TOWER RESOURCES LTD.

FINANCIAL STATEMENTS
For the years ended October 31, 2012 and 2011

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Tower Resources Ltd.

We have audited the accompanying financial statements of Tower Resources Ltd., which comprise the statements of financial position as October 31, 2012, October 31, 2011 and November 1, 2010 and the statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years ended October 31, 2012 and October 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Tower Resources Ltd. as at October 31, 2012, October 31, 2011 and November 1, 2010 and its financial performance and its cash flows for the years ended October 31, 2012 and October 31, 2011 in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

February 25, 2013

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TOWER RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	October 31, 2012	October 31, 2011 (Note 15)	November 1, 2010 (Note 15)
	$	$	$
ASSETS			
Current			
Cash	1,277,454	2,058,418	1,161,864
Receivables (Note 3)	184,762	31,140	5,200
Note receivable	-	-	27,706
Prepaid expenses	24,932	1,997	-
	1,487,148	2,091,555	1,194,770
Equipment (Note 4)	28,222	3,941	2,964
Exploration and evaluation assets (Note 5)	2,114,860	192,223	-
Exploration and evaluation assets - oil and gas (Note 6)	1	1	1
Reclamation bonds (Note 7)	45,000	-	-
	3,675,231	2,287,720	1,197,735
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 8)	242,310	93,831	54,235
Rehabilitation obligation (Note 6)	13,000	13,000	13,000
	255,310	106,831	67,235
Shareholders' equity			
Share capital (Note 9)	10,960,603	9,392,136	7,332,642
Shares subscribed	-	-	710,000
Reserves (Note 9)	698,449	240,524	5,721
Deficit	(8,239,131)	(7,451,771)	(6,917,863)
	3,419,921	2,180,889	1,130,500
	3,675,231	2,287,720	1,197,735

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENT (Note 16)

Approved and authorized on behalf of the Board on February 25, 2013:

"Mark Vanry"
Mark Vanry, Director

"Steve Vanry"
Steve Vanry, Director

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

TOWER RESOURCES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the year ended October 31, 2012	2011 (Note 15)
	$	$
Expenses		
Accounting and audit	82,479	49,930
Consulting fees	84,162	55,050
Depreciation	16,540	2,960
Foreign exchange loss	1,074	1,130
Legal fees	15,380	48,494
Management fees	42,500	-
Office and miscellaneous	179,371	65,922
Property examination costs	5,849	52,353
Share-based compensation (Note 9)	457,925	244,797
Transfer agent and filing fees	21,714	31,237
Travel and promotion	34,131	15,240
	(941,125)	(567,113)
Net oil and gas gain (loss)	63	(152)
Gain on debt settlement	-	10,472
Interest income	25,104	22,885
Reversal of flow-through premium liability (Note 9)	254,500	-
Write off of exploration and evaluation assets (Note 5)	(126,082)	-
Other income	180	-
	153,765	33,205
Loss and comprehensive loss for the year	(787,360)	(533,908)
Basic and diluted loss per share	(0.03)	(0.02)
Weighted average number of common shares outstanding	26,483,805	22,403,489

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

TOWER RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the year ended October 31, 2012	2011 (Note 15)
	$	$
Cash flows used in operating activities		
Loss for the year	(787,360)	(533,908)
Items not affecting cash:		
Depreciation	16,540	2,960
Share-based compensation	457,925	244,797
Reversal of flow-through premium liability	(254,500)	-
Write off of exploration and evaluation assets	126,082	-
Accrued interest	-	206
Changes in non-cash working capital items:		
(Increase) in receivables	(153,622)	(13,283)
(Increase) in prepaid expenses	(22,935)	(1,997)
(Decrease) increase in accounts payable and accrued liabilities	(21,374)	39,595
	(639,244)	(261,630)
Cash flows used in investing activities		
Repayment of note receivable	-	27,500
Reclamation bonds	(45,000)	-
Acquisition of equipment	(40,821)	(3,937)
Exploration and evaluation assets expenditures	(1,730,366)	(82,879)
	(1,816,187)	(59,316)
Cash flows from financing activities		
Proceeds from shares issued	1,748,000	1,217,500
Share issuance costs	(73,533)	-
	1,674,467	1,217,500
Net change in cash	(780,964)	896,554
Cash, beginning of year	2,058,418	1,161,864
Cash, end of year	1,277,454	2,058,418
Non-cash transactions		
Reclassification of share subscriptions to share capital	-	710,000
Shares issued for exploration and evaluation assets acquisition	148,500	122,000
Exploration and evaluation assets expenditures in accounts payable	171,526	1,673
Exploration and evaluation assets recoveries included in receivables	-	(12,656)
Allocation of reserves to share capital on exercise of options	-	9,994

