YALE RESOURCES LTD

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED OCTOBER 31, 2012

Date Submitted: February 28, 2013

Introduction

The following discussion and analysis, prepared as of February 28, 2013 is prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's consolidated financial statements for the year ended October 31, 2012.

IFRS replaces current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the accompanying audited consolidated financial statements for the year ended October 31, 2012 have been prepared in accordance IFRS as issued by the International Accounting Standards Board.

The transition to IFRS resulted in changes to the Company's significant accounting policies. Readers of the MD&A should refer to "Changes in Accounting Policies" below, and Note 3 of the accompanying consolidated financial statements, for a discussion of IFRS and its impact on the Company's consolidated financial statements.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "designed", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

Description of Business

The Company's principal business activity is the acquisition and exploration of mineral properties for commercial mineral deposits and it is considered to be at the exploration stage. The Company utilizes the project generator business model to maximize its exposure to discovery while minimizing shareholder risk. As a project generator the Company acquires properties with high potential and options a percentage interest in them to other public companies for a combination of cash, shares and exploration commitments over a number of years. If the other company fulfils the terms of the option then that percentage ownership is transferred. Yale currently has six projects in its portfolio of which three are optioned out.

The Company has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties in the consolidated financial statements are dependent on the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to discover and complete the development of those reserves and upon future profitable production. The Company trades on the TSX Venture Exchange under the symbol

YLL, the Frankfurt Stock Exchange under the symbol YAB, and over the counter in the United States under the symbol YRLLF.

Performance Summary

During the year ended October 31, 2012, the Company incurred $17,518 (2011 - $421,432) in mineral property acquisition costs, mineral property acquisition cost recoveries of $117,642 (2011 - $316,333), and net exploration expenditures of $144,983 (2011 - $291,117) after recoveries of $680,365 (2011 - $193,323).

As at October 31, 2012, the Company had a working capital deficiency of $61,690 (2011 - $124,856 working capital). This is not sufficient to fund the Company's operating expenses and exploration activities in the short term, and additional funds will need to be raised through equity markets to provide additional financing for operating expenses and exploration activities.

Exploration Activities

The Company has six projects in its portfolio: Urique, Carol, La Verde, Dos Naciones, Orofino, and Apache. The Urique, Dos Naciones, and Orofino properties are currently optioned out. The Los Amoles property is currently in the process of being sold. A previously owned project, Guadalupe, was sold in the 3 quarter of 2012.

APACHE PROPERTY

The Apache Property was acquired in December 2010 and is owned 100% by Yale. The property is not optioned.

No work was performed on the Apache Property during the year ended October 31, 2012.

LOS AMOLES PROPERTY

The Los Amoles Property was acquired in April 2010 and is owned 100 % by Yale. The property is optioned to Sonora Resources Corp. who have the option to earn a 70% interest in the property by paying Yale US $50,000, spend US $900,000 on exploration expenditures and issue 1,000,000 shares to Yale over three years.

There was minimal fieldwork performed on the property during the year ended October 31, 2012.

On February 20, 2013, the Company reported that it has signed a formal Agreement with Sonora Resources Corp. to sell a 100% interest in Yale's wholly owned Los Amoles Property located in Sonora State, Mexico, for US$ 200,000 and 1,000,000 shares in Sonora Resources. Yale has received US$30,000 upon signing of the agreement and will receive the remaining US$170,000 and the shares upon presentation of transfer documentation.

Yale had previously received US$ 50,000 and 800,000 shares from Sonora, in addition to expenditures of approximately US$230,000 on exploration by Sonora.

CAROL PROPERTY

The Carol Property was optioned in October 2007 and acquired in March 2008. It is wholly owned by Yale. The property is currently available for option.

There was minimal fieldwork performed on the property during the year ended October 31, 2012.

OROFINO PROJECT

The Orofino property was optioned in July 2009 and a majority of the project was acquired in May 2011. A portion of the property remains under option.

The Orofino Project is optioned to Overlord Capital Ltd. who have an option to acquire a 70% interest in the property. Overlord will be required to pay Yale $100,000, issue to Yale 1,300,000 shares in Overlord, and incur a total of $2,100,000 in exploration expenditures on the Property over a four year period.

Overlord paid Yale $50,000 and issued 50,000 common shares upon receipt of TSX Venture Exchange approval. Subsequent share issuances of 500,000, 150,000, 350,000 and 250,000 shares on the first, second, third, and fourth year anniversaries will also be due in order to keep the Option Agreement in good standing. The first year's requirement will be $200,000 in exploration expenditures followed by a further $400,000 in the following year, $750,000 in the third year and $750,000 in the final year of the Option Agreement. Yale will be the initial operator and will manage exploration on the property.

The following fieldwork was performed on the property during the year ended October 31, 2012:

On August 16, 2012, the Company reported that it had mobilized a field crew to the Orofino Property, located in Sonora State, Mexico, to initiate work on the property as part of an ongoing field program to be conducted on behalf of Overlord Capital Ltd..

Initial fieldwork will be focused on the San Francisco Target area where previous work (see news release dated June 28, 2010) identified a 30 to 40 metre wide zone of strong oxidation centred on a 5 to 6 metre wide core area of strong silicification and veining. It has been traced in the field for 300 metres along strike and remains open in both directions.

On October 30, 2012, the Company reported that a phase one work program performed on behalf of the optionee Overlord Capital Corp. had successfully confirmed multiple gold-silver soil anomalies as well as a trench over 25 metres averaging 0.67 g/t gold within the Orofino Project, located in Sonora State, Mexico.

The work program consisted of first-pass soil sampling over the El Gato and Koala Targets as well as limited trenching within the San Francisco Target. The soil sampling at El Gato and Koala confirmed +300 metre long multi-element anomalies that remain open in several directions.

The trenching at San Francisco was designed as follow up on initial chip sampling that returned narrow high grade intervals from outcrop of up to 2.70 g/t gold and 529.8 g/t silver over a length of 2.1 metres (see news release dated June 28, 2010). At San Francisco there is 30 to 40 metre wide zone of strong oxidation centred on a 5 to 6 metre wide core area of strong silicification and veining. It has been traced in the field for 300 metres along strike and remains open in both directions. This trenching confirms the potential for the zone to contain a 'bulk tonnage' style gold-silver target.

