



# MISTANGO RIVER

## R E S O U R C E S

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the three and six month periods ended June 30, 2012 and 2011

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Mistango River Resources Inc. are the responsibility of the management and Board of Directors of the Company.

The unaudited interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Robert J. Kasner", President and CEO  
Robert J. Kasner

"Johnny Oliveira", CFO  
Johnny Oliveira

## NOTICE TO READER

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2012 and 2011 have not been reviewed by the Company's auditors.

# Mistango River Resources Inc.

## UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

(Canadian dollars)

AS AT,	June 30, 2012	December 31, 2011
<b>ASSETS</b>		(Audited)
<b>Current</b>		
Cash and cash equivalents (Note 5)	\$ 2,499,957	\$ 1,036,190
Marketable securities (Note 6)	-	490,000
Trade and other receivables (Note 7)	69,398	157,276
	<b>2,569,355</b>	1,683,466
<b>Investments</b> (Note 8)	<b>100,193</b>	70,993
<b>Property, plant and equipment</b> (Note 9)	<b>116,674</b>	130,898
	<b>\$ 2,786,222</b>	\$ 1,885,357
<b>LIABILITIES</b>		
<b>Current</b>		
Trade and other payables (Note 10 and 11)	\$ 386,907	\$ 333,925
Flow-through share premium liability (Note 13 (a))	353,000	102,000
Current portion of long-term debt (Note 12)	23,971	15,541
	<b>763,878</b>	451,466
<b>Long-term debt</b> (Note 12)	-	16,131
	<b>763,878</b>	467,597
<b>EQUITY</b>		
Share capital (Note 13 (a))	21,045,186	19,255,186
Reserve for share based payments (Note 14(a))	3,708,474	3,650,474
Reserve for warrants (Note 14 (b))	800,000	485,000
Deficit	(23,586,111)	(22,002,095)
Accumulated other comprehensive income (loss)	54,795	29,195
	<b>2,022,344</b>	1,417,760
	<b>\$ 2,786,222</b>	\$ 1,885,357

Nature of Operations and Going Concern (Note 1)

Commitments and Contractual Obligations (Note 17)

Approved on behalf of the Board on August 28, 2012:

"Robert J. Kasner", Director

"Daniel Farrell", Director

The accompanying notes are an integral part of these unaudited interim financial statements

## Mistango River Resources Inc.

### UNAUDITED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Canadian dollars)

For the periods ended June 30,	2012	2011	2012	2011
<b>Expenses</b>				
Salaries, fees and benefits (Note 11)	\$ 41,969	\$ 48,802	\$ 95,118	\$ 110,054
Share based compensation (Note 13 (b))	13,000	165,000	58,000	165,000
Professional and consulting fees (Note 11)	27,365	34,160	48,211	51,038
Office, general and administrative (Note 11)	21,445	33,328	60,694	53,596
Shareholder Information	54,026	22,547	110,601	40,861
Amortization (Note 9)	7,826	6,153	18,524	11,406
Exploration and evaluation expenditures (Note 16)	514,032	269,676	1,362,242	296,357
<b>Net loss before the undernoted</b>	<b>\$ (679,663)</b>	<b>\$ (579,666)</b>	<b>\$ (1,753,390)</b>	<b>\$ (728,312)</b>
Gain on sale of property, plant and equipment (Note 15)	-	-	-	2,504,350
Unrealized gain (loss) on marketable securities (Note 6)	-	182,114	385,000	(194,843)
Realized loss on sale of marketable securities (Note 6)	-	(59,367)	(368,226)	(59,367)
Flow-through share premium recovery (Note 13 (a))	55,000	34,000	149,000	34,000
Future income tax (expense) recovery (Note 6)	(7,900)	(2,600)	3,600	12,387
<b>Net income (loss) for the period</b>	<b>\$ (632,563)</b>	<b>\$ (425,519)</b>	<b>\$ (1,584,016)</b>	<b>\$ 1,568,215</b>
<b>Income (Loss) per share</b>				
Basic and diluted	\$ (0.02)	\$ (0.03)	\$ (0.06)	\$ 0.10
Weighted average number of common shares outstanding				
Basic and diluted (000's)	30,027	16,594,375	28,699	16,251,500
<b>Comprehensive Income (Loss)</b>				
Net income (loss)	\$ (632,563)	\$ (425,519)	\$ (1,584,016)	\$ 1,568,215
Unrealized gain (loss) on investments	(54,763)	(18,278)	25,600	(24,915)
<b>Net comprehensive income (loss)</b>	<b>\$ (687,326)</b>	<b>\$ (443,797)</b>	<b>\$ (1,558,416)</b>	<b>\$ 1,543,300</b>

