

CURLEW LAKE RESOURCES INC.

FINANCIAL STATEMENTS

October 31, 2011

CURLEW LAKE RESOURCES INC.

December 29, 2011

Management's Report to the Shareholders

Management is responsible for the reliability and integrity of these financial statements. The accompanying financial statements have been prepared by management in accordance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting and are in accordance with International Financial Reporting Standards ("IFRS") 1 - First-time Adoption of IFRS, as they are part of the period covered by the Corporation's first IFRS financial statements for the year ending January 31, 2011. The interim financial statements are presented in Canadian Dollars.

The accompanying financial statements have been prepared using policies and procedures established by management and reflect fairly the Corporation's financial position, results of operations and changes in financial position, within reasonable limits of materiality and within the framework of the accounting policies outlined in the notes to the financial statements. Management has established and maintains a system of internal controls which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board. The Audit Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

The following interim financial statements are unaudited.

Signed "Robert B. Pincombe"

Robert B. Pincombe, CEO

Signed "David D. McKee"

David D. McKee, CFO

CURLEW LAKE RESOURCES INC.
BALANCE SHEETS
AS AT OCTOBER 31
(Unaudited)

	Oct 31 2011	Jan 31 2011
ASSETS		
Current		
Cash	\$ 28,436	\$ 519,356
Harmonized sales tax recoverable	35,888	38,154
Receivables	34,302	55,972
Prepaid expense	<u>2,674</u>	<u>2,674</u>
	101,300	616,156
Oil and gas properties (Note 3)	917,928	665,278
Mineral properties (Note 4)	<u>4,092</u>	<u>6,263</u>
	<u>\$ 1,023,320</u>	<u>\$ 1,287,697</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	<u>\$ 8,820</u>	<u>\$ 276,898</u>
Shareholders' equity		
Capital stock (Note 5)	15,012,629	15,012,629
Contributed surplus (Note 5)	666,865	666,865
Deficit	<u>(14,664,994)</u>	<u>(14,668,695)</u>
	<u>1,014,500</u>	<u>1,010,799</u>
	<u>\$ 1,023,320</u>	<u>\$ 1,287,697</u>

Nature and continuance of operations (Note 1)

Commitments (Notes 3, 4)

Subsequent event (Note 11)

On behalf of the Board:

"ROBERT B. PINCOMBE" Director

"DAVID D. MCKEE" Director

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

CURLEW LAKE RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
FOR QUARTER ENDED OCTOBER 31
(Unaudited)

	Oct 31 2011	Oct 31 2010
NET INCOME (LOSS) FOR THE QUARTERS BEFORE OTHER COMPREHENSIVE LOSS	\$ 3,701	\$ (121,199)
COMPREHENSIVE INCOME (LOSS) FOR THE QUARTERS	<u>\$ 3,701</u>	<u>\$ (121,199)</u>

CURLEW LAKE RESOURCES INC.
STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME
FOR QUARTER ENDED OCTOBER 31

	Oct 31 2011	Oct 31 2010
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Opening Balance	<u>\$ -</u>	<u>\$ -</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME – END OF QUARTER	<u>\$ -</u>	<u>\$ -</u>

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

CURLEW LAKE RESOURCES INC.
STATEMENTS OF OPERATIONS AND DEFICIT
FOR QUARTER ENDED OCTOBER 31
(Unaudited)

	Three Months ended Oct 31		Nine Months ended Oct 31	
	2011	2010	2011	2010
Revenue				
Petroleum and natural gas sales, net	\$ 24,488	\$34,911	\$ 105,868	\$86,299
Cost of Production				
Operating expense	5,665	2,042	15,181	32,144
Operating Income	18,823	32,869	90,687	54,155
Expenses				
Bank charges	350	480	1,266	1,445
Interest expense	-	-	-	-
Management fees (Note 7)	2,500	7,500	17,500	22,500
Office and miscellaneous	2,508	481	5,184	4,857
Professional fees & consulting	8,930	9,400	20,387	92,246
Regulatory and transfer agent fees	7,972	212	20,188	24,285
Rent	120	120	390	360
Stock-based compensation (Note 5)	-	-	-	-
Telephone	1,953	-	2,700	1,333
Travel and promotion	1,831	435	3,699	5,999
Wages and benefits (Note 7)	2,212	7,262	15,487	22,262
Write-down of oil and gas properties (Note 3 and 4)	-	-	185	67
	28,376	25,890	86,986	175,354
Net income (loss) for the quarter	(9,553)	6,979	3,701	(121,199)
Deficit, beginning of quarter	(14,655,441)	(13,791,667)	(14,668,695)	(13,663,489)
Deficit, end of quarter	\$ (14,664,994)	\$ (13,784,688)	\$ (14,664,994)	\$ (13,784,688)
Basic and diluted loss per common share	\$0.00	\$0.00	\$0.00	\$(0.00)
Weighted average number of common shares outstanding	99,469,526	90,616,265	99,469,526	80,992,603

