

YALE RESOURCES LTD.
(An Explorations Stage Company)

Consolidated Financial Statements
July 31, 2011 and 2010
(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Balance Sheets
(Unaudited - Prepared by Management)

	July 31, 2011	October 31, 2010 (audited)
Assets		
Current		
Cash	\$ 222,180	\$ 171,318
Marketable securities (note 4)	236,820	247,467
Amounts receivable	86,353	83,748
Prepaid expenses and advances	0	4,500
	545,353	507,033
Amounts Receivable	58,762	58,762
Prepaid Expenses	19,050	19,050
Oil and Gas Interest (note 5)	26,111	33,611
Equipment (note 6)	22,247	14,644
Mineral Property Interests (note 7)	3,116,407	2,966,099
	\$ 3,787,930	\$ 3,599,199
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 98,107	\$ 317,527
Exploration advances	111,717	31,628
	209,824	349,155
Shareholders' Equity		
Capital Stock (note 8)	14,066,703	13,142,253
Contributed Surplus	1,254,401	1,125,551
Deficit	(11,439,277)	(10,951,139)
Accumulated Other Comprehensive Income (Loss)	(303,721)	(66,621)
	3,578,106	3,250,044
	\$ 3,787,930	\$ 3,599,199

Nature of Operations (note 1)

Approved by the Board:

"Ian Foreman" (signed)

..... Director

"Luca Riccio" (signed) Director

See notes to financial statements.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Operations and Deficit
(Unaudited - Prepared by Management)

	Three Months Ended		Nine Months Ended	
	July 31, 2011	July 31, 2010	July 31, 2011	July 31, 2010
Revenues				
Consulting	\$ 15,014	\$ 0	\$ 23,966	\$ 29,942
Oil and gas revenue, net	2,380	2,712	10,708	7,547
Interest and other	39	0	175	0
	17,433	2,712	34,849	37,489
Operating Expenses				
Accounting, audit and legal	15,693	18,474	60,864	64,732
Amortization	3,004	2,993	8,799	8,881
Consultants' fees	19,000	27,500	79,000	172,571
Investor relations and promotion	4,137	11,563	25,367	43,465
Management fees	21,000	15,000	57,000	45,000
Office and miscellaneous	8,647	12,704	30,651	33,375
Property examination costs	4,427	0	7,327	0
Regulatory fees	0	2,914	13,325	19,978
Rent	11,638	9,026	26,869	41,270
Stock-based compensation	0	10,960	128,850	37,710
Telephone	915	636	3,986	3,280
Transfer agent and listing fees	1,093	3,666	7,439	7,702
Travel	441	2,805	6,251	12,222
	89,995	118,241	455,728	490,186
Loss Before the Following	72,562	115,529	420,879	452,697
Expense recoveries	(2,937)	0	(68,676)	0
Mineral interests written-off	175,710	8,399	175,710	8,929
Foreign exchange loss (gain)	3,749	(1,876)	8,712	925
Gain on sale of marketable securities	0	946	(48,487)	946
Net Loss for Period	249,084	122,998	488,138	463,497
Deficit, Beginning of Period	11,190,193	10,839,115	10,951,139	10,498,616
Deficit, End of Period	\$ 11,439,277	\$ 10,962,113	\$ 11,439,277	\$ 10,962,113
Loss Per Share	\$ 0.003	\$ 0.002	\$ 0.006	\$ 0.007
Weighted Average Number of Common Shares Outstanding	80,747,489	71,372,989	78,319,389	66,582,434

See notes to financial statements.