The accompanying notes are an integral part of these unaudited interim financial statements

# Mistango River Resources Inc.

## UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Canadian dollars)

	Share Capital		Reserves			Accumulated other comprehensive income (loss)	Total
	Number of Shares*	Amount	Share based payments	Warrants	Deficit		
Balance at January 1, 2011	15,904,815	\$ 17,234,936	\$ 3,415,474	\$ -	\$ (20,730,441)	\$ 90,691	\$ 10,660
Shares issued on private placements	11,416,666	2,752,250	-	-	-	-	2,752,250
Flow-through share premium on private placements	-	(255,000)	-	-	-	-	(255,000)
Shares issued for mineral properties	50,000	8,000	-	-	-	-	8,000
Warrants issued on private placements	-	(485,000)	-	485,000	-	-	-
Share based payments	-	-	235,000	-	-	-	235,000
Net loss for the year	-	-	-	-	(1,271,654)	-	(1,271,654)
Unrealized loss on investments for the year	-	-	-	-	-	(61,496)	(61,496)
<b>Balance at December 31, 2011</b>	<b>27,371,481</b>	<b>\$ 19,255,186</b>	<b>\$ 3,650,474</b>	<b>\$ 485,000</b>	<b>\$ (22,002,095)</b>	<b>\$ 29,195</b>	<b>\$ 1,417,760</b>
<b>Shares issued on private placements</b>	<b>10,500,000</b>	<b>2,495,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,495,000</b>
<b>Flow-through share premium on private placements</b>	<b>-</b>	<b>(400,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(400,000)</b>
<b>Shares issued for mineral properties</b>	<b>50,000</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
<b>Warrants issued on private placements</b>	<b>-</b>	<b>(315,000)</b>	<b>-</b>	<b>315,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Share based payments</b>	<b>-</b>	<b>-</b>	<b>58,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,000</b>
<b>Net loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,584,016)</b>	<b>-</b>	<b>(1,584,016)</b>
<b>Unrealized gain on investments for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,600</b>	<b>25,600</b>
<b>Balance at June 30, 2012</b>	<b>37,921,481</b>	<b>\$ 21,045,186</b>	<b>\$ 3,708,474</b>	<b>\$ 800,000</b>	<b>\$ (23,586,111)</b>	<b>\$ 54,795</b>	<b>\$ 2,022,344</b>
Balance at December 31, 2010	15,904,815	\$ 17,234,936	\$ 3,415,474	\$ -	\$ (20,730,441)	\$ -	\$ 10,660
Shares issued on private placements	2,950,000	700,000	-	-	-	-	700,000
Flow-through share premium on private placements	-	(140,000)	-	-	-	-	(140,000)
Shares issued for mineral properties	50,000	8,000	-	-	-	-	8,000
Warrants issued on private placements	-	(78,000)	-	78,000	-	-	-
Share based payments	-	-	165,000	-	-	-	165,000
Net income for the period	-	-	-	-	1,568,215	-	1,568,215
Unrealized loss on investments for the period	-	-	-	-	-	(24,915)	(24,915)
Balance at June 30, 2011	18,904,815	\$ 17,724,936	\$ 3,580,474	\$ 78,000	\$ (19,162,226)	\$ 65,776	\$ 2,286,960

\* Number of shares outstanding is post four for one share consolidation of the Company's issued and outstanding shares

The accompanying notes are an integral part of these unaudited interim financial statements

## Mistango River Resources Inc.

### UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

(Canadian dollars)

Six month period ended June 30,	2012	2011
<b>Operations</b>		
Net (loss) income	\$ (1,584,016)	\$ 1,568,215
Adjustments to reconcile net (loss) income to cash flow from operating activities:		
Share based payments	58,000	165,000
Gain on sale of property, plant and equipment	-	(2,504,350)
Unrealized (gain) loss on marketable securities	(385,000)	194,843
Realized loss on marketable securities	368,226	59,367
Future income tax recovery	(3,600)	(12,387)
Flow-through share premium recovery	(149,000)	(34,000)
Amortization	18,524	11,406
Shares issued for property payments	10,000	8,000
Net change in non-cash operating working capital items:		
Restricted cash	-	116,568
Trade and other receivables	87,878	(3,844)
Trade and other payables	52,982	(222,530)
	<b>(1,526,006)</b>	<b>(653,712)</b>
<b>Financing</b>		
Common shares issued, net of share issue costs	2,495,000	700,000
Payment of long-term debt	(7,701)	(7,349)
	<b>2,487,299</b>	<b>692,651</b>
<b>Investing</b>		
Proceeds from sale of marketable securities	506,774	378,133
Purchases of property, plant and equipment	(8,000)	(18,000)
Proceeds from sale of property, plant and equipment	3,700	61,115
	<b>502,474</b>	<b>421,248</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,463,767</b>	<b>460,187</b>
Cash, beginning of period	1,036,190	210,139
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,499,957</b>	<b>\$ 670,326</b>

