TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)

INDEX TO THE FINANCIAL STATEMENTS
JULY 31, 2011

TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)
BALANCE SHEETS
JULY 31, 2011 AND OCTOBER 31, 2010

	July 31, 2011	October 31, 2010
ASSETS		
CURRENT		
Cash	$ 2,214,726	$ 1,161,864
Accounts receivable	44	-
Note receivable (Note 2)	-	27,706
Harmonized sales tax recoverable	5,883	5,200
Prepaid expenses	2,745	-
	2,223,398	1,194,770
Equipment (Note 3)	4,068	2,964
Mineral properties (Note 4)	92,000	-
Oil and gas properties (Note 5)	1	1
	$ 2,319, 467	$ 1,197,735
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	$ 27,770	$ 47,781
Due to related parties (Note 6)	11,129	6,454
Asset retirement obligations	13,000	13,000
	51,900	67,235
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 7)	9,332,142	7,332,642
SHARES SUBSCRIBED	-	710,000
CONTRIBUTED SURPLUS (Note 7)	437,449	373,249
DEFICIT	(7,502,024)	(7,285,391)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	-	-
	2,267,567	1,130,500
	$ 2,319,467	$ 1,197,735

NATURE OF BUSINESS AND CONTINUED OPERATION (Note 1)

SUBSEQUENT EVENTS (Note 11)

Approved on behalf of the Board:

"Mark Vanry"
Mark Vanry, Director

"Steve Vanry"
Steve Vanry, Director

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

TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)
STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2011 AND 2010

	Three months ended		Nine months ended	
	July 31, 2011	July 31, 2010	July 31, 2011	July 31, 2010
GENERAL AND ADMINISTRATIVE EXPENSES				
Accounting and audit	$ 4,870	$ 4,583	20,685	24,934
Consulting	6,000	6,000	19,050	19,725
Filing fees	1,685	75	13,675	8,554
Legal fees	14,016	-	32,701	5,149
Management fees	-	9,000	-	27,000
Management fees - stock-based	19,616	-	64,200	858
Parking	2,198	690	5,966	1,785
Office and miscellaneous	8,819	9,095	27,533	18,022
Property examination costs	12,898	-	30,679	4,528
Telephone	2,917	645	6,665	3,625
Transfer agent	828	654	7,146	4,414
Travel and promotion	2,949	-	14,220	10
LOSS BEFORE OTHER ITEMS	76,796	30,742	242,520	118,604
OTHER ITEMS				
Net oil and gas loss (revenue)	(44)	(87)	8	(404)
Loss on disposal of equipment	-	-	-	238
Gain on debt settlement	(10,472)	-	(10,472)	-
Bad debt expense	-	-	-	232
Foreign exchange loss	281	-	281	-
Interest income (note 2)	(12,926)	(630)	(15,704)	(1,870)
	(23,161)	(717)	(25,887)	(1,804)
LOSS (INCOME) BEFORE INCOME TAXES	53,635	30,025	216,633	116,800
NET LOSS (INCOME) FOR THE PERIOD	53,635	30,025	216,633	116,800
DEFICIT – BEGINNING OF PERIOD	7,448,389	6,053,191	7,285,391	5,966,416
DEFICIT – END OF PERIOD	$ 7,501,740	$ 6,083,216	$ 7,501,740	$ 6,083,216
BASIC AND FULLY DILUTED LOSS PER SHARE	$ 0.00	$ 0.00	$ 0.01	$ 0.00
WEIGHTED AVERAGE BASIC AND DILUTED SHARES OUTSTANDING	22,650,382	51,772,725	22,270,425	51,772,725

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TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE NINE MONTHS ENDED JULY 31, 2011 AND 2010

	Nine months ended July 31, 2011	Nine months ended July 31, 2010
Net income (loss)	$ (216,633)	$ (116,800)
Unrealized gain (loss) on CPH Shares	-	71,300
Other comprehensive income (loss)	-	71,300
Comprehensive income (loss)	$ (216,633)	$ (45,500)

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

TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)
STATEMENTS OF CASH FLOWS FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2011 AND 2010

