



DAWSON GOLD CORP.
(Formerly Uldaman Capital Corp.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

First Quarter Ended September 30, 2011

Expressed in Canadian Dollars

Unaudited – Prepared by Management

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**NOTICE OF NO AUDITOR REVIEW OF CONDENSED
INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of Dawson Gold Corp. for the three months ended September 30, 2011 have been prepared by the management of the Company and approved by the Company's board of directors.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim financial statements by an entity's auditor.

DAWSON GOLD CORP.

(Formerly Uldaman Capital Corp.)

Condensed Consolidated Interim Statements of Financial Position

	Notes	September 30, 2011 \$	June 30 2011 \$	July 1, 2010 \$
ASSETS				
Current				
Cash		145,905	104,563	52,333
Receivables		58,834	228,490	6,728
Prepays and deposits		742	62,236	26,575
Total current assets		205,481	395,289	85,636
Non-current assets				
Equipment	5	5,288	5,717	-
Mineral property interests	6	2,918,059	2,346,846	290,349
Total non-current assets		2,923,347	2,352,563	290,349
Total assets		3,128,828	2,747,852	375,985
LIABILITIES				
Current				
Accounts payable and accrued liabilities		420,640	73,484	21,084
Exploration advance		-	-	31,362
Loan payable	7	100,591	-	-
Subscriptions refundable		-	80,000	-
Total current liabilities		521,231	153,484	52,446
EQUITY				
Share capital	8	3,386,220	3,386,696	407,090
Subscriptions received (receivable)	8	131,750	(250)	(250)
Reserves	8	570,010	566,010	-
Deficit		(1,480,383)	(1,358,088)	(83,301)
Total equity		2,607,597	2,594,368	323,539
Total equity and liabilities		3,128,828	2,747,852	375,985

These condensed consolidated interim financial statements are authorized for issue by the board of directors on December 23, 2011. They are signed on the Company's behalf by:

"Paul Gray"
Director

"Bijay Singh"
Director

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

DAWSON GOLD CORP.

(Formerly Uldaman Capital Corp.)

Condensed Consolidated Interim Statements of Changes in Equity

		Common	Share	Reserves	Deficit	Shareholders'
	Notes	Shares	Subscriptions			Equity
		\$	Received	\$	\$	\$
			(Receivable)			
			\$			
Balance - July 1, 2010		407,090	(250)	-	(83,301)	323,539
Shares issued for cash	8	-	340,250	-	-	340,250
Loss for the period		-	-	-	(44,266)	(44,266)
Balance - September 30, 2010		407,090	340,000	-	(127,567)	619,523

		Common	Share	Reserves	Deficit	Shareholders'
	Notes	Shares	Subscriptions			Equity
		\$	Received	\$	\$	\$
			(Receivable)			
			\$			
Balance - June 30, 2011		3,386,696	(250)	566,010	(1,358,088)	2,594,368
Share issuance costs		(476)	-	-	-	(476)
Share subscriptions received	8	-	132,000	-	-	132,000
Share-based compensation	9	-	-	4,000	-	4,000
Loss for the period		-	-	-	(122,295)	(122,295)
Balance - September 30, 2011		3,386,220	131,750	570,010	(1,480,383)	2,607,597

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

DAWSON GOLD CORP.

(Formerly Uldaman Capital Corp.)

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three months ended September 30,	Notes	2011 \$	2010 \$
General and administrative expenses			
Consulting services	10	32,043	8,669
Depreciation	5	429	170
Finance charges		591	
Investor relations		34,660	-
Management services	10	26,893	-
Office and administration	10	4,161	5,257
Professional fees		3,379	25,670
Regulatory and shareholder services		7,185	-
Rent	10	9,000	4,500
Share-based compensation	9	4,000	-
Loss before undernoted		(122,341)	(44,266)
Interest income		46	-
Loss and total comprehensive loss for the period		(122,295)	(44,266)
Loss per share, basic and diluted		(0.01)	(0.01)
Weighted average common shares outstanding, basic and diluted		16,959,891	3,302,496

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

DAWSON GOLD CORP.

