

# Condensed Consolidated Interim Financial Statements of



(Formerly Gold Hawk Resources Inc.)

Three and nine months ended September 30, 2012 and 2011  
(Unaudited)

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

September 30, 2012

## Table of contents

Condensed consolidated interim statements of comprehensive loss .....	2
Condensed consolidated interim statements of financial position.....	3
Condensed consolidated interim statements of changes in equity .....	4
Condensed consolidated interim statements of cash flows .....	5
Notes to the condensed consolidated interim financial statements .....	6-23

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Condensed consolidated interim statements of comprehensive loss

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Operating costs</b>				
General and administration expenses (Note 13)	1,129	1,260	5,044	4,143
Exploration and evaluation expenditures (Note 14)	4,193	2,324	9,545	6,731
Other costs (Note 15)	-	-	351	-
<b>Loss from operations</b>	<b>(5,322)</b>	<b>(3,584)</b>	<b>(14,940)</b>	<b>(10,874)</b>
Other expenses (income)				
Foreign exchange loss (gain)	58	(407)	23	(183)
Financing charges	38	57	125	181
Interest income	(21)	(18)	(107)	(73)
Realized gain on sale of marketable securities (Note 5)	-	-	-	(32)
Unrealized loss on marketable securities (Note 5)	15	-	121	-
Other	-	2	(20)	8
<b>Net loss</b>	<b>(5,412)</b>	<b>(3,218)</b>	<b>(15,082)</b>	<b>(10,775)</b>
<b>Other comprehensive income</b>				
Exchange differences on translating foreign operations	241	(1,228)	163	(505)
	241	(1,228)	163	(505)
<b>Total comprehensive loss</b>	<b>(5,171)</b>	<b>(4,446)</b>	<b>(14,919)</b>	<b>(11,280)</b>
Loss per share				
Basic and diluted	(0.14)	(0.10)	(0.40)	(0.34)
Weighted average number of shares outstanding				
Basic and diluted	39,234,070	31,434,070	37,554,508	31,355,489

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Condensed consolidated interim statements of financial position

(In thousands of US dollars, unaudited)

	September 30, 2012	December 31, 2011
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	2,539	7,942
Marketable securities (Note 5)	301	411
Prepaid expenses	1,301	125
Other receivables	105	645
Total current assets	4,246	9,123
Non-current assets		
Plant and equipment (Note 6)	993	725
Mineral properties (Note 7)	21,066	21,024
Total assets	26,305	30,872
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	2,268	1,365
Current portion of promissory notes payable (Note 8)	1,319	1,758
Total current liabilities	3,587	3,123
Non-current liabilities		
Promissory notes payable (Note 8)	1,166	1,107
Reclamation provision (Note 9)	191	185
Other long-term liabilities	305	295
Total liabilities	5,249	4,710
<b>Equity</b>		
Issued capital (Note 12(b))	78,716	69,619
Warrant reserve (Note 12(e))	1,924	1,924
Share-based payment reserve (Note 12(d))	6,594	5,878
Foreign currency translation reserve	1,032	869
Deficit	(67,210)	(52,128)
Total equity	21,056	26,162
Total liabilities and equity	26,305	30,872

Nature of operations and going concern (Note 1)