The results from two trenches, spaced approximately 150 metres apart, are given below:

Trench #1:

Sample #	Width	Au (g/t)	Ag (g/t)
819305	1.8	0.20	30.9
819306	1.5	0.21	49.5
819307	1.5	0.16	46.9
819308	1.0	0.26	48.6
819309	1.0	0.12	10.7
819311	1.7	0.11	14.8
Weighted Average:	**8.5**	**0.17**	**33.49**

Trench#2:

Sample #	Width	Au (g/t)	Ag (g/t)
819314	2.5	0.46	20.8
819315	2.5	0.68	22.8
819316	2.5	0.47	16.1
819317	1.0	0.74	26.4
819318	1.0	0.35	18.6
819319	1.0	0.29	14.8
819321	2.5	1.46	22.5
819322	2.5	0.43	12.7
819323	2.5	0.26	19.8
819324	2.5	0.56	3.4
819325	2.0	1.59	43.6
819326	2.5	0.58	17.8
Weighted Average:	**25.0**	**0.67**	**19.47**

** Trench is open in both directions

The San Francisco target is on trend with the Quelitoso target (not currently part of the Orofino Project), located approximately 1.3 km to the west, as well as the Santiago Target (owned by Yale) located an additional 1.5 km to the west, which defines a mineralized trend measuring at least 3 km in length.

Of note at the San Francisco target is the lack of any evidence of previous modern exploration. Before this trenching program only reconnaissance-style sampling was known to have been done in this area.

DOS NACIONES PROPERTY

The Dos Naciones Property was acquired in October 2008 by staking and is owned 100% by Yale. Del Toro Silver Corp. has an option to earn a 70% interest in the property by undertaking a total of $800,000 in exploration expenditures and issuing to Yale 650,000 shares.

There was minimal fieldwork performed on the property during the year ended October 31, 2012.

URIQUE PROPERTY

The Urique Property was originally optioned by Yale in August 2006 and acquired in March 2009. The property is 100% owned by Yale. In March 2009, the Company optioned the property to American Sierra Gold Corp. however that option was terminated in October 2010.

Mammoth Capital Corp., has an option to earn up to a 100% interest in the property. Mammoth can earn an initial 70% interest in the property by paying Yale $50,000 (received), issuing to Yale 1,300,000 shares, and incurring a total of $3,000,000 in exploration expenditures. In order to earn the remaining 30% interest in the Property, Mammoth must issue an additional 500,000 common shares to Yale and must have completed a resource estimate on the Property delineating at least 300,000 equivalent ounces of gold in the measured and indicated categories within an additional three years. Upon completion of the resource estimation Mammoth would then be required to issue an additional share for each equivalent ounce of gold within the measured and indicated categories, subject to a minimum of 300,000 shares and a maximum of 2,000,000 shares.

Pursuant to an agreement dated February 20, 2012, Mammoth Resources Corp. and Yale Resources Ltd. have agreed to amend and restate the terms of the Urique option agreement to reflect the terms of the amending agreement dated October 7, 2011, and further amendments agreed to by the parties.

Pursuant to the amended and restated option agreement, the parties have agreed to the following further amendments:

- Yale has agreed that it may contribute a total of $125,000 (Canadian) toward taxes owing or forfeit a portion of the shares to be issued on concessions comprising the Urique property during the term of the amended and restated option agreement.
- The scheduled issuance of common shares by Mammoth to Yale, deadlines for incurring expenditures and exercising the options granted under the terms of the original Urique option agreement have been changed to align with tax payment deadlines, and certain share issuances have been made conditional upon receipt of such contributions from Yale.
- The first year's expenditures of $300,000 has been combined with the second year's expenditures such that Mammoth must now incur a total of $800,000 in expenditures prior to the second anniversary.

All other material terms of the original Urique option agreement, as amended by the amending agreement, remain unchanged.

The following fieldwork was completed during the quarter:

On October 10, 2012, the Company reported that optionee Mammoth Resources Corp. had announced the completion of the first phase of its comprehensive work program and that further work is planned for the 290 square kilometre Urique Project, located in Chihuahua State, Mexico. Work at Urique was performed by Yale on behalf of Mammoth.

As reported by Mammoth on October 9, 2012:

“ The field exploration program spanned seven months beginning December 2011 and involved prospecting, detailed mapping, trenching, rehabilitation of the underground workings at the el Rosario mine, and sampling. A total of 597 rock samples and 74 geochemical samples were taken from a total of 25 occurrences and/or targets (3 occurrences in the northern portion of the property; “Urique North”, and 22 occurrences in the southern portion of the property; “Urique South”).

A number of very attractive grades of gold and silver were obtained from the rehabilitated, historic El Rosario mine at Urique South. Assays from this program help to add to and substantiate historical sample results from the underground workings, including the following highlight intersections:

- 1.7 m grading 9.74 g/t gold and 356.7 gpt silver (**16.23** g/t gold equivalent);
- 1.2 m grading 5.16 g/t gold and 153.8 g/t silver (**7.96** g/t gold equivalent);
- 5.0 m grading 0.78 g/t gold and 257.0 g/t silver (**4.45** g/t gold equivalent); and
- 2.3 m grading 1.69 g/t gold and 153.8 g/t silver (**3.37** g/t gold equivalent).

Note: m = metres, g/t = grams per tonne. Gold equivalent is calculated by converting silver grades to a "gold equivalent" based on a 55:1 grams of silver per gram of gold basis as a means to measure total combined precious metal content.

Mammoth President and CEO, Thomas Atkins, commented on these results, stating: "When we plotted the combined gold and silver assay results at El Rosario as a gold equivalent for contouring purposes, we were very intrigued to see the frequency, distribution and grades of gold and silver throughout the underground workings. Looking at these results we see a number of areas in red indicating combined grades at, or in excess of five grams per tonne gold equivalent, hosted in possible mineralized shoots. The historic workings cover an approximate 150 metre by 150 metre area in an intensely silicified volcanic host rock not unlike the rocks that host the deposits of our neighbors and which we believe could be indicative of the ground's proximity to a strong hydrothermal source at depth. At present we're looking into interpreting some historical geophysical data for insights into structures and mineralization. We're also investigating the cost and feasibility of drill testing these mineralized shoots at depth in a cost efficient manner with the objective of determining the extent to which grade and the dimensions of the gold-silver mineralized structures are enhanced at depth."