(Formerly Uldaman Capital Corp.)

Condensed Consolidated Interim Statements of Cash Flows

Three months ended September 30,	Notes	2011 \$	2010 \$
Cash provided by (used in):			
Operating activities			
Loss for the period		(122,295)	(44,266)
Adjustments for:			
Depreciation of property and equipment	5	429	170
Interest income		(46)	-
Share-based compensation	9	4,000	-
Accrued finance charges		591	-
Changes in non-cash working capital items:			
Receivables		169,656	(86,044)
Prepays and deposits		61,494	20,269
Payables and accruals		28,241	69,077
		142,070	(40,794)
Financing activities			
Shares issued for cash, net of costs	8	(476)	329,070
Share subscriptions received	8	132,000	-
Share subscriptions returned	8	(80,000)	-
Loan payable		100,000	-
Exploration advance		-	58,023
		151,524	387,093
Investing activities			
Mineral property interests	6	(252,298)	(392,754)
Purchase of equipment	5	-	(4,521)
Interest received		46	-
		(252,252)	(397,275)
Increase in cash		41,342	(50,976)
Cash, beginning of period		104,563	52,333
Cash, end of period		145,905	1,357

Supplementary cash flow information (note 12)

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

DAWSON GOLD CORP.

(Formerly Uldaman Capital Corp.)

**Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2011**

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

These condensed consolidated interim financial statements include the accounts of Dawson Gold Corp. ("Dawson Gold", formerly Uldaman Capital Corp.) and its subsidiary Dawson Exploration Corp. ("Dawson Exploration", formerly 8451045 BC Ltd.). Dawson Gold and Dawson Exploration are collectively referred to as the "Company". All intercompany transactions and accounts have been eliminated upon consolidation. Except where indicated all amounts are expressed in Canadian dollars.

Dawson Gold was incorporated as Uldaman Capital Corp. under the Business Corporations Act in British Columbia on January 16, 2006 and changed its name to the current one in August 2010. Dawson Gold was a Capital Pool Company, as defined in the policies of the TSX Venture Exchange ("Exchange") until the completion of the reverse takeover transaction in November 2010.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its mineral properties and commence profitable operations. To date, the Company has not generated any revenues and is considered to be in the exploration stage.

Management is aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company's ability to continue to finance its activities. Management's plan includes continuing to pursue additional sources of equity financing to acquire mineral properties and fund its exploration programs. Management expects that the Company will be able to raise sufficient capital to fund operations for the upcoming fiscal year.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The head office and principal address of the Company are located at Suite 350 – 580 Hornby Street, Vancouver, British Columbia, V6C 3B6,

2. BASIS OF PREPARATION**Statement of Compliance**

The financial statements of the Company for the year-ending June 30, 2012 will be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), having previously prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). These condensed consolidated interim financial statements for the three-month period ended September 30, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

As these condensed interim financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim financial statements do not include all of the information required for full annual financial statements.

DAWSON GOLD CORP.

(Formerly Uldaman Capital Corp.)

Notes to the Condensed Consolidated Interim Financial Statements**For the Three Months Ended September 30, 2011**

2. BASIS OF PREPARATION (continued)

These condensed consolidated interim financial statements should be read in conjunction with the Company's June 30, 2011 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 14.

Basis of Measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis.

The financial information is presented in Canadian dollars, which is the functional currency of the Company.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a loss of \$122,295 during the three months ended September 30, 2011 and, as of that date the Company's deficit was \$1,480,383. The Company is dependent on its ability to raise additional debt or equity to raise sufficient cash resources to meet its current financial obligations. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company had cash and cash equivalents of \$145,905 at September 30, 2011 (June 30, 2011 - \$104,563).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are expected to be adopted for the year ending June 30, 2012 and have been applied consistently to all periods presented in these condensed interim financial statements and in preparing the opening IFRS balance sheet at July 1, 2010 for the purpose of the transition to IFRS, unless otherwise indicated.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Dawson Exploration. All significant intercompany transactions and balances have been eliminated upon consolidation.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held on demand with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

DAWSON GOLD CORP.

