TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)

CONDENSED INTERIM FINANCIAL STATEMENTS
January 31, 2012

(Expressed in Canadian funds)

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April 30, 2012

NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an independent auditor. These condensed interim financial statements for the three months ended January 31, 2012 have been prepared by and are the responsibility of the Company's management. They have not been reviewed by the Company's independent auditor.
For further information, please contact:

Steve Vanry, *CFO and Director*
Phone: 604-588-3920

TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian funds)

	January 31, 2012	October 31, 2011	November 1, 2010
ASSETS			
CURRENT			
Cash	$ 2,808,724	$ 2,058,418	$ 1,161,864
Accounts receivable	292	-	-
Note receivable (Note 3)	-	-	27,706
Harmonized sales tax recoverable	16,283	18,484	5,200
BC Mineral Exploration tax credit	12,656	12,656	-
Prepaid expenses	1,248	1,997	-
	2,839,203	2,091,555	1,194,770
Equipment (Note 4)	20,564	3,941	2,964
Exploration and evaluation assets (Note 5)	480,965	192,223	-
Exploration and evaluation assets - Oil and gas (Note 6)	1	1	1
	$ 3,340,733	$ 2,287,720	$ 1,197,735
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT			
Accounts payable and accrued liabilities (Note 12)	$ 54,496	$ 58,950	$ 47,781
Due to related parties (Note 7)	40,746	34,881	6,454
Provisions	13,000	13,000	13,000
	108,242	106,831	67,235
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (Note 8)	10,525,796	9,392,136	7,332,642
SHARES SUBSCRIBED	-	-	710,000
RESERVES (Note 8)	728,814	608,052	373,249
DEFICIT	(8,022,119)	(7,819,299)	(7,285,391)
	3,232,491	2,180,889	1,130,500
	$ 3,340,733	$ 2,287,720	$ 1,197,735

NATURE OF BUSINESS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 15)

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 condensed interim financial statements.

TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Expressed in Canadian funds)

	Shares issued	Capital Stock Amount	Shares Subscribed	Reserves	Deficit	Total
Balance October 31, 2010	**51,772,725**	**7,332,642**	**710,000**	**373,249**	**(7,285,391)**	**1,130,500**
Issuance of shares	30,000,000	1,500,000	(710,000)			790,000
Exercise of warrants	8,200,000	410,000				410,000
Share-based compensation				71,319		71,319
Loss for the period	-	-		-	(134,266)	(134,266)
Balance January 31, 2011	**89,972,725**	**9,242,642**	**-**	**444,568**	**(7,419,657)**	**2,267,553**
Exercise of options	175,000	17,500				17,500
Reclassification on exercise of options		9,994		(9,994)		-
Shares issued for property acquisition	1,325,000	122,000				122,000
4:1 consolidation	(68,510,794)					
Share-based compensation				173,478		173,478
Loss for the period	-	-		-	(399,642)	(399,642)
Balance October 31, 2011	**22,961,931**	**9,392,136**	**-**	**608,052**	**(7,819,299)**	**2,180,889**
Issuance of shares	2,545,000	1,018,000				1,018,000
Shares issued for property acquisition	400,000	132,000				132,000
Share issue costs		(16,340)				(16,340)
Share-based compensation				120,762		120,762
Loss for the period					(202,820)	(202,820)
Balance January 31, 2012	**25,906,931**	**10,525,796**	**-**	**728,814**	**(8,022,119)**	**3,232,491**

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

TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED JANUARY 31,
(Unaudited)

(Expressed in Canadian funds)

	2012	2011
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	$ 8,560	$ 7,179
Consulting	17,200	6,000
Consulting fees – stock-based (Note 8)	8,337	-
Filing fees	2,729	3,363
Legal fees	7,900	13,383
Management fees – stock-based (Note 8)	112,426	71,319
Parking	2,085	1,743
Office and miscellaneous	31,705	11,206
Property examination costs	4,903	6,250
Telephone	2,502	1,399
Transfer agent	2,351	4,393
Travel and promotion	2,404	10,087
LOSS BEFORE OTHER ITEMS	203,102	136,322
OTHER ITEMS		
Net oil and gas loss (revenue)	(289)	46
Foreign exchange loss	422	-
Interest income (Note 3)	(365)	(2,102)
Other income	(50)	-
	(282)	(2,056)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	202,820	134,266
BASIC AND DILUTED LOSS PER COMMON SHARE	$ 0.01	$ 0.01
WEIGHTED AVERAGE BASIC AND DILUTED SHARES OUTSTANDING	23,024,841	21,661,660

