YALE RESOURCES LTD

YALE RESOURCES LTD.
(An Exploration Stage Company)

Consolidated Financial Statements
October 31, 2010 and 2009

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Yale Resources Ltd. (an exploration stage company) have been prepared by management in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors. Smythe Ratcliffe LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is included herein.

"Ian Foreman" (signed)
Ian Foreman
President and Chief Executive Officer

"Ezra Jiminez" (signed)
Ezra Jiminez
Chief Financial Officer

Vancouver, British Columbia
February 21, 2011

SmytheRatcliffe
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

TO THE SHAREHOLDERS OF YALE RESOURCES LTD.
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Yale Resources Ltd. (an exploration stage company) as at October 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
February 21, 2011

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Vancouver, BC V6C 2G8

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YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Balance Sheets

	October 31, 2010	October 31, 2009
Assets		
Current		
Cash	$ 171,318	$ 60,284
Marketable securities (note 4)	247,467	15,500
Amounts receivable	83,748	112,585
Prepaid expenses and advances	4,500	71,237
	507,033	259,606
Amounts Receivable	58,762	31,706
Prepaid Expenses	19,050	19,050
Investment in Oil and Gas Interests (note 5)	33,611	34,869
Equipment (note 6)	14,644	11,363
Mineral Property Interests (note 7)	2,966,099	2,749,176
	$ 3,599,199	$ 3,105,770
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	$ 317,527	$ 188,642
Exploration advances	31,628	-
	349,155	188,642
Shareholders' Equity		
Capital Stock (note 9)	13,142,253	12,358,443
Contributed Surplus	1,125,551	1,055,801
Deficit	(10,951,139)	(10,498,616)
Accumulated Other Comprehensive Income (loss)	(66,621)	1,500
	3,250,044	2,917,128
	$ 3,599,199	$ 3,105,770

Nature of Operations and Going Concern (note 1)
Commitments (note 13)
Subsequent Events (note 15)

Approved by the Board:

"Ian Foreman" (signed)
……………………………………..… Director

"Luca Riccio" (signed)
…………………………………...…… Director

See notes to consolidated financial statements.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Operations
Years Ended October 31

		2010		2009
Revenues				
Interest and miscellaneous	$	27,319	$	12,292
Oil and gas revenue, net		13,499		15,815
		40,818		28,107
Operating Expenses				
Consultants' fees (note 10(a))		143,571		140,000
Investor relations and promotion		116,502		69,277
Accounting, audit and legal		63,344		79,451
Management fees (notes 10(b))		60,000		60,000
Office and miscellaneous (note 10(c))		46,189		49,683
Stock-based compensation (note 9(g))		42,250		182,673
Rent		41,271		55,453
Regulatory fees		24,053		17,716
Travel		16,150		10,103
Transfer agent and listing fees		10,500		7,351
Telephone		5,385		3,811
Property examination costs		1,431		-
Warrant revaluation (note 9(f)(i))		-		45,494
Amortization and depletion		11,842		12,300
		582,488		733,312
Loss Before Other Items		541,670		705,205
Other Items				
Write-down/off of mineral property interests (note 7)		160,091		900,752
Exploration recoveries (note 7)		(284,081)		-
Foreign exchange loss		474		9,228
Loss on sale of marketable securities		34,369		-
Net Loss for Year	$	452,523	$	1,615,185
Loss Per Share, basic and diluted	$	0.01	$	0.03
Weighted Average Number of Common Shares Outstanding		64,951,057		50,657,432

Consolidated Statements of Comprehensive Loss
Years Ended October 31

Other Comprehensive Loss				
Net loss	$	452,523	$	1,615,185
Unrealized loss (gain) on available-for-sale marketable securities		68,121		(1,500)
Comprehensive Loss for Year	$	520,644	$	1,613,685

See notes to consolidated financial statements.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Shareholders' Equity

	Number of Shares		Capital Stock		Contributed Surplus		Deficit Accumulated During the Exploration Stage		Accumulated Other Comprehensive Income		Total Shareholders' Equity
Balance – October 31, 2008	43,229,656	$	11,839,468	$	795,209	$	(8,883,431)	$	0	$	3,751,246
Net loss for year	0		0		0		(1,615,185)		0		(1,615,185)
Recognition of unrealized gain on marketable securities	0		0		0		0		1,500		1,500
Common shares issued for cash											
Private placement	12,000,000		420,475		32,425		0		0		452,900
Exercise of warrants	645,000		32,250		0		0		0		32,250
Common shares issued for mineral property interests	1,250,000		66,250		0		0		0		66,250
Stock-based compensation	0		0		182,673		0		0		182,673
Warrant revaluation	0		0		45,494		0		0		45,494
Balance – October 31, 2009	57,124,656		12,358,443		1,055,801		(10,498,616)		1,500		2,917,128
Net loss for year	0		0		0		(452,523)		0		(452,523)
Recognition of unrealized loss on marketable securities	0		0		0		0		(68,121)		(68,121)
Common shares issued for cash											
Private placements	8,665,000		431,810		27,500		0		0		459,310
Exercise of warrants	1,500,000		105,000		0		0		0		105,000
Common shares issued for mineral property interests	4,150,000		247,000		0		0		0		247,000
Stock-based compensation	0		0		42,250		0		0		42,250
Balance – October 31, 2010	71,439,656	$	13,142,253	$	1,125,551	$	(10,951,139)	$	(66,621)	$	3,250,044

See notes to consolidated financial statements.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
Years Ended October 31

	2010	2009
Operating Activities		
Net loss	$ (452,523)	$ (1,615,185)
Items not affecting cash		
Amortization and depletion	11,842	12,300
Stock-based compensation	42,250	182,673
Warrant revaluation	0	45,494
Marketable securities included in exploration recoveries	(259,521)	0
Unrealized foreign exchange loss	3,776	20,546
Write-down/off of mineral property interests	160,091	900,752
Gain on sale of marketable securities	34,369	0
	(459,716)	(453,420)
Changes in non-cash working capital		
Amounts receivable	2,809	(36,359)
Prepaid expenses and advances	66,737	(65,955)
Accounts payable and accrued liabilities	(28,185)	62,708
	41,361	(39,606)
Cash Used in Operating Activities	(418,355)	(493,026)
Investing Activities		
Purchase of equipment	(5,123)	(555)
Purchase of investment in oil and gas interests	(8,742)	(12,791)
Expenditures on mineral property interests	(67,791)	(207,849)
Proceeds on sale of marketable securities	17,639	0
Cash Used in Investing Activities	(64,017)	(221,195)
Financing Activities		
Exploration advances	31,241	0
Proceeds from issuance of common shares, net of share issue costs	564,310	485,150
Cash Provided by Financing Activities	595,551	485,150
Foreign Exchange Effect on Cash	(2,145)	(3,390)
Increase (Decrease) in Cash	111,034	(232,461)
Cash, Beginning of Year	60,284	292,745
Cash, End of Year	$ 171,318	$ 60,284
Supplemental Cash Flow Information, Non-Cash Transactions		
Common shares issued for mineral property interests	$ 247,000	$ 66,250
Marketable securities received for mineral property interests	$ 92,575	$ 14,000
Marketable securities included in exploration recoveries	$ 259,521	$ 0
Expenditures on mineral property interests included in accounts payable	$ 234,116	$ 79,318
Income taxes paid	$ 0	$ 0
Interest paid	$ 0	$ 0

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Yale Resources Ltd. (the "Company") is an exploration stage company incorporated under the laws of British Columbia. The Company and its subsidiaries are engaged in the acquisition and exploration of mineral properties located in Mexico.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral property interests. The recoverability of amounts shown for mineral property interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their development and future profitable operations, or the sale or optioning of the properties.