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**Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2011**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

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

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, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

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 loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Reclamation Deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

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Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Recognition and Measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost 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. Such costs include appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

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.

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 benefits 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 income or loss as incurred.

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 period in which they are incurred.

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 income in profit or loss.

Depreciation

Depreciation is recognized in profit or loss and is provided on a declining balance method over the estimated useful life of the assets as follows:

Computer equipment	30%
Vehicle	30%

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

DAWSON GOLD CORP.

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Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

When it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has three cash-generating units for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent it reverses gains previously recognized in other comprehensive loss/income.

Financial Instruments

Financial Assets

Financial assets are classified as 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:

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

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**Notes to the Condensed Consolidated Interim Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

Provisions**Rehabilitation Provision**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income except to the extent that may relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

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 period-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 period 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.

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**Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2011**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Government Grants**

From time to time the Company receives government incentive programs such as investment tax credits. Government incentives are accrued when there is reasonable assurance of realization and reflected as a reduction of the related asset or expense. In the event the investment tax credits received are less than the amount claimed, the difference will be reflected in operations in the period in which it is determined.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Flow-through Share Offerings

The Company, from time to time, issues common shares to finance its exploration program that transfer the tax deductibility of qualifying resource expenditures to investors. These are referred to as "flow-through share" offerings. On issuance, the Company separates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures typically within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Earnings / Loss Per Share

Basic earnings/loss per share is computed by dividing the income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

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**Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2011**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 loss/income 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 loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

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 loss/income, 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.

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.

Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2011 or later periods.

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**Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2011**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company has early adopted the amendments to IFRS 1 which replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs'. This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011; however, the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition.

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

(a) 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 is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the new standard.

(b) IFRS 11, Joint Arrangements

IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, and is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently evaluating the impact of this standard on its condensed financial statements.

(c) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unstructured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently evaluating the impact of this standard on its condensed financial statements.

(d) IFRS 13, Fair Value Measurements

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently assessing the impact of the standard on its condensed financial statements.

The Company anticipates that the application of these standards, amendments and interpretations will have no material impact on the results and financial position of the Company.

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**Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2011**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- a) IAS 12: Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 (Effective for periods beginning on or after January 1, 2012)
- b) Amendments to IFRS 9: Financial Instruments (Effective for periods beginning on or after January 1, 2013)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss/income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

Rehabilitation Provisions

Rehabilitation provisions have been created based on the Company's internal estimates with future period amounts discounted to reflect the time value of money. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

Exploration and Evaluation Expenditures

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

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Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2011

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Title to Mineral Property Interests

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

Income Tax

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

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

Share-based Payment Transactions

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

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Notes to the Condensed Consolidated Interim Financial Statements**For the Three Months Ended September 30, 2011****5. EQUIPMENT**

	Computer equipment \$	Vehicle \$	Total \$
Cost			
At July 1, 2010	-	-	-
Additions	6,726	16,297	23,023
Disposals	-	(16,297)	(16,297)
At June 30, 2011 and September 30, 2011	6,726	-	6,726
Accumulated Depreciation			
At July 1, 2010	-	-	-
Charge for the year	1,009	1,833	2,842
Disposals	-	(1,833)	(1,833)
At June 30, 2011	1,009	-	1,009
Charge for the period	429	-	429
At September 30, 2011	1,438	-	1,438
Net book value			
At July 1, 2010	-	-	-
At June 30, 2011	5,717	-	5,717
At September 30, 2011	5,288	-	5,288

During the year ended June 30, 2011, the Company disposed of a vehicle with a net book value of \$14,464, resulting in a gain on sale of \$1,833.

6. MINERAL PROPERTY INTERESTS*Toro Project*

The Toro Project is located in the Whitehorse District of Yukon and comprises the Tad / Toro claims and the Nit claims optioned from Northern Freegold Resources Ltd. ("Northern Freegold"), a company with a director in common, and additional claims subsequently staked by the Company.