Approved and authorized for issue by the Directors on November 13, 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>
Issued on exercise of warrants (Note 12 (e))	61,900	115	(5)	-	-	-	<b>110</b>
Issued on exercise of options (Note 12 (c))	110,000	254	-	(112)	-	-	<b>142</b>
Share-based payment expense	-	-	-	1,131	-	-	<b>1,131</b>
Net loss and total comprehensive loss	-	-	-	-	(505)	(10,775)	<b>(11,280)</b>
As at September 30, 2011	31,434,070	69,619	1,924	5,702	595	(46,863)	<b>30,977</b>
Share-based payment expense	-	-	-	176	-	-	<b>176</b>
Total comprehensive loss	-	-	-	-	274	(5,265)	<b>(4,991)</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 12(b))	7,800,000	9,097	-	-	-	-	<b>9,097</b>
Share-based payment expense	-	-	-	716	-	-	<b>716</b>
Net loss and total comprehensive loss	-	-	-	-	163	(15,082)	<b>(14,919)</b>
At September 30, 2012	39,234,070	78,716	1,924	6,594	1,032	(67,210)	<b>21,056</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 September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Operating activities</b>				
Net loss	(5,412)	(3,218)	(15,082)	(10,775)
Items not affecting cash				
Realized gain on marketable securities (Note 5)	-	-	-	(32)
Unrealized loss on marketable securities (Note 5)	16	-	121	-
Share-based payment expense (Note 12 (d))	148	208	716	1,130
Foreign exchange loss	369	(178)	163	69
Depreciation	63	21	171	60
Interest and accretion on promissory note	36	56	121	180
Other	-	2	8	8
	<b>(4,780)</b>	<b>(3,109)</b>	<b>(13,782)</b>	<b>(9,360)</b>
Net changes in non-cash components of working capital (Note 18)	640	(72)	264	(1,211)
	<b>(4,140)</b>	<b>(3,181)</b>	<b>(13,518)</b>	<b>(10,571)</b>
<b>Financing activities</b>				
Repayment of promissory note (Note 8)	-	-	(500)	(500)
Exercise of options and warrants	-	-	-	252
Private placement, net of share issue costs	-	-	9,097	-
	-	-	<b>8,597</b>	<b>(248)</b>
<b>Investing activities</b>				
Additions to mineral properties	(19)	(68)	(39)	(93)
Proceeds from sale of marketable securities (Note 5)	-	-	-	514
Purchase of marketable securities (Note 5)	-	-	-	(482)
Additions to plant and equipment (Note 6)	(136)	(356)	(440)	(792)
	<b>(155)</b>	<b>(424)</b>	<b>(479)</b>	<b>(853)</b>
Effect of exchange rate changes on cash and cash equivalents	(125)	(1,065)	(3)	(588)
Net change in cash and cash equivalents	<b>(4,420)</b>	<b>(4,670)</b>	<b>(5,403)</b>	<b>(12,260)</b>
Cash and cash equivalents, beginning of period	6,959	17,816	7,942	25,406
<b>Cash and cash equivalents, end of period</b>	<b>2,539</b>	<b>13,146</b>	<b>2,539</b>	<b>13,146</b>
Cash and cash equivalents consist of:				
Cash	1,355	6,143	1,355	6,143
Money market funds and guaranteed investment certificates	1,184	7,003	1,184	7,003
	<b>2,539</b>	<b>13,146</b>	<b>2,539</b>	<b>13,146</b>

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

September 30, 2012

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

---

## 1. Nature of Operations and Going Concern

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 existing under the Canada Business Corporations Act and a reporting issuer under the jurisdiction of British Columbia, Alberta, Ontario and Quebec. The Company is engaged in the acquisition, exploration and development of mineral resource projects.

The Company's head office, principal address and registered office is #1550 - 666 Burrard Street, Vancouver, British Columbia, V6C 2X8.

In September 2010, the Company acquired the Oracle Ridge copper mine project ("Oracle Ridge project") near Tucson, Arizona. The Company has started exploration and development activities on this property. 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 and nine months ended September 30, 2012, the Company incurred a net loss of \$5,412,000 and \$15,082,000, respectively. The working capital balance as at September 30, 2012 was \$659,000.