The Company has sustained recurring losses and negative cash flows from operations. As at October 31, 2010, the Company had cash of $171,318 (2009 - $60,284); working capital of $157,878 (2009 - $70,964) and an accumulated deficit of $10,951,139 (2009 - $10,498,616). The Company has sustained losses from operations, and has ongoing requirements for capital investment for its mineral property interests. The Company expects that it will need to raise substantial additional capital to accomplish its business plan over the next several years. The Company expects to seek additional funding through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available.

These financial statements do not include any adjustments for the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation and consolidation

These consolidated financial statements are prepared in accordance with Canadian GAAP and include the accounts of the Company and its wholly owned integrated subsidiary, Minera AltaVista, S.A. de C.V. ("MAV"), a company incorporated under the laws of Mexico, hereinafter collectively referred to as the "Company". All intercompany accounts and transactions have been eliminated.

(b) Mineral property interests

The Company defers all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Mineral property interests (Continued)

ability to sell the interest for an amount exceeding the deferred costs, provision is made for the impairment in value.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are recorded as property costs or recoveries when the payments are made or received.

(c) Oil and gas interests

The Company follows the full cost method of accounting for oil and gas interests whereby all costs of exploration for and development of oil and gas reserves are capitalized. These costs include lease acquisition costs, geological and geophysical expenses, drilling costs of successful as well as unsuccessful wells and overhead charges related directly to exploration. The carrying value of petroleum and natural gas interests are not intended to report current market values.

Proceeds received on the sale of property interests are deducted from the full cost pool without recognition of a gain or loss, unless such disposition would alter the rate of depletion by 20% or more.

Costs associated with unproven reserves are reviewed by management for possible impairment. If impairment occurs, the carrying value of the related interest will be reduced to reflect the estimated net realizable value. The estimate will be based on the then current conditions and it is possible that changes could occur that would adversely affect management's estimates resulting in further write-downs of the carrying value of the interest.

Depletion of oil and gas reserves is computed using the unit-of-production method where the ratio of production of proven reserves, before royalties, determines the proportion of depletable costs to be expensed. Undeveloped properties are excluded from the depletion calculation until quantities of proven reserves are found or impairment occurs.

(d) Equipment

Equipment is recorded at cost and amortized using the declining-balance method at an annual rate of 20% for office equipment and 45% for computer equipment.

(e) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercises would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral property interests, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock. The Company does not incorporate an estimated forfeiture rate for options that will not vest but rather accounts for actual forfeitures as they occur.

(g) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(h) Revenue recognition

Revenue from oil and gas investment is recognized on a monthly basis as received.

(i) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of environmental and asset retirement obligations ("ARO"), recoverability of mineral property interests, depletion rate of oil and gas interest, the determination of variables used in the calculation of stock-based compensation, rates for amortization of equipment, accrued liabilities and the determination of valuation allowances for any future income tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flow.

(j) Foreign currency translation

The functional and reporting currency of the Company is the Canadian dollar. Amounts recorded in foreign currency are translated to Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign currency translation (continued)

(iii) Revenues and expenses, at the average exchange rate for each month.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the year.

(k) Asset retirement obligations

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. As at October 31, 2010, the Company has determined that it has no material AROs to record in the consolidated financial statements.

(l) Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction. When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up adjusted by the fair value of any monetary consideration received or given. When the asset received or the consideration given up is shares in an actively traded market, the value of those shares will be considered fair value.

(m) Warrants

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(n) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition. When a decline in the fair value of an available-for-sale financial asset has been recognized directly in comprehensive income, and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in other comprehensive income is removed from accumulated other comprehensive income and recognized in net income even though the financial asset has not been de-recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments (Continued)

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

The fair value of substantially all marketable securities is determined by quoted market prices. Gains or losses on securities sold are based on the specific identification method. Marketable securities held in escrow are recorded at fair value on initial recognition. Any subsequent changes to fair value are not recognized until the securities are released from escrow.

(o) Future accounting changes

(i) International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its January 31, 2012 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended October 31, 2011. The Company is currently evaluating the impact of the conversion on the Company's consolidated financial statements and is considering accounting policy choices available under IFRS.

(ii) Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These new standards are harmonized with IFRS. Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, the use of the date of exchange as the measurement date, the requirement to measure non-controlling interests at fair value and a requirement to recognize acquisition related costs that are not capital in nature, such as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective in 2011 but early adoption is permitted. The adoption of this standard will not have any impact on the Company's consolidated financial statements.

3. FINANCIAL INSTRUMENTS

Financial instruments are designated as follows:

Cash – as held-for-trading
Amounts receivable – as loans and receivables
Marketable securities – as available-for-sale
Accounts payable and accrued liabilities and exploration advances – as other financial liabilities.

The fair values of the Company's cash, amounts receivable, marketable securities, exploration advances, and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these financial instruments.

3. FINANCIAL INSTRUMENTS (Continued)

Fair value levels for the financial assets and liabilities are as follows:

2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Marketable securities	$ 247,467	$ -	$ -	$ 247,467

2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Marketable securities	$ 5,000	$ -	$ -	$ 5,000

Level one includes quoted prices in active markets for identical assets or liabilities and the tables above only include marketable securities that have been recorded at quoted market prices.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash. The Company protects its cash from undue risk by holding it with various high credit quality financial institutions located in Canada and Mexico. The amounts receivable consist of Harmonized Sales Tax due from the Government of Canada and Value Added Tax from the Government of Mexico. Management believes that the credit risk concentration with respect to amounts receivable is remote.

The Company's concentration of credit risk and maximum exposure thereto at October 31, 2010 was as follows:

	2010	**2009**
Bank accounts – Canada	$ 129,115	$ 48,409
Bank accounts – Mexico	42,203	11,026
Bank accounts – Namibia	0	849
	$ 171,318	$ 60,284

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and commitments as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities.

All its non-derivative financial liabilities, made up of exploration advances and accounts payable and accrued liabilities, are due within 90 days of the year-end. The Company does not have any derivative financial liabilities.

3. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

At October 31, 2010, the Company has neither credit facilities nor debts other than accounts payable and accrued liabilities of $317,527 (2009 - $188,642) and exploration advances of $31,628 (2009 - $nil). The Company meets its obligations by maintaining an adequate supply of cash on hand. At October 31, 2010, the cash balance of $171,318 (2009 - $60,284) would be insufficient to discharge the Company’s liabilities and meet the Company’s cash requirements for the Company’s administrative overheads, maintaining its mineral property interests and continuing with its exploration program for the coming year. In past years, the Company has relied on its ability to raise additional financing through the sale of common shares in order to finance its operations.

(c) Market risk

Market risk is the risk to the Company that the fair value or future cash flows of financial instruments will fluctuate due to changes in interest rates and foreign exchange rates.

(i) Interest rate risk

The Company’s cash held in bank accounts earns interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of October 31, 2010.

