

# Condensed Consolidated Interim Financial Statements of



(Formerly Gold Hawk Resources Inc.)

Three months ended March 31, 2012 and 2011  
(Unaudited)

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

March 31, 2012

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# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Condensed consolidated interim statements of net loss and comprehensive loss

(In thousands of US dollars, except share amounts, unaudited)

	Three months ended March 31,	
	2012	2011
	\$	\$
<b>Operating costs</b>		
General and administration expenses (Note 14)	2,128	1,655
Exploration and evaluation expenditures (Note 15)	2,715	2,088
<b>Loss from operations</b>	<b>(4,843)</b>	<b>(3,743)</b>
<b>Other expenses (income)</b>		
Foreign exchange loss	38	175
Financing charges	47	42
Interest income	(39)	-
Gain on sale of marketable securities (Note 5)	-	(32)
<b>Net loss</b>	<b>(4,889)</b>	<b>(3,928)</b>
<b>Other comprehensive income</b>		
Exchange differences on translating foreign operations	150	553
	150	553
<b>Total comprehensive loss</b>	<b>(4,739)</b>	<b>(3,375)</b>
<b>Loss per share</b>		
Basic and diluted	<b>(0.14)</b>	<b>(0.13)</b>
<b>Weighted average number of shares outstanding</b>		
Basic and diluted	<b>34,176,927</b>	31,262,170

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Condensed consolidated interim statements of financial position

(In thousands of US dollars, unaudited)

	March 31, 2012	December 31, 2011
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	12,492	7,942
Marketable securities (Note 5)	418	411
Prepaid expenses and other receivables (Note 6)	696	770
	<b>13,606</b>	9,123
Non-current assets		
Plant and equipment (Note 7)	931	725
Mineral properties (Note 8)	21,008	21,024
Total assets	<b>35,545</b>	30,872
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	1,269	1,365
Current portion of promissory notes payable (Note 9)	1,784	1,758
	<b>3,053</b>	3,123
Non-current liabilities		
Promissory notes payable (Note 9)	1,126	1,107
Reclamation provision (Note 10)	169	185
Other long-term liabilities	300	295
Total liabilities	<b>4,648</b>	4,710
<b>Equity</b>		
Issued capital (Note 13(b))	78,716	69,619
Warrant reserve (Note 13(e))	1,924	1,924
Share-based payment reserve (Note 13(d))	6,255	5,878
Foreign currency translation reserve	1,019	869
Deficit	(57,017)	(52,128)
Total equity	<b>30,897</b>	26,162
Total liabilities and equity	<b>35,545</b>	30,872

Approved and authorized for issue by the Directors on May 15, 2012

**(Signed) Paul Eagland**

Paul Eagland, Director

**(Signed) Derek Price**

Derek Price, Director

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Condensed consolidated interim statements of changes in equity

(in thousands of US dollars, unaudited)

	Issued capital		Reserves			Deficit	Total
	Shares	Amount	Warrant reserve	Share-based payment reserve	Foreign currency translation reserve		
		\$	\$	\$	\$	\$	\$
At December 31, 2010	31,262,170	69,250	1,929	4,683	1,100	(36,088)	<b>40,874</b>
Share-based payment expense	-	-	-	691	-	-	<b>691</b>
Total comprehensive loss	-	-	-	-	553	(3,928)	<b>(3,375)</b>
At March 31, 2011	31,262,170	69,250	1,929	5,374	1,653	(40,016)	<b>38,190</b>
Issued on exercise of warrants (Note 13 (e))	61,900	115	(5)	-	-	-	<b>110</b>
Issued on exercise of options (Note 13 (c))	110,000	254	-	(112)	-	-	<b>142</b>
Share-based payment expense	-	-	-	616	-	-	<b>616</b>
Total comprehensive loss	-	-	-	-	(784)	(12,112)	<b>(12,896)</b>
At December 31, 2011	31,434,070	69,619	1,924	5,878	869	(52,128)	<b>26,162</b>
Private placement, net of share issue costs of \$663 (Note 13(b))	7,800,000	9,097	-	-	-	-	<b>9,097</b>
Share-based payment expense	-	-	-	377	-	-	<b>377</b>
Total comprehensive loss	-	-	-	-	150	(4,889)	<b>(4,739)</b>
At March 31, 2012	39,234,070	78,716	1,924	6,255	1,019	(57,017)	<b>30,897</b>