The continuation of the Company as a going concern is dependent on its ability to obtain necessary financing to satisfy liabilities as they come due, complete exploration and development activities on the Oracle Ridge project and ultimately to achieve profitable operations. Management has been actively communicating with various financial institutions and potential investors, including signing a non-binding, indicative term sheet for project financing with Credit Suisse AG for a secured term loan of up to \$70 million in order to advance the restart of the Oracle Ridge project. Subsequent to the quarter end, the Company filed a short form prospectus in connection with a best efforts agency marketed offering of units (the "Offering") of the Company for up to C\$20 million and signed a definitive investment agreement with MF2 Investment Company 1 LP (see Note 20). While the Company has been successful in filing the Offering and signing a definitive investment agreement, there is no assurance it will be successful in closing these transactions and receiving additional funding in whole or in part. Should this be the case, an alternative source of financing will be required in order for the Company to continue as a going concern. If financing efforts are not successful, material adjustments to the results of operations and carrying values of the Company's assets and liabilities will be necessary.

## 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"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed.

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.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

September 30, 2012

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

---

## 2. Basis of preparation (continued)

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 November 13, 2012.

## 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 ended December 31, 2011.

## 4. New accounting standards and interpretations

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 (except as noted), 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

September 30, 2012

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

---

## 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.
- *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..
- *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.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

September 30, 2012

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

### 5. Marketable securities

As at September 30, 2012, the Company holds the following marketable securities:

	September 30, 2012		December 31, 2011
	Cost	Fair value	Fair value
	\$	\$	\$
Fair value through profit or loss			
Canada Zinc Metals Corp.	303	301	411
	303	301	411

During the nine months ended September 30, 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. 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	342	98	440
Disposals	(6)	(1)	(7)
Foreign exchange movement	-	7	7
September 30, 2012	998	262	1,260

	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	131	40	171
Disposals	(1)	-	(1)
Foreign exchange movement	-	2	2
September 30, 2012	190	77	267

	Oracle Ridge equipment	Corporate office and other equipment	Total
	\$	\$	\$
<i>Carrying amounts</i>			
At December 31, 2011	602	123	725
At September 30, 2012	808	185	993

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

September 30, 2012

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

## 7. Mineral properties

	September 30, 2012	December 31, 2011
	\$	\$
Oracle Ridge copper project <sup>(i)</sup>	21,021	20,999
Copper Moon property <sup>(ii)</sup>	45	25
<b>Total</b>	<b>21,066</b>	<b>21,024</b>

(i) *Oracle Ridge copper mine project*

On September 28, 2010, the Company completed the acquisition of the Oracle Ridge project 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 project 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 project. 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. During the quarter, the Company paid the annual lease payment of \$19,200.

(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, US. 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, 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

September 30, 2012

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

### 8. Promissory notes payable

As part of the acquisition of Oracle Ridge (Note 7), the Company assumed promissory notes payable that were secured by the Oracle Ridge copper property.

As at September 30, 2012, the amount outstanding is as follows:

	September 30, 2012	December 31, 2011
	\$	\$
Promissory notes payable, including accrued interest	2,485	2,865
Less: Current portion	(1,319)	(1,758)
Promissory notes payable, non-current	1,166	1,107

The schedule of principal payment amounts and maturity dates of the notes as at September 30, 2012 are as follows:

Principal	Maturity date
\$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.

The Company intends to use a portion of the expected net proceeds of the Offering to pay the full outstanding balance on the promissory notes payable plus accrued interest. As a result, the First Note was not paid on its maturity date. In accordance with the terms of the First Note, the Company has 30 days from the maturity date to pay the outstanding balance before the noteholder can declare an event of default. The First Note will accrue interest at a rate of 13% from the maturity date until final payment is made.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

September 30, 2012

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

---

### 9. Reclamation provision

Reclamation provision represents the estimated costs required to provide adequate restoration and rehabilitation of existing ground disturbance 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 \$191,000 has been adjusted to reflect risk. The estimate has been discounted at its present value at a rate of approximately 2.83% 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	4
Revision in discount rate	2
<u>Reclamation provision - September 30, 2012</u>	<u>191</u>