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

TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JANUARY 31,
(Unaudited)

(Expressed in Canadian funds)

	2012	2011
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Loss for the period	$ (202,820)	$ (134,265)
Items not involving cash:		
Share-based compensation	120,762	71,318
Accrued interest	-	(698)
	(82,058)	(63,645)
Net changes in operating assets and liabilities:		
(Increase) decrease in harmonized sales tax recoverable	2,201	(3,678)
Decrease in prepaid expenses	749	-
Increase (decrease) in accounts payable and accrued liabilities	(4,454)	(6,923)
(Increase) decrease in accounts receivable	(292)	-
Cash provided by (used in) operating activities	(83,854)	(74,246)
FINANCING ACTIVITIES		
Proceeds from share issuance	1,018,000	1,200,000
Share issue costs	(16,340)	-
Related party advances (net of repayments)	5,865	(4,003)
Cash provided by (used in) financing activities	1,007,525	1,195,997
INVESTING ACTIVITIES		
Exploration and evaluation assets	(156,742)	-
Acquisition of equipment	(16,623)	-
Cash provided by (used in) investing activities	(173,365)	-
INCREASE (DECREASE) IN CASH	750,306	1,121,751
CASH – BEGINNING OF PERIOD	2,058,418	1,161,864
CASH – END OF PERIOD	$ 2,808,724	$ 2,283,615

SUPPLEMENTAL CASH FLOW INFORMATION:

	2012	2011
Cash paid for interest	$ -	$ -
Cash paid for income taxes	-	-

Supplemental disclosure with respect to cash flows (Note 13)

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

TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)

SCHEDULES OF ACQUISITION AND DEFERRED EXPLORATION COSTS
EXPLORATION AND EVALUATION ASSETS

	Three months ended January 31, 2012		
	Acquisition Costs	Deferred Costs	Total
Dragon	72,154	$ 6,073	78,227
Dorado	23,000	15,135	38,135
JD	50,851	110,805	161,656
Baez	1,812	-	1,812
Straw	782	-	782
Waterloo	180,389	19,964	200,353
	$ 328,988	$ 151,977	$ 480,965

	Year ended October 31, 2011		
	Acquisition Costs	Deferred Costs	Total
Dragon	72,154	$ 6,073	78,227
Dorado	23,000	15,135	38,135
JD	50,851	10,723	61,574
Baez	1,303	-	1,303
Waterloo	520	12,464	12,984
	$ 147,828	$ 44,395	$ 192,223

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

TOWER RESOURCES LTD. (FORMERLY TOWER ENERGY LTD.)

SCHEDULES OF ACQUISITION AND DEFERRED EXPLORATION COSTS EXPLORATION AND EVALUATION ASSETS

Three months ended January 31, 2012							
	Dragon	Dorado	JD	Baez	Straw	Waterloo	Total
Assays	-	-	806	-	-	-	806
Annual mineral rights	-	-	46,836	-	-	-	46,836
Geologist	-	-	27,440	-	-	7,500	34,940
Licences and permits	-	-	25,000	-	-	-	25,000
Total costs incurred during the period	-	-	100,082	-	-	7,500	107,582
B.C. mineral exploration tax credit recoverable	-	-	-	-	-	-	-
Balance, beginning of the period	6,073	15,135	10,723	-	-	12,464	44,395
	6,073	15,135	110,805	-	-	19,464	151,977
Write-off of capitalized costs	-	-	-	-	-	-	-
Balance, end of the period	$ 6,073	$ 15,135	$110,805	$ -	$ -	$ 19,464	$151,977