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

TOWER RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital	Shares Subscribed	Reserves	Deficit	Total Shareholders' Equity
		$	$	$	$	$
Balance at November 1, 2010	**12,943,183**	**7,332,642**	**710,000**	**5,721**	**(6,917,863)**	**1,130,500**
Issuance of shares	7,500,000	1,500,000	(710,000)	-	-	790,000
Warrants exercised	2,050,000	410,000	-	-	-	410,000
Share-based compensation	-	-	-	244,797	-	244,797
Options exercised	43,750	27,494	-	(9,994)	-	17,500
Shares issued for exploration and evaluation assets acquisition	425,000	122,000	-	-	-	122,000
Loss for the year	-	-	-	-	(533,908)	(533,908)
Balance at October 31, 2011	22,961,933	9,392,136	-	240,524	(7,451,771)	2,180,889
Issuance of shares	4,370,000	1,493,500	-	-	-	1,493,500
Share issuance costs	-	(73,533)	-	-	-	(73,533)
Shares issued for exploration and evaluation assets acquisition	425,000	148,500	-	-	-	148,500
Share-based compensation	-	-		457,925	-	457,925
Loss for the year	-	-	-	-	(787,360)	(787,360)
Balance at October 31, 2012	27,756,933	10,960,603	-	698,449	(8,239,131)	3,419,921

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Tower Resources Ltd. ("the Company") is incorporated under the laws of British Columbia, Canada. The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol TWR. The Company's head office, principal address and registered and records office is located at 530 – 510 Burrard Street, Vancouver, BC V6C 3A8.

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

Going concern

The Company's principal business activities include the acquisition and exploration of exploration and evaluation assets domiciled in Canada. The Company has not yet determined whether any of these exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and/or to achieve profitable operations. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in exploration and evaluation assets, which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur. Management estimates it has sufficient working capital to continue operations for the next 12 months.

The Company had the following deficits and working capital as at the following dates:

	October 31, 2012	October 31, 2011	November 1, 2010
	$	**$**	**$**
Deficit	(8,239,131)	(7,451,771)	(6,917,863)
Working capital	1,244,838	1,997,724	1,140,535

On September 20, 2011 the Company consolidated its capital stock on a 4:1 basis. All share and per share amounts have been restated to reflect the share consolidation unless otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements.

Statement of compliance and conversion to International Financial Reporting Standards

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These are the Company's first annual financial statements prepared in accordance with IFRS and IFRS 1, *First Time Adoption of International Financial Reporting Standards* has been applied.

The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 15.

These financial statements were authorized by the audit committee and board of directors on February 25, 2013

Basis of presentation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Functional currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The reporting currency of the Company is the Canadian dollar.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based compensation and income taxes.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

<u>Economic recoverability and probability of future economic benefits of exploration and evaluation assets</u>
Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Determination of functional currency
The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, and retention of operating cash flows.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Costs directly related to the acquisition and exploration of exploration and evaluation assets are capitalized once the legal rights to explore the exploration and evaluation assets are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Acquisition costs include the cash or other consideration and the assigned value of shares issued, if any, on the acquisition of exploration and evaluation assets. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The Company does not accrue estimated future costs of maintaining its exploration and evaluation assets in good standing.

Capitalized costs as reported on the statement of financial position represent costs incurred to date and may not reflect actual, present, or future values. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the exploration and evaluation property interests.

Management evaluates each property on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to which costs are capitalized or charged as impairment charges. Write-downs due to impairment in value are charged to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Exploration and evaluation assets, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties and general administrative expenses are charged to profit or loss in the year in which they are incurred.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

As at October 31, 2012, October 31, 2011, and November 1, 2010 the Company recorded a rehabilitation obligation of $13,000 in relation to its oil and gas exploration and evaluation assets. The Company estimates that it has no significant restoration and environmental obligations related to its exploration and evaluation assets.

Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation for equipment is calculated using the declining balance method at the following annual rates:

Computer hardware	50%
Computer software	100%
Equipment	20%

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

Share-based compensation

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the value of cancelled and expired unexercised vested stock options and compensatory warrants to deficit or share capital from reserves on the date of expiration, based on the nature of the item.

Impairment of non-financial assets

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment.

Financial instruments

Financial assets
The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its receivables as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities
The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities.

For the years presented, the Company did not have any derivative financial assets or liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Costs related to issuances not completed will be recorded as deferred financing costs if the completion of the transaction is considered likely; otherwise they are expensed as incurred.

Income taxes

Current income tax:
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:
Deferred income tax is based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares:
On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a flow-through premium liability and included as a liability. Upon related expenditures being incurred, the Company proportionately derecognizes the liability and recognizes the offsetting amount in profit or loss.

The Company indemnifies the subscribers of flow-through shares against certain tax related amounts that become due related to their flow-through subscriptions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended October 31, 2012 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending October 31, 2013 or later:

a) IFRS 7 – Financial Instruments: Disclosures applied to offsetting financial assets and financial liabilities in accordance with IAS 32. The amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

b) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The amendments are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

c) IFRS 10 – Consolidation replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The amendments are effective for annual periods beginning on or after January 1, 2013.

d) IFRS 11 – Joint Arrangements requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas joint operations, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31 Interests in Joint Ventures, and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers. This amendment is effective for annual periods beginning on or after January 1, 2013. This policy is not expected to have an effect on the Company's reported financial position or results of operations.

e) IFRS 12 – Disclosure of Interest in Other Entities establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces additional disclosures addressing the nature of, and risks associated with, an entity's interests in other entities. This amendment is effective for annual periods beginning on or after January 1, 2013. This policy is not expected to have an effect on the Company's reported financial position or results of operations.

f) IFRS 13 – Fair Value Measurement is a comprehensive standard that defines fair value, requires disclosure about fair value measurement and provides a framework for measuring fair value when it is required or permitted within the IFRS standards. The amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

g) IAS 1 – Presentation of Financial Statements amendment requires components of other comprehensive income (OCI) to be separately presented between those that may be reclassified to income and those that will not. The amendments are effective for annual periods beginning on or after July 1, 2012.

h) IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after July 1, 2012.

(Expressed in Canadian Dollars)

3. RECEIVABLES

	October 31, 2012	October 31, 2011	November 1, 2010
	$	$	$
Harmonized sales tax recoverable	139,280	18,484	5,200
BC mineral exploration tax credit	12,739	12,656	-
Interest receivable	9,751	-	-
Other receivable	22,992	-	-
	184,762	**31,140**	**5,200**

4. PROPERTY AND EQUIPMENT

	Computer hardware	Computer software	Equipment	Total
	$	$	$	$
Cost:				
At October 31, 2011	7,890	-	-	7,890
Additions	6,245	23,875	10,701	40,821
At October 31, 2012	14,135	23,875	10,701	48,711
Depreciation:				
At October 31, 2011	3,949	-	-	3,949
Charge for the year	3,531	11,938	1,071	16,540
At October 31, 2012	7,480	11,938	1,071	20,489
Net book value:				
At October 31, 2011	3,941	-	-	3,941
At October 31, 2012	**6,655**	**11,937**	**9,630**	**28,222**

	Computer hardware	Computer software	Equipment	Total
	$	$	$	$
Cost:				
At November 1, 2010	3,952	-	-	3,952
Additions	3,938	-	-	3,938
At October 31, 2011	7,890	-	-	7,890
Depreciation:				
At November 1, 2010	988	-	-	988
Charge for the year	2,961	-	-	2,961
At October 31, 2011	3,949	-	-	3,949
Net book value:				
At November 1, 2010	2,964	-	-	2,964
At October 31, 2011	**3,941**	**-**	**-**	**3,941**