	Three months ended		Nine months ended	
	July 31, 2011	July 31, 2010	July 31, 2011	July 31, 2010
CASH PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES				
Income (loss) for the period	$ (53,635)	$ (30,025)	(216,633)	(116,800)
Adjustments for items not affecting cash:				
Stock-based compensation	19,616	-	64,200	858
Loss on disposal of equipment	-	-	-	237
Accrued interest	1,579	(630)	205	(1,869)
	(32,440)	(30,655)	(152,228)	(117,574)
Net changes in non-cash working capital items:				
Harmonized sales tax recoverable	658	476	(682)	(935)
Prepaid expenses	(2,745)	-	(2,745)	836
Accounts payable and accrued liabilities	(3,672)	(5,600)	(20,010)	(15,608)
Accounts receivable	(24)	(66)	(44)	210
Net cash provided by (used in) operating activities	(38,223)	(35,713)	(175,709)	(133,071)
FINANCING ACTIVITIES				
Issuance of share capital for cash	2,500	-	1,217,500	488,053
Related party advances (net of repayments)	(1,041)	(895)	4,675	7,104
Net cash provided by (used in) financing activities	1,459	(895)	1,222,175	495,157
INVESTING ACTIVITIES				
Repayment of note receivable	27,500	-	27,500	-
Mineral property acquisition	(20,000)	-	(20,000)	-
Deferred exploration costs	-	(3,546)	-	(3,546)
Purchase of equipment	-	-	(1,104)	-
Net cash provided by (used in) investing activities	7,500	(3,546)	6,396	(3,546)
NET INCREASE (DECREASE) IN CASH	(29,264)	(40,154)	1,052,862	358,540
CASH – BEGINNING OF PERIOD	2,243,990	413,266	$ 1,161,864	14,572
CASH – END OF PERIOD	$ 2,214,726	$ 373,112	$ 2,214,726	$ 373,112
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	$ -	$ -	$ -	$ -
Cash paid for income taxes	-	-	-	-

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

TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)

SCHEDULE OF ACQUISITION AND DEFERRED EXPLORATION COSTS
MINERAL PROPERTIES
FOR THE NINE MONTHS ENDED JULY 31, 2011

	July 31, 2011		
	Acquisition Costs	Deferred Costs	Total
Dorado property	$ 23,000	$ -	$ 23,000
Dragon property	69,000	-	69,000
	$ 92,000	$ -	$ 92,000

SCHEDULES OF DEFERRED EXPLORATION AND DEVELOPMENT COSTS
OIL AND GAS PROPERTIES
FOR THE NINE MONTHS ENDED JULY 31, 2011
AND THE YEAR ENDED OCTOBER 31, 2010

Sarcee Well	Nine months ended July 31, 2011	Year ended October 31, 2010
Miscellaneous	$ -	$ 3,571
Total costs incurred during the period	-	3,571
Balance, beginning of period	-	883,552
	-	887,123
Write-off of capitalized costs	-	(887,123)
Balance, end of period	$ -	$ -

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

1. NATURE OF BUSINESS AND CONTINUED OPERATIONS

Tower Resources Ltd. (formerly Tower Energy Ltd.) ("the Company") is incorporated under the laws of British Columbia, Canada and is primarily engaged in the acquisition, exploration and development of mineral properties located in Canada. The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol TWR. The Company's business address is 530 – 510 Burrard Street, Vancouver, BC V6C 3A8. On September 8, 2011 the Company changed its name from Tower Energy Ltd. to Tower Resources Ltd. in order to reflect the change in its focus from oil & gas properties to mineral properties.

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The operations of the Company are primarily funded by the issue of share capital. The continued operations of the Company are dependent on its ability to complete sufficient public equity financing or generate profitable operations in the future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

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

		July 31, 2011		October 31, 2010
Deficit	$	(7,502,024)	$	(7,285,391)
Working capital	$	2,184,498	$	1,140,535

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

2. PROMISSORY NOTE RECEIVABLE

On October 1, 2009 the Company lent $25,000 to a holding company in exchange for a $25,000 unsecured promissory note payable on demand. The promissory note paid interest at ten percent per annum. The President of the holding company was related by common directorships in another public company to a former director of the Company. The Company recorded interest receivable of $2,500 in the year ended October 31, 2010 On July 6, 2011 the note was settled for a cash payment of $27,500. The Company reduced interest income by $1,373 upon settlement.