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Condensed consolidated interim statements of cash flows

(in thousands of US dollars, unaudited)

	Three months ended March 31,	
	2012	2011
	\$	\$
<b>Operating activities</b>		
Net loss	(4,889)	(3,928)
Items not affecting cash		
Realized gain on marketable securities (Note 5)	-	(32)
Share-based payment expense (Note 13 (d))	377	691
Foreign exchange loss	55	934
Depreciation	52	14
Interest and accretion on promissory note	47	66
	(4,358)	(2,255)
Net changes in non-cash components of working capital (Note 18)	(23)	(820)
	(4,381)	(3,075)
<b>Financing activities</b>		
Private placement, net of share issue costs	9,097	-
	9,097	-
<b>Investing activities</b>		
Proceeds from sale of marketable securities (Note 5)	-	514
Purchase of marketable securities (Note 5)	-	(482)
Additions to plant and equipment (Note 7)	(258)	(210)
	(258)	(178)
Effect of exchange rate changes on cash and cash equivalents	92	(384)
Net change in cash and cash equivalents	4,550	(3,637)
Cash and cash equivalents, beginning of year	7,942	25,406
<b>Cash and cash equivalents, end of year</b>	<b>12,492</b>	<b>21,769</b>
Cash and cash equivalents consist of:		
Cash	6,572	19,344
U.S. money market funds and guaranteed investment certificates	5,920	2,425
	12,492	21,769

Supplemental cash flow information (Note 18)

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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### 1. Nature and continuance of operations

Oracle Mining Corp. (the "Company" or "Oracle Mining"), formerly Gold Hawk Resources Inc., graduated to the TSX under the symbol "OMN" on January 12, 2012. It was previously listed on the TSX Venture Exchange, and is a company incorporated under the Canada Business Corporations Act and a reporting issuer under the jurisdiction of British Columbia. The Company is engaged in the acquisition, exploration, development and exploitation of mineral resource projects.

The Company's head office, principal address and registered office is #1550-666 Burrard Street, Vancouver, British Columbia, V6C 3E1.

In September 2010, the Company acquired the Oracle Ridge copper property near Tucson, Arizona. The Company has started exploration and development activities on this property and expects to bring the property into production in 2013. In accordance with the Company's accounting policy, all exploration and evaluation expenditures are expensed until such time as a technical feasibility study has been completed and commercial viability is demonstrable.

These condensed consolidated interim financial statements are prepared on the basis of a going concern which assumes the realization of assets and satisfaction of liabilities in the normal course of business. During the three months ended March 31, 2012, the Company incurred a net loss of \$4,889,000 and at March 31, 2012 has working capital of \$10,553,000. The continuation of the Company as a going concern is dependent on its ability to obtain necessary financing as required, to complete exploration and development activities on the Oracle Ridge copper property and ultimately the achievement of profitable operations. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

### 2. Basis of preparation

These condensed consolidated 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 International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with significant risk of material adjustment in the current and following years are discussed in Notes 2(o) and 2(p) of the Company's audited consolidated financial statements for the year ended December 31, 2011.

The Board of Directors approved these condensed consolidated interim financial statements for issue on May 15, 2012.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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### 3. Summary of significant accounting policies

These condensed consolidated 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 consolidated annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year end December 31, 2011.

### 4. New accounting standards and interpretations

The Company has not early adopted the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

In October 2010, the IASB issued amendments to IFRS 7 - *Financial Instruments: Disclosures* that enhance the disclosure requirements in relation to transferred financial assets. The Company adopted this amendment effective January 1, 2012. The adoption of this amendment did not have a significant impact on the Company's consolidated financial statements.

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company is currently assessing the impact they will have on the consolidated financial statements.