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Dragon	Dorado	JD	Baez	Sinkut	Straw	Waterloo	Total
	$	$	$	$	$	$	$	$
Balance, November 1, 2010	-	-	-	-	-	-	-	-
Acquisition costs	72,154	23,000	50,851	1,303	-	-	520	147,828
Deferred costs								
Assays	747	747	-	-	-	-	1,498	2,992
Annual mineral rights	-	10,333	-	-	-	-	-	10,333
Field supplies	33	570	909	-	-	-	788	2,300
Food	-	-	473	-	-	-	825	1,298
Geologist	2,250	2,250	4,500	-	-	-	10,500	19,500
Helicopter	2,414	1,704	5,646	-	-	-	-	9,764
Travel	1,697	281	2,934	-	-	-	1,732	6,644
Vehicle	450	450	857	-	-	-	2,463	4,220
Total costs incurred during the year	79,745	39,335	66,170	1,303	-	-	18,326	204,879
B.C. mineral exploration tax credit recoverable	(1,518)	(1,200)	(4,596)	-	-	-	(5,342)	(12,656)
Balance, October 31, 2011	**78,227**	**38,135**	**61,574**	**1,303**	**-**	**-**	**12,984**	**192,223**
Acquisition costs	-	-	44,208	15,112	4,682	782	213,082	277,866
Deferred costs								
Assays	-	-	144,592	7,736	-	-	5,580	157,908
Annual mineral rights	-	-	46,836	-	-	-	-	46,836
Consulting services	-	-	64,947	8,000	-	-	-	72,947
Drilling	-	-	419,780	436	-	-	132,067	552,283
Equipment rental	-	-	7,265	190	-	-	1,621	9,076
Field supplies	-	-	31,102	9,133	90	260	8,897	49,482
Food	-	-	24,330	-	-	161	6,221	30,712
Geologist	-	-	191,669	24,855	1,540	1,810	66,903	286,777
Helicopter	-	-	417,422	-	-	-	-	417,422
Site development	-	-	65,086	-	-	-	-	65,086
Travel	-	-	33,788	3,371	-	76	826	38,061
Vehicle	-	-	30,980	3,775	62	257	9,189	44,263
Total costs incurred during the year	-	-	1,522,005	72,608	6,374	3,346	444,386	2,048,719
Write off of exploration and evaluation assets	(78,227)	(38,135)	-	-	(6,374)	(3,346)	-	(126,082)
Balance, October 31, 2012	**-**	**-**	**1,583,579**	**73,911**	**-**	**-**	**457,370**	**2,114,860**

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

DRAGON AND DORADO PROPERTIES

On June 26, 2011, the Company entered into an option agreement with Sidewinder Exploration Ltd. ("Sidewinder") to acquire up to a 100% interest in certain mineral properties, known as "Dragon" and "Dorado", located on Vancouver Island, British Columbia. Under the option agreement, the Company may earn an initial 75% interest in the properties by making cash payments of $45,000 and issuing 300,000 common shares to Sidewinder, in addition to funding aggregate exploration expenditures of $2,000,000 over a total 41-month period. During fiscal 2011, the Company paid $20,000 and issued 300,000 common shares valued at $72,000.

During the year ended October 31, 2012, the Company decided to discontinue the Dragon and Dorado projects, and as a result wrote off related exploration and evaluation assets of $116,362.

JD PROPERTY

On September 7, 2011 the Company entered into an option agreement to acquire the JD gold - silver property, comprised of certain mineral claims, located in the Omineca mining division of British Columbia. Under the terms of the option agreement, the Company may acquire a 100% interest in the property by making cash payments of $200,000, and issuing 1,200,000 common shares over a 5-year period, in addition to funding aggregate exploration expenditures of $5,000,000 over a total 60-month period as follows:

Date	*Cash Payments*	*Number of Shares*	*Work Commitment*
	$		**$**
September 26, 2011 *(issued – Note 9)*	-	125,000	-
November 15, 2011 *(incurred)*	-	-	60,000
September 1, 2012 *(incurred)*	-	-	60,000
December 16, 2012 *(subsequently paid, issued, and incurred)*	45,000	150,000	80,000
December 16, 2013	40,000	200,000	500,000
December 16, 2014	50,000	250,000	1,000,000
December 16, 2015	65,000	475,000	1,500,000
December 16, 2016	-	-	1,800,000

The option agreement is subject to a 2% NSR, 1% of which can be purchased by the Company for $3,000,000. The Company will be responsible to file the related cash-in-lieu or assessment work documentation with the Province of British Columbia. Once the Company has earned the 100% interest, it will pay an advance royalty of $40,000 per year until it commences commercial production.