Year ended October 31, 2011							
	Dragon	Dorado	JD	Baez	Straw	Waterloo	Total
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 period	7,591	16,335	15,319	-	-	17,806	57,051
B.C. mineral exploration tax credit recoverable	(1,518)	(1,200)	(4,596)	-	-	(5,342)	(12,656)
Balance, beginning of the period	-	-	-	-	-	-	-
	6,073	15,135	10,723	-	-	12,464	44,395
Write-off of capitalized costs	-	-	-	-	-	-	-
Balance, end of the period	$ 6,073	$ 15,135	$ 10,723	$ -	$ -	$ 12,464	$ 44,395

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

1. NATURE OF BUSINESS AND GOING CONCERN

Tower Resources Ltd. (formerly Tower Energy 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 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 to mineral exploration and evaluation assets.

The condensed interim financial statements ("Interim Financial Statements") of the Company are presented in Canadian dollars, which is the functional currency of the Company.

The Company's principal business activities include the acquisition and exploration of mineral 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 are 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 Interim Financial Statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. The 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 operations.

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 will have sufficient working capital to continue operations for the next 12 months.

1. NATURE OF BUSINESS AND GOING CONCERN (cont'd)

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

		January 31, 2012		October 31, 2011		November 1, 2010
Deficit	$	(8,022,119)	$	(7,819,299)	$	(7,285,391)
Working capital		2,743,961	$	1,997,724	$	1,140,535

On September 20, 2011 the Company consolidated its capital stock 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These Interim Financial Statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These are the Company's first IFRS Interim Financial Statements for part of the period covered by the Company's first IFRS annual financial statements for the year ending October 31, 2012. Previously, the Company prepared its annual and interim financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("Pre-changeover GAAP"). The Interim Financial Statements were authorized by the audit committee and board of directors of the Company on April 30, 2012.

Basis of presentation

The Interim Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 2. In addition, these Interim Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these Interim Financial Statements are in accordance with IFRS and have not been audited.

The preparation of these Interim Financial Statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Pre-changeover GAAP. The accounting policies set out below have been applied consistently to all periods presented in these Interim Financial Statements. They also have been applied in preparing an opening IFRS statement of financial position at November 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Pre-changeover GAAP to IFRS is explained in Note 14.

Exploration and evaluation assets

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Provisions

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

The Company recorded a rehabilitation obligation of $13,000 in relation to oil and gas exploration and evaluation assets as at January 31, 2012, October 31, 2011 and November 1, 2010.

Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

The Company had no other provisions as at January 31, 2012, October 31, 2011 and November 1, 2010.

Property and 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.

Amortization for equipment is calculated using the straight line method at the following annual rate:

Computer hardware	50%
Computer software	100%

In the year of acquisition, amortization is recorded at one-half the normal rate.

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 (cont'd)

Capital stock

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. Cost-related 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.

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.

Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Comprehensive Income

Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from profit or loss such as:

• Foreign currency translation adjustments; and

• Unrealized gains or losses on available-for-sale investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based Compensation

The share option plan allows Company employees (including directors and senior executives) and consultants to acquire shares of the Company. The fair value of options granted is recognized as stock-based compensation expense with a corresponding increase in reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to capital stock and the fair value of the options is reclassified from reserves to capital stock.

The Company accounts for the granting of stock options and direct awards of stock to employees, directors and non-employees using the fair value method whereby all awards will be recorded at fair value on the date of grant. Stock based compensation awards are calculated using the Black-Scholes option pricing model. Compensation expense is recognized immediately for past services and pro rata for future services over the options vesting period with a corresponding increase in reserves.

Joint Interests

The Company's exploration and development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Significant accounting estimates and judgments

The preparation of these Interim Financial Statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Actual results may differ from these estimates. These Interim Financial Statements do not include all of the information required for full annual financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant areas requiring the use of estimates relate to the valuation of exploration and evaluation assets, the valuation of provisions, share-based compensation, and deferred income taxes.