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Shareholders' Equity
(Unaudited – Prepared by Management)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit Accumulated During the Exploration Stage	Accumulated Other Comprehensive Income	Total Shareholders' Equity
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)
Unrealized gain on marketable securities	0	0	0	0	(68,121)	(68,121)
Loss and comprehensive loss for year	0	0	0	(1,615,185)	0	(1,615,185)
	57,124,656	12,358,443	1,055,801	(10,951,139)	(66,621)	2,396,484
Common shares issued for cash						
Private placement	8,665,000	431,810	27,500	0	0	459,310
Exercise of warrants	1,500,000	105,000	0			105,000
Common shares issued for mineral interests	4,150,000	247,000	0	0	0	247,000
Stock-based compensation	0	0	42,250	0	0	42,250
Warrant revaluation	0	0	0	0	0	0
Balance – October 31, 2010	71,439,656	13,142,253	1,125,551	(10,951,139)	(66,621)	3,250,044
Net loss for the period	0	0	0	(488,138)	(237,100)	(725,238)
	71,439,656	13,142,253	1,125,551	(11,439,277)	(303,721)	2,524,806
Common shares issued for cash						
Exercise of warrants	6,024,500	602,450	0	0	0	602,450
Common shares issued for mineral interests	3,400,000	322,000	0	0	0	322,000
Stock-based compensation	0	0	128,850	0	0	128,850
Balance – July 31, 2011	80,864,156	\$ 14,066,703	\$ 1,254,401	\$ (11,439,277)	\$ (303,721)	\$ 3,578,106

YALE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Unaudited - Prepared by Management)

	Three Months Ended		Nine Months Ended	
	July 31, 2011	July 31, 2010	July 31, 2011	July 31, 2010
Operating Activities				
Net loss	\$ (249,084)	\$ (122,998)	\$ (488,138)	\$ (463,497)
Items not affecting cash				
Amortization	3,004	2,993	8,799	8,881
Stock-based compensation	0	10,960	128,850	37,710
Mineral properties written-off	175,710	8,399	175,710	8,929
Gain on sale of marketable securities	0	946	(48,487)	946
Operating Cash Flow	(70,370)	(99,700)	(223,266)	(407,031)
Changes in Non-Cash Working Capital				
Accounts receivable	(8,336)	7,921	(2,605)	13,520
Accounts payable and accrued liabilities	195	(3,814)	(219,420)	(95,780)
Prepaid expenses	4,500	0	4,500	71,237
	(3,641)	4,107	(217,525)	(11,023)
Cash Used in Operating Activities	(74,011)	(95,593)	(440,791)	(418,054)
Investing Activities				
Exploration advances	(20,193)	0	80,089	0
Sale of marketable securities	0	6,417	76,367	6,417
Equipment acquisition	(11,341)	(655)	(11,402)	(3,492)
Acquisition of oil & gas interest	2,500	0	2,500	(8,742)
Recoveries from mineral interests, net of acquisition and exploration costs	(53,607)	(126,737)	(258,351)	(216,462)
Cash Used in Investing Activities	(82,641)	(120,975)	(110,797)	(222,279)
Financing Activity				
Common shares issued for cash, net of share issue costs	0	0	602,450	590,208
Increase (Decrease) in Cash	(156,652)	(216,568)	50,862	(50,125)
Cash, Beginning of Period	378,832	226,727	171,318	60,284
Cash, End of Period	\$ 222,180	\$ 10,159	\$ 222,180	\$ 10,159
Supplemental Cash Flow Information, non-cash transactions				
Common shares issued for mineral property interest	\$ 42,000	\$ 13,500	\$ 322,000	\$ 247,500
Marketable securities received for mineral property interests	\$ 127,517	\$ 281,326	\$ 254,333	\$ 352,134
Interest earned	\$ 39	\$ 0	\$ 175	\$ 0

YALE RESOURCES LTD.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
July 31, 2011
(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS AND GOING-CONCERN

The Company and its subsidiaries are exploration stage company that are in the process of acquiring, exploring and developing mineral properties through acquiring interests in the options to properties. It has not determined whether these properties contain ore reserves that are economically recoverable. The Company has not earned revenues from its mineral property interests.

The recoverability of amounts shown for mineral interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development, and future profitable production from the properties or proceeds from disposition.

At July 31, 2011, the Company had working capital of \$335,529 (October 31, 2010: working capital of \$157,878) and an accumulated deficit of \$11,439,277 (October 31, 2010: deficit of \$10,951,139). The Company will require additional financing or outside participation to meet its planned corporate and administrative expenses for the coming year and to undertake further exploration and subsequent development of its mineral interests. The Company's ability to continue as a going-concern is dependent on continued financial support from its shareholders, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable.

These financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. 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. COMPARATIVE FIGURES

The comparative figures as at October 31, 2010 were reported on by the company's external auditors. Comparative figures for the periods ended July 31, 2011 and 2010 are unaudited and were prepared by management.

3. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements include the accounts of its wholly owned subsidiaries, Sable Minerals PTY Ltd., and 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 transactions have been eliminated.

These unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP in the preparation of annual financial statements. The accounting policies used in the preparation of the accompanying unaudited interim financial statements are the same as those described in the annual financial statements and the notes thereto for the year ended October 31, 2010. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the Company's financial statements including the notes thereto for the year ended October 31, 2010.

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4. MARKETABLE SECURITIES

July 31, 2011		Adjusted Cost Base	Fair Market Value
	# shares	\$	\$
Silver Sun Capital Corp.	60,000	4,920	16,560
Sonora Resources Corp.	400,000	174,396	174,396
Del Toro Silver Corp.	600,000	140,048	34,398
Gold American Mining Corp.	300,000	221,215	11,466
		540,579	236,820

October 31, 2010		Adjusted Cost Base	Fair Market Value
	# shares	\$	\$
Silver Sun Capital 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
		314,088	247,467

Of 60,000 (2010 – 400,000) shares of Silver Sun Resource Corp. (“Silver Sun”), 30,000 (2010 – 310,000) are recorded at fair value and 30,000 (2010 – 90,000) are held in escrow until December 25, 2011.

All shares in Sonora Resources Corp. (“Sonora”) are restricted from trading until November 28, 2011.

All shares in Gold American Mining Corp. (“Gold American”) are restricted from trading until May 6, 2011 (100,000 shares), July 6, 2011 (100,000 shares), and December 30, 2011 (100,000 shares).

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

5. OIL AND GAS INTEREST

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 of America.

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6. EQUIPMENT

July 31, 2011	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office furniture and equipment	34,137	19,047	15,090
Computer equipment	13,855	6,698	7,157
	47,992	25,745	22,247

October 31, 2010	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office furniture and equipment	30,216	18,103	12,113
Computer equipment	8,897	6,366	2,531
	39,113	24,469	14,644

7. MINERAL PROPERTY INTERESTS

(a) Urique Property, Mexico

On August 1, 2006, the Company entered into an Option Agreement with Exmin Resources Ltd. (“Exmin”) to acquire, in two stages, up to a 75% interest in 10 mineral concessions in Chihuahua, Mexico, by issuing 1,000,000 common shares (600,000 issued), incurring US\$2,800,000 (US\$800,000 incurred) in exploration and development expenditures on the property, for the first 60%, and then issuing an additional 500,000 common shares and incurring an additional US\$1,700,000 in exploration and development expenditures, for the remaining 15%.

On April 6, 2009, the Company renegotiated the remaining commitments and acquired 100% of these concessions by paying US\$250,000 (paid) issuing 1,000,000 common shares (issued), and taking responsibility for accounts payable of US\$148,000 arising from the optionor’s past expenditures on the project.

Exmin retains a 2% net smelter returns (“NSR”) royalty on these concessions.

By a second 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 (US\$28,000 paid), however, 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.

On 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.

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To earn the first 90%, AMNP was required to give the Company sufficient funds required to keep the property in good standing, pay the Company US\$800,000 (US\$50,000 received), incur or fund expenditures totaling US\$2,600,000 (US\$250,000 received), and pay the Company an additional US\$360,000 or issue the equivalent value in shares of AMNP (US\$50,000 and 100,000 shares of AMNP at a deemed value of US\$43,000 received).

To earn the remaining 10%, AMNP was required to issue 500,000 shares to the Company, complete sufficient drilling to support a resource estimating 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 terminated the option agreement with AMNP for the Urique Property for failure by AMNP to fulfill certain financial obligations as outlined in the agreement.

On January 19, 2011, the Company acquired by staking, 180 hectares of land contiguous to the Urique Property.