- *IFRS 10, Consolidated Financial Statements*: IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*.
- *IFRS 11, Joint Arrangements*: IFRS 11 establishes principles for 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*.
- *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 unconsolidated structured entity.
- *IFRS 13, Fair Value Measurements*: IFRS 13 defines fair value, sets out in a single IFRS framework for measuring 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 (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.
- *IAS 27, Separate Financial Statements*: IAS 27 has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with *IFRS 9 Financial Instruments*. The new IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, which is within the scope of the current IAS 27 *Consolidated and Separate Financial Statements*, and is replaced by IFRS 10.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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## 4. New accounting standards and interpretations (continued)

- *IAS 28, Investments in Associates and Joint Ventures:* IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures. Early application is permitted.
- *IFRIC 20 – Stripping Costs in the Production Phase of a Mine:* In October 2011, the IASB issued IFRIC 20 which clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods. The interpretation is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.
- *IFRS 9, Financial Instruments:* IFRS 9 introduces the new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value, and all financial liabilities classified as subsequently measured at amortized cost except for financial liabilities as at FVTPL. The amendments are effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.
- *IAS 1 – Presentation of Financial Statements:* In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted. The Company does not anticipate the application of the amendments to IAS 1 to have a material impact on its consolidated financial statements.
- *IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32).* On December 16, 2011 the IASB published amendments to IAS 32 Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.
- *Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7).* On December 16, 2011 the IASB published new disclosure requirements jointly with the FAS that enables users of financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP. The new requirements are effective for annual periods beginning on or after January 1, 2013.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

## 5. Marketable securities

As at March 31, 2012, the Company holds the following marketable securities:

	March 31, 2012	December 31, 2011	
	Cost	Fair value	Fair value
	\$	\$	\$
Fair value through profit or loss			
Canada Zinc Metals Corp.	303	418	411
	303	418	411

In the period ended March 31, 2011, the Company purchased 98,800 shares of Nevada Copper Corp. for a cost of \$482,000 and sold the shares for gross proceeds of \$514,000, resulting in a realized gain of \$32,000.

## 6. Prepaid expenses and other receivables

	March 31, 2012	December 31, 2011
	\$	\$
Prepaid expenses	190	125
Value-added taxes recoverable	96	80
Deposits and advances	410	565
Total	696	770

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

### 7. Plant and equipment

	Oracle Ridge equipment	Corporate office and other equipment	Total
<i>Cost</i>	\$	\$	\$
December 31, 2010	68	72	140
Additions	594	97	691
Disposals	-	(9)	(9)
Foreign exchange movement	-	(2)	(2)
December 31, 2011	662	158	820
Additions	233	25	258
Disposals	-	(1)	(1)
Foreign exchange movement	-	3	3
March 31, 2012	895	185	1,080

	Oracle Ridge equipment	Corporate office and other equipment	Total
<i>Accumulated depreciation</i>	\$	\$	\$
December 31, 2010	1	1	2
Additions	59	36	95
Disposals	-	(1)	(1)
Foreign exchange movement	-	(1)	(1)
December 31, 2011	60	35	95
Additions	41	11	52
Disposals	-	-	-
Foreign exchange movement	-	2	2
March 31, 2012	101	48	149

	Oracle Ridge equipment	Corporate office and other equipment	Total
<i>Carrying amounts</i>	\$	\$	\$
At December 31, 2011	602	123	725
At March 31, 2012	794	137	931

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

## 8. Mineral properties

	March 31, 2012	December 31, 2011
	\$	\$
Oracle Ridge copper project <sup>(i)</sup>	20,983	20,999
Copper Moon property <sup>(ii)</sup>	25	25
<b>Total</b>	<b>21,008</b>	<b>21,024</b>

(i) *Oracle Ridge copper project*

On September 28, 2010, the Company completed the acquisition of the Oracle Ridge copper property through the purchase of all the outstanding common shares of 0830438 BC Ltd. and its wholly-owned subsidiary, Oracle Ridge Mining LLC.