Income Taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Flow-through Shares

The Company provides certain share subscribers with a flow – through component for tax benefits available on qualifying Canadian exploration expenditures. Upon renunciation to the shareholders, the Company will reduce capital stock and record a temporary future income tax liability for the amount of the tax deduction renounced to shareholders. In instances where the Company has sufficient available deductible temporary differences available to offset the renounced tax deductions, the realization of the deductible temporary differences will be credited to operations in the period of renunciation.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Comparative figures

Comparative figures have been reclassified, where applicable, to conform to the current period's presentation.

New standards, amendments and interpretations not yet effective:

A number of new standards, amendments to standards and interpretations are not yet effective as of January 31, 2012 and have not been applied in preparing these Interim Financial Statements. None of these are expected to have a material effect on the financial statements of the Company.

<u>Accounting Standards Anticipated To Be Effective January 1, 2013</u>

Joint ventures

The IASB issued Exposure Draft 9 – Joint Arrangements ("ED-9") in September 2007. ED-9 proposed to eliminate the Company's choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method. During the second quarter of 2009, the IASB commenced re-deliberations of ED-9 and now proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

obligations to assets and liabilities, respectively, of the joint arrangements. The IASB planned on publishing the final standard during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact that ED-9 and the final standard are expected to have on its financial statements.

Consolidation
On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 - Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company does not anticipate this amendment to have a significant impact on its financial statements.

Financial instruments
The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities, with comments due in March and April of 2011. The complete IFRS 9 has not been issued by the end of 2011. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

3. 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.

4. EQUIPMENT

	Cost	Accumulated Amortization	January 31, 2012 Net Book Value
Computer hardware	$ 10,317	$ 3,949	$ 6,369
Computer software	14,195	-	14,195
	$ 24,512	$ 3,949	$ 20,564

	Cost	Accumulated Amortization	October 31, 2011 Net Book Value
Computer hardware	$ 7,890	$ 3,949	$ 3,941

	Cost	Accumulated Amortization	November 1, 2010 Net Book Value
Computer hardware	$ 3,952	$ 988	$ 2,964

In the year ended October 31, 2011 the Company purchased computer equipment for $3,938. In the three months ended January 31, 2012 Company purchased computer equipment for $2,427 and computer software for $14,195.

5. EXPLORATION AND EVALUATION ASSETS

DRAGON AND DORADO

The Company entered into an option agreement with Sidewinder Exploration Ltd., ("Sidewinder") dated June 26th, 2011 to acquire up to a 100% interest in two mineral properties, comprising twenty-two (22) mineral claims, 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% Net Smelter Royalty ("NSR") 1% of which may be purchased for $1,000,000.

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 funding aggregate expenditures on the property of $2,000,000 as 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, comprised of eight (8) mineral claims, 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.

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

JD PROPERTY

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

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 at a price of $0.40 per share; 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 (subsequently paid); 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

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

JD PROPERTY

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).

Tower will pay an advance royalty of $40,000 per year, for each year after Tower has earned the 100% interest, but has not yet reached the commencement of commercial production.

WATERLOO PROPERTY

On October 18, 2011 the Company entered into an agreement to acquire the Waterloo property, comprised of eighteen (18) mineral claims, located in the Osoyoos 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 $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 41-month period. The agreement is subject to a 2% NSR, of which 1% 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:

For a 75% interest (the "First Option"):

making cash payments of an aggregate of $70,000 (the "**First Option Cash Payments**") as follows:

not less than $45,000 within ten Business Days following the date upon which Tower receives Exchange Acceptance (the "**Acceptance Date**") (December 23, 2011 – paid); and

not less than $25,000 on or before the date that is one year following the Acceptance Date (December 23, 2012);

issuing 400,000 common shares in the capital of Tower (the "**First Option Shares**") within ten Business Days following the Acceptance Date (December 23, 2011 – issued at a price of $0.33 per share);

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

WATERLOO PROPERTY

funding aggregate Expenditures on the Property of $2,000,000 (the "**First Option Expenditures**") as follows:

not less than $100,000 on or before the date that is one year following the Acceptance Date December 13, 2012);

not less than an additional $700,000 on or before the date that is 29 months following the Acceptance Date (May 13, 2014); and

not less than $1,200,000 on or before the date that is 41 months following the Acceptance Date. (May 13, 2015);

Upon Tower completing and delivering a Feasibility Study, (the "**100% Exercise Date**"), Tower will be deemed to have exercised the Second Option and to have earned

an additional 25% Interest (for an aggregate 100% Interest), subject to the Royalty Interest (the "Royalty") as defined below, The Vendor will expeditiously execute all agreements and instruments necessary or advisable in the discretion of Tower to transfer the 25% Interest in favour of Tower or its designee.