The Company has subsequently optioned this property to Mammoth Capital Corp. (Note 11(c)).

(b) Carol Property, Mexico

On September 25, 2006, the Company entered into an assignment of option agreement with Minera Canamex SA de CV, to acquire a 100% interest in the mineral claims in the underlying option agreement dated July 5, 2006 with Julio Lopez, by making cash payments totaling US\$250,000 (US\$110,000 paid).

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 year ended October 31, 2010, the Company signed a letter of intent (“LOI”) with AMNP for the Carol property. Pursuant to the LOI, AMNP could have earned 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 definitive agreement, and by spending \$300,000 in mineral property expenditures and issuing 500,000 common shares.

During the year ended October 31, 2010, AMNP notified the Company that they would not be signing a definitive agreement for this mineral property with the Company.

During the year ended October 31, 2010, the Company cancelled one of the six concessions at the Carol Property and, accordingly, \$37,643 in accumulated capitalized exploration expenditures were written off.

(b) Carol Property, Mexico (continued)

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.

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:

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- (i) \$25,000 upon acceptance of the LOI (received);
- (ii) \$25,000 upon signing of the Option Agreement (received);
- (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:

- (i) \$100,000 within 6 months of signing the Option Agreement;
- (ii) \$100,000 within 12 months of signing the Option Agreement;
- (iii) \$350,000 within 24 months of signing the Option Agreement;
- (iv) \$500,000 within 36 months of signing the Option Agreement; and
- (v) \$650,000 within 48 months of signing the Option Agreement.

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

On August 18, 2011, the Company granted a two month extension on the \$50,000 payment above at 7(b)(iii) for consideration of \$10,000 (received subsequently).

(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 (US\$300,000 paid). 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 to cash payments totaling US\$1,305,000 (US\$40,000 paid) in exchange for a more flexible payment schedule.

(c) La Verde Property, Mexico (continued)

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.

To date, the Company has not met its commitment to pay \$915,000 through to June 1, 2011. 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.

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:

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- (i) Cash payments totaling \$50,000 as follows:
 - \$10,000 on signing of a letter of intent (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).

(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 could acquire a 100% interest for cash payments totalling \$200,000 (\$40,000 paid), issuing 1,000,000 common shares (300,000 issued), and paying taxes totalling MX\$114,232 (paid).

By an amendment agreement dated April 18, 2011, the Company renegotiated the overall commitment and acquired the claims in consideration for 700,000 shares of the Company (issued).

(d) Oro Fino Property, Mexico (continued)

The Company entered into an assignment of option agreement on an additional five concessions with various title holders in 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 (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.

During the current quarter, the Company abandoned these five concessions, and accordingly, \$175,710 in capitalized costs were written off.

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;
- \$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.

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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 (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 Property, Mexico

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).

On November 26, 2010, the Company signed an Agreement with Sonora Resources Corp. (“Sonora”) to allow Sonora to earn a 70% interest in the Los Amoles Property.

To earn a 70% interest in the Los Amoles property, Sonora 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:

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

Exploration expenditures totaling US\$900,000 as follows:

- US\$200,000 on or before the first anniversary of the Effective Date;
- US\$300,000 on or before the second anniversary of the Effective Date; and
- US\$400,000 on or before the third anniversary of the Effective Date.

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

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

During the current year-to-date, the Company acquired, by staking, an additional 1,960 hectares of land contiguous to its Los Amoles Property.

(f) Tenoriba Property, Mexico

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:

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- 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.

(g) Guadalupe Property, Mexico

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 (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 (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 (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

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- 200,000 common shares upon or before December 30, 2013.

(g) Guadalupe Property, Mexico (continued)

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

- US\$400,000 on or before June 30, 2011 (incurred);
- 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 \$30,492 (2010: \$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 950,000 common shares to the Company as follows:

- 350,000 common shares on or before July 7, 2010 (received);
- 250,000 common shares on or before July 7, 2011; and
- 350,000 common shares on or before July 7, 2012.

Funding exploration expenditures totaling \$800,000 as follows:

- \$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) 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.