Northern Freegold Option

In September 2009, the Company entered into an option agreement with Northern Freegold to acquire an exclusive right to an undivided 100% interest in the Tad / Toro and Nit claims. The Tad / Toro claims are subject to a 3% NSR, but the Company has the right to purchase one-third of this NSR for \$1,000,000. The Nit claims are subject to a 1% NSR.

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Notes to the Condensed Consolidated Interim Financial Statements**For the Three Months Ended September 30, 2011****6. MINERAL PROPERTY INTERESTS (continued)**

The Company will earn the 100% interest by paying \$125,212 in cash and issuing 1,500,000 common shares to Northern Freegold and incurring \$3,000,000 in exploration expenditures on the properties as follows:

	Cash Payment \$		Common Shares		Cumulative Expenditures \$
On signing	25,212	(paid)	-		-
On January 1, 2010	25,000	(paid)	-		-
On completion of the RTO	-		500,000	(issued)	-
On or before:					
January 1, 2011	25,000	(paid)	375,000	(issued)	350,000
January 1, 2012	25,000		625,000		1,000,000
January 1, 2013	25,000		-		2,000,000
January 1, 2014	-		-		3,000,000
	125,212		1,500,000		

To September 30, 2011, the Company has expended \$2,413,079 of exploration expenditures.

Nansen Ace/King/Kong Projects

During the year ended June 30, 2011, the Company staked claims comprising the Nansen Ace/King/Kong Projects located in the Whitehorse Mining District of Yukon.

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Notes to the Condensed Consolidated Interim Financial Statements**For the Three Months Ended September 30, 2011****6. MINERAL PROPERTY INTERESTS (continued)**

At September 30, 2011, the Company has incurred the following acquisition and deferred exploration costs:

	July 1, 2010	Change	June 30, 2011	Change	September 30, 2011
	\$	\$	\$	\$	\$
Toro Project					
Acquisition	50,212	336,250	386,462	-	386,462
Exploration expenses					
Assays	-	51,389	51,389	-	51,389
Consulting	31,875	-	31,875	-	31,875
Drilling	9,886	228,457	238,343	14,492	252,835
Environmental permitting	-	569	569	-	569
Field expense	-	417,068	417,068	21,082	438,150
Filing and administrative	12,126	12,759	24,885	4,511	29,396
Geological	145,706	519,497	665,203	90,934	756,137
Geophysics	-	68,176	68,176	263,600	331,776
Helicopter	-	197,871	197,871	102,190	300,061
Land maintenance	-	9,280	9,280	-	9,280
Project mobilization	-	47,424	47,424	-	47,424
Shipping	-	37,086	37,086	2,954	40,040
Site office	-	3,600	3,600	1,200	4,800
Staking	13,910	-	13,910	-	13,910
Travel and accomodation	26,634	61,727	88,361	17,076	105,437
	240,137	1,654,903	1,895,040	518,039	2,413,079
Toro Project	290,349	1,991,153	2,281,502	518,039	2,799,541
Nansen Ace, King and Kong Projects					
Exploration expenses					
Assays	-	-	-	7,517	7,517
Field expense	-	-	-	1,770	1,770
Filing and administrative	-	46	46	315	361
Geological	-	7,800	7,800	19,037	26,837
Helicopter	-	35,505	35,505	19,046	54,551
Land maintenance	-	5,388	5,388	-	5,388
Staking	-	13,214	13,214	-	13,214
Travel and accomodation	-	3,391	3,391	5,489	8,880
Nansen Ace, King and Kong Projects	-	65,344	65,344	53,174	118,518
Total mineral property interests	290,349	2,056,497	2,346,846	571,213	2,918,059

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Notes to the Condensed Consolidated Interim Financial Statements**For the Three Months Ended September 30, 2011****7. LOAN PAYABLE**

In August 2011, the Company received a loan of \$100,000 from Blue Coast Foundation. The Company will pay 6% per year interest on the unpaid principal amount. There are no fixed terms of repayment.