At any time after Tower has earned the 25% Interest (for an aggregate 100% Interest), Tower will pay a royalty (the "**Royalty**") being equal to either:

$40,000 per year, in the form of an advanced royalty, for each year after Tower has earned the 100% Interest, but has not yet reached the Commencement of Commercial Production; or 2% of Net Smelter Returns, at such time Commencement of Commercial Production in attained, net of the total amount of advanced royalties paid above.

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

6. EXPLORATION AND EVALUATION ASSETS - OIL AND GAS

January 31, 2012, October 31, 2011 and November 1, 2010

	Acquisition Costs	Deferred Costs	Write-off of Capitalized Costs	Total
Poplar Winstar Strachan	$ 1	$ -	$ -	$ 1

6. EXPLORATION AND EVALUATION ASSETS - OIL AND GAS (cont'd)

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.

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.

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the three months ended January 31, 2012:

a) Consulting fees totaling $6,000 were paid or accrued to a company controlled by a director (2011 - $4,000 to the director and $2,000 to the company controlled by the director).

b) "Office and miscellaneous" includes rent totaling $2,250 paid to a company formerly related by common directors and officers (2011 - $2,250); rent of $19,076 (2011 - $nil) and other office expenses of $2,069 paid or accrued to a company related by common directors and officers.

c) "Mineral properties" includes geologist fees totaling $22,000 (2011 - $nil) were paid to a company controlled the vice president exploration of the Company

d) Consulting fees totaling $8,000 were paid to a company controlled the vice president exploration of the Company (2011 - $nil).

The Company entered into the following transactions with related parties during the year ended October 31, 2011:

e) Management fees totaling $nil were paid or accrued to a company controlled by a former director of the Company (2010 - $33,000).

f) Consulting fees totaling $4,000 were paid or accrued to a director of the Company and $20,000 to a company controlled by the director (2010 - $23,000 to the director).

g) "Office and miscellaneous" includes rent totaling $9,000 paid to a company formerly related by common directors and officers (2010 - $13,600); rent of $8,353 (2010 - $nil) and other office expenses of $1,904 paid or accrued to a company related by common directors and officers.

h) "Mineral properties" includes geologist fees totaling $19,500 and vehicle rentals totaling $4,100 (2010 - $nil) paid to a company related by common directors and officers.

i) Consulting fees totaling $30,000 were paid to a company controlled the vice president exploration of the Company (2010 - $nil).

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.

7. RELATED PARTY TRANSACTIONS (cont'd)

Amounts owing to related parties were as follows:

	January 31, 2012	October 31, 2011	November 1, 2010
i. Company with a director in common for expenses	$ -	$ 28,645	$ -
ii. CEO for expenses	37,059	4,042	-
iii. CFO for expenses	1,087	1,978	5,220
iv. Vice-president for expenses	2,384	-	-
v. Directors for expenses	-	-	604
vi. Former director for loans	216	216	216
vii. Company with a director in common for expenses	-	-	414
	$ 40,746	$ 34,881	$ 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.

8. CAPITAL STOCK

The authorized share capital of the Company is unlimited common shares without par value.

On September 20, 2011 the Company consolidated its capital on a 4:1 basis and cancelled the authorized 1,000,000 preference shares. All share and per share amounts have been restated to reflect the share consolidation unless otherwise indicated.

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.

8. CAPITAL STOCK (cont'd)

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. On September 21, 2011 Company issued 125,000 common shares for property acquisition. Refer to Note 5.