Recoveries in excess of property expenditures in the amount \$38,184 (2010: \$70,306) have been included as exploration recoveries on the consolidated statements of operations.

(i) Apache Property, Mexico

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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 (issued).

(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.

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7. MINERAL INTERESTS (Continued)

	Urique \$	Carol \$	La Verde \$	Dos Naciones \$	Oro Fino \$	Los Amoles \$	Tenoriba \$	Guadalupe \$	Apache \$	Total \$
Balance, October 31, 2010	1,115,115	188,213	1,092,177	1	305,508	210,348	54,736	1	0	2,966,099
Less: Advances	0	0	0	0	0	0	0	0	0	0
	1,115,115	188,213	1,092,177	1	305,508	210,348	54,736	1	0	2,966,099
Additions during the period										
Acquisition costs	0	0	0	0	119,775	7,788	0	31,369	262,500	421,432
Assay	0	0	0	1,091	9,812	2,875	1,779	0	2,096	17,653
Camp and exploration support	10,611	10,134	13,274	10,134	10,773	10,188	10,330	0	94	75,538
Drilling	0	0	0	0	0	0	0	0	0	0
Geological consulting	0	410	0	0	694	80,131	(200)	0	4,165	85,200
Geological fieldwork	0	3,324	16	43	0	862	283	0	33	4,561
Legal and professional	0	0	477	0	0	0	0	0	0	477
Materials and supplies	0	0	119	388	72	2,933	0	0	370	3,882
Reports, drafting and maps	0	0	0	0	0	0	0	0	0	0
Taxes	66,498	4,417	17,591	7,980	6,679	16,070	11,361	0	166	130,762
Travel	0	1,202	131	0	169	9,067	2,969	0	438	13,976
Total costs during period	77,109	19,487	31,608	19,636	147,974	129,914	26,522	31,369	269,862	753,481
Recoveries	0	(50,000)	0	(19,636)	(10,000)	(316,458)	0	(31,369)	0	(427,463)
Net additions during period	77,109	(30,513)	31,608	0	137,974	(186,544)	26,522	0	269,862	326,018
	1,192,224	157,700	1,123,785	1	443,482	23,804	81,258	1	269,862	3,292,117
Mineral interests written down	0	0	0	0	(175,710)	0	0	0	0	(175,710)
Balance, July 31, 2011	1,192,224	157,700	1,123,785	1	267,772	23,804	81,258	1	269,862	3,116,407

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	Urique \$	Carol- Balde \$	Zacatecas \$	La Verde \$	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
Less: Advances	0	0	0	0	0	0	0	0	0	0	0
	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 period											
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 period	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 period	(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

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8. CAPITAL STOCK

Authorized

Unlimited number of common shares without par value

(a) Private placements

There have been no private placements during the year to date.

(b) Warrants exercised for cash

During the current year to date, 6,024,500 warrants were exercised for gross proceeds of \$602,450.

(c) Property payments

The Company issued 100,000 of its shares at a deemed price of \$0.075 per share, for a total value of \$7,500, for the acquisition of the Oro Fino (Note 7(d)).

The Company issued 2,500,000 of its shares at a deemed price of \$0.105 per share, for a total value of \$262,500, for the acquisition of the Apache Property (Note 7(i)).

The Company issued 100,000 of its shares at a deemed price of \$0.10 per share, for a total value of \$10,000, for the acquisition of the Oro Fino Property (Note 7(d)).

The Company issued 700,000 of its shares at a deemed price of \$0.06 per share, for a total value of \$42,000, for the acquisition of the Oro Fino Property (Note 7(d)).