Summary of Urique South 2012 Field Exploration Program

Initial work in the southern portion of the Urique Project concentrated on an approximate four kilometre by four kilometre area surrounding the town of Urique. To date, the most important target identified was the alteration and mineralization observed within the old workings at the El Rosario mine.

The property geology is predominantly underlain Tertiary aged felsic volcaniclastic rocks which overlie a lower volcanic sequence of andesitic flows and breccias, as well as intermediate composition volcano-sedimentary rocks. Granodioritic rocks intrude the lower volcanic sequence in the Urique canyon south of the town of Urique. Small intrusions/dykes were observed but generally not mapped in detail. Several mineralized occurrences are present within the property; they can be overall described mainly as low to intermediary sulphidation epithermal veins/ breccias structure hosted with the lower volcanic sequence.

A total of 22 targets were studied during the first phase field exploration program. The most attractive of these areas is the El Rosario area including the historic mine working at El Rosario. This area consists of narrow north-south to north five degrees east oriented and steeply dipping 70-75 degree northwest veins which could equally be described as sheared veins or breccias. Gold and silver plus minor amounts of copper, lead and zinc are confined within the veins and structures with few anomalous values present in the wall rock.

Recent surface mapping highlighted the fact that the veins are not straight but are located in a flexure point of the general north-south regional structural trend near-vertical andesite to dioritic dykse and normal faults which may suggest the presence of discordant structures in the Rosario target area. Flexures along mineralized structures and the intersection between structures are generally excellent target areas where major dilation can occur and create large mineralized ore shoots.

Based on these results it is recommended that further exploration work be undertaken to investigate mineralization at depth. The company is currently looking into interpreting some historical geophysical data for insights into structures and mineralization at depth and is investigating the cost to drill test mineralized shoots at depth in order to determine the extent to which gold-silver mineralized structures and grade may become enhanced at depth."

LA VERDE PROPERTY

The La Verde Property was originally optioned by Yale in June 2007. The project was expanded in 2007 and 2008. The Company owns 100% in a majority of the property, however has not completed the

original option on the core La Verde Grande concessions. This agreement has now been dropped and there is no ongoing commitment to the underlying owner.

There was minimal fieldwork reported on the property during the year ended October 31, 2012.

GUADALUPE PROPERTY

The Guadalupe Property was optioned by Yale in January 2010 giving Yale the right to earn a 100% interest in the property.

Gold American Mining Corp. has an option to earn a 90% interest in Guadalupe and will be required to pay Yale US $900,000, spend US $2,000,000 on exploration expenditures and issue 1,000,000 shares to Yale over four years. Should the earn-in be completed Yale will retain a 10% participating interest in the property as well as a 2% NSR, which can be bought out in entirety for US $2,000,000.

There was no fieldwork reported on the property during the quarter as there is a legal dispute on the claims. Payments to the underlying owner have been suspended and the option with Silver America has also been suspended until the situation has been resolved. The option between Yale and the underlying owner and the option between Silver America and Yale are both in good standing. Gold American Mining has since dropped their option on the Guadalupe Property.

On June 20, 2012 the Company announced it had sold its interest in the Guadalupe Property to Exploraciones Minera Parreña S.A. de C.V., a company owned by Industrias Peñoles S.A. de C.V. for the gross amount of US$ 135,920.

Yale signed an agreement for the purchase of a 100% interest in the 282.84 hectare Guadalupe Property in January of 2010 (see news release dated January 6, 2010) with an initial payment of $10,000 and subsequently optioned the property 3 months later (see news release dated April 30, 2010) such that all costs on the property were borne by the optionee. Yale's optionee incurred expenditures of approximately $600,000 on the property, which resulted in the discovery of near surface mineralization in hole 7 that intersected a weighted average of 1.31 g/t gold and 254.1 g/t silver over 18.6 metres starting at a depth of 70m (see news release dated Dec. 15, 2010).

Soon after the announcement of the discovery additional work could not be performed on the property as there were claims to a historic underlying concession that was previously unknown and unreported by the Ministry of Mines. After funding months of legal costs to no avail the optionee returned the project to Yale, which allowed Yale to make this deal with Peñoles.

In conjunction with this deal Yale purchased data from Peñoles covering a portion of the wholly owned Dos Naciones concession that includes mapping, surface sampling and geophysics.

"This has been a difficult, long drawn out process and I am very pleased that we were able to come to a positive resolution to this situation. Credit goes to our legal team as this was a very unusual situation of which we are unaware of another example of this happening in Mexico", stated Ian Foreman, P.Geo., president of Yale.

All data has been exchanged, funds have been received and Peñoles is expected to take possession of the core from Guadalupe this coming weekend.

Corporate Events

Moving forward in 2012, the Company anticipates large optionee-funded work programs on at least three projects with Yale as the current operator on each of those projects. In advance of these projects the Company is adding to its Mexican work force. In addition, the Company will continue to review opportunities to add to its portfolio of projects as well as seek additional optionees for its 3 un-optioned properties.

Results of Operations

The Company currently does not have an operating or producing mineral property. The Company has no earnings from mineral properties and therefore will finance its future exploration activities by the sale of common shares or units. Certain of the key risk factors of the Company's operating results are the following: the state of capital markets, which affects the ability of the Company to finance its exploration activities; the write-down and abandonment of mineral property interests as exploration results provide further information relating to the underlying value of such properties; and market prices for natural resources as well as the non-viability of its projects.