The Oracle Ridge property is located 24 km northeast of Tucson, Arizona. The Company has secured the surface rights by way of lease and by purchase of an adjacent property necessary to bring the property into production.

On August 1, 2011, the Company entered into an operating lease agreement for additional land adjacent to the Oracle Ridge property. The lease is for a term of 15 years and requires annual payments of \$19,200, with two additional five year option periods on similar terms. The Company paid an initial non-refundable payment of \$57,600 upon execution of the lease.

(ii) *Copper Moon property*

On June 29, 2011, the Company entered into an option agreement to acquire a 100% interest in a mineral property in Colorado, USA. Under the terms of the agreement, the Company paid \$25,000 on signing of the agreement and is required to make the following payments to keep the option in good standing: \$20,000 on or before June 29, 2012, \$20,000 on or before June 29, 2013, and \$500,000 on or before June 29, 2014.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

### 9. Promissory notes payable

As part of the acquisition of Oracle Ridge (Note 8), the Company assumed promissory notes payable of \$3,800,000 that were secured by the Oracle Ridge copper property.

As at March 31, 2012, the amount outstanding is as follows:

	March 31, 2012	December 31, 2011
	\$	\$
Promissory notes payable, including accrued interest	2,910	2,865
Less: Current portion	(1,784)	(1,758)
Promissory notes payable, non-current	1,126	1,107

The schedule of principal payment amounts and maturity dates of the notes as at December 31, 2011 are as follows:

Principal	Maturity date
\$500,000	April 27, 2012 <sup>1</sup>
\$806,500	October 21, 2012 <sup>1</sup>
\$1,000,000	October 21, 2013 <sup>2</sup>

<sup>1</sup> The notes bear interest until repaid at 8% per annum and interest is not payable until October 21, 2012.

<sup>2</sup> The note bears interest at 8% per annum and the interest is payable when the note comes due on October 21, 2013.

As part of the acquisition of Oracle Ridge (Note 8), the Company assumed an obligation to construct a roadway on the property and committed to spend a minimum of \$500,000 in the realization of this project. If the Company was unable to complete construction of the road by June 2011, the Company was still liable for the \$500,000 and this amount would be added to the principal of the Company's 2013 promissory note payable and become due in October 2013. As the Company did not construct the road by June 2011, the principal of \$500,000 has been added to Company's 2013 promissory note payable above.

Subsequent to March 31, 2012, the Company paid \$500,000 of principal owing under the promissory notes.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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### 10. Reclamation provision

Reclamation provision represents the estimated costs required to provide adequate restoration and rehabilitation upon completion of mining activities at Oracle Ridge. The Company measures the reclamation costs at fair value, which is based on the net present value of future cash expenditures upon reclamation and closure. Reclamation costs are capitalized to mineral properties and will be amortized over the life of mine once the mine commences commercial production.

The provision of \$169,000 has been adjusted to reflect risk. The estimate has been discounted at its present value at a rate of approximately 3.35% per annum being an estimate of the long-term, risk-free, pre-tax cost of borrowing. The undiscounted balance of the reclamation provision is \$328,000.

	\$
Reclamation provision - December 31, 2011	185
Accretion expense, included in finance charges	1
Revision in discount rate	(17)
<u>Reclamation provision - March 31, 2012</u>	<u>169</u>

### 11. Capital risk management

The Company's objectives in managing its liquidity and capital resources are to safeguard the Company's ability to continue as a going concern and to provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of promissory notes payable, other long-term liabilities, and equity, comprised of issued capital, warrant-reserve, share-based payment reserve, foreign currency translation reserve and deficit.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue shares, issue new debt, and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company does not pay out dividends.