### 10. 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 dividends.

On February 28, 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 objectives for the next 12 months include the completion of the resource validation program, obtaining regulatory permits and approvals necessary to allow for a re-start of the mine and, if a current mineral resource estimate is established, finalizing a technical report on mineral resources in accordance with the requirements of NI 43-101 and completing a mine and processing plant design and project feasibility study ("Feasibility Study") for Oracle Ridge. If a Feasibility Study is completed and the outcome thereof is positive and approved by the Board of Directors, the Company intends to place deposits for long-lead equipment required for the operation of the mine. Significant additional funding will be required to achieve these objectives. Management has been actively communicating with various financial institutions and potential investors, including filing a short form prospectus in connection with a best efforts agency marketed offering of units of the Company for up to C\$20 million and signing a definitive investment agreement with MF2 Investment Company 1 LP (see Note 20), in addition to entering into a non-binding, indicative term sheet with Credit Suisse AG for a secured term loan of up to \$70 million. While the Company has been successful in raising capital in the past, there is no assurance it will be successful in closing these transactions and receiving additional funding in whole or in part.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

September 30, 2012

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

## 10. Capital risk management (continued)

The Company's capital at September 30, 2012 is as follows:

	September 30, 2012	December 31, 2011
	\$	\$
Promissory notes payable	2,485	2,865
Other long-term liabilities	496	480
Equity	21,056	26,162
	<b>24,037</b>	<b>29,507</b>

## 11. Financial instruments

### (a) Financial risk and risk management

The Company's financial instruments consist of cash and cash equivalents, marketable securities, other receivables, trade and other payables, promissory notes payable and other long-term 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.

#### (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 the Oracle Ridge project 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.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

September 30, 2012

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

### 11. Financial instruments (continued)

#### (ii) Foreign currency risk (continued)

At September 30, 2012, the Company holds the following financial instruments denominated in Canadian dollars or US dollars:

	US\$	C\$
Cash and cash equivalents	175	2,325
Marketable securities	-	296
Other receivable	901	190
Trade and other payables	1,821	441
Promissory notes payable	2,485	-
Other long-term liabilities	-	300
	<u>5,382</u>	<u>3,552</u>

At September 30, 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 and \$1.5 million respectively for the three and nine months ended September 30, 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 Company's maximum exposure to credit risk is \$1,301,000.

#### (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 September 30, 2012, the Company had working capital of \$659,000 (December 31, 2011 - \$6,000,000).

As at September 30, 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	2,268	2,268	-	-
Promissory notes payable, including interest	2,485	1,319	1,166	-
Reclamation provision	328	-	-	328
Other liabilities	305	-	305	-
Lease commitments	348	156	77	115
	<u>5,734</u>	<u>3,743</u>	<u>1,548</u>	<u>443</u>

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

September 30, 2012

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

---

## 11. Financial instruments (continued)

### (iv) Liquidity risk (continued)

In order for the Company to achieve its major objectives for the next 12 months, 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 (See Note 1 and Note 20).

### (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
Promissory notes payable	Other liabilities	Amortized cost
Other long-term liabilities	Other liabilities	Amortized cost

#### <sup>(i)</sup> Fair value through profit or 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, other receivables, and trade and other payables, 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

September 30, 2012

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

### 12. 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 (\$9,760,000). The Company paid a finder's fee to an arm length's party in the aggregate amount of C\$570,000 (\$577,000) and incurred C\$86,000 (\$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 (\$252,000).

(c) *Long term incentive plan ("LTIP")*

Pursuant to the terms of the Company's LTIP, approved during the second quarter of 2012, 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 September 30, 2012 and the changes for the period then ended are as follows:

	Directors and officers	Employees and consultants	Total number of options	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	481,000	963,000	1,444,000	1.23
Forfeited	(583,333)	(175,000)	(758,333)	1.67
Expired	(8,000)	-	(8,000)	17.45
<b>Balance, September 30, 2012</b>	<b>1,075,667</b>	<b>2,281,000</b>	<b>3,356,667</b>	<b>1.40</b>