On December 23, 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 and issued 400,000 shares pursuant to the Waterloo property option agreement (Note 5).

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 $4,291 during the year ended October 31, 2011 (2010 - $2,575) being the fair value of the options vested in the period. The options were exercised on April 21, 2011 for proceeds of $10,000.

8. CAPITAL STOCK (cont'd)

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%.

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 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 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 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%.

On December 9, 2011 the Company granted 100,000 incentive stock options to a consultant of the Company. The incentive stock 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 four months thereafter. The fair value of $31,355 was calculated using the Black-Scholes option pricing model with the risk-free interest rate of 1.33%, dividends of nil and calculated volatility of 144%.

The Company recorded a stock-based management fee of $112,423 (2011 - $71,318) and a stock-based consulting fee of $8337 (2011 - $nil) during the three months ended January 31, 2012 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 January 31, 2012 and October 31, 2011 and changes during the periods then ended is as follows:

8. CAPITAL STOCK (cont'd)

	Three months ended January 31, 2012			Year ended October 31, 2011		
	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	1,643,750	$ 0.37	3.87	25,000	$ 0.40	0.49
Granted	100,000	0.35	5.00	1,662,500	0.37	4.20
Exercised	-	-	-	(43,750)	0.40	-
Expired/cancelled	-	-	-	-	-	-
Outstanding, end of year	1,743,750	$ 0.37	3.69	1,643,750	$ 0.37	3.87

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

			January 31, 2012			October 31, 2011		
	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, 2010	0.40	November 10, 2013	456,250	285,156	1.78	456,250	237,500	2.03
August 12, 2011	0.40	August 12, 2014	187,500	46,875	2.53	187,500	23,438	2.78
September 29, 2011	0.35	September 29, 2016	1,000,000	250,000	4.67	1,000,000	125,000	4.92
December 9, 2011	0.35	December 9, 2016	100,000	12,500	4.86	-	-	-
	0.37		1,743,750	594,531	3.69	1, 643,750	385,938	3.87

Warrants:

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

	Three months ended January 31, 2012			Year ended October 31, 2011		
	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	11,700,000	$ 0.40	3.68	6,250,000	$ 0.40	4.09
Granted	-	-	-	7,500,000	0.40	5.00
Exercised	-	-	-	(2,050,000)	0.40	-
Outstanding, end of period	11,700,000	$ 0.40	3.43	11,700,000	$ 0.40	3.68

8. CAPITAL STOCK (cont'd)

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

			January 31, 2012		October 31, 2011	
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	2.84	4,200,000	3.09
November 2, 2010	$ 0.40	November 2, 2015	7,500,000	3.76	7,500,000	4.01
			11,700,000	3.43	11,700,000	3.68

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

Reserves:

	Three months ended January 31, 2012	Year ended October 31, 2011
Balance, beginning of period	$ 608,052	$ 373,249
Stock-based compensation expense	120,762	244,797
Transfer to capital stock on exercise of options	-	(9,994)
Balance, end of period	$ 728,814	$ 608,052

9. 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 $19,000 annualized increase or decrease in net loss.

10. 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 three months ended January 31, 2012 or the year ended October 31, 2011. The Company is not subject to externally imposed capital requirements.

11. RECEIVABLES

Trade and other receivables were comprised of the following:

	January 31, 2012		October 31, 2011		November 1, 2010	
Trade receivables	$	292	$	-	$	-
Harmonized sales tax receivable		16,238		18,484		5,201
B.C. mineral exploration tax credit recoverable		12,656		12,656		-
Total	$	29,231	$	31,140	$	5,201

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were comprised of the following:

	January 31, 2012		October 31, 2011		November 1, 2010	
Trade payables	$	54,496	$	58,950	$	47,781
Total	$	54,496	$	58,950	$	47,781

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the three months ended January 31, 2012 the Company's significant non-cash financing and investing transactions consisted of:

a) The issuance of common shares valued at $132,000 for acquisition of exploration and evaluation assets.