On April 11, 2012, the Company entered into an option agreement to acquire a 100% interest in the Belle property located in the Omineca mining division of British Columbia adjoining the Company's JD property. Under the term of the option agreement, the Company may acquire a 100% interest in the property by making cash payment of $14,000 and issuing 150,000 common shares of the Company as follows:

Date	*Cash Payments*	*Number of Shares*
	$	
April 23, 2012 *(paid and issued – Note 9)*	14,000	25,000
April 23, 2013	-	25,000
April 23, 2014	-	25,000
April 23, 2015	-	25,000
April 23, 2016	-	50,000

The agreement is subject to a 2% NSR, of which 1% can be purchased by the Company for $2,000,000.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

WATERLOO PROPERTY

On October 18, 2011 the Company entered into an option agreement to acquire the Waterloo property, comprised of certain mineral claims, located in the Osoyoos mining division of British Columbia. Under the terms of the option agreement, the Company may acquire a 75% interest in the property by making cash payments of $70,000 and issuing 400,000 common shares to the vendor, in addition to funding aggregate exploration expenditures of $2,000,000 over a total 42-month period as follows:

Date	*Cash Payments*	*Number of Shares*	*Work Commitment*
	$		**$**
December 23, 2011 *(paid and issued -Note 9)*	45,000	400,000	-
December 23, 2012 *(subsequently paid and incurred)*	25,000	-	100,000
May 13, 2014	-	-	700,000
May 13, 2015	-	-	1,200,000

The option agreement is subject to a 2% NSR, of which 1% can be purchased by the Company for $3,000,000. Upon completing and delivering a Feasibility Study, the Company will be deemed to have exercised the second option and to have earned an additional 25% Interest (for an aggregate 100% interest).

Once the Company has earned the 100% interest, it will pay an advance royalty of $40,000 per year until it commences commercial production.

The vice-president - exploration of the Company has an interest in the vendor.

BAEZ, SINKUT, AND STRAW PROPERTIES

These properties are located in British Columbia and were acquired for nominal staking costs.

During the year, the Company decided to discontinue the Sinkut and Straw projects, and as a result wrote off related exploration and evaluation assets of $9,720.

6. EXPLORATION AND EVALUATION ASSETS - OIL AND GAS

	October 31, 2012, October 31, 2011, and November 1, 2010 Acquisition Costs
Poplar Winstar Strachan	$ 1

POPLAR WINSTAR STRACHAN

On December 4, 2006, the Company entered into an agreement to participate in the Winstar Strachan 8-10-38-10 W5M well in the West Central area of Alberta. The Company paid $300,000 to earn an equalization interest of approximately 1.2367 %. During the year ended October 31, 2009, management of the Company wrote down the value of the property to the estimated recoverable amount of $1.

Rehabilitation obligations of $13,000 have been recorded based on the Company's proportionate share of obligations estimated by the operators of the properties. The estimated values of the obligations have not been discounted as they are immaterial and an estimate of the timing of the future cash flows is not determinable.

(Expressed in Canadian Dollars)

7. RECLAMATION BONDS

In relation to the JD, Waterloo, and Baez properties, the Company has posted reclamation bonds totalling $45,000 (October 31, 2011 - $Nil; November 1, 2010 - $Nil).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2012	October 31, 2011	November 1, 2010
	$	$	$
Accounts payable	186,396	58,950	47,781
Accrued liabilities	39,469	-	-
Due to related parties	16,445	34,881	6,454
	242,310	**93,831**	**54,235**

9. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

Fiscal 2011 Transactions:

In November 2010, the Company closed a private placement of 7,500,000 units at a price of $0.20 per unit for gross proceeds of $1,500,000. Each unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company for $0.40 up to November 2, 2015.

In June 2011, Company issued 300,000 common shares valued at $72,000 for the acquisition of the Dragon and Dorado property (Note 5).

In September, 2011 Company issued 125,000 common shares valued at $50,000 for the acquisition of the JD property (Note 5).

Fiscal 2012 Transactions:

In December 2011, the Company completed a non-brokered private placement of 2,545,000 flow-through common shares at a price of $0.40 per share for gross proceeds of $1,018,000. The flow-through common shares had an associated flow-through premium liability of $254,500 on issuance. The Company incurred fees of $16,340 related to this financing.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Issued share capital (continued)

In December 2011, the Company issued 400,000 common shares valued at $140,000 pursuant to the Waterloo property option agreement (Note 5).