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

September 30, 2012

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

### 12. 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 September 30, 2012:

Number of stock options outstanding	Number of stock options exercisable	Option exercise price C\$	Expiry date
24,000	24,000	1.63	August 2013
32,000	32,000	2.50	April 2014
210,000	210,000	1.00	February 2015
100,000	100,000	1.22	August 2015
230,000	163,333	1.60	October 2015
100,000	66,667	1.82	November 2015
150,000	100,000	2.09	December 2015
16,667	16,667	2.15	January 2016
450,000	350,000	1.90	March 2016
300,000	200,000	1.30	June 2016
150,000	150,000	0.99	October 2016
150,000	112,500	1.07	October 2016
200,000	66,667	1.15	November 2016
66,667	66,667	1.12	February 2017
1,123,333	691,666	1.25	March 2017
54,000	18,000	1.29	May 2017
<b>3,356,667</b>	<b>2,368,167</b>		
1.40	1.40	Weighted average exercise price	

#### (d) Share-based payments

During the nine months ended September 30, 2012, the Company granted 976,000 (2011 – 1,075,000) share options to directors, officers, employees and a further 468,000 options to consultants. An amount of \$716,000 (2011 - \$1,131,000) was recorded in share-based payment reserve in recognition of share-based compensation, based on the vesting schedule for the options granted.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

September 30, 2012

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

## 12. Issued capital (continued)

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

The fair value of each option granted during the period 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:

	Nine months ended September 30,	
	2012	2011
Number of options granted	976,000	1,075,000
Weighted average		
Risk-free interest rate (%)	1.24	1.85
Expected life (years)	2.92	2.80
Expected volatility (%)	65	90
Expected dividend (%)	-	-
Forfeiture rate (%)	12.04	9.42
Weighted average fair value (per option)	0.59	0.96

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 period to consultants is estimated using the equivalent market price of the consultants' services. The service fair value is recognized over the contract period.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

September 30, 2012

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

## 12. 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 September 30, 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 (\$110,000).

## 13. General and administration expenses

	Three months ended September 30,	
	2012	2011
	\$	\$
Salaries and benefits	482	347
Professional and consulting fees	200	348
Share-based payments	147	208
Office expenses	92	79
Investor relations	47	50
Travel	99	81
Filing costs and shareholders' information	32	110
Insurance	11	17
Depreciation	16	9
Other	3	11
	1,129	1,260

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

September 30, 2012

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

### 13. General and administration expenses (continued)

	Nine months ended September 30,	
	2012	2011
	\$	\$
Salaries and benefits	1,650	1,270
Professional and consulting fees	1,062	887
Share-based payments	716	1,110
Office expenses	289	276
Investor relations	561	96
Travel	432	245
Filing costs and shareholders' information	242	170
Insurance	37	43
Depreciation	40	28
Other	15	18
	<b>5,044</b>	<b>4,143</b>

### 14. Exploration and evaluation expenditures

	Three months ended September 30,	
	2012	2011
	\$	\$
Design and technical studies	1,219	271
Permitting costs	761	693
Site and safety services	386	366
Drilling	789	643
Site and advisory costs	768	351
Underground exploration and development	270	-
	<b>4,193</b>	<b>2,324</b>

Site and advisory costs includes depreciation of \$46,000 (2011 - \$10,000).

	Nine months ended September 30,	
	2012	2011
	\$	\$
Design and technical studies	2,148	942
Permitting costs	1,857	1,882
Site and safety services	1,176	848
Drilling	1,948	2,122
Site and advisory costs	1,747	937
Underground exploration and development	669	-
	<b>9,545</b>	<b>6,731</b>

Site and advisory costs includes depreciation of \$131,000 (2011 - \$32,000).