*The accompanying notes are an integral part of these unaudited interim financial statements*

## **Mistango River Resources Inc.**

(An Exploration Stage Enterprise)

### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011**

---

#### **1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS**

Mistango River Resources Inc. ("Mistango" or the "Company") is a federally incorporated company. The Company's head office is located at 4 Al Wende Ave., Kirkland Lake, ON, P2N 3J5. At a Special Meeting of shareholders held on March 17, 2011, the shareholders approved the consolidation of its Class A Voting Common Shares on the basis of one (1) new common share for four (4) old common shares (the "Consolidation") and change the Company's name from GLR Resources Inc. to Mistango River Resources Inc. Fractional shares remaining after giving effect to the Consolidation were cancelled such that shareholdings of each shareholder will be rounded down to the nearest whole number of post Consolidation common shares. On March 23, 2011, Articles of Amendment were filed to give effect to the disclosed changes. Mistango's principal business is the acquisition and exploration of mineral properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned significant revenue and is considered to be in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

As at June 30, 2012, the Company had working capital of \$1,805,457 (December 31, 2011 - \$1,232,000), had not yet achieved profitable operations, had accumulated losses of \$23,586,111 (December 31, 2011 - \$22,002,095) and expects to incur further losses in the development of its business, all of which casts doubt upon the Company's ability to continue as a going concern. The Company is in the exploration stage and has no proven reserves or production relating to its operations. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.

Management believes the Company has sufficient funds or access to sufficient funds to cover planned operations throughout the next twelve month period. However, management plans on securing additional financing through the issue of new equity, among other things. Nevertheless, there is no assurance that these initiatives will be successful.

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption was not appropriate, adjustments might be necessary to the carrying value of the assets and liabilities, reported revenues and expenses, and the statement of financial position classifications used in the financial statements.

The future profitability of exploration properties and the Company's continued existence are dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

## **Mistango River Resources Inc.**

(An Exploration Stage Enterprise)

### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011**

---

## **2. BASIS OF PRESENTATION**

### **2.1 Statement of compliance**

These unaudited interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These unaudited interim financial statements were authorized by the Board of Directors of the Company on August 28, 2012.

### **2.2 Basis of presentation**

These unaudited interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s December 31, 2011 annual financial statements. Management advises readers of these unaudited interim financial statements to review the audited financial statements and accompanying notes as at December 31, 2011 in conjunction with the review of these statements.

### **2.3 Adoption of new and revised standards and interpretations**

The IASB issued a number of new and revised International Accounting Standards, IFRS, amendments and related interpretations which are effective for the Company’s financial year beginning on or after January 1, 2012. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted these standards, amendments and interpretations. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- IFRS 7 ‘*Financial Instruments, Disclosures*’ - effective for annual periods beginning on or after January 1, 2013, IFRS 7 has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting similar arrangements.
- IFRS 9 ‘*Financial Instruments: Classification and Measurement*’ – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 ‘*Consolidated Financial Statements*’ – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 ‘*Joint Arrangements*’ - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.



## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

---

## 2. BASIS OF PRESENTATION *(continued)*

### 2.3 Adoption of new and revised standards and interpretations *(continued)*

- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 1 '*Presentation of Financial Statements*' - the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.
- IAS 12 '*Income Taxes*' – In December 2010, effective for annual periods beginning on or after January 1, 2012, IAS 12 Income Taxes was amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, *Income Taxes – recovery of revalued non-depreciable assets*, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.
- IAS 19 '*Employee Benefits*' - effective for annual periods beginning on or after January 1, 2013, a number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in OCI. The standard also includes amendments related to termination benefits as well as enhanced disclosures.
- IAS 27 '*Separate Financial Statements*' - effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 '*Investments in Associates and Joint Ventures*' - effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee
- IAS 32 '*Financial Instruments, Presentation*' – In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

## **Mistango River Resources Inc.**

(An Exploration Stage Enterprise)

### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011**

---

#### **3. CAPITAL MANAGEMENT**

The Company's objectives in managing its capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefit of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, accumulated deficit and accumulated other comprehensive income, which as at June 30, 2012 totaled \$2,022,344 (December 31, 2011 - \$1,417,760).

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. 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 properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will continue to assess its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company's investment policy is to invest its cash in low-risk, highly liquid, short-term interest-bearing investments, selected with regards to the expected timing of upcoming expenditures.

