of the interest of AngloGold in the Terra and LMS Properties, plus certain other AngloGold rights on the Gilles and West Pogo Properties, for the purchase price of $751,500 to be satisfied by the issuance of 450,000 shares of ITH to AngloGold (issued). The transaction was approved by the NYSE Alternext-US Stock Exchange on July 31, 2008 and by the TSXV on September 10, 2008.

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.

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.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

b) Properties optioned from AngloGold, Alaska (cont'd)

(ii) Terra Property (cont'd)

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.

c) Properties optioned from Redstar Gold Corp., Nevada (North Bullfrog Project)

On March 15, 2007, ITH signed a binding letter of intent with Redstar Gold Corp. of Vancouver, B.C. ("Redstar"), pursuant to which a US subsidiary of ITH (Corvus Nevada) could earn up to a 70% interest in the North Bullfrog project located in Nevada. Corvus Nevada could earn an initial 60% interest in the project by making payments and exploration expenditures and delivering ITH shares, and had the option to earn an additional 10% interest (aggregate 70%) by funding all expenditures to take the project to feasibility. There was no time limit by which a feasibility study was required to be delivered.

To earn its initial 60% interest, Corvus Nevada was required to make total payments of USD 190,000 and incur total expenditures of USD 4,000,000 over 4 years to March 15, 2011. The first year requirement is a payment of USD 20,000 on TSXV acceptance (paid) plus exploration expenditures of USD 500,000 (incurred). The second payment of USD 30,000 is due by September 15, 2008 (paid). The third payment of USD 40,000 is due by March 15, 2009 (paid). The fourth payment of USD 50,000 is due by March 15, 2010 and the fifth payment of USD 50,000 is due by March 15, 2011 (acquisition completed on October 9, 2009).

Corvus Nevada is also required to pay the advance minimum royalty payments to the owners of certain patented mining claims which are fully recoupable against production royalties. The advance minimum royalty in year 1 to 3 is USD 32,300 per year and year 4 onwards is USD 37,000.

On October 9, 2009, Corvus Nevada completed the acquisition of all of the interests of Redstar and Redstar Gold U.S.A. Inc. in the North Bullfrog project (including the Mayflower (note 6(d)) and Connection (note 6(e)) Properties) under an agreement dated July 30, 2009, thereby giving Corvus Nevada 100% control of the project. Consideration for the acquisition was a cash payment of USD 250,000 and the delivery by Corvus Nevada of 200,000 common shares of ITH. Completion of the acquisition eliminated Corvus Nevada's vesting requirements for expenditures and delivery of ITH shares.

The Company acquired all of the shares of Corvus Nevada on August 26, 2010 upon the completion of the Arrangement.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

d) Mayflower Property, Nevada (North Bullfrog Project)

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 located adjacent to its North Bullfrog project in south-western Nevada. The terms of the lease/option are as follows:

- *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.
- *Purchase Option*: Corvus Nevada has the right to purchase all the interest of the lessors in the property during the first ten years for USD 7,500,000 plus a 0.5% NSR if the gold price is under USD 500 per ounce and 1% if the gold price is USD 500 per ounce or above. After the initial ten-year period, the cash portion of the purchase price will be escalated annually based on the US annual Consumer Price Index increase for that year.

The Company acquired all of the shares of Corvus Nevada on August 26, 2010 upon the completion of the Arrangement.

e) Connection Property, Nevada (North Bullfrog Project)

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) patented mining claims located adjacent to the North Bullfrog project and referred to as the "Connection" property. The ten-year, renewable mining lease requires payments 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, September 30, 2010, and September 28, 2011). Redstar has an option to purchase the property 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 for USD 5,000,000.

Corvus Nevada acquired all of the interest of Redstar and Redstar US in the Connection property and associated lease on October 9, 2009 (note 6(c)).