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

September 30, 2012

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

### 15. Other costs

	Nine months ended	
	September 30, 2012	September 30, 2011
	\$	\$
Due diligence fee (a)	99	-
Write-off of promissory note (b)	252	-
	<b>351</b>	-

- (a) During the year, the Company entered into an agreement with a third-party, whereby the third party granted the Company the exclusive right to negotiate and carry out due diligence with respect to a potential acquisition. As part of the agreement, the Company paid the third-party a C\$100,000 (\$99,000) non-refundable fee that would be credited towards the purchase price payable by the Company should the Company proceed with the acquisition. The Company subsequently chose not to proceed with the transaction.
- (b) On April 12, 2012, the Company entered into a C\$250,000 (\$252,000) convertible promissory note ("Note") with a third party to fund exploration on a property the Company was considering acquiring. The Note bears interest at a rate of 8% per annum simple interest from the date of issuance until paid in full. No payment of principal or interest under this Note shall be due until April 12, 2014. The Company has the right, exercisable in whole or in part, to convert the outstanding principal and accrued interest into a number of fully paid and non-assessable whole shares of the third party's no par value common stock. The Company did not acquire the property and has written off the Note due to the uncertainty of eventual collection.

### 16. Related party transactions

During the three and nine months ended September 30, 2012, the Company paid \$125,000 (2011 - \$126,000) and \$400,000 (2011- \$300,000) 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 \$137,000 expiring in 2013.
- (b) The Company is committed under the terms of a land lease for total aggregate payments of \$211,000 expiring in 2023.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

## Notes to the condensed consolidated interim financial statements

September 30, 2012

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

### 17. Contingencies and commitments (continued)

- (c) As part of the share purchase agreement for Oracle Ridge (Note 7), if the seller of Oracle Ridge thereunder 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 8). 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.

### 18. Supplemental cash flow information

Non-cash working capital items:

	Three months ended September 30,	
	2012	2011
	\$	\$
Prepaid expenses and other receivables	(598)	(339)
Trade and other payables	1,238	267
Net change in non-cash working capital	640	(72)

	Nine months ended September 30,	
	2012	2011
	\$	\$
Prepaid expenses and other receivables	(636)	(759)
Trade and other payables	900	(452)
Net change in non-cash working capital	264	(1,211)

### 19. Segmented information

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

### 20. Subsequent Events

- (a) Subsequent to the quarter end, the Company filed and received a receipt for a short form prospectus in connection with a best efforts agency marketed offering of units ("Units") of the Company (the "Offering") for up to C\$20 million. Each Unit was priced at \$0.85 and consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant will entitle the holder thereof to acquire a common share for \$1.02 per common share for a period of 24 months from the date of issue.

# Oracle Mining Corp.

(Formerly Gold Hawk Resources Inc.)

Notes to the condensed consolidated interim financial statements

September 30, 2012

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

---

## 20. Subsequent Events (continued)

- (b) Subsequent to the quarter end, the Company signed a definitive investment agreement with MF2 Investment Company 1 LP ("MF2"). MF2 has agreed to be the lead order under the Offering to subscribe for such number of Units under the Offering at the offering price having an aggregate subscription price of up to \$10 million (the "Equity Subscription"). The Equity Subscription will be limited such that MF2's ownership interest in our Common Shares on the Closing Date shall not exceed 19.9% of our issued and outstanding Common Shares (assuming the exercise of the Warrants acquired by MF2 Investment pursuant to this Offering). Based on the offering price, MF2 may subscribe for up to 8,918,195 Units under the Offering (not including any over-allotment units that may be acquired by MF2 pursuant to the sale of any over-allotment Units).

In addition, MF2 has agreed to purchase, upon closing of the Offering, a 3% Net Smelter Returns Royalty on the future sale of any metals and minerals derived from the Oracle Ridge Copper Mine in Arizona, US, for \$10 million.

The Investment Agreement also provides that MF2 has the exclusive right, for a period of ninety days from the closing date, to finalize and enter into an offtake agreement and a loan agreement with the Company. As contemplated, the offtake agreement will provide that MF2 is to purchase 100% of the Oracle Ridge Copper Mine's future annual copper concentrate production for the life of the mine. The price payable for the material is to be based on prices set by the London Metal Exchange as published by the London Metal Bulletin. It is expected that the loan agreement will provide for a senior ranking loan facility in the amount of \$15 million.