The Company expects its capital resources will be sufficient to carry out its exploration plans and operations through its current operating period. 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 six month period ended June 30, 2012. The Company is not subject to externally imposed capital requirements.

#### **4. FINANCIAL INSTRUMENTS**

##### *Fair value*

The Company's financial instruments as at June 30, 2012 include cash and cash equivalents, trade and other receivables, investments, trade and other payables, and long-term debt. The Company has designated its cash and cash equivalents as FVTPL, which are measured at fair value cash and cash equivalents and is determined based on transaction value and is categorized as Level 1 measurement. The Company has designated its investments as available-for-sale, which are measured at fair value and is determined based on transaction value and is categorized as Level 1 measurement. Fair value of trade and other receivable and trade and other payables, promissory notes payable and long-term debt are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments.

## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

---

#### 4. FINANCIAL INSTRUMENTS *(continued)*

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

##### *Interest-rate risk*

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

##### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables included in current assets. The Company has no material concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits and short-term guaranteed investment certificates, which have been invested in a Canadian chartered bank, from which management believes the risk of loss is remote. As at June 30, 2012, the Company's receivables primarily consist of amounts due from the Canadian government. The Company's receivables are normally collected within a 60-90 day period. The Company has not experienced any significant collection issues to June 30, 2012. The Company is exposed to credit risk with regards to debtors refusing payment and the government denying the Company claims filed.

The Company's maximum exposure to credit risk as at June 30, 2012 is the carrying value of cash and cash equivalents and trade and other receivables.

##### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2012, the Company had current assets of \$2,569,355 (December 31, 2011 - \$1,683,466) to settle current liabilities of \$763,878 (December 31, 2011 - \$451,466). The ability of the Company to continue to pursue its exploration activities and continue as a going concern is dependent on its ability to secure additional equity or other financing. All of the Company's financial liabilities (other than long-term debt) have contractual maturities of less than 30 days and are subject to normal trade terms. As at June 30, 2012, the Company had working capital of \$1,805,457 (December 31, 2011 - \$1,232,000).

##### *Price risk*

The Company holds common shares of TSX and TSXV-traded companies. The Company has classified some of these investments as FVTPL and others as available-for-sale and such common shares are subject to stock market volatility. The value of this financial instrument fluctuates on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions

#### **Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

- i. The Company's marketable securities and investments are subject to fair value fluctuations. As at June 30, 2012, if the fair value of the marketable securities and investments had decreased/increased by 10% with all other variables held constant, net comprehensive income (loss) for the six month period ended June 30, 2012 would have been approximately \$10,000 (2011 - \$962,000) higher/lower.

## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

---

#### 5. CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance at June 30, 2012, contains cash on deposit with major Canadian banks of \$1,999,957 (December 31, 2011 - \$1,036,190) and \$500,000 (December 31, 2011 - \$Nil) in short-term guaranteed investment certificates with maturities of less than 90 days.

#### 6. MARKETABLE SECURITIES

Marketable securities as at June 30, 2012, are comprised of Nil (December 31, 2011 - 500,000) common shares of Brigus Gold Corp. ("Brigus"), a publicly traded Canadian company traded on the Toronto stock exchange ("TSX"). As at June 30, 2012, these FVTPL investments have been measured at their fair value of \$Nil (December 31, 2011 - \$490,000), as determined by the closing bid price of the securities on the TSX on June 30, 2012 (December 31, 2011). The revaluation to market value resulted in an unrealized gain on marketable securities during the six month periods ended June 30, 2012 of \$385,000 (2011 - \$Nil). During the six month period ended June 30, 2012, the Company sold 500,000 (2011 - Nil) of these shares for net proceeds of \$506,774. The Company recorded a realized loss during the six month period ended June 30, 2012 of \$368,226 (2011 - \$Nil) on the sale of these marketable securities.

#### 7. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from three main sources: sales and harmonized sales tax ("HST") receivable due from government taxation authorities, receivables from related parties and prepaid expenses. These are broken down as follows:

As at,	June 30, 2012	December 31, 2011
	\$	\$
HST receivable	69,398	157,276
<b>Total trade and other receivables</b>	<b>\$ 69,398</b>	<b>\$ 157,276</b>

At June 30, 2012, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 4.

The Company holds no collateral for any receivable amounts outstanding as at June 30, 2012.