For the three months ended January 31, 2012 the Company's significant non-cash financing and investing transactions consisted of:

b) The issuance of common shares valued at $122,000 for acquisition of exploration and evaluation assets and

c) The reclassification of $710,000 of share subscriptions received to capital stock.

d) The reclassification of a fair value component of $9,994 in respect of options exercised.

14. TRANSITION TO IFRS

As stated in Note 2, these Interim Financial Statements are for the period 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 Interim Financial Statements for the periods ended January 31, 2012 and 2011, and the opening IFRS statement of financial position on November 1, 2010 (the "Transition Date") and October 31, 2011.

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; 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

In preparing its opening IFRS statement of financial position, comparative information for the three months ended January 31, 2011 and financial statements for the year ended October 31, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with pre-changeover GAAP. An explanation of how the transition from pre-changeover GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

14. TRANSITION TO IFRS (cont'd)

The reconciliation between pre-changeover GAAP and IFRS statement of financial position at November 1, 2010 is provided below:

	Pre-changeover GAAP	Effect of transition to IFRS	IFRS
ASSETS			
CURRENT			
Cash	$ 1,161,864	$ -	$ 1,161,864
Accounts receivable	-	-	-
Note receivable	27,706	-	27,706
Harmonized sales tax recoverable	5,200	-	5,200
BC Mineral Exploration tax credit	-	-	-
Prepaid expenses	-	-	-
	1,194,770	-	1,194,770
Equipment	2,964	-	2,964
Exploration and evaluation assets (	-	-	-
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	$ 47,781	$ -	$ 47,781
Due to related parties	6,454	-	6,454
Provisions	13,000	-	13,000
	67,235	-	67,235
SHAREHOLDERS' EQUITY			
CAPITAL STOCK	7,332,642	-	7,332,642
SHARES SUBSCRIBED	710,000	-	710,000
RESERVES	373,249	-	373,249
DEFICIT	(7,285,391)	-	(7,285,391)
	1,130,500	-	1,130,500
	$ 1,197,735	$ -	$ 1,197,735

14. TRANSITION TO IFRS (cont'd)

The reconciliation between pre-changeover GAAP and IFRS statement of financial position at January 31, 2011 is provided below:

	Pre-changeover GAAP	Effect of transition to IFRS	IFRS
ASSETS			
CURRENT			
Cash	$ 2,283,615	$ -	$ 2,283,615
Note receivable	28,403	-	28,403
Harmonized sales tax recoverable	8,879	-	8,879
Due from related parties	612	-	612
	2,321,509	-	2,321,509
Equipment	2,964	-	2,964
Exploration and evaluation assets - Oil and gas	1	-	1
	$ 2,324,474	$ -	$ 2,324,474
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT			
Accounts payable and accrued liabilities	$ 40,858	$ -	$ 40,858
Due to related parties (	3,063	-	3,063
Provisions	13,000	-	13,000
	56,921	-	56,921
SHAREHOLDERS' EQUITY			
CAPITAL STOCK	9,242,642	-	9,242,642
SHARES SUBSCRIBED	-	-	-
RESERVES (a)	397,687	46,881	444,568
DEFICIT (a)	(7,372,776)	(46,881)	(7,419,657)
	2,267,553	-	2,267,553
	$ 2,324,474	$ -	$ 2,324,474

14. TRANSITION TO IFRS (cont'd)

The reconciliation between pre-changeover GAAP and IFRS statement of financial position at October 31, 2011 is provided below:

	Pre-changeover GAAP	Effect of transition to IFRS	IFRS
ASSETS			
CURRENT			
Cash	$ 2,058,418	$ -	$ 2,058,418
Accounts receivable	-	-	-
Note receivable	-	-	-
Harmonized sales tax recoverable	18,484	-	18,484
BC Mineral Exploration tax credit	12,656	-	12,656
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 and accrued liabilities	$ 58,950	$ -	$ 58,950
Due to related parties (	34,881	-	34,881
Provisions	13,000	-	13,000
		-	106,831
SHAREHOLDERS' EQUITY			
CAPITAL STOCK	9,392,136	-	9,392,136
SHARES SUBSCRIBED	-	-	-
RESERVES (a)	493,706	114,346	608,052
DEFICIT (a)	(7,704,953)	(114,346)	(7,819,299)
	2,180,889	-	2,180,889
	$ 2,287,720	$ -	$ 2,287,720