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

f) Gerfaut Property, Quebec

On February 2, 2012, the Company signed a letter of intent ("LOI") with respect to an option/joint venture with Les Resources Tectonic Inc. ("LRT"), an arm's length private company, whereby the Company could acquire up to an 80% interest in the Gerfaut Property ('Gerfaut claims"), consisting of 60 mineral claims located in Northern Quebec. The LOI was subsequently replaced by a formal option and joint venture agreement dated for reference February 2, 2012 ("Gerfaut Agreement"). 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 LOI
- 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 is not aware of any material provisions for Environmental Rehabilitation as of May 31, 2012.

7. SHARE CAPITAL

Authorized

Unlimited common shares without par value.

Share issuances

During the year ended May 31, 2012:

a) On May 17, 2012, the Company closed a non-brokered private placement equity financing and issued 8,250,000 common shares at a price of $0.67 per common share for gross proceeds of $5,527,500.

During the year ended May 31, 2011:

a) An aggregate of 33,614,010 shares were issued as a result of the Plan of Arrangement (note 1).

b) On November 30, 2010 the Company closed a brokered private placement equity financing ("the Offering") and issued 6,500,000 common shares at a price of $0.88 per common share for gross proceeds of $5,720,000. In connection with the Offering, the agents received a cash commission equal to 5% of the gross proceeds raised through the Offering, amounting to $286,000 in share issuance costs. As well, the Agents received Agents' Warrants equal to 5% of common shares issued in the Offering, being 325,000 Agents' Warrants. Each Agents' Warrant is exercisable to acquire one common share of the Company at a price of $1.10 until November 30, 2012. The share-based payment charges associated with the Agents Warrants is $145,083.

c) On November 30, 2010 the Company closed a non-brokered private placement equity financing and issued 1,500,000 common shares at a price of $0.88 per common share for gross proceeds of $1,320,000. A finder's fee equal to 5% of the proceeds raised from the sale of 500,000 common shares was paid, amounting to $22,000. In connection with the financing, the Company paid an additional $116,140 in share issuance costs.

d) On December 2, 2010, the Company issued 46,250 common shares in connection with the lease on the Mayflower property (note 6(d)), with a fair value of $43,475.

Warrants

Warrants transactions are summarized as follows:

	2012		2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of the year	325,000	$ 1.10	-	$ -
Issued (Agents' Warrants)	-	-	325,000	1.10
Balance, end of the year	325,000	$ 1.10	325,000	$ 1.10

The weighted average remaining contractual life of warrants outstanding at May 31, 2012 was 0.50 year.

7. SHARE CAPITAL (cont'd)

Warrants (cont'd)

As at May 31, 2012 and 2011, the Company had outstanding warrants as follows:

	2012		2011	
Expiry Date	Exercise Price	Number of Warrants	Exercise Price	Number of Warrants
November 30, 2012	$ 1.10	325,000	$ 1.10	325,000

The Company uses the fair value method for determining fair value for all agent warrants issued during the year. The fair value of agent warrants was determined using the Black-Scholes option pricing model based on the following assumptions:

	2012	2011
Expected life (years)	N/A	2
Interest rate	N/A	1.62%
Volatility (average)	N/A	100%
Dividend yield	N/A	0.00%

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.

Share-based payment amounts included in the consolidated financial statements and related to options granted prior to August 26, 2010 represent an allocation of ITH's related amounts on a direct basis for employees and non-employees working directly on the Spin-out Properties and on a pro rata basis for head office employees and directors as outlined in note 1.

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.

Pursuant to the 2010 Plan, on May 29, 2012 the Company granted incentive stock options to a consultant and an employee of the Company to purchase 300,000 common shares in the share capital of the Company. The options are exercisable on or before May 29, 2017 at a price of $0.92 per share. The options vested as to one-third on May 29, 2012, one third on May 29, 2013 and the balance on May 29, 2014.

7. SHARE CAPITAL (cont'd)

Stock options (cont'd)

On November 17, 2011 the Company granted incentive stock options to consultants and an employee of the Company to purchase 210,000 common shares in the share capital of the Company. The options are exercisable on or before November 17, 2016 at a price of $0.67 per share. The options will vest as to one-third on November 17, 2011, one third on November 17, 2012 and the balance on November 17, 2013.