#### 8. INVESTMENTS

Investments include 835,121 shares of RJK Explorations Inc. ("RJK") and 136 shares of Strategic Resources Inc. ("SRI"), publicly-traded Canadian companies listed on the TSX-V. As at June 30, 2012, these available-for-sale investments have been measured at their fair value, as determined by the closing bid price of the securities on June 30, 2012 of \$100,193 (December 31, 2011 - \$70,993). The impact to the financial statements of this revaluation to market value resulted in an increase of \$29,200 (2011 - decrease of \$15,528) to the value of the investments with a corresponding increase in accumulated other comprehensive income of \$25,600 (2011 - decrease of \$24,915) offset by future income tax recovery of \$3,600 (2011 - \$12,387) that has been included in the current period's net loss income.

## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

#### 9. PROPERTY, PLANT AND EQUIPMENT

	Exploration equipment	Office furniture	Total
<b>Cost</b>			
As at January 1, 2011	\$ 121,843	\$ 36,776	\$ 158,619
Additions	50,261	-	50,261
As at December 31, 2011	\$ 172,104	\$ 36,776	\$ 208,880
Additions	8,000	-	8,000
Disposals	(17,000)	-	(17,000)
As at June 30, 2012	\$ 163,104	\$ 36,776	\$ 199,880
<b>Accumulated depreciation</b>			
As at January 1, 2011	\$ 22,066	\$ 31,491	\$ 53,557
Amortization	23,368	1,057	24,425
As at December 31, 2011	\$ 45,434	\$ 32,548	\$ 77,982
Amortization	18,101	423	18,524
Disposals	(13,300)	-	(13,300)
As at June 30, 2012	\$ 50,235	\$ 32,971	\$ 83,206
<b>Net book value</b>			
As at December 31, 2011	\$ 126,670	\$ 4,228	\$ 130,898
As at June 30, 2012	\$ 112,869	\$ 3,805	\$ 116,674

#### 10. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

As at,	June 30, 2010	December 31, 2011
	\$	\$
Less than 1 month	129,053	75,224
1 – 3 months	1,923	2,770
Over 3 months	255,931	255,931
<b>Total trade and other payables</b>	<b>\$ 386,907</b>	<b>\$ 333,925</b>

## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

#### 11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management during the six month periods included:

	June 30, 2012	June 30, 2011
<b>Balances:</b>		
Short-term employee benefits	\$ 146,000	\$ 103,000
Share based payments - options	-	165,000
Total compensation paid to key management	<u>\$ 146,000</u>	<u>\$ 268,000</u>

Certain corporate entities and consultants that are related to the Company's officers and directors or persons holding more than 10% of the issued and outstanding shares of the Company provide consulting and other services to Mistango. All transactions were conducted in the normal course of operations and are measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties and are as follows:

During the six month period ended June 30, 2012, the Company was charged \$11,000 (2011 - \$11,000) for administrative costs are comprised of rent paid to a company controlled by the President of the Company (See Note 17-Commitments and Contractual Obligations).

In 2011, the Company entered into a short-term loan agreement with the President of the Company to provide a loan facility of up to \$200,000. The company used \$104,000 of this line during the year ended December 31, 2011 and then repaid it in full during the same period. Interest on this loan during the six month period ended June 30, 2012 was \$Nil (2010 - \$664) and is included in office, general and administrative.

Trade and other payables at June 30, 2012 includes \$Nil (December 31, 2011 - \$1,000) owing to officers, directors and companies controlled by officers and directors.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties.

#### 12. LONG-TERM DEBT

Long-term debt arises from the purchase of a truck during December 2009 for use in operations by the Company. The remaining term of the loan is for a period of 30 months, is fully secured and bears interest at the rate 5.9% per annum.

Current portion of long-term debt	\$ 23,971
Long-term portion of long-term debt	-
Long-term debt balance outstanding	<u>\$ 23,971</u>

On June 28, 2012, management accelerated its option to be able to pay early and paid the full remaining balance in July 2012.

The remaining principal repayments over the next three years are as follows:

Fiscal	Amount \$
2012	23,971
	<u>23,971</u>

## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

#### 13. SHARE CAPITAL

##### (a) Common shares

Mistango's authorized share capital consists of an unlimited number of Class A Voting Common Shares, and an unlimited number of non-voting, redeemable Class B Preferred Shares, Series A. This series is redeemable by the Company, in whole or in part, at the rate of \$1,000 per Series A share. The holders of the Series A shares are not entitled to dividends.