14. TRANSITION TO IFRS (cont'd)

The reconciliation between pre-changeover GAAP and IFRS statement of comprehensive loss at January 31, 2011 is provided below:

	Pre-changeover GAAP	Effect of transition to IFRS	IFRS
GENERAL AND ADMINISTRATIVE EXPENSES			
Accounting and audit	$ 7,179	-	$ 7,179
Consulting	6,000	-	6,000
Consulting fees – stock-based	-	-	-
Filing fees	3,363	-	3,363
Legal fees	13,383	-	13,383
Management fees – stock-based (a)	24,438	46,881	71,319
Parking	1,743	-	1,743
Office and miscellaneous	11,206	-	11,206
Property examination costs	6,250	-	6,250
Telephone	1,399	-	1,399
Transfer agent	4,393	-	4,393
Travel and promotion	10,087	-	10,087
LOSS BEFORE OTHER ITEMS	89,441	46,881	136,322
OTHER ITEMS			
Net oil and gas loss (revenue)	46	-	46
Foreign exchange loss	-	-	-
Interest income	(2,102)	-	(2,102)
Other income	-	-	-
	(2,056)	-	(2,056)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	87,385	46,881	134,266
BASIC AND DILUTED LOSS PER COMMON SHARE	$ 0.01		$ 0.00
WEIGHTED AVERAGE BASIC AND DILUTED SHARES OUTSTANDING	23,024,841		21,661,660

14. TRANSITION TO IFRS (cont'd)

The reconciliation between pre-changeover GAAP and IFRS statement of comprehensive loss at October 31, 2011 is provided below:

	Pre-changeover GAAP	Effect of transition to IFRS	IFRS
GENERAL AND ADMINISTRATIVE EXPENSES			
Accounting and audit	$ 49,930		$ 49,930
Consulting	55,050		55,050
Filing fees	17,780		17,780
Legal fees	48,494		48,494
Management fees – stock-based (a)	130,451	114,346	244,797
Parking	7,819		7,819
Amortization	2,960		2,960
Office and miscellaneous	49,181		49,181
Property examination costs	52,353		52,353
Telephone	8,922		8,922
Transfer agent	13,457		13,457
Travel and promotion	15,240		15,240
LOSS BEFORE OTHER ITEMS	451,637	114,346	565983
OTHER ITEMS			
Net oil and gas loss (revenue)	152		152
Gain on debt settlement	(10,472)		(10,472)
Foreign exchange loss	1,130		1,130
Interest income (Note 3)	(22,885)		(22,885)
	(32,075)	-	(32,075)
NET LOSS FOR THE YEAR	419,562	114,346	533,908
DEFICIT – BEGINNING OF YEAR	7,285,391	-	7,285,391
DEFICIT – END OF YEAR	$ 7,704,953	114,346	$ 7,819,299
BASIC AND FULLY DILUTED LOSS PER SHARE	$ 0.02		$ 0.02
WEIGHTED AVERAGE BASIC AND DILUTED SHARES OUTSTANDING	22,403,489		22,403,489

14. TRANSITION TO IFRS (cont'd)

a) Share-based payments

On transition to IFRS the Company recorded additional share-based compensation expense for options granted after November 1, 2010 in accordance with IFRS 2.

15. SUBSEQUENT EVENTS

On February 20, 2012 the Company granted 200,000 incentive stock options to two consultants of the Company. The incentive stock 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 $62,901 was calculated using the Black-Scholes option pricing model with the risk-free interest rate of 1.48%, dividends of nil, and calculated volatility of 145%.

On March 23, 2012 the Company granted 100,000 incentive stock options to a consultant of the Company. The incentive stock 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 four months thereafter. The fair value of $42,463 was calculated using the Black-Scholes option pricing model with the risk-free interest rate of 1.65%, dividends of nil, and calculated volatility of 164%.

On April 23, 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 share issue cost of $56,028.