On July 29, 2011, the Company granted incentive stock options to directors and an employee of the Company to purchase 650,000 common shares in the share capital of the Company. The options are exercisable on or before July 29, 2016 at a price of $0.50 per share. The options will vest as to one-third on July 29, 2011, one third on July 29, 2012 and the balance on July 29, 2013.

On May 30, 2011 the Company granted incentive stock options to a consultant of the Company to purchase 100,000 common shares in the share capital of the Company. The options are exercisable on or before May 30, 2013 at a price of $0.69 per share.

On January 21, 2011, the Company granted incentive stock options to directors, officer and consultants of the Company to purchase 390,000 common shares in the share capital of the Company. The options are exercisable on or before January 21, 2013 at a price of $0.82 per share.

On September 8, 2010 the Company granted incentive stock options to directors, officers, employees and consultants of the Company to purchase 3,000,000 common shares in the share capital of the Company. The options are exercisable on or before September 8, 2012 at a price of $0.75 per share.

A summary of the status of the stock option plan as of May 31, 2012 and 2011, and changes during the years are presented below:

	2012		2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the year	3,490,000	$ 0.76	-	$ -
Granted	1,160,000	0.64	3,490,000	0.76
Cancelled	(350,000)	(0.76)	-	-
Balance, end of the year	4,300,000	$ 0.72	3,490,000	$ 0.76

The weighted average remaining contractual life of options outstanding at May 31, 2012 was 1.44 years.

7. SHARE CAPITAL (cont'd)

Stock options (cont'd)

Stock options outstanding are as follows:

	2012			2011		
Expiry Date	**Exercise Price**	**Number of Options**	**Exercisable at Year-End**	**Exercise Price**	**Number of Options**	**Exercisable at Year-End**
September 8, 2012 (note 15)	$ 0.75	2,680,000	2,680,000	$ 0.75	3,000,000	3,000,000
January 21 2013 (note 15)	$ 0.82	360,000	360,000	$ 0.82	390,000	390,000
May 30, 2013	$ 0.69	100,000	100,000	$ 0.69	100,000	100,000
July 29, 2016	$ 0.50	650,000	214,500	$ -	-	-
November 17, 2016	$ 0.67	210,000	69,300	$ -	-	-
May 29, 2017	$ 0.92	300,000	99,000			
		4,300,000	3,522,800		3,490,000	3,490,000

Share-based payments

Share-based payments amounts included in the consolidated financial statements and related to options granted prior to August 26, 2010 represent an allocation of ITH's related share-based payments amounts on a direct basis for employees and non-employees working directly on the Spin-out Properties and on a pro rata basis for head office employees and directors amounted to $821,171.

The Company uses the fair value method for determining share-based payment charges for all options granted during the years. The fair value of options granted was $586,042, determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

For the year ended May 31,	**2012**	**2011**
Risk-free interest rate	1.36%	1.45%
Expected life of options	5 years	2 years
Annualized volatility	100%	100%
Dividend yield	0%	0%
Exercise price	$0.64	$0.76
Fair value per share	$0.51	$0.42

7. SHARE CAPITAL (cont'd)

Share based payments (cont'd)

Share-based payment charges have been allocated as follows:

For the year ended May 31,	2012	2011
Consulting	$ 175,525	$ 1,418,974
Investor relations	65,621	274,388
Professional fees	17,698	93,674
Wages and benefits	54,933	415,723
	313,777	2,202,759
Exploration and evaluation assets – Geological/geophysical	14,628	73,486
	$ 328,405	$ 2,276,245

8. RELATED PARTY TRANSACTIONS

During the year ended May 31, 2012, the Company entered into the following transactions with related parties:

Management compensation

Key management personnel compensation comprised:

For the year ended May 31,	2012	2011
Consulting fees to CFO	$ 76,000	$ 31,163
Wages and benefits to CEO, President and COO	402,240	84,770
Share-based payments to CEO, President, COO and CFO	75,608	519,282
	$ 553,848	$ 635,215