The issued Class A Voting Common Share capital is summarized as follows:

	Number of Shares	Amount
Balance, January 1, 2011	63,620,024	17,234,936
Consolidation 4:1 March 23, 2011	(47,715,209)	-
	15,904,815	17,234,936
Private placements	11,416,666	2,900,000
Issued for mineral properties	50,000	8,000
Fair value of warrants issued on private placements	-	(427,000)
Shares issue costs – cash	-	(147,750)
Shares issue costs – warrants issued as finder's fees	-	(58,000)
Flow-through share premium on private placements	-	(255,000)
<b>Balance, December 31, 2011</b>	<b>27,371,481</b>	<b>\$ 19,255,186</b>
Private placements	10,500,000	2,500,000
Issued for mineral properties	50,000	10,000
Fair value of warrants issued on private placements	-	(315,000)
Shares issue costs – cash	-	(5,000)
Flow-through share premium on private placements	-	(400,000)
<b>Balance, June 30, 2012</b>	<b>37,921,481</b>	<b>\$ 21,045,186</b>

#### 2012

On June 8, 2012, the Company completed a private placement totaling 8,000,000 flow-through units at \$0.25 each for an aggregate amount of \$2,000,000 and 2,500,000 units at \$0.20 each for an aggregate amount of \$500,000 for total proceeds for \$2,500,000. Each flow-through unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months. The flow-through shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers.

The fair value of the 5,250,000 share purchase warrants was estimated at \$315,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 1.04%; volatility 100% and an expected life of 2 years.

## **Mistango River Resources Inc.**

(An Exploration Stage Enterprise)

### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011**

---

#### **13. SHARE CAPITAL** *(continued)*

##### **(a) Common shares** *(continued)*

During the six month period ended June 30, 2012, the flow-through premium as a result of flow-through financings was calculated to be \$400,000 (Year ended December 31, 2011 - \$255,000). During the six month period ended June 30, 2012, the flow-through share premium liability of \$149,000 (2011- \$34,000) was reversed (resulting from flow-through funds spent) and recorded as a flow-through share premium recovery in the statements of loss and comprehensive loss for the six month period ended June 30, 2012. The remaining flow-through share premium liability of \$353,000 (December 31, 2011- \$102,000) will be reversed through the statements of loss as the Company spends the remaining \$1,766,000 (December 31, 2011 - \$933,000) in eligible Canadian Exploration Expenditures.

##### **2011**

On June 3, 2011, the Company completed a private placement totaling 2,200,000 units at \$0.25 each for an aggregate amount of \$550,000. Each unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 12 months and then \$0.45 for the ensuing 12 month period. The flow-through shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers.

The fair value of the 1,100,000 share purchase warrants was estimated at \$56,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 0.01%; volatility 100% and an expected life of 2 years.

On June 30, 2011, the Company completed a private placement totaling 750,000 units at \$0.20 each for an aggregate amount of \$150,000. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 12 months and then \$0.45 for the ensuing 12 month period.

The fair value of the 375,000 share purchase warrants was estimated at \$22,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 0.01%; volatility 100% and an expected life of 2 years.

On October 13, 2011, the Company completed a private placement totaling 6,200,000 units at \$0.25 each for an aggregate amount of \$1,550,000. Each unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.

On October 13, 2011, the Company completed a private placement totaling 600,000 units at \$0.25 each for an aggregate amount of \$150,000. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.

The fair value of the 3,400,000 share purchase warrants was estimated at \$284,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 0.98%; volatility 100% and an expected life of 2 years.

In connection with the private placements above, the Company paid a finder's fee of \$91,750 in cash and issued 367,000 finder's units. Each finder's unit comprises one common share and one-half of one warrant and is exercisable at a price of \$0.25 per for a period of two years. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.



## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

#### 13. SHARE CAPITAL (continued)

##### (a) Common shares (continued)

The fair value of the 367,000 finders units was estimated at \$37,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 0.98%; volatility 100% and an expected life of 2 years.

The fair value of the 183,500 finder warrants was estimated at \$15,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 0.98%; volatility 100% and an expected life of 2 years.

On December 21, 2011, the Company completed a private placement totaling 1,666,666 units at \$0.30 each for an aggregate amount of \$500,000. Each unit is comprised of one "flow-through" common share and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.

In connection with the private placements above, the Company paid a finder's fee of \$25,000 in cash and issued 83,333 finder warrants. Each whole warrant is exercisable at a price of \$0.35 for a period of 24 months.

The fair value of the 83,333 finder warrants was estimated at \$6,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; forfeiture rate 0%; risk free interest 0.89%; volatility 100% and an expected life of 2 years.