(ii) Foreign currency risk

The Company is primarily exposed to currency fluctuations related to cash balances held in United States dollars (“USD” or “US$”) and Mexican pesos (“pesos” or “MX”), receivables held in pesos, and payables and exploration advances in pesos. The Company has net assets of $379,310 (2009 – net liabilities of $45,361) denominated in USD and net liabilities of $48,353 (net assets of $129,867) denominated in pesos at October 31, 2010. Fluctuations in the exchange rates between the Canadian dollar and pesos and Canadian dollar and USD could have a material effect on the Company’s business, financial condition and results of operations. The Company does not manage currency risk through hedging or other currency management tools. For the year ended October 31, 2010, the Company’s sensitivity analysis suggests that a change in the absolute rate of exchange in USD by 8% will increase or decrease net loss by approximately $30,000, and a change in the absolute rate of exchange in pesos by 5% will not have a material effect on the Company’s business, financial condition and results of operations. For the year ended October 31, 2009, the Company’s sensitivity analysis suggests that a change in the absolute rate of exchange in USD by 10% will increase or decrease net loss by $4,500, and a change in the absolute rate of exchange in pesos by 10% will increase or decrease net loss by $13,000 in these financial statements.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its marketable securities. The sensitivity analysis of the Company’s exposure to other price risk at the reporting date has been determined based upon hypothetical changes taking place at October 31, 2010 and 2009, comprised of a hypothetical change in the market value of marketable securities of 10%, which would impact other comprehensive loss by approximately $25,000.

4. MARKETABLE SECURITIES

	2010		
	Number of Shares	Adjusted Cost Base	Market Value
Silver Sun Resource Corp.	400,000	$ 32,762	$ 19,962
Del Toro Silver Corp.	350,000	92,111	64,273
Gold American Mining Corp.	200,000	189,215	163,232
	950,000	$ 314,088	$ 247,467

	2009		
	Number of Shares	Adjusted Cost Base	Fair Value
Silver Sun Resource Corp.	200,000	$ 14,000	$ 15,500

Of 400,000 (2009 – 200,000) shares of Silver Sun Resource Corp. ("Silver Sun"), 310,000 (2009 – 50,000) are recorded at fair value and 90,000 (2009 – 150,000) are held in escrow, to be released from escrow at the rate of 30,000 shares every six months starting December 25, 2009 (note 7(g).

All shares in Del Toro Silver Corp. ("Del Toro") are restricted from trading until July 7, 2011.

All shares in Gold American Mining Corp. ("Gold American") are restricted from trading until May 6, 2011 (100,000 shares) and July 6, 2011 (100,000 shares).

Marketable securities held in escrow and restricted shares have been valued at the lower of cost or market value.

5. INVESTMENT IN OIL AND GAS INTERESTS

During the year ended October 31, 2006, the Company acquired, for investment purposes, a 2.78% (one-half unit) interest in an oil and gas joint venture for cash consideration of $52,598, at cost. The joint venture has an interest in two producing oil and gas wells located in Texas and Louisiana, United States. During the current year, the Company contributed an additional $8,742.

6. EQUIPMENT

	2010		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 30,216	$ 18,103	$ 12,113
Computer equipment	8,897	6,366	2,531
	$ 39,113	$ 24,469	$ 14,644

6. EQUIPMENT

	2009		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 25,210	$ 16,291	$ 8,919
Computer equipment	7,559	5,115	2,444
	$ 32,769	$ 21,406	$ 11,363

7. MINERAL PROPERTY INTERESTS

At October 31, 2010, deferred acquisition and exploration expenditures incurred are as follows:

	Urique	Carol-Balde	Zacatecas	La Verde Grande	Dos Naciones	Oro Fino	Los Amoles	Tenoriba	Guadalupe	Other Properties	Total
Balance, October 31, 2009	$ 1,308,691	$ 236,553	$ 35,510	$ 1,051,688	$ 15,479	$ 94,134	$ 0	$ 0	$ 0	$ 7,121	$2,749,176
Additions during the year											
Acquisition costs	0	0	0	12,500	0	122,189	220,000	50,885	10,944	0	416,518
Assay	1,747	1,229	0	0	0	5,764	0	443	0	0	9,183
Camp and exploration support	9,862	14,136	5,655	15,824	2,473	16,787	3,503	61	9,500	0	77,801
Geophysical consulting	0	0	0	0	0	0	10,454	0	0	0	10,454
Geological consulting	0	295	0	0	1,739	39,711	0	2,751	0	0	44,496
Geological fieldwork	125	663	647	0	0	5,229	61	0	0	1,191	7,916
Materials and supplies	93	561	0	1,157	1,412	1,739	585	0	0	0	5,547
Reports, drafting and maps	0	0	1,784	0	0	0	0	0	0	0	1,784
Taxes	767	0	0	10,778	0	14,439	0	596	0	0	26,580
Travel	470	751	0	230	703	5,516	927	0	0	0	8,597
Total costs during year	13,064	17,635	8,086	40,489	6,327	211,374	235,530	54,736	20,444	1,191	608,876
Recoveries	(95,128)	(28,332)	(40,972)	0	(21,805)	0	(25,182)	0	(20,443)	0	(231,862)
Net additions during year	(82,064)	(10,697)	(32,886)	40,489	(15,478)	211,374	210,348	54,736	1	1,191	377,014
	1,226,627	225,856	2,624	1,092,177	1	305,508	210,348	54,736	1	8,312	3,126,190
Mineral interests written down	(111,512)	(37,643)	(2,624)	0	0	0	0	0	0	(8,312)	(160,091)
Balance, October 31, 2010	$ 1,115,115	$ 188,213	$ 0	$ 1,092,177	$ 1	$305,508	$ 210,348	$ 54,736	$ 1	$ 0	$2,966,099

7. MINERAL PROPERTY INTERESTS (Continued)

At October 31, 2009, deferred acquisition and exploration expenditures incurred are as follows:

	Urique	Carol-Balde	Zacatecas	La Verde Grande	Dos Naciones	Oro Fino	Other Properties	Total
Balance, October 31, 2008	$ 1,537,910	$ 435,658	$ 528,345	$ 925,235	$ 31,864	$ 0	$ 5,411	$ 3,464,423
Less: Advances	0	0	0	0	(2,600)	0	0	(2,600)
	1,537,910	435,658	528,345	925,235	29,264	0	5,411	3,461,823
Additions during the year								
Acquisition costs	377,458	0	0	62,017	0	54,183	0	493,658
Assay	0	246	10,859	11,199	176	2,696	0	25,176
Camp and exploration support	11,667	14,998	27,147	28,046	14,500	15,982	685	113,025
Drilling	9,923	0	101,265	0	0	0	0	111,188
Geological consulting	0	3,900	0	3,000	0	0	0	6,900
Geological fieldwork	0	79	19,142	3,290	0	3,127	0	25,638
Materials and supplies	91	1,108	2,574	1,629	482	3,508	0	9,392
Reports, drafting and maps	0	0	600	0	0	0	0	600
Taxes	39,965	20,210	922	16,136	5,817	11,153	673	94,876
Travel	1,343	622	8,448	1,136	240	3,485	352	15,626
Total costs during year	440,447	41,163	170,957	126,453	21,215	94,134	1,710	896,079
Recoveries	(421,649)	0	(251,325)	0	(35,000)	0	0	(707,974)
Net additions during year	18,798	41,163	(80,368)	126,453	(13,785)	94,134	1,710	188,105
	1,556,708	476,821	447,977	1,051,688	15,479	94,134	7,121	3,649,928
Mineral interests written down	(248,017)	(240,268)	(412,467)	0	0	0	0	(900,752)
Balance, October 31, 2009	$ 1,308,691	$ 236,553	$ 35,510	$ 1,051,688	$ 15,479	$ 94,134	$ 7,121	$ 2,749,176

7. MINERAL PROPERTY INTERESTS (Continued)

(a) Urique Property, Mexico

The Company ("Optionee") entered into an Option Agreement with Exmin Resources Ltd. ("Optionor" or "Exmin") on August 1, 2006 to acquire, in two stages, up to a 75% interest in 11 mineral concessions in Chihuahua, Mexico, as follows:

<u>Stage 1 (to earn 60%)</u>

(i) By issuing the following common shares:

- 250,000 common shares within three days of obtaining regulatory approval (issued);
- 150,000 common shares on August 1, 2007 (issued);
- 200,000 common shares on August 1, 2008 (issued); and
- 400,000 common shares on August 1, 2009.