The Company's accounting policy as it relates to its acquisition of its mineral property interests is to capitalize all acquisition costs and recognized all other exploration expenditures in the consolidated statement of operations and comprehensive loss in the period in which they are incurred. Once the properties to which acquisition costs relate are placed into production, sold or abandoned or impaired, the capitalized costs are either depleted using the unit-of-production method over the estimated life of the ore-body, following the commencement of production, or written off at the time the property is sold or abandoned. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral property until the payments are in excess of acquisition costs, at which time they are then credited to operations

The Company is not a party to any material legal proceedings and is not in default under any material debt or other contractual obligations other than as disclosed in the consolidated financial statements. No significant revenue generating contracts or cash commitments were entered into or undertaken by the Company during the period other than as set out herein or in the consolidated financial statements of the Company.

Significant variances in the Company's operational results for the year ended October 31, 2012, were as follows:

i) Exploration costs, net of recoveries, decreased by $146,134 to $144,983 from $291,117 in 2011 due primarily to cost recoveries on the Urique, Dos Naciones, Oro Fino, Los Amoles, and Guadalupe properties.

ii) Accounting, audit and legal fees decreased by $41,922 to $42,125 from $84,047 in 2011 due to lower legal fees and a lower audit accrual, both resulting from the Company having stable operations during 2012.

iii) Property examination costs decreased by $20,092 to $Nil from $20,092 in 2011 due to the examination of properties explored but not acquired in 2011.

iv) Investor relations and promotion decreased by $16,537 to $14,654 from $31,191 in 2011 due to increased activity for penetration into the European markets in 2011.

v) Regulatory fees decreased by $9,333 to $8,367 from $17,700 in 2011 due to a decreased number of option agreements requiring regulatory oversight and the only one issuance of shares during the year

vi) Share-based compensation decreased by $193,850 to $Nil from $193,850 in 2011 due to stock options issued during 2011.

Significant variances in the Company's financial position for the year ended October 31, 2012, were as follows:

i) Cash decreased by $86,724 to $16,916 from $103,640 in 2011 due to ongoing exploration and overhead expenses.

ii) Amounts receivable decreased by $17,464 to $21,327 from $38,791 in 2011 due to the collection of refundable taxes in Canada and Mexico.

iii) Marketable securities decreased by $83,620 to $117,130 from $200,750 in 2011 due to a decline in the market value of some of the securities held.

iv) Mineral property interests decreased by $154,932 to $1,051,656 from $1,206,588 in 2011 due to cost recoveries exceeding exploration expenses in 2012.

v) Accounts payable and accrued liabilities increased by $103,186 to $217,063 from $113,877 in 2011 due to the timing of payment of bills.

vi) Exploration advances decreased by $107,547 to $Nil from $107,547 in 2011 due to the recognition of non-refundable advances on the sale of the Guadalupe property.

Selected Annual Information

The Company's audited consolidated financial statements for the year ended October 31, 2011 (the "Annual Financial Statements") were prepared in accordance with Canadian GAAP ("CGAAP") and subsequently restated in accordance with IFRS as disclosed in note 3. The following selected financial information is taken from the Annual Consolidated Financial Statements and should be read in conjunction with those statements.

	Oct. 31, 2012 (IFRS) $	**Oct. 31, 2011 (IFRS) $**	**Oct. 31, 2010 (Canadian GAAP) $**
Total revenue	Nil	Nil	Nil
Loss for the year	(614,324)	(1,689,071)	(452,523)
Basic and diluted loss per share	(0.01)	(0.02)	(0.01)
Total assets	1,327,773	1,680,255	3,599,199
Total long-term financial liabilities	Nil	Nil	Nil

Summary of Quarterly Results

The table below sets out the quarterly results of the Company for the 8 most recent quarters.

	Oct 31 2012 (IFRS)	July 31 2012 (IFRS)	Apr 30 2012 (IFRS)	Jan. 31 2012 (IFRS)	Oct 31 2011 (IFRS)	Jul 31 2011 (IFRS)	Apr 30, 2011 (IFRS)	Jan. 31, 2011 (IFRS)
Revenue	$0	$0	$0	$0	$0	$0	$0	$0
Loss for the period	$397,713	$43,969	$121,129	$51,513	$1,206,396	$106,201	$187,940	$188,534
Basic and diluted loss per share	$0.005	$0.001	$0.001	$0.001	$0.015	$0.001	$0.002	$0.003

Fourth Quarter

Significant variances in the Company's operational results for the three months ended October 31, 2012 compared to the three months ended October 31, 2011 were as follows:

i) Accounting, audit and legal fees decreased by $20,740 to $2,443 in 2012 and reflect the timing of adjustments to the audit accrual as well as a change to the audit accrual in 2012.

ii) Exploration costs net of recoveries decreased by $123,424 to $50,449 in 2012 and reflect large recoveries on the Company's mineral property interests during the quarter.

iii) Investor relations and promotion decreased by $5,197 to $627 in 2012 and reflect penetration of the European markets in 2011.

iv) Write-down of mineral property interests decreased by $616,121 to $54,808 from in 2012 and reflect the write-down of the Carol-Balde property in 2012.

v) Share-based compensation decreased to $Nil from $65,000 to reflect no stock options being issued during the quarter.

Significant variances in the Company's financial position for the three months ended October 31, 2012 compared to October 31, 2011 were as follows:

i) Cash decreased by $86,724 to $16,916 from $103,640 in 2011 and reflects the ongoing exploration of the Company's mineral property interests.

ii) Amounts receivable decreased by $17,464 to $21,327 in 2012 and reflect refundable taxes recovered in Mexico.

iii) Marketable securities have decreased by $83,620 to $117,130 in 2012 and reflect the sale of shares received on option agreements on the Company's mineral property interests, as well as a decline in the market value of the remaining shares held.

iv) Mineral property interests have decreased by $154,932 to $1,051,656 in 2012 due to option proceeds received on the Company's Urique, Orofino and Los Amoles properties.

v) Accounts payable and accrued liabilities increased by $103,186 to $217,063 in 2012 due to the timing of the payment of bills in Canada.

vi) Exploration advances decreased by $107,547 to $Nil in 2012 due to the recognition of non-refundable advances on the sale of the Guadalupe property.