In April 2012, the Company completed a non-brokered private placement of 1,825,000 common shares at a price of $0.40 per share for gross proceeds of $730,000. The Company paid a finder's fee of $52,793 and incurred fees of $4,400 related to this private placement.

In April 2012, the Company issued 25,000 common shares valued at $8,500 pursuant to the Belle property option agreement (Note 5).

Stock Options

On November 19, 2010, the Company adopted an incentive stock option plan (the "Plan"). The Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed ten percent of the issued and outstanding common shares of the Company at the time an option is granted. Options granted under the Plan will have a maximum term of five years. The exercise price of options granted under the Plan shall be set by the Board of Directors on the effective date of the option and will not be less than the Discounted Market Price as defined by the TSX-V. Vesting of the Options shall be at the discretion of the Board of Directors.

During the year ended October 31, 2012, the Company granted 1,100,000 (October 31, 2011 – 1,662,500) incentive stock options with a fair value of $369,943. During fiscal 2012, the Company expensed $457,925 (October 31, 2011 – $244,797), which was recorded in share-based compensation and share option reserves.

The weighted average fair value of stock options granted during the year ended October 31, 2012 was $0.34 (October 31, 2011 - $0.37) per option.

The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the variables as follows:

	For the year ended October 31,	
	2012	**2011**
Risk-free interest rate	**1.40%**	1.46%
Expected option life in years	**5 years**	5 years
Expected stock price volatility	**185%**	150%
Expected dividend yield	**0%**	0%
Expected forfeiture rate	**0%**	0%

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Stock Options (continued)

A summary of stock options activities are as follows:

	Number of options	Weighted average exercise price
		$
Outstanding at November 1, 2010	25,000	0.40
Granted	1,662,500	0.37
Exercised	(43,750)	0.40
Outstanding at October 31, 2011	1,643,750	0.37
Granted	1,100,000	0.33
Outstanding at October 31, 2012	2,743,750	0.35

The Company has outstanding options entitling the holder to purchase an aggregate of common shares at October 31, 2012 as follows:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$			
0.40	456,250	456,250	November 10, 2013
0.40	187,500	117,188	August 12, 2014
0.35	1,000,000	625,000	September 29, 2016
0.35	100,000	50,000	December 9, 2016
0.35	200,000	75,000	February 20, 2017
0.35	100,000	37,500	March 23, 2017
0.45	50,000	18,750	April 5, 2017
0.30	250,000	62,500	May 24, 2017
0.30	400,000	50,000	October 25, 2017
	2,743,750	1,492,188	

Warrants:

A summary of share purchase warrant activities are as follows:

	Number of warrants	Weighted average exercise price
		$
Outstanding and exercisable at November 1, 2010	6,250,000	0.40
Issued	7,500,000	0.40
Exercised	(2,050,000)	0.40
Outstanding and exercisable at October 31, 2011 and October 31, 2012	11,700,000	0.40

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

The Company has outstanding warrants entitling the holders to purchase an aggregate of 11,700,000 common shares at October 31, 2012 as follows:

Exercise Price	Number Outstanding	Expiry Date
$		
0.40	4,200,000	December 1, 2014
0.40	7,500,000	November 2, 2015
	11,700,000	

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended October 31, 2012:

a) "Office and miscellaneous" includes rent of $78,699 (2011 - $8,353) and other office expenses of $2,069 (2011 - $nil) paid or accrued to a company related by common directors and officers.

Summary of key management personnel compensation:

	For the year ended October 31,	
	2012	**2011**
	$	**$**
Accounting and audit	8,830	-
Management fees	42,500	-
Office and miscellaneous	7,740	1,904
Consulting fees	41,500	54,000
Exploration and evaluation assets expenditures	90,000	23,600
Share-based compensation	281,142	214,583
	471,712	**294,087**

Amounts owing to related parties included in accounts payable and accrued liabilities are as follows:

	October 31, 2012	**October 31, 2011**	**November 1, 2010**
	$	**$**	**$**
i. Company with a director in common for expenses	5,475	28,645	414
ii. CEO for expenses	4,071	4,042	-
iii. CFO for expenses	6,683	1,978	5,220
iv. Directors for expenses	-	-	604
v. Former director for loans	216	216	216
	16,445	**34,881**	**6,454**

(Expressed in Canadian Dollars)

11. SEGMENTED INFORMATION

The Company has one geographic segment, being Canada, and one operating segment, being the acquisition and exploration of exploration and evaluation assets.