(ii) By incurring US$2,800,000 in exploration and development expenditures on the property as follows:

- US$300,000 on or before August 1, 2007 (incurred);
- an additional US$500,000 on or before August 1, 2008 (incurred);
- an additional US$800,000 on or before August 1, 2009; and
- an additional US$1,200,000 on or before August 1, 2010.

The Optionor was also the operator for the property. The Optionor was committed to certain property payment commitments. The Company was invoiced its share of property costs by the Optionor, all of which are included in the US$2,800,000 above.

<u>Stage 2 (to earn an additional 15%) to total 75% as follows:</u>

- Issuing 500,000 common shares and incurring an additional US$1,700,000 in exploration and development expenditures before August 1, 2011.

By an agreement dated April 6, 2009, the Company renegotiated its remaining commitments with Exmin to purchase a 100% interest in 10 of 11 concessions in the Urique Property by paying Exmin US$250,000 (paid) and issuing 1,000,000 common shares (issued). Under the terms of the agreement, the Company also took responsibility for accounts payable of US$148,000 arising from past expenditures on this project. Exmin will retain a 2% net smelter returns ("NSR") royalty.

By another agreement dated April 6, 2009, the Company entered into an option agreement to acquire a 100% interest in the eleventh concession in the Urique Property by paying US$140,000 as follows:

- US$8,000 on signing (paid);
- US$20,000 on or before February 15, 2010 (paid);
- US$20,000 on or before August 15, 2010 ;
- US$20,000 on or before February 15, 2011;
- US$20,000 on or before August 15, 2011; and
- US$52,000 on or before February 15, 2012.

During the year ended October 31, 2010, the Company decided to cancel the eleventh concession and, accordingly, $111,512 in accumulated capitalized exploration expenditures were written off.

7. MINERAL PROPERTY INTERESTS (Continued)

(a) Urique Property, Mexico (Continued)

By an Agreement dated April 30, 2009, the Company entered into an agreement with American Sierra Gold Corp. ("AMNP") to allow AMNP to acquire a 100% interest in the Urique project. To earn the first 90%, AMNP must give the Company sufficient funds required to keep the property in good standing and:

(i) Pay the Company US$800,000 as follows:

- US$50,000 on signing (received);
- US$250,000 on or before April 30, 2011;
- US$250,000 on or before April 30, 2012; and
- US$250,000 on or before April 30, 2013.

(ii) Incurring or funding expenditures of US$2,600,000 as follows:

- US$300,000 on or before April 30, 2010, of which US$250,000 has been received and is included as expense recoveries;
- US$500,000 on or before April 30, 2011;
- US$800,000 on or before April 30, 2012; and
- US$1,000,000 on or before April 30, 2013.

(iii) Pay the Company an additional US$360,000, or issue the equivalent value in shares of AMNP, as follows:

- US$50,000 upon successful completion of NI 43-101 technical report (received);
- US$50,000 upon starting the drilling program on or before August 1, 2009 (received);
- US$50,000 upon successful completion of first year work program on or before April 30, 2010 (100,000 shares of AMNP received in lieu of this cash payment, at a deemed price of US$0.43 per share, for total proceeds of US$43,000) ;
- US$70,000 on or before April 30, 2011;
- US$70,000 on or before April 30, 2012; and
- US$70,000 on or before April 30, 2013.

(iv) To earn the additional 10%, AMNP is required to issue 500,000 shares to the Company, complete sufficient drilling to support a resource estimate within seven years, and thereafter pay the Company US$0.75 per every equivalent ounce of silver within the measured and indicated categories. The Company will act as the operator on the project for at least the first year of the agreement.

During the year ended October 31, 2010, the Company has terminated the option agreement with AMNP for the Urique Property for failure by AMNP to fulfill certain financial obligations as outlined in the agreement.

(b) Carol-Balde Property, Mexico

The Company entered into an assignment of option agreement with Minera Canamex SA de CV on September 25, 2006, to acquire a 100% interest in the mineral claims in the underlying option agreement dated July 5, 2006 with Julio Lopez, as follows:

(i) By making the following cash payments:
- US$35,000 on or before September 26, 2006 and the execution of the Agreement (paid);
- US$10,000 on or before November 1, 2006 (paid);
- US$20,000 on or before December 1, 2006 (paid);
- US$10,000 on or before January 1, 2007 (paid); and
- US$25,000 on or before February 1, 2007 (paid).

7. MINERAL PROPERTY INTERESTS (Continued)

(b) Carol Property, Mexico (Continued)

(ii) The Company is responsible for the following payments under the Minera Canamex-Lopez option agreement:

- US$50,000 on July 5, 2007 (US$10,000 paid);
- US$50,000 on July 5, 2008; and
- US$50,000 on July 5, 2009.

The underlying Optionor has retained a 3% NSR royalty that can be purchased by the Company for US$750,000.

By an agreement dated January 31, 2008, the Company renegotiated the remaining commitments and acquired 100% ownership and property rights, subject to the 3% NSR royalty to the Optionor, by making a cash payment of US$70,000 (paid) and issuing 280,000 common shares (issued).

During the current year, the Company signed a letter of intent ("LOI") with AMNP for the Carol-Balde property. Pursuant to the LOI, AMNP may earn a 100% interest in the property by paying the Company a $25,000 refundable amount at the time of signing of LOI (received), paying $25,000 at the time of signing of a definitive agreement, and by spending $300,000 in mineral property expenditures and issuing 500,000 common shares as follows:

(iii) By issuing the following common shares:

- 100,000 common shares upon signing definitive agreement;
- 100,000 common shares on or before the first anniversary of the definitive agreement;
- 150,000 common shares on or before the second anniversary of the definitive agreement; and
- 150,000 common shares on or before the third anniversary of the definitive agreement.

(iv) By incurring $300,000 in exploration and development expenditures on the property as follows:

- $100,000 on or before the first anniversary of the definitive agreement;
- an additional $100,000 on or before the second anniversary of the definitive agreement; and
- an additional $100,000 on or before the third anniversary of the definitive agreement.

During the current year, AMNP notified the Company that they would not be signing a definitive agreement for this mineral property with the Company.

During the current year, the Company cancelled one of the six concessions at the Carol Property and, accordingly, $37,643 in accumulated capitalized exploration expenditures were written off.

(c) La Verde Property, Mexico

On June 5, 2007, the Company entered into an agreement to acquire, in two stages, up to a 100% interest in the La Verde Grande Property for cash payments totaling US$1,600,000 as follows:

- US$8,000 on execution of the Agreement (paid);
- US$92,000 on or before September 1, 2007 (paid);
- US$200,000 on or before March 1, 2008 (paid);
- US$200,000 on or before September 1, 2008;
- US$400,000 on or before March 1, 2009; and
- US$700,000 on or before September 1, 2009.

7. MINERAL PROPERTY INTERESTS (Continued)

(c) La Verde Property, Mexico (Continued)

Under the terms of the Agreement, the vendor retains a 2% NSR, which the Company may purchase for an additional US$1,000,000.