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

CURLEW LAKE RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR QUARTER ENDED OCTOBER 31, 2011
(Unaudited)

	Three Months ended Oct 31		Nine Months ended Oct 31	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for the quarter	\$ (9,553)	\$ 6,979	\$ 3,515	\$ (121,266)
Items not affecting cash:				
Stock-based compensation	-	-	-	-
Write-down of oil and gas properties	-	-	185	67
Changes in non-cash working capital items:				
Decrease (increase) in receivables/deposits	(9,055)	(29,951)	21,671	(15,472)
Increase (decrease) in harmonized sales tax recoverable	(5,227)	1,354	2,267	(11,755)
Decrease (increase) in prepaid expense	-	-	-	(2,674)
Increase (decrease) in accounts payable and accrued liabilities	(9,180)	(111,020)	(268,078)	(21,399)
Net cash provided by (used in) operating activities	(33,015)	(132,638)	(240,440)	(172,439)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital stock issued net of share issue costs	-	525,000	-	1,085,000
Net cash provided by financing activities	-	525,000	-	1,085,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of oil and gas properties	(43,043)	(61,280)	(250,480)	(614,906)
Increase in prepaid drilling advance, net of drilling advance received	-	144,866	-	144,866
Mineral properties costs, net	-	(563)	-	(563)
Net cash provided by (used in) investing activities	(43,043)	83,023	(250,480)	(470,603)
Change in cash during quarter	(76,058)	475,385	(490,920)	441,958
Cash, beginning of quarter	104,494	74,037	519,356	107,464
Cash, end of quarter	\$ 28,436	\$ 549,422	\$ 28,436	\$ 549,422
Cash paid during the quarter for:				
Interest expense	\$-	\$-	\$-	\$-
Income taxes	-	-	-	-

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

CURLEW LAKE RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2011

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Company Act of British Columbia and its operations include the acquisition, exploration and development of mineral properties and production from oil and gas properties in Western Canada and the United States.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's ability to continue as a going concern is dependent on obtaining continued financial support, completing public equity financing or generating profitable production in the future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

	Oct 31 2011	Jan 31 2011
Deficit	\$ (14,664,994)	\$ (14,668,695)
Working capital (deficiency)	\$ 89,806	\$ 339,258

2. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value on initial recognition, except for certain related party transactions. Subsequently all financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired or an other than temporary impairment is identified; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

The Company has classified its cash and cash equivalents as held-for-trading. Receivables are classified as loans and receivables. Investments are classified as available- or-sale, which are measured at the quoted market price or cost if there is no quoted market price. Accounts payable and accrued liabilities and loans payable to related parties are classified as other financial liabilities, which are measured at amortized cost.

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 and amortized using the effective interest method over the expected life of the related asset or liability.

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

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. By their nature, these amounts are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Cash and cash equivalents

Cash equivalents consist of highly liquid investments which are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

Mineral Properties

The costs of mineral properties and related exploration expenditures are deferred until the properties to which they relate are placed into production, sold or abandoned. These costs are then amortized over the estimated useful life of the properties following the commencement of commercial production or written down if the properties are subsequently sold or abandoned. Expenditures made to keep properties in good standing are capitalized to the corresponding property, except when the property has been fully written down, in which case the expenditures are charged to operations in the period incurred.

Oil and Gas Properties

Curlw Lake Resources Inc. uses the full cost method for oil and gas exploration, development and production activities as set out in CICA Accounting Guideline 16 ("ACG-16"), "Oil and Gas Accounting – Full Cost". The cost of acquiring oil and gas properties as well as subsequent development costs are capitalized and accumulated in a cost center. Maintenance and repairs are charged against income, and renewals and enhancements, which extend the economic life of the oil and gas properties, are capitalized. Gains and losses are not recognized upon disposition of oil and gas properties unless such a disposition would alter the rate of depletion by at least 20%. ACG-16 requires that a ceiling test be performed at least annually to assess the carrying value of oil and gas assets. A cost center is tested for recoverability using undiscounted future cash flows from proved reserves and forward indexed commodity prices, adjusted for contractual obligations and product quality differentials. A cost center is written down to its fair value when its carrying value, less the cost of unproved properties, is in excess of the related undiscounted cash flows. Fair value is estimated using accepted present value techniques that incorporate risk and uncertainty when determining expected future cash flows. Unproved properties are excluded from the ceiling test calculation and subject to a separate impairment test. It is reasonably possible, based on existing knowledge, that changes in current conditions in the near-term could require a change in the recorded amount.