8. SHARE CAPITAL AND RESERVES

a) Authorized share capital
Unlimited common shares without par value

b) Issued share capital

Common Shares

Subsequent to quarter-end, in November 2011, the Company consolidated its share capital on a 2 old for 1 new basis. All common shares in these condensed consolidated interim financial statements reflect this change.

	Number of Shares	Issue Price \$	Common Shares \$
Balance - July 1, 2010	3,302,494		407,090
Shares issued for cash	1,095,416	0.34	370,750
Finder's fee paid in shares	34,266	0.34	11,780
Recapitalization of reverse takeover	3,038,031		-
Shares issued for cash	8,289,414	0.30	2,486,824
Finders' fees paid in shares	325,266	0.30	97,580
Shares issued for exploration and evaluation assets	875,000	0.36	311,250
Less share issue costs	-		(371,729)
Future income tax benefit of share issuance costs	-		73,151
Balance - June 30, 2011	16,959,887		3,386,696
Share issuance costs	-	-	(476)
Balance - September 30, 2011	16,959,887		3,386,220

Reserves

Reserves recorded in equity comprise the fair value of share-based payments before exercise.

	\$
July 1, 2010	-
Recapitalization on reverse takeover	62,010
Share-based compensation	469,000
Fair value of broker warrants	35,000
Balance, June 30, 2011	566,010
Share-based compensation	4,000
Balance, September 30, 2011	570,010

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Notes to the Condensed Consolidated Interim Financial Statements**For the Three Months Ended September 30, 2011****8. SHARE CAPITAL AND RESERVES (continued)**

During the three months ended September 30, 2011, the Company refunded \$80,000 of subscriptions that had been received in the year ended June 30, 2011 and received \$132,000 of share subscriptions towards a private placement closed subsequent to the quarter.

Fiscal year ended June 30, 2011

In October 2010, Dawson Exploration issued 674,167 units at a price of \$0.30 per unit for total proceeds of \$202,250. Each unit consists of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.50 per share until October 6, 2011 and at a price of \$0.70 until April 6, 2012. The Company has not separately disclosed the fair value of the warrants.

Dawson Exploration also issued 421,250 flow-through shares at a price of \$0.40 per unit for total proceeds of \$168,500. The Company has not separately disclosed the fair value of the warrants.

The Company paid finders' fees of \$11,180 in cash and 34,267 common shares at a fair value of \$11,780 in connection with these share issuances.

Concurrent with the completion of the RTO (note 1), in November 2010, the Company completed a unit financing of 8,289,415 units at a price of \$0.30 per unit for gross proceeds of \$2,486,824, of which \$1,242,900 had been received in advance. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into an additional common share of the Company at \$0.50 per share until November 5, 2011 and at \$0.70 per share until May 5, 2012. The Company has not separately disclosed the fair value of the warrants. In connection with the private placement, the Company paid finders' fees of \$174,065 in cash, issued 125,267 common shares, at a fair value of \$37,580, and issued 252,240 share purchase warrants exercisable until May 5, 2012 at a price of \$0.30 per share. The fair value of the broker warrants was calculated at \$35,000 using the Black-Scholes pricing model and using a volatility rate of 100%, a risk free rate of 1.99% and an annual rate of quarterly dividends of 0.0%.

During the year ended June 30, 2011, pursuant to a finder's fee agreement, Dawson Exploration committed to issue 200,000 common shares, which was satisfied by the issuance of 200,000 common shares of the Company and recorded at a fair value of \$60,000.

The Company also issued 875,000 common shares to Northern Freegold pursuant to the mineral property option agreement entered into by Dawson Exploration to acquire an certain claims in the Toro Project (note 6).