On November 21, 2008, the Company renegotiated the overall agreement with the Optionor to modify all remaining commitments as follows:

Cash payments totaling US$1,305,000 as follows:

- US$40,000 on or before December 1, 2008 (paid);
- US$60,000 on or before December 1, 2009;
- US$250,000 on or before June 1, 2010;
- US$255,000 on or before December 1, 2010;
- US$350,000 on or before June 1, 2011; and
- US$350,000 on or before December 1, 2011.

On July 17, 2009, the Company renegotiated the overall agreement with the Optionor to modify the remaining commitments as follows:

- NI 43-101 report on the mineral property by September 30, 2009 (report issued);
- US$60,000 on or before December 1, 2009;
- US$250,000 on or before June 1, 2010;
- US$255,000 on or before December 1, 2010;
- US$350,000 on or before June 1, 2011; and
- US$355,000 on or before December 1, 2011.

During the year and subsequent to year-end, the Company did not meet its commitment to pay $565,000 through to December 1, 2010. The Company is currently in negotiations with the Optionor to amend the current agreement, and the outcome of those negotiations is not known at this time. Should the Company be unable to negotiate terms satisfactory to both parties, the Company may be required to write-off the property costs during 2011.

By an Agreement dated February 11, 2008, the Company acquired an option to acquire a 100% interest in the La Cobriza property, an additional 293 hectares within the La Verde Property, in consideration for the following:

(i) Cash payments totaling $50,000 as follows:

- $10,000 on signing of a LOI (paid); and
- $40,000 on regulatory approval (paid).

(ii) Issuance of 800,000 of the Company's common shares as follows:

- 300,000 common shares upon regulatory approval (issued);
- 250,000 common shares by February 11, 2009 (issued); and
- 250,000 common shares by February 11, 2010 (issued).

7. MINERAL PROPERTY INTERESTS (Continued)

(d) Oro Fino Property, Mexico

The Company entered into an assignment of option agreement on nine concessions dated July 24, 2009. Under the terms of the Option Agreement, the Company may acquire a 100% interest in consideration of:

Cash payments totaling $200,000 as follows:

- $10,000 on or before November 24, 2009 (paid);
- $15,000 on or before May 24, 2010 (paid);
- $15,000 on or before November 24, 2010 (subsequently paid);
- $20,000 on or before May 24, 2011;
- $20,000 on or before November 24, 2011;
- $40,000 on or before May 24, 2012; and
- $80,000 on or before November 24, 2012.
-

Issuance of 1,000,000 common shares as follows:

- 100,000 common shares on or before November 24, 2009 (issued);
- 100,000 common shares on or before May 24, 2010 (issued);
- 100,000 common shares on or before November 24, 2010 (subsequently issued);
- 100,000 common shares on or before May 24, 2011;
- 100,000 common shares on or before November 24, 2011;
- 100,000 common shares on or before May 24, 2012; and
- 400,000 common shares on or before November 24, 2012.

Payment of taxes totaling MX114,232 as follows:

- MX59,355 owed for the first semester of 2009 (paid); and
- MX54,877 owed for the second semester of 2009 (paid).

The Company entered into an assignment of option agreement on an additional five concessions with various title holders in the Oro Fino region, dated October 1, 2009. Under the terms of the Option Agreement, the Company may acquire a 100% interest in consideration of cash payments of US$950,000 as follows:

- US$50,000 at the time of signing of the agreement (paid);
- US$50,000 on or before April 1, 2010 (paid);
- US$50,000 on or before October 1, 2010 (subsequently paid);
- US$100,000 on or before April 1, 2011;
- US$100,000 on or before October 1, 2011;
- US$100,000 on or before April 1, 2012;
- US$200,000 on or before October 1, 2012; and
- US$300,000 on or before April 1, 2013.

7. MINERAL PROPERTY INTERESTS (Continued)

(d) Oro Fino Property, Mexico (Continued)

The Company entered into an assignment of option agreement dated September 24, 2009 on an additional two concessions in the Oro Fino region. Under the terms of the Option Agreement, the Company may acquire a 100% interest in consideration of:

Cash payments totaling $200,000 as follows:

- $10,000 on or before January 9, 2010 (paid);
- $15,000 on or before July 9, 2010 (paid);
- $15,000 on or before January 9, 2011 (subsequently paid);
- $20,000 on or before July 9, 2011;
- $20,000 on or before January 9, 2012;
- $40,000 on or before July 9, 2012; and
- $80,000 on or before December 9, 2012.

Issuance of 1,000,000 common shares as follows:

- 100,000 common shares on or before January 9, 2010 (issued);
- 100,000 common shares on or before July 9, 2010 (issued);
- 100,000 common shares on or before January 9, 2011 (subsequently issued);
- 100,000 common shares on or before July 9, 2011;
- 100,000 common shares on or before January 9, 2012;
- 100,000 common shares on or before July 9, 2012; and
- 400,000 common shares on or before December 9, 2012.

(e) Los Amoles

By an agreement entered into during April 2010, the Company acquired a 100% interest in 1,630 hectares in Sonora State, Mexico, by issuing 3,500,000 shares (issued) and making a payment of $10,000 (paid).

(f) Tenoriba

By an agreement entered into on July 26, 2010, the Company acquired a 100% interest in the 8,160 hectare Tenoriba Project located in the Sierra Madre Golde Silver Belt in the state of Chihuahua, Mexico, for the consideration of:

Cash payments totaling US$2,000,000 as follows:

- US$50,000 at the time of signing of the agreement (paid);
- US$125,000 on or before July 26, 2011;
- US$300,000 on or before July 26, 2012;
- US$500,000 on or before July 26, 2013; and
- US$1,025,000 on or before July 26, 2014.

7. MINERAL PROPERTY INTERESTS (Continued)

(g) Zacatecas Property, Mexico

On October 2, 2006, the Company entered into a Letter of Agreement with IMPACT Minerals Corp. ("IMPACT") to acquire, in two stages, up to an 80% interest in each of four Mexican mineral properties as follows:

Stage 1 (to earn 65%)

By making the following cash payments:

- US$15,000 on signing of the Letter of Agreement (paid);
- US$20,000 for initial exploration work, to be paid within 45 days of signing of agreement (paid);
- US$100,000 maximum expenditures for further exploration and development, to be completed within 18 months of property acquisition (incurred); and
- Reimburse IMPACT acquisition costs of up to US$50,000 cash for each property acquired (paid).

Stage 2 (to earn an additional 15%, total 80%)

- Issuing, at the Optionor's discretion, either US$125,000 or the equivalent value in the Company's shares (not exercised).

During the year ended October 31, 2008, the Company entered into an agreement with Apex Silver Mines Limited ("Apex") whereby Apex purchased the Company's rights under the above agreement with IMPACT to a 65% interest in one claim within the Zacatecas Property, San Sabino, for proceeds of US$139,408 (received). In addition, the Company will be paid an additional US$250,000 if Apex or its affiliates include San Sabino in a positive feasibility study for a mine producing more than 500 tonnes of ore per day or as part of an executed mining plan producing greater than 500 tonnes of ore per day. The Company will retain this right in perpetuity.

During the year ended October 31, 2008, the Company entered into an agreement with Silver Sun (formerly Enviro Energy Capital Corp.) whereby Silver Sun acquired the Company's rights under the above agreement with IMPACT to a 65% interest in the remaining three claims within the Zacatecas Property for cash payments totaling $150,000 ($50,000 received), the issuance of 500,000 shares of Silver Sun (410,000 shares received and 90,000 shares held in escrow of which 30,000 were received subsequent to the year-end), and a commitment from Silver Sun to spend a minimum of $200,000 within 13 months (incurred). The Company will remain the operator on these properties until such time as Silver Sun fulfills its remaining obligations under the agreement.