Transactions with other related parties

For the year ended May 31,	2012	2011
Consulting fees to Corporate Secretary	$ 22,000	$ 9,000
Directors fees (included in consulting fees)	65,000	58,772
Professional fees to Vice President	89,500	39,367
Rent expenses to Cardero Resource Corp. ("Cardero"), a company with officers in common	28,531	10,177
Administration expenses to Cardero	43,442	3,033
Share-based payments to Vice President, Corporate Secretary and Directors	146,270	368,899
	$ 394,743	$ 489,248

8 RELATED PARTY TRANSACTIONS (cont'd)

Transactions with other related parties (cont'd)

As at May 31, 2012, included in accounts payable and accrued liabilities was $28,374 (2011 – $21,708) 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:

		Canada		United States		Total
May 31, 2012						
Exploration and evaluation assets	$	19,122	$	18,682,690	$	18,701,812
Property and equipment	$	1,906	$	36,469	$	38,375
May 31, 2011						
Exploration and evaluation assets	$	-	$	13,553,597	$	13,553,597
Property and equipment	$	-	$	44,302	$	44,302
June 1, 2010						
Exploration and evaluation assets	$	-	$	11,672,706	$	11,672,706
Property and equipment	$	-	$	-	$	-

For the year ended May 31,		**2012**		**2011**
Net loss for the year – Canada	$	(1,289,903)	$	(2,639,963)
Net loss for the year – United States		(1,241,484)		(146,660)
Net loss for the year	$	(2,531,387)	$	(2,786,623)

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 year ended May 31, 2012. The Company is not subject to externally imposed capital requirements.

11. SUPPLEMENTAL CASH FLOW INFORMATION

For the year ended May 31,	2012	2011
Supplemental cash flow information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Non-cash transactions		
Shares issued to acquire exploration and evaluation assets	$ -	$ 12,435,883
Change in accounts receivables included in exploration and evaluation assets	$ (165,110)	$ 173,262
Change in prepaid expenses included in exploration and evaluation assets	$ (5,729)	$ (7,837)
Change in accounts payable included in exploration and evaluation assets	$ 115,605	$ 221,756

12. SUBSIDIARIES

Significant subsidiaries are:

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

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows for the years ended May 31:

	2012	2011
Loss before income taxes	$ (2,531,387)	$ (2,786,623)
Statutory Canadian corporate tax rate	25.88%	27.67%
Income tax recovery at statutory rates	$ (655,123)	$ (771,059)
Share-based payments	81,206	400,262
Non-deductible items	532	256,873
Effect of tax rate change	8,582	7,077
Difference in tax rates in other jurisdictions	(103,186)	(9,427)
Tax benefits not realized	667,989	116,274
Deferred income tax recovery	$ -	$ -

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

	2012	2011
Deferred income tax assets (liabilities)		
Exploration and evaluation assets	$ (3,657)	$ -
Property and equipment	(932)	1,349
Share issuance costs	85,383	113,845
Non-capital losses available for future periods	1,177,212	478,481
Cumulative eligible capital	385	385
	1,258,391	594,060
Unrecognized deferred tax assets	(1,258,391)	(594,060)
Net deferred tax assets	$ -	$ -

At May 31, 2012, the Company has available non-capital tax losses for Canadian income tax purposes of approximately $1,468,000 and net operating loss for US tax purposes of approximately $2,348,000 available for carry-forward to reduce future years' taxable income, if not utilized, expiring as follows:

	Canada	United States
2029	$ -	$ 978,000
2030	-	7,000
2031	379,000	141,000
2032	1,089,000	1,222,000
	$ 1,468,000	$ 2,348,000

In addition, the Company has available mineral resource expenses that are related to the Company's exploration activities in the United States of approximately $18,668,000, which may be deductible for US tax purposes. Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts due to the uncertainty of future taxable income.

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in note 3, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements as at and for the year ended May 31, 2012, the comparative information presented in these financial statements as at and for the year ended May 31, 2011 and date of transition June 1, 2010.