3. EQUIPMENT

	Cost	Accumulated Amortization	July 31, 2011 Net Book Value
Computer hardware	$ 5,056	$ 988	$ 4,068

	Cost	Accumulated Amortization	October 31, 2010 Net Book Value
Computer hardware	$ 3,952	$ 988	$ 2,964

On January 31, 2010 the Company wrote off computer equipment that originally cost $7,437. On October 31, 2010 the Company purchased computer equipment for $3,952. On April 30, 2011 the Company purchased computer equipment for $1,104.

4. MINERAL PROPERTIES

DRAGON AND DORADO

The Company entered into an option agreement with Sidewinder Exploration Ltd., dated June 26th, 2011 to acquire up to a 100% interest in two 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 all over a total 41-month period. The Company also has an exclusive right and option to earn an additional 25% interest in the properties (for an aggregate of 100%) by funding and delivering a Feasibility Study. The agreement is subject to a 2% NSR.

The right of Tower to exercise the option and acquire the 75% interest is conditional on Tower:

making cash payments of an aggregate of $45,000 as follows:

not less than $20,000 within five business days following the date upon which Tower receives exchange acceptance (the Acceptance Date) (July 13, 2011 - paid) and

an additional $25,000 on or before the date that is one year following the Acceptance Date (July 8, 2012); and

issuing an aggregate of 1,200,000 common shares (300,000 post consolidation) in the capital of Tower within five business days of the Acceptance Date (July 13, 2011 – issued) and

4. MINERAL PROPERTIES (Cont'd)

funding aggregate expenditures on the property of $2,000,000 follows:

not less than $100,000 on or before the date that is one year following the Acceptance Date (July 8, 2012); and

not less than $700,000 on or before the date that is 29-months following the Acceptance Date (December 8, 2013); and

not less than $1,200,000 on or before the date that is 41-months following the Acceptance Date (December 8, 2014).

JD PROPERTY

On September 7, 2011 the Company entered into an agreement to acquire the JD gold - silver property located in the Omineca mining division of British Columbia. Under the terms of the option agreement Tower may acquire a 100% interest in the property by making cash payments of $200,000, and issuing 1.2 million common shares over a 5-year period, to the vendors, in addition to funding aggregate exploration expenditures of $5,000,000 over a total 63-month period. The agreement is subject to a 2% NSR, 1% of which can be purchased by Tower for $3,000,000.

The right of Tower to exercise the option and acquire the 100% interest is conditional on Tower:

making cash payments of an aggregate of $200,000 as follows:

not less than $45,000 on or before the date that is 15-months following the date upon which Tower receives exchange acceptance (the Acceptance Date) (December 16, 2012) and

an additional $40,000 on or before the date that is 27-months following the Acceptance Date (December 16, 2013); and

an additional $50,000 on or before the date that is 39-months following the Acceptance Date (December 16, 2014); and

an additional $65,000 on or before the date that is 51-months following the Acceptance Date (December 16, 2015); and

4. MINERAL PROPERTIES (Cont'd)

issuing an aggregate of 1,200,000 common shares in the capital of Tower as follows:

not less than 125,000 shares within ten Business Days following the Acceptance Date (September 26, 2011- issued) ; and

an additional 150,000 shares on or before the date that is 15-months following the Acceptance Date (December 16, 2012); and

an additional 200,000 shares on or before the date that is 27-months following the Acceptance Date (December 16, 2013); and

an additional 250,000 shares on or before the date that is 39-months following the Acceptance Date (December 16, 2014); and

an additional 475,000 shares on or before the date that is 51-months following the Acceptance Date (December 16, 2015); and

funding aggregate expenditures on the property of $5,000,000 follows:

not less than $120,000 on or before September 1, 2012, including a firm and irrevocable commitment of $60,000 before November 15, 2011, for which Tower will be responsible to file the related cash-in-lieu or assessment work documentation with the Province of British Columbia; and

an additional $80,000 on or before the date that is 15-months following the Acceptance Date (December 16, 2012); and

an additional $500,000 on or before the date that is 27-months following the Acceptance Date (December 16, 2013); and

an additional $1,000,000 on or before the date that is 39-months following the Acceptance Date (December 16, 2014); and

an additional $1,5000,000 on or before the date that is 51-months following the Acceptance Date (December 16, 2015); and

an additional $1,800,000 on or before the date that is 63-months following the Acceptance Date (December 16, 2016); and

5. OIL & GAS PROPERTIES

July 31, 2011	Acquisition Costs	Deferred Costs	Write-off of Capitalized Costs	Total
Poplar Winstar Strachan	$ 1	$ -	$ -	$ 1
Sarcee 12-13-23-4W5M well	-	-	-	-
	$ 1	$ -	$ -	$ 1