During the year ended October 31, 2009, the interest of the Company in the property changed to 73% as IMPACT did not contribute its portion of exploration expenditures in the year.

During the current year, the agreement with Silver Sun was amended and, pursuant to the amendment, cash payments requirement from Silver Sun totaling $100,000 (total requirement of $150,000 less $50,000 received) were eliminated.

During the current year, Silver Sun completed all of its obligations and has taken over as the operator of the property. As such, the Company has no further interest in the property and $2,624 in accumulated capitalized exploration expenditures was written off.

7. MINERAL PROPERTY INTERESTS (Continued)

(g) Guadalupe

On December 30, 2009, the Company entered into an option agreement to acquire a 100% interest in 383 hectares of mineral concessions in Zacatecas, Mexico, in consideration for US$1,000,000 in cash payments as follows:

- US$10,000 upon signing the agreement (paid);
- US$20,000 on or before June 30, 2010 (paid);
- US$30,000 on or before December 30, 2010 (subsequently paid);
- US$50,000 on or before June 30, 2011;
- US$50,000 on or before December 30, 2011;
- US$75,000 on or before June 30, 2012;
- US$100,000 on or before December 30, 2012;
- US$200,000 on or before June 30, 2013; and
- US$465,000 on or before December 30, 2013.

The underlying Optionor has retained a 2% NSR royalty that can be purchased by the Company for US$1,000,000.

On March 5, 2010, the Company signed a LOI with Gold America (formerly Silver America Inc.) to allow Gold America to acquire a 90% interest in the property. The consideration for acquiring the option include an assumption of all the option payments to be made by the Company to the original option owners and:

Cash payments totaling US$900,000 as follows:

- US$10,000 upon signing (received);
- US$10,000 on signing of a definitive agreement (received);
- US$20,000 on or before June 30, 2010 (received);
- US$30,000 on or before December 30, 2010 (subsequently received);
- US$50,000 on or before June 30, 2011;
- US$50,000 on or before December 30, 2011;
- US$75,000 on or before June 30, 2012;
- US$100,000 on or before December 30, 2012;
- US$200,000 on or before June 30, 2013; and
- US$355,000 on or before December 30, 2013.

Issuance of 1,000,000 common shares as follows:

- 100,000 common shares upon signing of a definitive agreement (received);
- 100,000 common shares upon or before June 30, 2010 (received);
- 100,000 common shares upon or before December 30, 2010 (subsequently received);
- 100,000 common shares upon or before June 30, 2011;
- 100,000 common shares upon or before December 30, 2011;
- 100,000 common shares upon or before June 30, 2012;
- 100,000 common shares upon or before December 30, 2012;
- 100,000 common shares upon or before June 30, 2013; and
- 200,000 common shares upon or before December 30, 2013.

7. MINERAL PROPERTY INTERESTS (Continued)

(h) Guadalupe (Continued)

Incurring exploration expenditures totaling US$2,000,000 as follows:

- US$400,000 on or before June 30, 2011;
- US$700,000 on or before December 30, 2012; and
- US$900,000 on or before December 30, 2013.

Recoveries in excess of property expenditures in the amount $213,775 have been included as exploration recoveries on the consolidated statements of operations.

(h) Dos Naciones Property, Mexico

The Company acquired, through staking, 2,391 hectares located in the Sonora region of Mexico, during the year ended October 31, 2007.

By an Option Agreement dated July 7, 2009 and amended June 25, 2010, the Company granted an option to Del Toro (formerly Candev Resource Explorations Inc.) to earn up to 80% of its Dos Naciones Property.

For the first 50% option, Del Toro must pay the Company $35,000 as follows:

- $17,500 on execution of the Agreement (received); and
- $17,500 on July 7, 2009 (received).

Del Toro can earn an additional 30% for consideration as follows:

Issuance of 800,000 common shares to the Company as follows:

- 200,000 common shares on or before July 7, 2010 (received);
- 250,000 common shares on or before July 7, 2011; and
- 250,000 common shares on or before July 7, 2012.

Funding exploration expenditures totaling $800,000 as follows:

- $150,000 on or before July 7, 2010;
- $250,000 on or before July 7, 2011; and
- $400,000 on or before July 7, 2012.

Del Toro will have the right to purchase its interest in the property for $17,500 after the end of July 7, 2012.

In July 2010, the Company renegotiated the overall agreement in consideration of 150,000 shares of Del Toro (received) to change the schedule of funding exploration expenditures totaling $800,000 to:

- $400,000 on or before July 7, 2011; and
- $400,000 on or before July 7, 2012.

During the year ended October 31, 2010, the Company renegotiated the above amended agreement where Del Toro can earn an additional 20% interest instead of 30% interest as agreed in the original agreement in consideration of 250,000 shares of Del Toro (received subsequently) and 400,000 shares of Del Toro on or before July 7, 2012 to change the schedule of funding exploration expenditures totaling to $800,000 on or before July 7, 2013. Del Toro’s option to purchase its interest in the property for $17,500 after the end of July 7, 2012 was also terminated.

7. MINERAL PROPERTY INTERESTS (Continued)

(i) Dos Naciones Property, Mexico (Continued)

Recoveries in excess of property expenditures in the amount $70,306 have been included as exploration recoveries on the consolidated statements of operations.

(i) Other properties

Other properties balance is comprised of one property called the Zuzzan, acquired through staking during 2008. This property was abandoned and the balance of $8,312 in accumulated capitalized exploration expenditures was written off.

(j) Realization of assets

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

(k) Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on a property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

(l) Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements of transfers and title may be affected by undetected defects.

8. INCOME TAXES

As at October 31, 2010, the Company has non-capital losses of approximately $4,690,000 and capital losses of $37,000; $3,170,000 of non-capital losses and all of the capital losses may be applied against future income for Canadian income tax purposes, and $1,520,000 of non-capital losses may be applied against future income for Mexican income tax purposes.

The potential future tax benefits of these losses have not been recorded in these financial statements. The capital losses may be carried forward indefinitely. The non-capital losses expire as follows:

2011	$	398,000
2015		250,000
2017		254,000
2018		735,000
2019		531,000
2026		420,000
2027		457,000
2028		598,000
2029		501,000
2030		546,000
	$	4,690,000

Significant components of the Company's future tax assets and liabilities, which have been calculated after applying enacted corporate income tax rates, Canada at 25% (2009 – 25%) and Mexico at 28% (2009 – 28%), are as follows:

		2010		**2009**
Future income tax assets				
Tax value over book value of equipment	$	6,630	$	6,169
Tax value over book value of marketable securities		8,328		0
Tax value over book value of share issue costs		29,174		29,746
Tax value over book value of investment in oil and gas interests		10,130		7,630
Tax value over book value of licensing costs		55,473		55,473
Non-capital losses carried forward		1,223,272		1,171,833
Valuation allowance		(1,315,294)		(1,193,665)
Net future income tax assets		17,713		77,186
Future income tax liabilities				
Book value over tax value of mineral property interests		(17,713)		(77,186)
Future income tax assets, net	$	0	$	0

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

		2010		**2009**
Income tax benefit computed at statutory rates	$	130,100	$	487,285
Changes resulting from timing differences		(12,710)		(68,830)
Other temporary differences incurred during the year		6,428		(23,574)
Effects of change in future tax rates		(2,189)		(88,096)
Change in valuation allowance		(121,629)		(306,785)
Future income tax expense	$	0	$	0

9. CAPITAL STOCK

Authorized
Unlimited number of common shares without par value

(a) Private placements

During the year ended October 31, 2010, the Company completed the following private placements:

The Company completed, through February 2010, three tranches of a private placement, first for 2,565,000 units, the second for 5,250,000 units and the third for 850,000 units, for a total of 8,665,000 units at a price of $0.06 per unit for gross proceeds of $519,900. Each unit consists of one common share and one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share at a price of $0.10 on or before December 18, 2010 for the first tranche, January 22, 2011 for the second tranche and February 2, 2011 for the third tranche. The Company paid a total finder's fee of $60,590 in cash for all the tranches and issued an additional 786,500 agent's warrants in total for all three tranches, with each agent's warrant entitling the holder to acquire one common share at a price of $0.10 on or before December 18, 2010 for the first tranche, January 22, 2011 for the second tranche and February 2, 2011 for the third tranche. The fair value of these warrants was $27,500.