The Company has adopted IFRS on June 1, 2011 with a transition date of June 1, 2010. Under IFRS 1, *"First time adoption of International Financial Reporting Standards"* ("IFRS 1"), the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit, and IFRS 1 providing for certain optional and mandatory exemptions to this principle.

Below are the adjustments necessary for the IFRS transition, including exemptions taken at the transition date:

a) Share-based payment transactions

IFRS 1 allows that a first-time adopter can elect to not apply IFRS 2 to share-based payments granted after November 7, 2002 that vested before the later of (a) the date of transition to IFRS and (b) January 1, 2005. The Company has elected this exemption and will apply IFRS 2 to only unvested stock options as at June 1, 2010, being the transition date.

IFRS 2 and Canadian GAAP are largely converged, with the exception of two main differences affecting the Company's stock option grants. IFRS 2 does not allow straight-line amortization of share-based payments related to stock options granted with a graded vesting schedule. The attribution method is required which effectively splits the grant into separate units for valuation purposes based on the vesting schedule. Additionally, IFRS 2 requires the incorporation of an estimate of forfeiture rates. Under Canadian GAAP, the Company's policy was to account for forfeitures as they occurred.

b) Fair value as deemed cost

The Company may elect among two options when measuring the value of its assets under IFRS. It may elect, on an asset by asset basis, to use either historical cost as measured under retrospective application of IFRS or fair value of an asset at the opening balance sheet date. The Company has elected to use historical cost for its assets.

c) Consolidated and Separate Financial Statements

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

d) Estimates

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

e) Cumulative translation differences

IFRS 1 allows that a first-time adopter may elect to deem all cumulative translation differences to be zero at the date of transition. The Company has elected this exemption and as such all cumulative translations amounts to June 1, 2010 are included in deficit.

Functional and presentation currency

The functional currency of Corvus Nevada and Raven Gold is US dollars, and for all other entities within the Group, the functional currency is Canadian dollar, as at the transition date of June 1, 2010. The consolidated financial statements are presented in Canadian Dollar ("$") which is the Group's presentation currency.

IAS 21 – *"The effects of Changes in Foreign Exchange Rates"* differs from the Canadian GAAP equivalent, applied by the Group until May 31, 2011. IAS 21 requires an entity to measure its assets, liabilities, revenue and expenses in its functional currency. It has been determined that as at the transition date of June 1, 2010, the functional currency of Corvus Nevada and Raven Gold is US dollars ("USD") and for all other entities within the Group, the functional currency is Canadian dollars. Prior to the adoption of IFRS, the functional currency of the Group was the Canadian Dollars ("$").

Under IAS 21, the assets and liabilities of the Group are translated from Corvus Nevada and Raven Gold's functional currency USD, to the presentation currency at the reporting date. The income and expenses are translated to the Group's presentation currency, which is $ at the dates of the transactions. Foreign currency differences are recognized directly in other comprehensive income within the foreign currency translation reserve.

Impact on Consolidated Financial Statements

		May 31, 2011		**June 1, 2010**
Property and equipment	$	(570)	$	-
Exploration and evaluation assets	$	(1,556,761)	$	(572,984)
Accumulated other comprehensive income	$	1,001,823	$	-
Adjustment to deficit	$	555,508	$	572,984

Reconciliation to previously reported financial statements

A reconciliation of the above noted changes is included in the following Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Loss for the dates and years noted below.

- Transitional Consolidated Statement of Financial Position Reconciliation – June 1, 2010
- Consolidated Statement of Financial Position Reconciliation – May 31, 2011
- Consolidated Statement of Comprehensive Loss Reconciliation – May 31, 2011

Reconciliation of pre-changeover CGAAP Shareholders' Equity to IFRS is included in the Interim Consolidated Statement of Financial Position Reconciliation – May 31, 2011.

As there have been no adjustments to the net cash flows, no reconciliation of the Statement of Cash Flows has been prepared.