October 31, 2010	Acquisition Costs	Deferred Costs	Write-off of Capitalized Costs	Total
Poplar Winstar Strachan	$ 1	$ -	$ -	$ 1
Sarcee 12-13-23-4W5M well	10,000	887,123	(897,123)	-
	$ 10,001	$ 887,123	$ (897,123)	$ 1

SARCEE 12-13-23-4W5M WELL- DEEP FOOTHILLS TEST WELL AND SURROUNDING LANDS

On June 13, 2005 the Company entered into an agreement with CPH for a 10% participating interest in the drilling of a well located at 12-13-23-4 W5M (the "Mississippian Test Well") on the Tsui T'ina First Nations land immediately west of Calgary. The Company paid $534,283 - 10% of the total well anticipated costs, to earn a 5% working interest in this well and 2,560 surrounding acres ("The Mississippian Block"). The Company paid an additional $340,112, $5,270, $926, $2961 and $3,571 in well costs in the years ended October 31, 2006 through 2010 respectively. In addition the Company has accrued $3,750; $6,250; and $nil in asset retirement obligations in the years ended October 31, 2006; 2007; and 2008 respectively.

No depletion was calculated in the years as the property was in the preproduction stage.

During the year ended October 31, 2010 management of the Company resolved to relinquish its interest in the property and write off the entire capitalized cost of $897,123.

POPLAR WINSTAR STRACHAN

On December 4, 2006 the Company entered into an agreement with Poplar Point Energy Ltd. ("Poplar"), to participate in a Participation Agreement between Poplar and Winstar Resources Ltd. ("Winstar"), dated October 20, 2006 wherein Poplar agreed to participate in the Winstar Strachan 8-10-38-10 W5M well in the West Central area of Alberta.

Tower paid $300,000 of the drilling, completion and tie in costs of the well to earn an equalization interest of 1.2366423 %. In addition, the Company accrued $3,000 in asset retirement obligations in the year ended October 31, 2008.

5. OIL & GAS PROPERTIES (cont'd)

During the year ended October 31, 2009 management of the Company resolved to write down the value of the property to the estimated recoverable amount of $1.

Asset retirement obligations 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. The carrying cost has been written off.

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the three and nine months ended July 31, 2011:

a) Management fees totaling $nil were paid or accrued to a company controlled by a former director of the Company (2010 - $9,000 and $27,000).

b) Consulting fees totaling $nil and $4,000 were paid or accrued to a director of the Company and $6,000 and $14,000 to a company controlled by the director (2010 - $6,000 and $17,000 to the director).

c) "Office and miscellaneous" includes rent totaling $2,250 and $6,750 paid to a company related by common directors and officers (2010 - $6,200 and $12,200).

d) The Company incurred $nil and repaid net $413 in expenses to a company formerly related by a common director and officer.

The above transactions have been in the normal course of operations and, have been valued in the financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. RELATED PARTY TRANSACTIONS

As of July 31, 2011 the Company owed $216 (October 31, 2010 - $6,454) to the following related parties:

	July 31, 2011	October 31, 2010
i. Company with a director in common for expenses	$ -	$ 414
ii. Company controlled by a director for expenses	448	-
iii. CEO for expenses	7,256	5,220
iv. CFO for expenses	3,210	-
v. Director for expenses	-	604
vi. Former director for loans	216	216
	$ 11,129	$ 6,454

Amounts due to related parties are unsecured, non-interest-bearing and have no specific terms of repayment; accordingly, fair market value cannot be determined.

7. SHARE CAPITAL

The authorized share capital of the Company is unlimited common shares without par value and 100,000,000 preference shares with a par value of $1.00 each.

On September 20, 2011 the Company consolidated its capital on a 4:1 basis and cancelled the preference shares.