During the year ended October 31, 2009, the Company completed the following private placements:

In August 2009, the Company completed a non-brokered private placement in two tranches.

(i) The first tranche consisted of 6,200,000 units at a price of $0.04 per unit for gross proceeds of $248,000. Each unit consisted of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share at a price of $0.07 on or before August 13, 2010. The Company paid a finder's fee of $21,000 in cash and issued an additional 600,000 agent's warrants, with each warrant entitling the holder to acquire one common share at a price of $0.07 on or before August 13, 2010. The fair value of these warrants was $29,460.

(ii) The second tranche consisted of 5,800,000 units at a price of $0.04 per unit for gross proceeds of $232,000. Each unit consisted of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share at a price of $0.07 on or before August 20, 2010. The Company paid a finder's fee of $6,100 in cash and issued an additional 72,500 agent's warrants, with each warrant entitling the holder to acquire one common share at a price of $0.07 on or before August 20, 2010. The fair value of these warrants was $2,965.

(b) Warrants exercised for cash

During the year ended October 31, 2010, 1,500,000 (2009 – 645,000) warrants were exercised for gross proceeds of $105,000 (2009 - $32,250).

(c) Shares issued for mineral property interests

During the year ended October 31, 2010, the following property payments occurred:

(i) On December 16, 2009, the Company issued 200,000 common shares valued at $11,000 under the terms of the agreement to acquire the Oro Fino Property (note 7(d)).

(ii) On April 30, 2010, the Company issued 3,500,000 common shares valued at $210,000 under the terms of the agreement to acquire the Los Amoles Property (note 7(e)).

(iii) On April 30, 2010, the Company issued 250,000 common shares valued at $12,500 under the terms of the agreement to acquire the La Verde Grande Property (note 7(c)).

9. CAPITAL STOCK (Continued)

(c) Shares issued for mineral property interests (Continued)

(iv) On May 27, 2010, the Company issued 100,000 common shares valued at $7,000 under the terms of the agreement to acquire the Oro Fino Property (note 7(d)).

(v) On July 9, 2010, the Company issued 100,000 common shares valued at $6,500 under the terms of the agreement to acquire the Oro Fino Property (note 7(d)).

During the year ended October 31, 2009, the following property payments occurred:

(vi) On February 10, 2009, the Company issued 250,000 common shares valued at $11,250 under the terms of the agreement to acquire the La Verde Grande Property (note 7(c)).

(vii) On April 9, 2009, the Company issued 1,000,000 common shares valued at $55,000 under the terms of the agreement to acquire the Urique Property (note 7(a)).

(d) Escrowed shares

As at October 31, 2010, there were nil (2009 - 25,000) common shares held in escrow.

(e) Stock options

The Company has a stock option plan (the “Plan”) under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The terms of any stock option granted under the Plan may not exceed five years and the exercise price of any stock option granted may not be less than the closing price of the Company’s shares on the last business day immediately preceding the date of grant, less discount permitted by the policies of the TSX Venture Exchange.

A summary of the Company’s stock options as at October 31, 2010 and 2009 and changes during the years then ended is as follows:

	2010		**2009**	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Opening balance	3,265,000	$0.12	2,620,000	$0.23
Granted	800,000	$0.10	3,035,000	$0.10
Cancelled	(540,000)	$0.10	(2,200,000)	$0.20
Expired	(80,000)	$0.30	(190,000)	$0.32
Ending balance	3,445,000	$0.11	3,265,000	$0.12

The weighted average life of outstanding stock options at October 31, 2010 is 1.65 years (2009 – 2.51 years).

9. CAPITAL STOCK (Continued)

(e) Stock options (Continued)

Stock options outstanding and exercisable at October 31, 2010 and 2009 were as follows:

		2010		2009	
Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Number of Options Outstanding	Number of Options Exercisable
May 3, 2010	$0.30	0	0	80,000	80,000
November 1, 2010*	$0.25	150,000	150,000	150,000	150,000
November 26, 2011	$0.10	895,000	895,000	935,000	935,000
April 19, 2012	$0.10	150,000	150,000	150,000	150,000
September 29, 2012	$0.10	1,950,000	1,950,000	1,950,000	1,950,000
February 21, 2013	$0.10	100,000	100,000	0	0
June 20, 2013	$0.10	200,000	200,000	0	0
		3,445,000	3,445,000	3,265,000	3,265,000

*expired unexercised subsequent to October 31, 2010.

(f) Share purchase warrants

(i) Amended warrants

In the year ended October 31, 2009, the Company amended the exercise price and expiry dates of 4,529,100 share purchase warrants. Of these warrants, 2,029,100 were granted on December 11, 2006 expiring on December 11, 2008, and 2,500,000 were granted on December 21, 2006 expiring on December 21, 2008. The Company repriced the exercise price of these warrants from $0.35 to $0.05 and extended their expiry dates from December 11, 2008 and December 21, 2008 to December 11, 2009 and December 21, 2009, respectively.

These amended warrants were subject to an accelerated exercise period provision. Under this provision, if the closing price of the Company's shares is $0.065 or higher for ten consecutive trading days (the "Premium Trading Days"), warrant holders will only have 30 calendar days, commencing seven calendar days after the last Premium Trading Day, to exercise the warrants. Notice of accelerated exercise provision was given to the warrants holders during the year and certain of the warrants expired unexercised.

The Company recorded a warrant revaluation expense of $45,494 for the incremental value of the modified warrants with a corresponding credit to contributed surplus. The incremental value of the modified warrants were measured by the difference between the fair value of the modified warrants determined using the Black-Scholes option pricing model and the value of the old warrants immediately before their terms were modified, determined based on the shorter of their remaining expected life and the expected life of the amended warrants. No warrants were amended in the year ended October 31, 2010.

9. CAPITAL STOCK (CONTINUED)

(f) Share purchase warrants (Continued)

(ii) Share purchase warrants summary

As at October 31, 2010, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding at October 31, 2009	Issued / Amended	Exercised	Expired	Amended	Outstanding at October 31, 2010
$0.07	August 13, 2010	3,700,000	0	0	3,700,000	0	0
$0.07	August 18.2010	2,972,500	0	1,500,000	1,472,500	0	0
$0.10	December 18, 2010*	0	2,751,500	0	0	0	2,751,500
$0.10	January 22, 2011**	0	5,765,000	0	0	0	5,765,000
$0.10	February 2, 2011***	0	935,000	0	0	0	935,000
		6,672,500	9,451,500	1,500,000	5,172,500	0	9,451,500

* 1,159,500 were exercised subsequent to October 31, 2010, the remaining 1,592,000 expired unexercised.