(d) Stock options

A summary of the Company's stock options as at July 31, 2011 and October 31, 2010 and changes during the period then ended is as follows:

	July 31, 2011		October 31, 2010	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Opening balance	3,445,000	\$0.11	3,265,000	\$0.12
Granted	1,500,000	\$0.10	800,000	\$0.10
Cancelled	0	\$0.00	(540,000)	\$0.10
Expired	(150,000)	\$0.25	(80,000)	\$0.30
Ending balance	4,795,000	\$0.10	3,445,000	\$0.11

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(d) Stock options

Stock options outstanding and exercisable at July 31, 2011 are as follows:

Options Outstanding			Options Exercisable	
Number of Shares	Expiry Date	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
895,000	November 26, 2011	\$0.10	895,000	\$0.10
150,000	April 19, 2012	\$0.10	150,000	\$0.10
1,950,000	September 29, 2012	\$0.10	1,950,000	\$0.10
100,000	February 21, 2013	\$0.10	100,000	\$0.10
200,000	June 20, 2013	\$0.10	200,000	\$0.10
1,500,000	January 23, 2014	\$0.10	1,500,000	\$0.10
4,795,000		\$0.10	4,795,000	\$0.10

(e) Share purchase warrants

As at July 31, 2011, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding at October 31, 2010	Issued/ Amended	Exercised	Expired	Amended	Outstanding at July 31, 2011
\$0.10	December 18, 2010	2,751,500	0	1,120,000	1,631,500	0	0
\$0.10	January 22, 2010	5,765,000	0	4,154,500	1,610,500	0	0
\$0.10	February 2, 2011	935,000	0	750,000	185,000	0	0
		9,451,500	0	6,024,500	3,427,000	0	0

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

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(f) Stock-based compensation

During the nine months ended July 31, 2011, the Company granted stock options to acquire up to an aggregate of 1,500,000 common shares to directors, officers, and consultants.

The fair value of stock options granted and vested during the year in the amount of \$128,850 would be allocated, \$103,510 to management fees and \$25,340 to consultants' fees.

The fair value of stock options used to calculate stock-based compensation expense is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011
Risk-free interest rate	1.43%
Expected dividend yield	0
Expected stock price volatility	151.10%
Expected option life in years	3.00

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, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and agents' warrants.

9. RELATED PARTY TRANSACTIONS

- a) Consulting fees of \$66,000 (2010 - \$54,000) were paid to a company controlled by the President of the Company.
- b) Management fees of \$57,000 (2010 - \$45,000) were paid to the Chief Financial Officer of the Company.
- c) Office service fees totaling \$18,000 (2010 - \$18,000) were paid to a corporation controlled by the Corporate Secretary of the Company.

10. 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 interests, which are located in the United States of America, and its mineral property interests, which are located in Mexico.

	July 31, 2011	October 31, 2010
	\$	\$
Canada	494,175	407,730
United States of America	26,111	33,611
Mexico	3,267,644	3,157,858
	3,787,930	3,599,199

11. SUBSEQUENT EVENTS

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- a) On August 16, 2011, the Company granted incentive stock options under the Company's stock option plan to directors, officers, and employees of the Company to purchase an aggregate of 1,000,000 common shares.
- b) On August 16, 2011, the Company granted 300,000 stock options to Queen's University as a future charitable donation, if exercised.
- c) On September 8, 2011, the Company entered into an agreement with Mammoth Capital Corp. ("Mammoth") whereby Mammoth may acquire a 70% interest in the Company's Urique Property (Note 7(a)) for consideration of:

Cash payments totaling \$50,000 as follows:

- \$25,000 upon signing (received); and
- \$25,000 upon Exchange acceptance.

Issuing 1,800,000 common shares to the Company as follows:

- 200,000 common shares upon Exchange acceptance;
- 100,000 common shares within six months of the effective date;
- 300,000 common shares within one year of the effective date;
- 400,000 common shares within two years of the effective date;
- 400,000 common shares within three years of the effective date; and
- 400,000 common shares within four years of the effective date.

Exploration expenditures totaling \$3,000,000 as follows:

- \$300,000 within one year of the effective date;
- \$500,000 within two years of the effective date;
- \$800,000 within three years of the effective date;
- \$1,400,000 within four years of the effective date;

Mammoth may earn an additional 30% by issuing a further 500,000 common shares to the Company, completing a resource estimation, within an additional three to seven years from the effective date, of a minimum of 300,000 equivalent ounces of gold in the measured and indicated categories, and issuing one common shares per equivalent ounce of gold in the measured and indicated categories of the resource.