	Nine months ended July 31, 2011		Year ended October 31, 2010	
	Number of Shares	Value	Number of Shares	Value
Balance, beginning of period	51,772,725	$ 7,332,642	26,772,725	$ 6,844,589
Issued for cash by private placement	30,000,000	1,500,000	25,000,000	500,000
Warrants exercised	8,200,000	410,000	-	-
Options exercised	175,000	15,000		
Issued for mineral property	1,200,000	72,000		
Share issue costs	-	-	-	(11,947)
4 for 1 consolidation	(68,510,794)	-	-	-
Balance, end of period	22,836,931	$ 9,332,142	51,772,725	$ 7,332,642

On November 30, 2009 the Company closed a private placement of 25,000,000 (6,250,000 post-consolidation) units at a price of $0.02 ($0.08 post-consolidation) per unit for gross proceeds of $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 $0.05 ($0.20 post-consolidation) up to December 1, 2010 and for $0.10 ($0.40 post-consolidation) for the four years thereafter. The Company paid share issue costs totaling $11,917 related to this transaction.

On November 2, 2010 the Company closed a private placement of 30,000,000 (7,500,000 post-consolidation) units at a price of $0.05 ($0.20 post consolidation) per unit and has received the sum of $1,500,000 as gross proceeds of the private placement. 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 $0.10 ($0.40 post-consolidation) up to November 2, 2015. The shares forming part of the units or which may be purchased upon exercise of the warrants forming part of the units were subject to a hold period expiring on March 3, 2011

On November 30, 2010 8,200,000 (pre-consolidation) warrants from the earlier private placement were exercised at $0.05 for proceeds of $410,000.

In February 2011, 50,000 (pre-consolidation) options were exercised at $0.10 for proceeds of $5,000. On April 21, 2011 100,000 (pre-consolidation) options were exercised at $0.10 for proceeds of $10,000. On May 10, 2011 25,000 (pre-consolidation) options were exercised at $0.10 for proceeds of $2,500.

On June 29, 2011 Company issued 1,200,000 (300,000 post-consolidation) common shares for property acquisition. Refer to Note 4

Stock Options

On November 19, 2010 the Company adopted a new incentive stock option plan (the "Plan"). The essential elements of 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 ten 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 Venture Exchange. Vesting of the Options shall be at the discretion of the Board of Directors. All outstanding options granted prior to November 19, 2010 have been rolled into and deemed granted under the Plan.

On April 28, 2010 the Company granted 100,000 (pre-consolidation) one-year options to a Director, exercisable at $0.10. The options vested in equal quarterly instalments over four quarters. The total fair value of $6,866 was estimated using the Black-Scholes option pricing model assuming an expected life of 5 years, a risk-free interest rate of 3.00% and an expected volatility of 133%. The Company recorded a stock-based management fee of $2,575 during the year ended October 31, 2010 being the fair value of the options vested in the period.

7. SHARE CAPITAL (cont'd)

The Company recorded a stock-based management fee of $4,291 during the nine months ended July 31, 2011 being the fair value of the options vested in the period. The options were exercised on April 21, 2011 for proceeds of $10,000.

On November 10, 2010 the Company granted 1,900,000 (475,000 post-consolidation) incentive stock options to two directors and one consultant of the Company. The options are exercisable at $0.10 ($0.40 post-consolidation) until November 10, 2013 with 12.5% vesting at the date of grant and an additional 12.5% vesting every three months thereafter. The total fair value of $161,169 was estimated using the Black-Scholes option pricing model assuming an expected life of 3 years, a risk-free interest rate of 1.73% and an expected volatility of 164%. The Company recorded a stock-based management fee of $19,616 and $59,908 during the three and nine months ended July 31, 2011 being the fair value of the options vested in the period.

A summary of the status of the Company's post-consolidated stock option plan as of July 31, 2011 and October 31, 2010 and changes during the periods then ended is as follows:

	Nine months ended July 31, 2011			Year ended October 31, 2010		
	Number of Common Shares Subject to Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Life in Years	Number of Common Shares Subject to Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Life (Years)
Outstanding, beginning of year	25,000	$ 0.40	0.49	-	$ -	-
Granted	662,500	0.40	3.00	25,000	0.40	1.00
Exercised	(43,750)	0.40	-	-	-	-
Expired/cancelled	-	-	-	-	-	-
Outstanding, end of year	643,750	$ 0.40	2.28	25,000	$ 0.40	0.49

The Company had outstanding post-consolidated options entitling the holder to purchase an aggregate of common shares as follows:

			July 31, 2011			October 31, 2010		
	Exercise Price Per Share ($)	Expiry Date	Number of Options	Vested and Exercisable	Weighted Average Contractual Life Remaining (in Years)	Number of Options	Vested and Exercisable	Weighted Average Contractual Life Remaining (in Years)
November 10, 2011	0.40	November 10, 2013	643,750	159,375	2.28	-	-	-
April 28, 2010	0.40	April 28, 2011	-	-	-	25,000	18,750	0.49
	0.40		643,750	159,375	2.28	25,000	18,750	0.49