Related Party Transactions

(a) Management transactions

Management transactions with related parties during the year ended October 31, 2012 and 2011 were as follows:

	October 31, 2012			October 31, 2011		
	Short-term employee benefits	**Other benefits**	**Total**	**Short-term employee benefits**	**Share-based payments**	**Total**
Ian Foreman; President	$ 96,000	$ -	$ 96,000	$ 66,000	$ 17,180	$ 83,180
Ezra Jimenez; CFO	$ 84,000	$ -	$ 84,000	$ 57,000	$ 17,180	$ 74,180
Timeline Filing Services Ltd.(i)	$ 25,000	$ -	$ 25,000	$ 18,000	$ 8,590	$ 26,590

i) Timeline Filing Services Ltd.; a private enterprise controlled by the Company's Corporate Secretary; Laara Shaffer. Share-based payments made were to Laara Shaffer in an individual capacity.

(b) Directors' transactions

During the year ended October 31, 2012, share based compensation for directors, was $nil (2011 - $60,560).

Liquidity and Capital Resources

As at October 31, 2012 the Company had working capital deficiency of $61,690, as compared to working capital of $124,856 as at October 31, 2011. The Company will require continued financing or outside participation, to undertake additional exploration and subsequent development of its mineral properties.

As at October 31, 2012, the Company had cash of $16,916 (2011 - $103,640) to cover accounts payable.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests, and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company's capital consists of shareholders' equity.

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 issue new shares or debt or acquire or dispose of assets.

To effectively manage its resources and minimize risk, the Company maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a cash call process. The Company prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. The budget and any revisions to it are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments callable at any time.

There have been no changes to the Company's approach to capital management during the year ended October 31, 2012.

Financial Instruments and Risk Management

The Company's financial assets and liabilities were categorized as follows:

		October 31, 2012		October 31, 2011		November 1, 2010
Financial assets:						
Fair value through profit and loss						
Cash and cash equivalents	**$**	**16,916**	$	103,640	$	171,318
Loans and receivables						
Amounts receivable*		**13,669**		4,098		654
Available for sale						
Marketable securities		**117,130**		200,750		247,467
Investment in oil and gas interest		**33,611**		33,611		33,611
Total financial assets	**$**	**181,326**	$	342,099	$	453,050
Financial liabilities:						
Other financial liabilities						
Accounts payable and accrued liabilities	**$**	**217,063**	$	113,877	$	317,527
Total financial liabilities	**$**	**217,063**	$	113,877	$	317,527

*Excluding sales tax receivable

The fair values of the Company's amounts receivables, accounts payable and accrued liabilities and exploration advances approximate their carrying values due to the short-term nature of these instruments. Where marketable securities are publically traded their value is measured at market value, unless they are restricted from trading, where they will be measured at cost. The Company's Investment in oil and gas interest is valued at cost, as it does not have a quoted market price in an active market and the fair value cannot be reliably determined.

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

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk with respect to its cash and cash equivalents and amounts receivable.

The Company deposits substantially all of its cash at a Canadian chartered bank. The Company's amounts receivable consist primarily of Harmonized Sales Tax receivable from the Canadian government and Value Added Tax receivable from the Mexican government. Management considers the risk of non-performance related to cash and cash equivalents and amounts receivable to be minimal.

(b) Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

At October 31, 2012 the Company had cash in the amount of $16,916 (October 31, 2011 - $103,640), (November 1, 2010 - $171,318) and accounts payable and accrued liabilities of $217,063 (October 31, 2011 - $113,877), (November 1, 2010 - $317,527). Trade payables are due within twelve months of the financial position date.

The Company ensures, as far as reasonably possible, that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash.

(c) Market Risk

Market risk consists of interest rate risk, foreign currency risk, and other price risk. These are discussed below:

Interest rate risk

Interest rate risk consists of two components:

i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate cash flow risk because of their short-term nature and maturity.

The Company is exposed from time to time to interest rate price risk as a result of holding fixed rate cash equivalent investments of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of these investments is limited as these investments are highly liquid securities with short-term maturities.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities, as a portion of these amounts are denominated in Mexican Pesos ("MXN") and US Dollars ("USD") as follows:

	October 31, 2012		October 31, 2011		November 1, 2010	
	MXN	**USD**	MXN	USD	MXN	USD
Cash	**$ 41,124**	**$ 1,742**	$ 303,385	$ 33,268	$ 509,961	$ 103,330
Amounts receivable	**570,027**	**-**	853,403	-	1,593,996	-
Accounts payable and accrued liabilities	**(730,291)**	**-**	(212,207)	-	(2,306,051)	-
Rate to convert $1 CAD	**0.076**	**0.987**	0.08	0.99	0.08	1.02

Based on the Company's net exposure, a 2% change (October 31, 2011 – 7%), (November 1, 2010 – 1 %) in the Canadian/Mexican Peso exchange rate, and a 1% change (October 31, 2011 – 3%), (November 1, 2010 – 5%) in the Canadian/US exchange rate (based on prior year fluctuations in the relative exchange rates) would impact the Company's earnings by approximately $500 (October 31, 2011 –$6,000), (November 1, 2010 –$5,500). As this sensitivity analysis does not take into account any variables other than foreign currency rate fluctuations, the above information may not fully reflect the fair value of the assets and liabilities involved.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to other price risk related to the fluctuation in the market price of its marketable securities. Although considered available for sale, these investments do not represent core assets of the Company nor are they considered material. However, the Company closely monitors the market values of these investments in order to determine the most appropriate course of action.

(d) Classification of Financial Instruments

IFRS 7 'Financial Instruments: Disclosure' establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

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

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

The Company's cash and cash equivalents and marketable securities are classified at level one of the fair value hierarchy. The Company had no level 2 or 3 financial assets at October 31, 2012, October 31, 2011 or November 1, 2010. As the carrying values of the Company's remaining

financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements

Proposed Transactions

Subsequent to October 31, 2012, the Company has signed a formal agreement with Sonora Resources Corp. to sell their 100% interest in the Los Amoles Property located in Sonora State, Mexico, for US$ 200,000 and 1,000,000 shares in Sonora Resources.