##### (b) Options

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to acquire common shares of the Company to directors and officers, employees, and consultants of the Company. The maximum aggregate number of common shares under options any time under the Plan cannot exceed 10% of the issued shares. As at June 30, 2012, the Company had 1,302,148 (December 31, 2011 – 587,148) options available for issuance under the Plan. The options outstanding to purchase common shares are as follows:

	June 30, 2012		December 31, 2011	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year/period	2,150,000	\$ 0.25	1,730,000	\$ 0.55
Transaction during the year/period				
Consolidation 4:1	-	-	(1,297,500)	2.21
Post consolidation	-	-	(432,500)	2.21
Granted	740,000	0.26	2,150,000	0.26
Forfeited/Expired	(400,000)	0.25	(432,500)	2.21
Outstanding at end of year/period	2,490,000	\$ 0.26	2,150,000	\$ 0.26
Exercisable at end of year/period	2,365,000	\$ 0.26	1,900,000	\$ 0.25

## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

#### 13. SHARE CAPITAL (continued)

##### (b) Options (continued)

The following summarizes information on the stock options outstanding at June 30, 2012.

Range of Exercise Prices (\$)	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)	No. of Options Exercisable	Weighted Average Exercisable Exercise Price (\$)
0.25	2,150,000	3.85	0.25	2,150,000	0.25
0.30	300,000	1.84	0.30	175,000	0.30
0.35	40,000	2.66	0.35	40,000	0.35
<b>0.25 – 0.35</b>	<b>2,440,000</b>	<b>3.59</b>	<b>0.26</b>	<b>2,365,000</b>	<b>0.26</b>

The fair value of each option was estimated on the date of grant. The following are the assumptions used under Black-Scholes at the measurement date for the six month period ended June 30, 2012:

	Vesting of prior issued options	January 1, 2012	February 8, 2012	February 8, 2012	June 26, 2012	Total
Options Issued		400,000	250,000	40,000	50,000	690,000
Risk-free interest rate		0.96%	1.19%	1.19%	1.25%	
Expected life		1 year	3 years	3 years	5 years	
Exercise price		\$0.25	\$0.25	\$0.35	\$0.25	
Price volatility		100%	100%	100%	100%	
Dividend yield		Nil	Nil	Nil	Nil	
Forfeiture rate		Nil	Nil	Nil	Nil	
Vesting		¼ Immediately, then ¼ every 3 months	Immediately	3 months	Immediately	
Share based compensation		\$39,000	\$21,000	\$3,000	\$7,000	\$70,000
Current year expense	\$17,000	\$10,000	\$21,000	\$3,000	\$7,000	\$58,000

The fair value of each option was estimated on the date of grant. The following are the assumptions used under Black-Scholes at the measurement date for the year ended December 31, 2011:

	June 9, 2011	July 13, 2011	September 6, 2011	October 13, 2011	October 31, 2011	November 3, 2011	Total
Options Issued	1,550,000	100,000	100,000	100,000	250,000	50,000	2,150,000
Risk-free interest rate	2.25%	2.18%	1.40%	1.52%	1.00%	1.00%	
Expected life	5 years	5 years	5 years	5 years	2 years	5 years	
Exercise price	\$0.25	\$0.25	\$0.25	\$0.25	\$0.30	\$0.30	
Price volatility	100%	100%	100%	100%	100%	100%	
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	
Forfeiture rate	Nil	Nil	Nil	Nil	Nil	Nil	
Vesting	Immediately	Immediately	Immediately	Immediately	¼ every 3 months	Immediately	
Share based compensation	\$165,000	\$13,000	\$19,000	\$13,000	\$39,000	\$11,000	\$260,000
Current year expense	\$165,000	\$13,000	\$19,000	\$13,000	\$14,000	\$11,000	\$235,000

The weighted average grant-date fair value of options granted during the six month periods ended June 30, 2012 was \$0.09 (Year ended December 31, 2011 - \$0.12) per option issued.

## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

#### 13. SHARE CAPITAL (continued)

##### (c) Common Share Purchase Warrants

The exercise price and expiry date of the warrants outstanding at June 30, 2012 are as follows:

Warrants	Exercise Price	Expiry Date
1,100,000	0.45	June 3, 2013
375,000	0.45	June 30, 2013
3,583,500	0.35	October 13, 2013
367,000	0.25	October 13, 2013
833,333	0.35	December 21, 2013 <sup>(1)</sup>
83,333	0.35	December 21, 2013
5,250,000	0.35	June 8, 2014 <sup>(1)</sup>
<u>11,592,166</u>		

<sup>(1)</sup> These warrants are subject to acceleration, at the option of the Company, in the event that the closing price of the Common Shares equals or exceeds \$0.50 for a period of 10 consecutive trading days at any time before expiry.