During the three-months ended March 31, 2012, the Company completed a private placement for 7,800,000 common shares of the Company at a subscription price of C\$1.25 per share raising gross proceeds of C\$9.75 million. Corporate milestones for the next 12 months include receipt of additional operating permits, continued underground development, construction activities and purchasing major mining equipment. Significant additional funding will be required to achieve these objectives. Management has been actively communicating with various financial institutions and potential investors, including entering into a non-binding, indicative term sheet with Credit Suisse AG for a secured term loan of up to US\$70 million. While the Company has been successful in raising capital in the past, there is no guarantee it will be able to do so in the future.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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## 11. Capital risk management (continued)

The Company's capital at March 31, 2012 is as follows:

	March 31, 2012	December 31, 2011
	\$	\$
Promissory notes payable	2,910	2,865
Other long-term liabilities	300	295
Equity	<u>30,897</u>	<u>26,162</u>
	<u>34,107</u>	<u>29,322</u>

## 12. Financial instruments

### (a) Financial risk and risk management

The Company's financial instruments consist of cash and cash equivalents, other receivables, marketable securities, trade and other payables, promissory notes payable and other liabilities. The Company has exposures to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors is responsible for the establishment and oversight of the Company's risk management policies and reviews the policies on an ongoing basis.

#### (i) Interest rate risk

The Company is exposed to interest rate risk with respect to the interest it earns on its cash and cash equivalents balances.

The Company does not enter into derivative contracts to manage the risk associated with interest rate movements.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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## 12. Financial instruments (continued)

### (a) Financial risk and risk management (continued)

#### (ii) Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and is developing Oracle Ridge copper property in the US. A significant change in the currency exchange rates between the Canadian dollars relative to the US dollar could have an effect on the Company's financial performance, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2012, the Company holds the following financial instruments denominated in Canadian dollars or US dollars:

	US\$	C\$
Cash and cash equivalents	5,969	6,517
Marketable securities	-	418
Other receivable	270	236
Trade and other payables	(649)	(621)
Promissory notes payable	(2,910)	-
Other long-term liabilities	-	(300)
	<u>2,680</u>	<u>6,250</u>

At March 31, 2012, with other variables unchanged, a 10% change in the US dollar/ Canadian dollar exchange rate would impact pre-tax loss by \$0.5 million for the three months ended March 31, 2012.

#### (iii) Credit risk

The Company's credit risk is mainly attributable to its liquid financial assets: cash and cash equivalents, marketable securities, and other receivables. The Company deposits cash with high credit quality financial institutions and credit risk is considered to be minimal. The Companies maximum exposure to credit risk is \$13,416,000.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

### 12. Financial instruments (continued)

(a) *Financial risk and risk management (continued)*

(iv) *Liquidity risk*

The Company manages liquidity risk through an annual budget and ongoing monitoring of expenses and capital expenditures to ensure it has sufficient liquidity to meet its business requirements as they come due. As of March 31, 2012, the Company had working capital of \$10,553,000 (December 31, 2011 - \$6,000,000).

As at March 31, 2012, the Company's liabilities and commitments have contractual maturities of:

	Payments due by period			
	Total	Less than 1 year	1-5 years	More than 5 years
	\$	\$	\$	\$
Trade and other payables	1,269	1,269	-	-
Promissory notes payable, including interest	2,910	1,784	1,126	-
Reclamation provision	328	-	-	328
Other liabilities	300	-	300	-
Lease commitments	485	274	96	115
	<u>5,292</u>	<u>3,327</u>	<u>1,522</u>	<u>443</u>

In order for the Company to achieve its major objectives for the next 12 months, including receipt of additional operating permits, continued underground development, construction activities and purchasing major mining equipment, significant additional funding will be required. While the Company has been successful in raising capital in the past, there is no guarantee it will be able to do so in the future.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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## 12. Financial instruments (continued)

### (b) Classification of financial instruments

The Company's financial instruments consist of the following:

<u>Instrument</u>	<u>Classification</u>	<u>Measurement basis</u>
Cash and cash equivalents	FVTPL <sup>(i)</sup>	Fair value
Marketable securities	FVTPL	Fair value
Other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Other current liabilities	Other liabilities	Amortized cost
Promissory notes payable	Other liabilities	Amortized cost
Other long-term liabilities	Other liabilities	Amortized cost

(i) Fair value through profit and loss

IFRS 7 establishes a fair value hierarchy that reflects significance of inputs in measuring fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and cash equivalents and marketable securities are designated as Level 1. There were no transfers between Level 1 and Level 2 during the year.