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Reconciliation to previously reported financial statements (cont'd)

Transitional Consolidated Statement of Financial Position Reconciliation – June 1, 2010

	Canadian GAAP	Effect of Transition to IFRS	Ref	IFRS
ASSETS				
Current assets				
Cash and cash equivalents	$ -	$ -		**$ -**
Accounts receivable	97	-		**97**
Prepaid expenses	13,566	-		**13,566**
	13,663	-		**13,663**
Property and equipment	-	-		**-**
Exploration and evaluation assets	12,245,690	(572,984)	e)	**11,672,706**
	$ 12,259,353	$ (572,984)		**$ 11,686,369**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$ 85,094	$ -		**$ 85,094**
Shareholders' equity				
Share capital	1	-		**1**
Contributed surplus	23,013,646	-		**23,013,646**
Deficit	(10,839,388)	(572,984)	e)	**(11,412,372)**
	12,174,259	(572,984)		**11,601,275**
	$ 12,259,353	$ (572,984)		**$ 11,686,369**

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Reconciliation to previously reported financial statements (cont'd)

Consolidated Statement of Financial Position Reconciliation – May 31, 2011

	Canadian GAAP	Effect of Transition to IFRS	Ref	IFRS
ASSETS				
Current assets				
Cash and cash equivalents	$ 7,355,406	$ -		**$ 7,355,406**
Accounts receivable	191,660	-		**191,660**
Prepaid expenses	61,271	-		**61,271**
	7,608,337	-		**7,608,337**
Property and equipment	44,872	(570)	**e)**	**44,302**
Exploration and evaluation assets	15,110,358	(1,556,761)	**e)**	**13,553,597**
	$ 22,763,567	$ (1,557,331)		**$ 21,206,236**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$ 393,315	$ -		**$ 393,315**
Shareholders' equity				
Share capital	27,751,004	-		**27,751,004**
Contributed surplus	8,262,735	-		**8,262,735**
Accumulated other comprehensive income – cumulative translation differences	-	(1,001,823)	**e)**	**(1,001,823)**
Deficit	(13,643,487)	(555,508)	**e)**	**(14,198,995)**
	22,370,252	(1,557,331)		**20,812,921**
	$ 22,763,567	$ (1,557,331)		**$ 21,206,236**

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Reconciliation to previously reported financial statements (cont'd)

Consolidated Statement of Comprehensive Loss Reconciliation – May 31, 2011

	Canadian GAAP	Effect of Transition to IFRS	Ref	IFRS
Expenses				
Administration	$ 4,587	$ -		**$ 4,587**
Charitable donations	6,413	-		**6,413**
Consulting fees	1,653,417	-		**1,653,417**
Depreciation	7,849	-		**7,849**
Insurance	28,001	-		**28,001**
Investor relations	464,824	-		**464,824**
Office and miscellaneous	41,148	-		**41,148**
Professional fees	314,820	-		**314,820**
Property investigation expenditures	6,473	-		**6,473**
Regulatory	129,048	-		**129,048**
Rent	10,177	-		**10,177**
Travel	22,877	-		**22,877**
Wages and benefits	485,531	-		**485,531**
Loss before other items	(3,175,165)	-		**(3,175,165)**
Other items				
Interest income	23	-		**23**
Gain (loss) on foreign exchange	(9,559)	17,476	**e)**	**7,917**
Operator fee income	380,602	-		**380,602**
	371,066	17,476		**388,542**
Net loss for the year	(2,804,099)	17,476		**(2,786,623)**
Other Comprehensive loss				
Exchange difference on translating foreign operations	-	(1,001,823)	**e)**	**(1,001,823)**
Comprehensive loss for the year	$ (2,804,099)	$ (984,347)		**$ (3,788,446)**
Basic and diluted loss per share	$ (0.07)	$ -		**$ (0.07)**
Weighted average number of shares outstanding	37,647,905	-		**37,647,905**

15. SUBSEQUENT EVENT

Subsequent to May 31, 2012, the Company issued 837,300 common shares on exercise of 837,300 options for gross proceeds of $630,075.