** 4,072,500 were exercised subsequent to October 31, 2010, the remaining 1,692,500 expired unexercised.

*** 792,500 were exercised subsequent to October 31, 2010, the remaining 142,500 expired unexercised.

As at October 31, 2009, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding at October 31, 2008	Issued	Exercised	Expired	Amended	Outstanding at October 31, 2009
$0.35	December 11, 2008*	2,491,720	0	0	462,620	2,029,100	0
$0.35	December 21, 2008*	2,942,337	0	0	442,337	2,500,000	0
$0.45	January 22, 2009	330,000	0	0	330,000	0	0
$0.20	January 31, 2009	1,666,400	0	0	1,666,400	0	0
$0.50	July 26, 2009	500,000	0	0	500,000	0	0
$0.50	August 8, 2009	2,100,500	0	0	2,100,500	0	0
$0.30	August 8, 2009	400,000	0	0	400,000	0	0
$0.25	May 9, 2009	980,000	0	0	980,000	0	0
$0.25	May 21, 2009	1,055,500	0	0	1,055,500	0	0
$0.25	July 21, 2009	3,650,000	0	0	3,650,000	0	0
$0.05	December 11, 2009	0	2,029,100	225,000	1,804,100	0	0
$0.05	December 21, 2009	0	2,500,000	420,000	2,080,000	0	0
$0.07	August 13, 2010	0	3,700,000	0	0	0	3,700,000
$0.07	August 20, 2010	0	2,972,500	0	0	0	2,972,500
		16,116,457	11,201,600	645,000	15,471,457	4,529,100	6,672,500

*see note 9(f)(i)

9. CAPITAL STOCK (Continued)

(g) Stock-based compensation

During the year ended October 31, 2010, the Company granted stock options to acquire up to an aggregate of 800,000 (2009 – 3,035,000) common shares to directors, officers, employees and consultants.

The fair value of stock options granted and vested during the year in the amount of $42,250 (2009 - $182,673) would be allocated as expenses in the following expenditure categories:

		2010		**2009**
Consulting fees	$	37,710	$	56,577
Management fees		0		114,058
Salaries		0		12,038
Investor relations		4,540		0
	$	42,250	$	182,673

The fair value of stock options is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2010	**2009**
Risk-free interest rate	1.43%	1.87%
Expected dividend yield	0	0
Expected stock price volatility	150.67%	143.56%
Expected life in years	3.00	3.00

The fair value of the finder's warrants included in share issue costs is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2010	**2009**
Risk-free interest rate	0.30%	0.28%
Expected dividend yield	0	0
Expected stock price volatility	162.14%	208.73%
Expected life in years	1.00	1.00

The fair value of the amended warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2010	**2009**
Risk-free interest rate	N/A	1.37%
Expected dividend yield	N/A	0
Expected stock price volatility	N/A	124.57%
Expected life in years	N/A	1.00

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

10. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Consultants' fees of $72,000 (2009 - $72,000) was paid to a company controlled by the President of the Company. Amounts payable as at October 31, 2010 were $13,440 (2009 - $25,200).
(b) Management fees of $60,000 (2009 - $60,000) were paid to an officer of the Company.
(c) Office service fees of $24,200 (2009 - $42,300) were paid to a corporation controlled by the Corporate Secretary of the Company. Amounts payable as at October 31, 2010 were $2,240 (2009 - $nil).

All transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the Company and the related parties.

11. SEGMENTED INFORMATION

The Company has one operating segment, mineral exploration and development. All of the Company's assets are located in Canada except for its oil and gas interest, which are located in the United States, and its mineral property interests, which are located in Mexico.

	2010	**2009**
Canada	$ 407,730	$ 160,308
United States	33,611	34,869
Mexico	3,157,858	2,910,593
	$ 3,599,199	$ 3,105,770

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

13. COMMITMENTS

The Company has leased office space to September 30, 2013. The minimum lease commitment payments are due as follows:

Year	**Amount**
2011	$ 49,400
2012	51,500
2013	51,500
	$ 152,400

14. CAPITAL DISCLOSURES

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its properties contain economically recoverable reserves of ore and currently has not earned any revenues from its mineral property interests and, therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of capital stock. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

14. CAPITAL DISCLOSURES (Continued)

The Company defines its capital as capital stock. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operating segment. Achieving this objective requires management to consider the underlying nature of exploration activities, availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this financing due to the current difficult economic conditions. The Company believes that it has sufficient funds and additional receivables to fund its working capital for the coming year.

15. SUBSEQUENT EVENTS

In addition to those subsequent events disclosed elsewhere in these financial statements:

(a) On November 26, 2010, the Company signed an Agreement with Nature's Call Brands Inc. ("NCBI") to allow NCBI to earn a 70% interest in the Company's Los Amoles Property (note 7 (e), located in Sonora State, Mexico.

To earn a 70% interest in the Los Amoles property, NCBI will be required to spend US$900,000 on exploration expenditures and issue a total of 1,000,000 shares to the Company over three years. The exploration expenditure required in the first year is $200,000 with $100,000 being a firm commitment having to be spent within the first six months.

Cash payments totaling US$50,000 as follows:

(i) US$25,000 upon the signing of the LOI dated October 4, 2010 (received subsequently); and
(ii) US$25,000 upon signing of this Agreement (received subsequently).

Exploration expenditures totaling US$900,000 as follows:

(iii) US$200,000 on or before the first anniversary of the Effective Date;
(iv) US$300,000 on or before the second anniversary of the Effective Date; and
(v) US$400,000 on or before the third anniversary of the Effective Date.

Issuance of 1,000,000 common shares as follows:

(vi) 200,000 common shares on signing of this Agreement (received subsequently);
(vii) 200,000 common shares within six months of the Effective Date;
(viii) 200,000 common shares on or before the first anniversary of the Effective Date;
(ix) 200,000 common shares on or before the second anniversary of the Effective Date; and
(x) 200,000 common shares on or before the third anniversary of the Effective Date.

(b) On December 13, 2010, the Company acquired the Apache Property, consisting of 400 hectares in Sonora State, Mexico, for consideration of 2,500,000 shares of the Company.

(c) On January 19, 2011, the Company acquired by staking, 180 hectares of land contiguous to the Urique Property (note 7(a)).

15. SUBSEQUENT EVENTS (Continued)

(d) On February 18, 2011, the Company signed an agreement with El Condor Minerals Inc. ("El Condor") for the option to earn a 70% interest in the Carol Property (note 7(b)).

To earn a 70% interest, El Condor will be required to pay the Company $350,000 cash and spend $1,700,000 on exploration over four years. The exploration expenditure required in the first year is $200,000 with $100,000 considered as a firm commitment.

Cash payments totaling $350,000 as follows:

(i) $25,000 upon acceptance of the LOI (received subsequently);
(ii) $25,000 upon signing of the Option Agreement (received subsequently);
(iii) $50,000 within 6 months of signing the Option Agreement;
(iv) $50,000 within 12 months of signing the Option Agreement;
(v) $50,000 within 24 months of signing the Option Agreement;
(vi) $50,000 within 36 months of signing the Option Agreement; and
(vii) $100,000 within 48 months of signing the Option Agreement.

Exploration expenditures totaling $1,700,000 as follows:

(viii) $100,000 within 6 months of signing the Option Agreement;
(ix) $100,000 within 12 months of signing the Option Agreement;
(x) $350,000 within 24 months of signing the Option Agreement;
(xi) $500,000 within 36 months of signing the Option Agreement; and
(xii) $650,000 within 48 months of signing the Option Agreement.

El Condor will be designated as the operator of the project.

(e) On January 24, 2011, the Company granted 1,500,000 incentive stock options to management, officers, directors and consultants of the Company at a price of $0.10 per share, exercisable on or before January 24, 2014.