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	October 31, 2012	**October 31, 2011**
	$	**$**
Loss before income taxes	(787,360)	(533,908)
Combined Canadian federal and provincial statutory rate	25.25%	26.83%
Expected income tax recovery at statutory tax rates	(199,000)	(142,000)
Non-deductible expenditures and other items	62,000	79,000
Impact of flow-through shares	255,000	-
Share issuance cost	(19,000)	(1,000)
Change in unrecognized deductible temporary differences	(99,000)	64,000
Total deferred taxes	-	-

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

	October 31, 2012	**October 31, 2011**
	$	**$**
Deferred tax assets:		
Equipment	5,000	1,000
Non-capital losses	578,000	466,000
Exploration and evaluation assets	727,000	956,000
Share issuance costs	15,000	1,000
Rehabilitation obligation	3,000	3,000
Total unrecognized deferred tax assets	1,328,000	1,427,000

Tax attributes are subject to review and potential adjustment by tax authorities.

The significant components of the Company's unrecognized temporary differences and unused tax losses are as follows:

	October 31, 2012	**Expiry dates**	**October 31, 2011**
	$		**$**
Share issuance costs	61,000	2033 to 2036	3,000
Equipment	49,000	No expiry	8,000
Exploration and evaluation assets	5,023,000	No expiry	4,017,000
Non-capital losses	2,312,000	2014 to 2032	1,865,000
	7,445,000		5,893,000

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, reclamation bonds, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables consist of a provincial mining tax credit and harmonized sales tax recoverable due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of October 31, 2012, the Company held a demand deposit with a face value $1,350,000. A change in interest rates of 1% will change income by $13,500 per annum.

Foreign currency risk

The Company is not significantly exposed to foreign currency risk on fluctuations related to items that are denominated in a foreign currency. However, management believes the risk is not currently significant.

Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

14. CAPITAL MANAGEMENT

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 and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, options and warrants.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. 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.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

15. TRANSITION TO IFRS

As stated in Note 2, these financial statements are for the year covered by the Company's first annual financial statements prepared in accordance with IFRS. The accounting policies in Note 2 have been applied in preparing the financial statements for the years ended October 31, 2012 and 2011. In these financial statements, the Company reported the impact of the transition to IFRS for the year ended October 31, 2011 and the opening IFRS statement of financial position on November 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the year ended October 31, 2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- To apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date;
- To apply the requirements of IFRS 23, Borrowing Costs, only to transactions after the Transition Date; and
- To apply the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as at the Transition Date. The Company re-measured all provisions, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. This was done using best estimates of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation, depletion, and amortization under IFRS up to the Transition Date.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of November 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

(Expressed in Canadian Dollars)

15. TRANSITION TO IFRS (continued)

The reconciliation between Canadian GAAP and IFRS statement of financial position as at November 1, 2010 (date of transition to IFRS) is provided below:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
CURRENT		**$**	**$**	**$**
Cash		1,161,864	-	1,161,864
Note receivable		27,706	-	27,706
Receivables		5,200	-	5,200
		1,194,770	-	1,194,770
Equipment		2,964	-	2,964
Exploration and evaluation assets - Oil and gas		1	-	1
		1,197,735	-	1,197,735
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT				
Accounts payable and accrued liabilities		54,235	-	54,235
Rehabilitation obligation		13,000	-	13,000
		67,235	-	67,235
SHAREHOLDERS' EQUITY				
Share capital		7,332,642	-	7,332,642
Shares subscribed		710,000	-	710,000
Reserves	(a)	373,249	(367,528)	5,721
Deficit	(a)	(7,285,391)	367,528	(6,917,863)
		1,130,500	-	1,130,500
		1,197,735	-	1,197,735

(Expressed in Canadian Dollars)