Escrow shares

As at September 30, 2011, 1,371,874 common shares remained in escrow, to be released as follows:

November 5, 2011	274,375
May 5, 2012	274,375
November 5, 2012	274,375
May 5, 2013	274,375
November 5, 2013	274,374
	<hr/>
	1,371,874

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Notes to the Condensed Consolidated Interim Financial Statements**For the Three Months Ended September 30, 2011****8. SHARE CAPITAL AND RESERVES (continued)**

In accordance with accounting recommendations relating to the issuance of flow-through shares (note 3), the Company reduced flow-through share proceeds by the estimated liability to flow-through shareholders arising from the transfer of income tax benefits.

In fiscal 2010, the Company recognized \$72,724 (2010 - \$Nil) of future income tax recovery from the utilization of available tax losses of prior periods to offset the future tax liabilities recognized.

WARRANTS

The Company's movement in share purchase warrants is as follows:

	September 30, 2011		June 30, 2011	
	Number	Weighted Avg. Exercise Price \$	Number	Weighted Avg. Exercise Price \$
Warrants, beginning of period	10,282,906	0.51	645,834	0.50
Issued	-	-	9,637,072	0.51
Warrants, end of period	10,282,906	0.51	10,282,906	0.51

Warrants and agent warrants at September 30, 2011 comprise:

Number of Warrants	Exercise Price	Expiry
645,834	\$ 0.70	from May 28, 2011 to November 27, 2011
1,095,417	\$ 0.50	until October 5, 2011; then
	\$ 0.70	from October 6, 2011 to April 5, 2012
8,289,415	\$ 0.50	until November 5, 2011; then
	\$ 0.70	from November 6, 2011 to May 5, 2012
252,240	\$ 0.30	May 5, 2012
10,282,906		

9. SHARE-BASED PAYMENTS

The Company adopted an incentive stock option plan, which provides that the board of directors of the Company may grant non-transferable options to purchase common shares to directors, officers, employees and technical consultants. The number of options is limited to a maximum of 10% of the Company's issued common shares outstanding. Such options may be exercisable for a period of up to ten years from the date of grant and are subject to the policies of the Exchange. Options granted by the Company typically vest on issuance and have a term of five years.

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Notes to the Condensed Consolidated Interim Financial Statements**For the Three Months Ended September 30, 2011****9. SHARE-BASED PAYMENTS (continued)**

The Company did not issue any stock options during the three months ended September 30, 2011 and had the following share-based transactions as follows:

	September 30, 2011		June 30, 2011	
	Number	Weighted Avg. Exercise Price \$	Number	Weighted Avg. Exercise Price \$
Options outstanding, beginning of period	1,655,000	0.40	-	-
Options of Dawson Gold assumed on RTO (note 1)	-	-	100,000	0.50
Granted	-	-	1,580,000	0.40
Cancelled	-	-	(25,000)	0.60
Options outstanding, end of period	<u>1,655,000</u>	0.40	<u>1,655,000</u>	0.40
Options exercisable, end of period	<u>1,623,750</u>	0.40	<u>1,592,500</u>	0.40

Options at September 30, 2011 comprise:

Exercise Price	Outstanding Options		Exercisable Options
	Number Outstanding	Weighted Average Remaining Life (Years)	Number Exercisable
\$0.60	25,000	0.07	25,000
\$0.40	<u>1,630,000</u>	4.07	<u>1,598,750</u>
	<u>1,655,000</u>	4.01	<u>1,623,750</u>

In the three-month period ended September 30, 2011, the Company recognized \$4,000 (2010 - \$nil) of share-based compensation expense. The Company used the Black-Sholes pricing model to estimate the fair value of the options using the following weighted average assumptions

Risk-free interest rate	2.78%
Dividend yield	0.00%
Expected volatility	100%
Expected options life	5 years

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Notes to the Condensed Consolidated Interim Financial Statements**For the Three Months Ended September 30, 2011****10. RELATED PARTY TRANSACTIONS**

The Company and its predecessors incurred the following expenses through transactions with companies having directors in common with the Company:

Three months ended September 30, 2011

	Management Fees	Consulting Services	Rent	Mineral Property Interests
	\$	\$	\$	\$
Paul Gray (a)	21,000	-	-	-
S2 Management Inc. (b)	900	-	-	-
Northern Freegold Resources Ltd. (d)	-	-	-	1,200
Broad Street Capital (e)	-	10,500	-	-
Argus Metals Corp. (f)	-	-	9,000	-
Kluane Drilling and H.Coyne & Sons Ltd. (g)	-	-	-	28,339
	<u>21,900</u>	<u>10,500</u>	<u>9,000</u>	<u>29,539</u>

Three months ended September 30, 2010

	Administration	Rent	Mineral Property Interests
	\$	\$	\$
SNJ Holdings Corp. (c)	4,000	4,500	-
Kluane Drilling (g)	-	-	222,151
	<u>4,000</u>	<u>4,500</u>	<u>222,151</u>

- a) Paul Gray is a director and officer of the Company.
- b) S2 Management Inc. is a company owned by the Company's CFO.
- c) SNJ Holdings Corp. is a company 50% owned by a director of the Company.
- d) Northern Freegold Resources Ltd. has a director in common with the Company.
- e) Broad Street Capital is a company owned by Bijay Singh, a director and officer of the Company.
- f) Argus Metals Corp. is a company with directors in common with the Company.
- g) Kluane Drilling and H.Coyne & Sons Ltd. are companies with a director in common with the Company.

At September 30, 2011, the Company owed \$30,375 (June 30, 2011 - \$7,571) to directors, officers and related companies of the Company. These amounts owing are non-interest bearing and have no fixed term of repayment.

All related party transactions have been recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties.

DAWSON GOLD CORP.

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Notes to the Condensed Consolidated Interim Financial Statements**For the Three Months Ended September 30, 2011****11. LOSS PER SHARE**

The calculation of the basic and diluted loss per share for the periods presented is based on the following data:

Three months ended September 30,	2011	2010
Loss for the period	(\$122,295)	(\$44,266)
Weighted average number of common shares outstanding	16,959,891	3,302,496
Loss per share	(\$0.01)	(\$0.01)

Diluted loss per share for the periods ended September 30, 2011 and 2010 is the same as basic loss per share as the impact of the exercise of the share options and warrants is anti-dilutive.

12. SUPPLEMENTARY CASH FLOW INFORMATION

Three months ended September 30,	2011 \$	2010 \$
Cash paid for income taxes	-	-
Cash paid for interest	591	-
Non-cash investing and financing activities:		
Mineral property expenditures included in accounts payable	318,915	763,843

13. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties.

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in note 2, these are the Company's first condensed consolidated interim financial statements for the period covered by the first annual financial statements prepared in accordance with IFRS.

Initial elections upon IFRS adoption

Set out below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption options

Share-based payments – IFRS 2 *Share-based payments* encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply the exemption under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the transition date.

Leases - In some cases leases, such as premises leases, are accounted for differently under IFRS and Canadian GAAP. The Company has chosen to apply an exemption under IFRS 1 so that the Company does not have to restate balances at the transition date that might result from lease accounting differences.

DAWSON GOLD CORP.

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**Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended September 30, 2011**

14. Transition to International Financial Reporting Standards (continued)

Rehabilitation provisions - The determination of rehabilitation provisions under IFRS differs from the method employed under Canadian GAAP. The Company has elected to apply an exemption under IFRS 1 so that it will not have to restate previously determined rehabilitation provisions.

IFRS Mandatory exceptions

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and, total comprehensive loss.

The accounting policies in note 3 have been applied as follows:

- in preparing the condensed interim financial statements as at and for the three months ended September 30, 2011;
- the comparative information for the three months ended September 30, 2010;
- the statement of financial position as at June 30, 2011; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, July 1, 2010.