The fair values of cash and cash equivalents, trade and other payables, and other current liabilities approximate their carrying values due to the short-term maturities of these financial instruments.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

### 13. Issued capital

(a) *Authorized*

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

(b) *Issued*

On February 28, 2012, the Company completed a private placement for 7,800,000 common shares (the "Shares") of the Company at a subscription price of C\$1.25 per share raising gross proceeds of C\$9,750,000 (US\$9,760,000). The Company paid a finder's fee to an arm length's party in the aggregate amount of C\$570,000 (US\$577,000) and incurred C\$86,000 (US\$86,000) in other issuance costs.

During the year ended December 31, 2011, the Company issued 171,900 shares upon the exercise of stock options and warrants for gross proceeds of C\$243,000.

(c) *Share option plan*

Pursuant to the terms of the Company's share option plan the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options may be exercisable over periods of up to five years as determined by the Board of Directors of the Company and the exercise price is the last closing price of the shares preceding the awarding date. Stock options granted to employees, officers and consultants vest one-third immediately, one-third after 12 months from the date of grant and one-third after 24 months from the date of grant, while stock options granted to directors vest immediately. Stock options granted to investor relations consultants vest and are exercisable for a period of two years from the date of grant, with 25% of the options vesting each quarter.

A summary of the Company's share options outstanding as at March 31, 2012 and the changes for the period then ended are as follows:

	Directors and officers	Employees and consultants	Total number of options	Weighted average exercise price per share
				C\$
Balance, December 31, 2010	1,579,000	453,000	2,032,000	2.06
Granted	600,000	1,075,000	1,675,000	1.50
Exercised	(110,000)	-	(110,000)	1.23
Forfeited	(830,000)	(35,000)	(865,000)	2.01
Expired	(53,000)	-	(53,000)	9.55
Balance, December 31, 2011	1,186,000	1,493,000	2,679,000	1.61
Granted	427,000	963,000	1,390,000	1.23
Forfeited	(200,000)	-	(200,000)	1.60
<b>Balance, March 31, 2012</b>	<b>1,413,000</b>	<b>2,456,000</b>	<b>3,869,000</b>	<b>1.48</b>

# Oracle Mining Corp.

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March 31, 2012

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

### 13. Issued capital (continued)

#### (c) Share option plan (continued)

The following table summarizes information about options outstanding and exercisable, granted to officers, directors, employees and consultants of the Company as at March 31, 2012:

Number of stock options outstanding	Number of stock options exercisable	Option exercise price C\$	Expiry date
8,000	8,000	17.25	June 2012
20,000	20,000	12.25	February 2013
38,000	38,000	1.63	August 2013
48,000	48,000	2.50	April 2014
280,000	280,000	1.00	February 2015
100,000	100,000	1.22	August 2015
360,000	250,000	1.60	October 2015
100,000	66,667	1.82	November 2015
150,000	100,000	2.09	December 2015
25,000	16,667	2.15	January 2016
450,000	350,000	1.90	March 2016
300,000	100,000	1.30	June 2016
150,000	150,000	0.99	October 2016
250,000	62,500	1.07	October 2016
200,000	66,667	1.15	November 2016
200,000	66,667	1.12	February 2017
1,190,000	457,666	1.25	March 2017
<b>3,869,000</b>	<b>2,180,834</b>		
1.48	1.60	Weighted average exercise price	

#### (d) Share-based payments

During the quarter ended March 31, 2012, the Company granted 922,000 (2011 – 775,000) share options to directors, officers, employees and a further 468,000 options to consultants. An amount of \$377,000 (2010 - \$691,000) was recorded in share-based payment reserve in recognition of share-based compensation, based on the vesting schedule for the options granted.