Risks

All of the properties in which the Company has an interest are in the exploration stage only and the business of the Company is subject to the following risks:

Exploration and Mining Risks

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, the Company has not discovered a metals or diamond deposit of commercial grade on any of its properties. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, cave-ins, landslides and the inability of the Company to obtain suitable machinery, equipment or labor are all risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required in order to establish ore reserves through drilling and staged bulk sampling, to develop optimum metallurgical processes to extract the metals or diamonds from the ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial mining operations or that funds required for development can be obtained on a timely basis. The economics of developing mining properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in the prices of ore which can be obtained on the metal markets, costs of processing equipment and such other factors as aboriginal land claims and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There is no certainty that the expenditures to be made by the Company in the exploration and development of the interests described herein will result in discoveries of commercial quantities of ore.

Political Risks

The management and directors of Yale feel that Mexico is a politically stable area of the world that still has significant potential for discoveries.

Mexico is located immediately south of the United States of America and is 1,972,550 square kilometres in size (approximately twice the size of British Columbia). Elections held in July 2000 marked the first time since the 1910 Mexican Revolution that the opposition defeated the party in government, the Institutional Revolutionary Party (PRI). Vicente Fox of the National Action Party (PAN) was sworn in on 1 December 2000 as the first chief executive elected in free and fair elections. Recently Felipe Calderon was sworn in as the new president of Mexico and will be in power for the coming 6 years. Mexico has a free market economy that recently entered the trillion-dollar class. It contains a mixture of modern and

outmoded industry and agriculture, increasingly dominated by the private sector. Recent administrations have expanded competition in seaports, railroads, telecommunications, electricity generation, natural gas distribution, and airports. Per capita income is one-fourth that of the US; income distribution remains highly unequal. Trade with the US and Canada has tripled since the implementation of NAFTA in 1994. Mexico has 12 free trade agreements with over 40 countries including, Guatemala, Honduras, El Salvador, the European Free Trade Area, and Japan, putting more than 90% of trade under free trade agreements.

Market Risks

The marketability of metals or diamonds recovered from deposits, which may be acquired or discovered by the Company, will be affected by numerous factors many of which are beyond the control of the Company. These factors include market fluctuations in the price of metals or diamonds, the capacity of the market, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of metals or minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in the Company not receiving an adequate return for shareholders.

Uninsurable Risks

Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations, rock bursts, cave-ins, fires, flooding, or other conditions may occur from time to time. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position.

No Assurance of Title or Boundaries, or of Access

While the Company has registered its mining claims with the appropriate mining authorities and has filed all pertinent information to industry standards, this should not be construed as a guarantee of title. In addition, the Company's properties consist of recorded mineral claims, none of which have been legally surveyed, and therefore, the precise boundaries and locations of such claims may be in doubt and may be challenged. The Company’s properties may also be subject to prior unregistered agreements or transfers or native land claims and the Company title may be affected by these and other undetected defects.

Government Regulation

The Company's operations are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rates of exchange, return of capital and labor relations.

Although the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's operations. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the Company.

Environmental Regulation

The Company's operations may be subject to environmental regulations enacted by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition on the Company of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that has lead to stricter standards and enforcement and greater fines and penalties for non-compliance. The cost of compliance with government regulations may reduce the profitability of the Company's operations.

Competition

The exploration and mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition and exploration of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified management and employees.

Management

The success of the Company depends to a large extent on its ability to retain the services of its senior management and members of its board of directors. The loss of their services may have a material adverse effect on the Company.

The Company has no compensatory plans or arrangements in effect with any of its senior officers or members of its board of directors with respect to the resignation, retirement, or other termination of their services, or with respect to a change in their responsibilities following a change in the control of the Company.

Financing Risks

The Company has no source of operating cash flow, limited financial resources, and has no assurance that additional financing will be available to it for further exploration and development of its properties or to enable it to fulfill its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties and the possible loss of title to such properties. If such additional financing is raised, it will likely be through the issuance of additional equity securities of the Company, which may have a substantial dilutive effect on shareholders acquiring securities of the Company.

Permits and Licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations on the Company's properties.

Risks Related to Nature of Ownership of Common Shares

Dilution

Shareholders may suffer immediate and/or future dilution with respect to future private and or public offerings of common shares currently being contemplated in order to secure needed capital to facilitate Company growth.

Market Volatility

The trading price of the common shares may be subject to wide fluctuations in response due to variations in operating results, and other events and factors. In addition, the stock market may experience price and volume fluctuations, which may adversely affect the market price of the common shares of the Company

Critical Accounting Estimates

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

Impairment of assets
When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

Useful life of property, plant and equipment
Property, plant and equipment is amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the year and the carrying value of property, plant and equipment. Total carrying value of property, plant and equipment at October 31, 2012 was $27,116 (October 31, 2011 - $33,759; November 1, 2010 - $14,644).

Share-based compensation
Management is required to make certain estimates when determining the fair value of share option awards and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated statement of operations and comprehensive loss. For the year ended October 31, 2012, the Company recognized share-based compensation of $nil (2011 - $193,850).

Critical judgments used in applying accounting policies

In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

Income taxes
The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

New accounting standards and interpretations

The IASB has issued a number of new and revised standards and interpretations which are not yet effective for the relevant reporting periods.

IFRS 9 Financial Instruments
In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

IFRS 10 Consolidated Financial Statements
In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements (IFRS 10). IFRS 10, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 10 replaces Standing Interpretations Committee 12 Consolidation – Special Purpose Entities (SIC 12) and IAS 27 Consolidated and Separate Financial Statements (IAS 27). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

IFRS 12 Disclosure of Interests in Other Entities
In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities (IFRS 12). IFRS 12, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. Management

has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

IFRS 13 Fair Value Measurement
In May 2011, the IASB issued IFRS 13 Fair Value Measurement (IFRS 13). IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's financial statements.

Other
In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to revise the way in which other comprehensive income is presented. The Company does not believe the changes resulting from the amended standard will have an impact on its financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

In June 2011, the IASB issued amendments to IAS 19 Employee Benefits with revised requirements for pensions and other postretirement benefits, termination benefits and other changes. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. The amended standard is effective for annual periods beginning on or after January 1, 2013.

In June 2011, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2011.