#### 14. RESERVES

##### (a) Share based payments

Reserve for share based payments is comprised of the following:

	June 30, 2012	December 31, 2011
Balance, beginning of the year/period	\$ 3,650,474	\$ 3,415,474
Share based payments	58,000	235,000
Balance, end of year/period	<u>\$ 3,708,474</u>	<u>\$ 3,650,474</u>

##### (b) Warrants

Reserve for share based payments is comprised of the following:

	June 30, 2012	December 31, 2011
Balance, beginning of the year/period	\$ 485,000	\$ -
Fair value of warrants issued on private placements	315,000	485,000
Balance, end of year/period	<u>\$ 800,000</u>	<u>\$ 485,000</u>

#### 15. GAIN ON SALE OF PROPERTY, PLANT AND EQUIPMENT

On January 27, 2011, the Company and, Brigus entered into a settlement agreement, as amended, which provided for the issuance to the Company of 1,396,134 common shares of Brigus valued at \$2,443,235 based on a deemed price of \$1.75 per share and cash payments aggregating US\$60,000 comprised of three equal payments of US\$20,000 payable on the last day of each of February, March and April of 2011. As a result of this transaction, the Company recorded a gain on sale of property, plant and equipment during the six month period ended June 30, 2012 of \$Nil (2011 - \$2,502,156).

## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

#### 16. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENDITURES

The evaluation and exploration expenses for the Company are broken down as follows:

	Six month period ended		Cumulative
	June 30, 2012	June 30, 2011	to date *
Baldwin, Ontario	\$ 1,466	\$ 1,007	\$ 596,219
Casa Berardi, Quebec	-	3,295	684,807
Goldie, Ontario	-	-	511,825
Kirkland West, Ontario	1,209	-	255,490
Omega Property, Ontario	1,356,199	14,815	3,820,674
Sackville, Ontario	8,188	6,131	565,955
General and other	(4,820)	1,433	112,501
<b>Exploration and evaluation expenditures</b>	<b>\$ 1,362,242</b>	<b>\$ 26,681</b>	<b>\$ 6,547,471</b>

\* Only properties currently under exploration are included in this figure.

Pursuant to a re-instated option agreement in respect of its Boudreault property, the Company made a \$10,000 payment in 2010. In order to exercise its right to acquire the Boudreault property under the re-instated option, Mistango made a cash payment of \$15,000 and issued 25,000 shares in the capital of the Company on December 1, 2010.

On June 14, 2011, the Company entered into a property option agreement to acquire a 100% interest in six claims in close proximity to the Company's Omega property in Larder Lake, Ontario. To acquire a 100% interest the Company will pay cash of \$150,000 as follows: \$25,000 on signing (paid), \$25,000 on or before June 30, 2012 (paid), \$50,000 on or before June 30, 2013, and \$50,000 on or before June 30, 2014 and issue 300,000 common shares as follows: 50,000 on signing (issued with a fair value of \$8,000), 50,000 on or before June 30, 2012 (issued with a fair value of \$10,000), 100,000 on or before June 30, 2013, and 100,000 on or before June 30, 2014. In addition, the Company is required to carry out \$500,000 in work expenditures on these claims by June 30, 2014. The vendor will retain a 3% NSR.

#### 17. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees. The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

## **Mistango River Resources Inc.**

(An Exploration Stage Enterprise)

### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011**

---

#### **17. COMMITMENTS AND CONTRACTUAL OBLIGATIONS** *(continued)*

The Company may become subject to tax audits of the flow-through expenditures renounced to investors; however, the Company believes that all Canadian Exploration Expenditures were effected and renounced in compliance with the prescribed regulations of the *Income Tax Act (Canada)*.

During the year ended December 31, 2011, 10,066,666 flow-through shares were issued pursuant to the private placements described in Note 13 for gross proceeds of \$2,600,000. As at June 30, 2012, the Company is committed to spending approximately \$Nil (December 31, 2011 - \$930,000) on Canadian exploration costs by December 31, 2012 as part of its 2011 flow-through funding agreements the Company has expended all of these flow-through funds. The Company has indemnified the subscribers for any tax related amounts that become payable by the subscribers as a result of the Company failing to meet its expenditure commitments.

During the six month period ended June 30, 2012, 8,000,000 flow-through shares were issued pursuant to the private placements described in Note 13 for gross proceeds of \$2,000,000. As at June 30, 2012, the Company is committed to spending approximately \$1,766,000 (December 31, 2011 - \$Nil) on Canadian exploration costs by December 31, 2013 as part of its 2012 flow-through funding agreements the Company has expended all of these flow-through funds. The Company has indemnified the subscribers for any tax related amounts that become payable by the subscribers as a result of the Company failing to meet its expenditure commitments.

During year ended December 31, 2011, Mistango signed a one-year lease extension on the Kirkland Lake premises. Pursuant to the terms of the renewed lease agreement, the Company is committed to paying approximately \$22,245 per year, to a company owned by the President of Mistango.