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## 13. Issued capital (continued)

### (d) Share-based payments (continued)

The fair value of each option granted during the year to employees and directors is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

	Three months ended March 31,	
	2012	2011
Number of options granted	922,000	775,000
Weighted average		
Risk-free interest rate (%)	1.23	1.92
Expected life (years)	2.90	2.71
Expected volatility (%)	65	86
Expected dividend (%)	-	-
Forfeiture rate (%)	12.12	-
Weighted average fair value (per option)	0.59	1.01

Share option pricing models require the input of subjective assumptions including the expected price volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of fair value of the Company's options.

The expected volatility assumption is based on the historical and implied volatility of comparative companies to Oracle Mining due to the limited period that the Company has operated in its present form. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds. The fair value of each option granted during the year to consultants is estimated using the equivalent market price of the consultants' services. The service fair value is recognized over the contract period.

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## 13. Issued capital (continued)

(e) *Share purchase warrants*

	Number of warrants	Average price of warrants
		C\$
Balance, January 1, 2010	3,802,000	1.39
Expired	(2,028,000)	1.25
Exercised	(850,200)	1.25
Balance, December 31, 2010	923,800	2.40
Expired	(861,900)	2.45
Exercised	(61,900)	1.75
Balance, December 31, 2011	-	-

The Company has no share purchase warrants outstanding as at March 31, 2012.

In the prior year, 861,900 common share purchase warrants with an average exercise price of C\$2.45 expired unexercised and 61,900 share purchase warrants were exercised for proceeds of C\$108,000.

## 14. General and administration expenses

	Three months ended March 31,	
	2012	2011
	\$	\$
Salaries and benefits	603	520
Professional and consulting fees	455	188
Share-based payments	377	670
Office expenses	98	112
Investor relations	348	45
Travel	58	79
Filing costs and shareholders' information	160	23
Insurance	16	8
Depreciation	11	7
Other	2	3
	2,128	1,655

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## 15. Exploration and evaluation expenditures

	Three months ended March 31,	
	2012	2011
	\$	\$
Design and technical studies	307	260
Permitting costs	450	713
Site and safety services	445	178
Drilling	859	655
Site and advisory costs	475	282
Underground exploration and development	179	-
	<b>2,715</b>	<b>2,088</b>

Site and advisory costs includes depreciation of \$41,000 (2011 - \$7,000).

## 16. Related party transactions

- (a) During the quarter ended March 31 2012, the Company paid \$126,000 (2011 - \$173,000) in advisory fees, respectively, to directors of the Company.

These transactions were incurred in the normal course of business and are measured at the fair value of the services provided.

## 17. Contingencies and commitments

- (a) The Company is committed under the terms of two operating leases for office premises for total aggregate payments of \$254,000 expiring in 2013.
- (b) The Company is committed under the terms of a land lease for total aggregate payments of \$231,000 expiring in 2023.
- (c) As part of the share purchase agreement for Oracle Ridge (Note 8), there is a clause whereby if the seller of Oracle Ridge is required to pay US federal capital gains tax at a rate higher than 15%, the Company is required to pay additional consideration for the property in an amount to offset the cost of the additional tax up to the equivalent of a US federal capital gains tax rate of 25%, or \$471,000. US federal capital gains tax rates have been frozen at 15% through to December 31, 2012, therefore no additional taxes will be owed by the seller on the 2012 promissory notes payable (Note 9). It is uncertain as to whether federal capital gains taxes will be raised in 2013 and therefore any additional consideration in relation to the 2013 notes is not determinable at this time.

In the normal course of business, the Company is aware of certain potential claims. The outcome of these matters is not determinable at this time, although the Company does not believe these potential claims will have a material adverse effect on the Company's operations.

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## 18. Supplemental cash flow information

Non-cash working capital items:

	Three months ended March 31,	
	2012	2011
	\$	\$
Prepaid expenses and other receivables	75	(164)
Trade and other payables	(98)	(656)
Net change in non-cash working capital	(23)	(820)

There were no income taxes or interest paid or received during the three months ended March 31, 2012 and 2011.

## 19. Segmented information

The Company currently operates in one business segment, being the acquisition, development and operation of mineral properties. The Company's sole development property, Oracle Ridge, is located in the US and the Company's head office is located in Canada.