7. SHARE CAPITAL (cont'd)

Warrants:

A summary of the status of the Company's post-consolidated warrants as of July 31, 2011 and October 31, 2010 and changes during the years then ended is as follows:

	Nine months ended July 31, 2011			Year ended October 31, 2010		
	Number of Common Shares Subject to Warrant	Weighted Average Exercise Price per Share	Weighted Average Remaining Life in Years	Number of Common Shares Subject to Warrant	Weighted Average Exercise Price per Share	Weighted Average Remaining Life in Years
Outstanding, beginning of period	6,250,000	$ 0.40	4.09	-	$ -	-
Granted	7,500,000	0.40	5.00	6,250,000	0.40	5.00
Exercised	(2,050,000)	0.40	-	-	-	-
Outstanding, end of period	11,700,000	$ 0.40	3.93	6,250,000	$ 0.40	4.09

The Company had outstanding post-consolidated warrants entitling the holders to purchase an aggregate of 11,700,000 common shares as follows:

			April 30, 2011		October 31, 2010	
Date Issued	Exercise Price Per Share	Expiry Date	Number of Shares	Weighted Average Life in Years	Number of Shares	Weighted Average Life in Years
December 2, 2009[1]	$ 0.40	December 1, 2014	4,200,000	3.34	6,250,000	4.09
November 2, 2010	0.40	November 2, 2015	7,500,000	4.26	-	-
			11,700,000	3.93	6,250,000	4.09

[1]Warrants issued December 2, 2009 are exercisable at $0.40 to December 1, 2014.

Contributed Surplus:

	Nine months ended July 31, 2011	Year ended October 31, 2010
Balance, beginning of period	$ 373,249	$ 370,674
Stock-based compensation expense	64,200	2,575
Balance, end of period	$ 437,449	$ 373,249

8. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, which include credit risk, concentration risk, market risk and liquidity risk.

Credit Risk
The Company is exposed to industry credit risks arising from its cash holdings and accounts receivable. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables consist of oil and gas revenues receivable and HST 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 replacement debt structures to continue its operations and discharge its commitments as they become due.

Market risk

(a) Price risk

The Company is exposed 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. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

(b) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash earns interest at floating rates, the Company is exposed to interest rate risk. A 1% increase or decrease in interest rates will result in appropriately $21,000 annualized increase or decrease in net loss.

9. CAPITAL MANAGEMENT

The Company manages its cash, amounts due to and from related parties and common shares as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

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 new shares, issue new debt, or acquire or dispose of assets. In order to maximize ongoing development efforts, the Company does not pay out dividends.

There were no changes in the Company's approach to capital management during the year ended October 31, 2010 or the nine months ended July 31, 2011. The Company is not subject to externally imposed capital requirements.

10. NEW ACCOUNTING STANDARDS NOT YET ADOPTED

International Financial Reporting Standards
In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of November 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011.

The Company has begun to assess its requirements and first time adoption methodologies, including its internal training and resource needs and first time adoption implications.

11. SUBSEQUENT EVENTS

On August 12, 2011 the Company granted 750,000 (187,500 post-consolidation) incentive stock options to the Vice President of the Company. The incentive stock options (the "Options") are priced at $0.10 ($0.40 post-consolidation) each and may be exercised for a period of up to three years from the date of grant with 12.5% of the options vesting at the date of grant and an additional 12.5% vesting every three months thereafter. The fair value of $64,103 was calculated using the Black-Scholes option pricing model with the risk-free interest rate of 1.12% and calculated volatility of 167%.

On September 7, 2011 the Company entered into an agreement to acquire the JD gold - silver property located in the Omineca mining division of British Columbia. Refer to Note 4.

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

On September 29, 2011 the Company granted 1,000,000 incentive stock options to four directors, an officer and two consultants of the Company. The incentive stock options (the "Options") are priced at $0.35 each and may be exercised for a period of up to five years from the date of grant with 12.5% of the options vesting at the date of grant and an additional 12.5% vesting every three months thereafter. The fair value of $311,098 was calculated using the Black-Scholes option pricing model with the risk-free interest rate of 1.4% and calculated volatility of 141%.