In preparing the opening IFRS statement of financial position, comparative information for the three months ended September 30, 2010 and the financial statements for the year ended June 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

The financial information prepared under IFRS and that prepared under Canadian GAAP for periods beginning on July 1, 2010 have the following major differences:

- (i) Under IFRS, share-based payment transactions which are subject to graded vesting should have the separate tranches valued and amortized over the respective vesting periods separately as if each tranche was a separate award. Canadian GAAP allows the entire award to be valued together and to be amortized on a straight-line basis over the vesting time of the entire award. The Company's stock options typically vest at the date of grant, but options granted for investor relations activities vest over a 12-month period. The requirement to adopt graded vesting under IFRS accelerates recognition of share-based compensation expense with the result that the share-based compensation is increased in the year ended June 30, 2011 under IFRS.
- (ii) Under IFRS, flow-through instruments are accounted for as combined instruments comprising a liability component and an equity instrument upon issuance of the flow-through instruments. Upon renunciation of the expenditures for Canadian income tax purposes, the liability is reversed and a taxable temporary difference is recorded. Under Canadian GAAP flow-through instruments are accounted for as equity instruments only. Upon renunciation of the expenditures for Canadian tax purposes, a taxable temporary difference effected at the issuer's applicable tax rate is recorded and charged to equity as cost of issuance of flow-through instruments. The Company recognized a future income tax liability under Canadian GAAP relating to the tax benefit transferred to flow-through shareholders. Under IFRS, the Company would have had to recognize an income tax expense of the same amount.

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Notes to the Condensed Consolidated Interim Financial Statements**For the Three Months Ended September 30, 2011****14. Transition to International Financial Reporting Standards (continued)**

(iii) When the tax value of a purchased asset is less than its acquisition price, Canadian GAAP requires that the carrying value be adjusted to reflect the implicit deferred income tax liability. There is no such requirement under IFRS and so any tax-based adjustment to an asset's carrying value recorded under Canadian GAAP must be reversed.

	June 30, 2011 \$	September 30, 2010 \$	July 1, 2010 \$
Total assets under Canadian GAAP	2,851,602	1,562,912	375,985
Adjustments for different accounting treatments:			
(i) Share-based compensation	-	-	-
(ii) Treatment of flow-through shares	-	-	-
(iii) Future income taxes on exploration and evaluation assets	(103,750)	-	-
Total assets under IFRS	2,747,852	1,562,912	375,985
Total liabilities under Canadian GAAP	153,484	943,389	52,446
Adjustments for different accounting treatments:			
(i) Share-based compensation	-	-	-
(ii) Treatment of flow-through shares	-	-	-
(iii) Future income taxes on exploration and evaluation assets	-	-	-
Total liabilities under IFRS	153,484	943,389	52,446
Total equity under Canadian GAAP	2,698,118	619,523	323,539
Adjustments for different accounting treatments:			
(i) Share-based compensation			
- adjustment to expense	(20,000)	-	-
- adjustment to reserves	20,000	-	-
(ii) Treatment of flow-through shares			
- adjustment to share capital	-	-	-
- adjustment to deficit	-	-	-
(iii) Future income taxes on exploration and evaluation assets			
- recovery of deferred income taxes	(103,750)	-	-
Total equity under IFRS	2,594,368	619,523	323,539

	Three Months Ended September 30 2010 \$	Year Ended June 30, 2011 \$
Comprehensive loss under Canadian GAAP	(44,266)	(1,024,596)
Adjustments for different accounting treatments:		
(i) Share-based compensation	-	(20,000)
(ii) Future income taxes	-	-
(iii) Future income taxes on exploration and evaluation assets	-	(103,750)
Total comprehensive loss under IFRS	(44,266)	(1,148,346)

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Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2011

15. EVENTS AFTER THE REPORTING PERIOD

- a) In November 2011, the Company consolidated the 33,919,782 issued and outstanding share capital of the Company on a 2:1 basis. Following consolidation there are 16,959,887 shares issued and outstanding.
- b) In November and December 2011, the Company closed a private placement in two tranches, issuing an aggregate of 7,780,000 units at a price of \$0.05 per unit for gross proceeds of up to \$389,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company at a price of \$0.10 per share for a period of 18 months. The Company paid finders' fees of \$20,640 and issued 390,240 warrants with the same terms as the private placement.