15. TRANSITION TO IFRS (continued)

The reconciliation between Canadian GAAP and IFRS statement of financial position as at October 31, 2011 is provided below:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
CURRENT		**$**	**$**	**$**
Cash		2,058,418	-	2,058,418
Receivables		31,140	-	31,140
Prepaid expenses		1,997	-	1,997
		2,091,555	-	2,091,555
Equipment		3,941	-	3,941
Exploration and evaluation assets		192,223	-	192,223
Exploration and evaluation assets - Oil and gas		1	-	1
		2,287,720	-	2,287,720
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT				
Accounts payable		93,831	-	93,831
Rehabilitation obligation		13,000	-	13,000
		106,831	-	106,831
SHAREHOLDERS' EQUITY				
Share capital		9,392,136	-	9,392,136
Reserves	(a)	493,706	(253,182)	240,524
Deficit	(a)	(7,704,953)	253,182	(7,451,771)
		2,180,889	-	2,180,889
		2,287,720	-	2,287,720

(Expressed in Canadian Dollars)

15. TRANSITION TO IFRS (continued)

The reconciliation between Canadian GAAP and IFRS statement of comprehensive loss for the year ended October 31, 2011 is provided below:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES		**$**	**$**	**$**
Accounting and audit		49,930	-	49,930
Depreciation		2,960	-	2,960
Consulting		55,050	-	55,050
Foreign exchange loss		1,130	-	1,130
Legal fees		48,494	-	48,494
Management fees – share-based	(a)	130,451	114,346	244,797
Office and miscellaneous		65,922	-	65,922
Property examination costs		52,353	-	52,353
Transfer agent and filing fees		31,237	-	31,237
Travel and promotion		15,240	-	15,240
Loss		(452,767)	(114,346)	(567,113)
Net oil and gas loss		(152)	-	(152)
Gain on debt settlement		10,472	-	10,472
Interest income		22,885	-	22,885
		33,205	-	33,205
Loss and comprehensive loss for the year		(419,562)	(114,346)	(533,908)
BASIC AND DILUTED LOSS PER SHARE		(0.02)	-	(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		22,403,489	-	22,403,489

(Expressed in Canadian Dollars)

15. TRANSITION TO IFRS (continued)

The reconciliation between Canadian GAAP and IFRS statement of cash flows for the year ended October 31, 2011 is provided below:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
CASH PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES		**$**	**$**	**$**
Loss for the year	(a)	(419,562)	(114,346)	(533,908)
Items not involving cash:				
Amortization		2,960	-	2,960
Share-based compensation	(a)	130,451	114,346	244,797
Accrued interest		206	-	206
		(285,945)	-	(285,945)
Net changes in operating assets and liabilities:				
Increase in harmonized sales tax recoverable		(13,283)	-	(13,283)
Increase in prepaid expenses		(1,997)	-	(1,997)
Increase in accounts payable and accrued liabilities		39,595	-	39,595
Cash used in operating activities		(261,630)	-	(261,630)
FINANCING ACTIVITIES				
Proceeds from shares issued		1,217,500	-	1,217,500
Cash provided by financing activities		1,217,500	-	1,217,500
INVESTING ACTIVITIES				
Repayment of note receivable		27,500	-	27,500
Exploration and evaluation assets acquisition		(25,828)	-	(25,828)
Exploration costs		(57,051)	-	(57,051)
Purchase of equipment		(3,937)	-	(3,937)
Cash used in investing activities		(59,316)	-	(59,316)
NET CHANGE IN CASH		896,554	-	896,554
CASH – BEGINNING OF YEAR		1,161,864	-	1,161,864
CASH – END OF YEAR		2,058,418	-	2,058,418

15. TRANSITION TO IFRS (continued)

Notes to reconciliations

a) Share-based payments

The Company grants stock options that have a graded vesting schedule. Under IFRS, unlike Canadian GAAP, the Company treats each installment as its own award. Therefore, each installment is measured and recognized separately.

On transition to IFRS the Company adjusted share-based payments whereby amounts recorded for expired unexercised stock options are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in reserves.

16. SUBSEQUENT EVENT

In December 2012, the Company completed a private placement of 5,501,375 flow-through units at a price of $0.32 per unit for gross proceeds of $1,760,440, of which $1,719,137 has been received to date. Each unit is comprised of one flow-through common share and one-half of one common share purchase warrant which entitles the holder to purchase one additional common share of the company for $0.40 up to December 6, 2014.