Measurement uncertainty

The amounts recorded for stock-based compensation, the carrying value and impairment of oil and gas interests and mineral properties are based on estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

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

Asset retirement obligations

The Company previously adopted, on a retroactive basis, the recommendations of the CICA with respect to the recognition, measurement, and disclosure of asset retirement obligations. Under this policy the Company recognizes the liabilities related to the legal obligation to abandon and reclaim property, plant and equipment upon acquisition, construction, development and/or normal use of the asset. The initial liability must be measured at fair value and subsequently adjusted for the accretion of discount and changes in the fair value. The asset retirement cost is capitalized as part of oil and gas properties or mineral property and depleted into earnings over time.

Depreciation, Depletion, and Accretion

In accordance with the full cost accounting method, all crude oil and gas acquisition, exploration, and development costs, including asset retirement costs, are accumulated in a cost center. The aggregate of net capitalized costs and estimated future development costs, less the cost of unproved properties and estimated salvage value, is amortized using the unit-of-production method based on current period production and estimated proved oil and gas reserves.

Joint venture accounting

Substantially all of the Company's exploration and production activities are conducted jointly with others, and accordingly these accounts reflect only the Company's proportionate interest in these activities.

Foreign exchange

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities are adjusted at each balance sheet date to reflect exchange rates prevailing at that date, non-monetary balances are translated at historic exchange rates. Gains and losses arising from restatement of foreign currency monetary assets and liabilities at each year-end are included in operations.

Revenue recognition

Revenue from oil and gas operations is recognized at the time the oil is sold or natural gas is delivered, sales price is fixed and determinable and when collection is reasonably assured.

Share issue costs

Commissions paid to underwriters and other costs related to the issuance of shares are charged to share capital.

Stock-based compensation

The Company accounts for stock options granted to directors, officers, employees and nonemployees at fair value method. The fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur.

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

Flow-through shares

The Company provides certain share subscribers with a flow-through component for tax benefits available on qualifying Canadian exploration, development and related provincial grants.

Upon renunciation to the shareholders, the Company reduces share capital and records a temporary future income tax liability for the amount of the tax benefit renounced to shareholders. In instances where the Company has sufficient deductible temporary differences available to offset the future income tax liability created from renouncing qualifying expenditures, the realisation of the deductible temporary differences will be shown as a recovery in income in the period of renunciation.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and losses available for carryforward. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

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 recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year.

Comparative figures

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in contributed surplus.

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

Impairment of Long-lived Assets

The Company has adopted the recommendations of CICA Handbook Section 3063 "Impairment of Long-lived Assets" and abstract EIC 174, "Mining Exploration Costs" ("EIC 174") of the Emerging Issues Committee. Section 3063 requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstance indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If impairment is deemed to exist, the assets will be written down to their fair value.

EIC 174 provides that an enterprise that is in the development stage with initially capitalized exploration costs but has not established mineral reserves objectively and therefore does not have a basis for preparing a projection of the estimated future net cash flow from the property, is not obliged to conclude that the capitalized costs have been impaired. However, such an enterprise should consider whether a subsequent write-down of capitalized exploration costs related to mining properties is required.

Recent accounting pronouncements not yet adopted

International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of February 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS has not been estimated at this time.

CURLEW LAKE RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2011

2. OIL AND GAS PROPERTIES

For the quarter ended October 31, 2011

	Cost	Accumulated Amortization and Depletion	Impairment of Capitalized Costs	2011 Net Book Value
Canada				
Unproven				
Steen River Oil Project	\$ 43,177	\$ -	\$ -	\$ 43,177
Chin Coulee Oil Project	111,879	-	-	111,879
Leduc Oil Project	69,781	-	-	69,781
Fairydell Oil Project	748,062	-	(54,971)	693,091
Proved producing				
*Turner Valley Oil Project	-	-	-	-
*Fosterton Project	-	-	-	-
	\$ 972,899	\$ -	\$ (54,971)	\$ 917,928