In May 2011, the IASB issued IFRS 11 Joint Arrangements, in addition to IFRS 10 and IFRS 12 as discussed above. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

In October 2011, the IASB issued IFRIC 20 Stripping costs in the production phase of a surface mine. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

FIRST-TIME ADOPTION OF IFRS

The guidance for the first time adoption of IFRS is set out in IFRS 1. Under IFRS 1 changes in accounting policies resulting from the adoption of IFRS are applied retrospectively at the transition date with all adjustments taken to retained earnings unless certain optional and mandatory exemptions are applied. The Company has applied the following optional exemptions to its opening consolidated statement of financial position dated November 1, 2010 (the "transition date"):

Business combinations
IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after November 1, 2010.

Share-based payments
IFRS 1 does not require first-time adopters to apply IFRS 2 *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to November 1, 2010.

Borrowing costs
IFRS 1 allows first-time adopters to apply IAS 23 *Borrowing Costs* prospectively from the date of transition to IFRS. The Company has elected to apply IAS 23 prospectively from November 1, 2010. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

Deemed cost
IFRS 1 allows first-time adopters to elect to measure oil and gas interests at the date of transition to IFRS at the amount as determined under the adopter's previous GAAP. The Company has therefore elected to measure its oil and gas interest at the amount as determined under Canadian GAAP at November 1, 2010.

The Company has applied the following mandatory exemption:

Estimates
In accordance with IFRS 1, an entity's estimates under IFRS for the comparative periods must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates for the comparative periods are consistent with its Canadian GAAP estimates for the same date.

Changes in accounting policies

The Company has changed certain accounting policies to be consistent with IFRS. The changes to accounting policies as required by IFRS have not resulted in any significant changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its consolidated financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS:

Impairment of (non-financial) assets
IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Canadian GAAP required a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS also requires the reversal of any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced. Canadian GAAP prohibits the reversal of impairment losses.

The Company has changed its accounting policies related to impairment of assets to be consistent with the requirements under IFRS. The changes in accounting policies related to impairment did not have an impact on the consolidated financial statements.

Share-based payments
In certain circumstances, IFRS requires a different measurement of share-based compensation than Canadian GAAP. In particular, IFRS requires that each tranche (that vests separately) must be treated as a

separate grant and that an estimate of forfeitures be included in the determination of the expense associated with share option grants.

Due to the terms of the Company’s share options, these changes in accounting policy did not have an impact on the consolidated financial statements.

Functional currency
IFRS requires that the functional currency of each company within the consolidated group be assessed individually, while under Canadian GAAP the functional currency of an integrated operation was the same as the reporting company. Under IFRS, where a company’s functional currency differs from the presentation currency of the consolidated financial statements, all foreign exchange gains and losses arising on translation to the presentation currency are recognized in the consolidated statement of operations and comprehensive loss as other comprehensive income.

As the functional currency of the Company and its subsidiary has been assessed as the Canadian dollar, this change in policy has no impact on the Company’s consolidated financial statements.

Mineral property assets
IFRS allows a company to develop an accounting policy for the recognition of exploration and evaluation assets, including mineral properties.

The Company has elected to change its accounting policy for mineral property interests, whereby only acquisition costs are capitalized and all other exploration expenditures are recognized in the consolidated statement of operations and comprehensive loss in the year in which it is incurred. This change in policy had a significant impact on the consolidated financial statements.

Investment in oil and gas interest
IFRS requires that an investor in a joint venture that does not have joint control shall account for that investment as a financial instrument, while under Canadian GAAP the Company followed the full cost method of accounting for oil and gas interests. The change in accounting policy did not have a significant impact on the consolidated financial statements.

Reconciliation of Canadian GAAP to IFRS

The following provides reconciliations of the consolidated statements of financial position at the transition date of November 1, 2010 and at October 31, 2011, and the consolidated statements of operations and comprehensive loss and cash flows for the year ended October 31, 2011.

A discussion of the adjustments arising from changes in accounting policies and presentation follows these reconciliations.

Reconciliation of the Consolidated Statements of Financial Position

		November 1, 2010			October 31, 2011		
	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS							
Current							
Cash		$ 171,318	$ -	$ 171,318	$ 103,640	$ -	$ 103,640
Amounts receivable		83,748	-	83,748	38,791	-	38,791
Marketable securities	(iii)	247,467	-	247,467	230,505	(29,755)	200,750
Prepaid expenses and advances		4,500	-	4,500	3,099	-	3,099
		507,033	-	507,033	376,035	(29,755)	346,280
Non-current							
Amounts receivable		58,762	-	58,762	40,967	-	40,967
Prepaid expenses		19,050	-	19,050	19,050	-	19,050
Oil and gas interest	(ii)	33,611	-	33,611	23,611	10,000	33,611
Property, plant and equipment		14,644	-	14,644	33,759	-	33,759
Mineral property interests	(i)	2,966,099	(1,074,337)	1,891,762	1,971,772	(765,184)	1,206,588
		3,092,166	(1,074,337)	2,017,829	2,089,159	(755,184)	1,333,975
TOTAL ASSETS		**$ 3,599,199**	**$ (1,074,337)**	**$ 2,524,862**	**$ 2,465,194**	**$ (784,939)**	**$ 1,680,255**
LIABILITIES							
Current							
Accounts payable and accrued liabilities		$ 317,527	$ -	$ 317,527	$ 113,877	$ -	$ 113,877
Exploration advances		31,628	-	31,628	107,547	-	107,547
		349,155	-	349,155	221,424	-	221,424
SHAREHOLDERS' EQUITY							
Share capital		13,142,253	-	13,142,253	14,066,703	-	14,066,703
Reserves (previously contributed surplus)	(iv)	1,125,551	-	1,125,551	1,319,401	-	1,319,401
Accumulated deficit		(10,951,139)	(1,074,337)	(12,025,476)	(12,959,363)	(755,184)	(13,714,547)
Accumulated other comprehensive loss		(66,621)	-	(66,621)	(182,971)	(29,755)	(212,726)
		3,250,044	(1,074,337)	2,175,707	2,243,770	(784,939)	1,458,831
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 3,599,199**	**$ (1,074,337)**	**$ 2,524,862**	**$ 2,465,194**	**$ (784,939)**	**$ 1,680,255**

Reconciliation of the Consolidated Statement of Operations and Comprehensive Loss

	Year ended October 31, 2011		
	Canadian GAAP	Effects of Transition to IFRS	IFRS
Revenues			
Interest and miscellaneous	$ 25,907	$ -	$ 25,907
Oil and gas, net	17,504	-	17,504
	43,411		43,411
Operating Expenses			
Exploration costs, net of recoveries (Note 3(d)(i))	-	291,117	291,117
Consultants' fees	103,000	-	103,000
Management fees	78,000	-	78,000
Accounting, audit and legal	84,047	-	84,047
Rent	37,086	-	37,086
Office and miscellaneous	40,902	-	40,902
Property examination costs	20,092	-	20,092
Investor relations and promotion	31,191	-	31,191
Depreciation (Note 3(d)(ii))	18,468	(10,000)	8,468
Regulatory fees	17,700	-	17,700
Transfer agent and listing fees	8,813	-	8,813
Telephone	5,056	-	5,056
Travel	6,370	-	6,370
Share-based compensation	193,850	-	193,850
	644,575	281,117	925,692
Loss before Other Items	601,164	281,117	882,281
Other Items			
Foreign exchange loss	16,185	-	16,185
Gain on sale of mineral property interests	(78,284)	-	(78,284)
Gain on sale of marketable securities	(38,408)	-	(38,408)
Impairment loss on marketable securities	117,024	-	117,024
Write-down of mineral property interests (Note 3(d)(i))	1,390,543	(600,270)	790,273
Net Loss for year	2,008,224	(319,153)	1,689,071
Items of Comprehensive Loss (Income)			
Unrealized loss on marketable securities	154,269	29,755	184,024
Transfer on sale of marketable securities	(10,080)	-	(10,080)
Transfer on impairment of marketable securities	(27,839)	-	(27,839)
Other Comprehensive Loss (Income)	116,350	29,755	146,105
Comprehensive Loss for Year	$ 2,124,574	$ (289,398)	$ 1,835,176

Reconciliation of the Consolidated Statement of Cash Flows

	Year ended October 31, 2011		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
Operating Activities			
Net loss	$ (2,008,224)	$ 319,153	$ (1,689,071)
Items not affecting cash			
Depreciation	18,468	(10,000)	8,468
Gain on sale of marketable securities	(38,408)	-	(38,408)
Share-based compensation	193,850	-	193,850
Write-down of mineral property interests	1,390,543	(600,270)	790,273
Impairment loss on marketable securities	117,024	-	117,024
Marketable securities included in exploration recoveries	(45,933)	-	(45,933)
Unrealized foreign exchange loss	7,456	-	7,456
	(365,224)	(291,117)	(656,341)
Changes in non-cash working capital			
Amounts receivable	55,436	-	55,436
Prepaid expenses	1,401	-	1,401
Accounts payable and accrued liabilities	(22,224)	-	(22,224)
	34,613	-	34,613
Cash Used in Operating Activities	(330,611)	(291,117)	(621,728)
Investing Activities			
Purchase of property, plant and equipment	(27,583)	-	(27,583)
Expenditure on mineral property interests	(460,644)	291,117	(169,527)
Proceeds on sale of marketable securities	76,368	-	76,368
Cash Used in Investing Activities	(411,859)	291,117	(120,742)
Financing Activities			
Exploration advances	78,159	-	78,159
Proceeds from issuance of common shares, net of share issue costs	602,450	-	602,450
Cash Provided by Financing Activities	680,609	-	680,609
Foreign Exchange Effect on Cash	(5,817)	-	(5,817)
Increase in Cash	(67,678)	-	(67,678)
Cash, Beginning of Year	171,318	-	171,318
Cash, End of Year	$ 103,640	$ -	$ 103,640

(i) On transition to IFRS, the Company elected to change its accounting policy for the treatment of exploration expenditures from a policy whereby such costs were previously capitalized to mineral property interests, to a policy of now expensing such expenditures, so as to align itself with policies applied by other comparable companies at a similar stage in the mining industry. Consequently, exploration expenditures, which had previously been capitalized to mineral property interests, are expensed, at transition through accumulated deficit and for the year ended October 31, 2011 through net loss for the year.

(ii) As permitted by IFRS 1, the Company's investment in oil and gas interest is accounted for at a deemed cost equivalent to the value of the interest as calculated under Canadian GAAP on November 1, 2010. Thereafter the interest is required to be accounted for as a financial asset; therefore, amortization of the oil and gas interest previously recognized under Canadian GAAP is no longer recognized under IFRS.

(iii) Under IFRS, available-for-sale ("AFS") securities, including securities that are restricted from trading, must be carried at fair value, unless the fair value of such security cannot be reliably measured, in which case it may be carried at cost. This differs from Canadian GAAP, in that AFS securities that were restricted from trading were carried at cost, less any write-down for impairment. The recording of AFS securities that were restricted from trading under Canadian GAAP resulted in a fair value adjustment on transition to IFRS.

(iv) IAS 1 requires an entity to present, for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company examined its previously reported contributed surplus and concluded that it was comprised of the fair value of options issued as share-based awards and warrants issued under private placements. Therefore, at November 1, 2010 the fair value attributable to options and warrants outstanding at that date was transferred from contributed surplus to an "Equity settled share-based payment reserve" and a "Reserve for warrants", respectively, as detailed in the Company's consolidated statement of changes in shareholders' equity.

Management's Report on Internal Controls Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Because of its inherent limitations, internal control over financial reporting may not detect misstatements. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to senior management. Senior management has evaluated the Company's disclosure controls and procedures and have concluded that they are effective as of October 31, 2012.

Disclosure of Outstanding Share Data

As at February 28, 2013, the Company had the following common shares, stock options and warrants outstanding:

Common shares	80,939,156
Stock options (vested and unvested)	3,000,000
Warrants	Nil
Fully diluted shares outstanding	83,939,156

The Company's ongoing exploration is dependent on raising additional capital to develop its properties and the Company is continually assessing overall market conditions to ensure this need is fulfilled to the benefit of the Company and its shareholders.