For the year ended January 31, 2011

	Cost	Accumulated Amortization and Depletion	Impairment of Capitalized Costs	2011 Net Book Value
Canada				
Unproven				
Steen River Oil Project	\$ 41,430	\$ -	\$ -	\$ 41,430
Chin Coulee Oil Project	110,485	-	-	110,485
Leduc Oil Project	68,944	-	-	68,944
Fairydell Oil Project	770,180	-	(325,761)	444,419
Proved producing				
*Turner Valley Oil Project	-	-	-	-
*Fosterton Project	33,667	-	(33,667)	-
	\$ 1,024,706	\$ -	\$ 359,428	\$ 665,278

*In light of the economic climate and uncertainty surrounding the future net cash flows from these properties, the Company wrote-off the Oil & Gas properties during the year ended January 31, 2010 and 2011.

3. OIL AND GAS PROPERTIES (cont'd...)

Fairydell Project, Alberta, Canada

The Company has acquired freehold and Alberta Crown Petroleum and Natural Gas rights in the Fairydell-Bon Accord area of central Alberta. The Company has a 75% interest in the project subject to a 2.5% GORR in nine and three-quarter sections (6,240 acres).

Chin Coulee Project, Alberta, Canada

The Company has acquired 2 sections (1,280 acres) of Alberta Crown Petroleum and Natural Gas Leases in the Chin Coulee area of Southern Alberta. The Company has a 75% interest in the lands subject to a 2.5% GORR.

Leduc Project, Alberta, Canada

The Company has acquired 2 sections (1,280 acres) of freehold Petroleum and Natural Gas rights in the prolific Leduc area of central Alberta. The Company has a 75% interest in the lands subject to a 2.5% GORR.

Minard Project, Saskatchewan, Canada

The Company has signed a Participation and Joint Operating Agreement with Propel Energy Corp. in the Minard area of Saskatchewan. Under the terms of the agreement Curlew Lake agreed to pay 30% of the cost of drilling and completing an initial well on the prospect to earn a 25% working interest in any subsequent production. The agreement provided for Curlew to pay 25% of the costs and receive 25% of the proceeds of production on any further wells on the project.

During 2008 the Company entered into an agreement with a private Ontario company. The agreement provides for 100% funding by the private company for the second well and for loans to Curlew to cover its share of funding of the following proposed 3 wells. In return the private company will be granted 50% of Curlew's interest in all 5 wells on the prospect. This arrangement will allow Curlew to participate with a 12.5% working interest in 5 horizontal wells in the Frobisher zone on the Minard project with no requirement for further equity financing.

The first 2 Minard wells are currently shut-in.

Fosterton Project, Saskatchewan, Canada

The Company has signed an agreement whereby it was granted the right to participate in a test well to earn a 25% interest in 320 acres of petroleum and natural gas leases. The Company paid 25% of the costs of the initial well on the project, and will receive 25% of net revenue from the well before payout (subject to a convertible GORR reserved to Farmers) and 15% after payout. The Company has earned the right to pay 15% of the costs and receive 15% of the proceeds of production on any further wells on the project. The first 2 Fosterton wells are currently in production.

3. OIL AND GAS PROPERTIES (cont'd...)

Steen River Project, Alberta, Canada

The Company signed a letter of intent for an option agreement with a third party pursuant to which it will enter into a two well drilling option agreement by May 27th, 2009, ending March 27th 2012, on 6 sections comprising the Steen River oil and gas prospect of Northern Alberta. The letter of intent calls for an initial payment of \$25,000 which has been paid. Curlew Lake Resources Inc. will be responsible for 25% of the drilling costs & crown rentals. The initial 2 wells must be completed prior to February 27, 2012. In 2009 the Company acquired an additional 7.5% in the Steen project. The additional interest acquisition cost was \$7,500.

Turner Valley Oil Project - Calgary, Alberta

The Company holds various interests, averaging about 4.375%, in certain petroleum and natural gas leases. The Company is in a non-operator position on all leases in this area. The Company has signed multiple farmout agreements on portions of the leases with three separate parties whereby the Company has retained royalty and/or working interests. The Company is now receiving pre-payout royalty income.

Métis Gas Project – Kikino Settlement, Alberta

The Company entered into a joint venture agreement with Métis Moccasin Resources Inc., and Propel Energy Corp., both private Alberta companies. Under this agreement Curlew Lake will have the right to acquire a 47.5% working interest before payout, convertible to 33.33% after payout, in oil and natural gas leases secured by the joint venture partners on Métis Settlement lands.

Métis Moccasin Resources Inc. has successfully completed the acquisition of an initial 10 sections (6400 acres) of oil and natural gas leases on the Kikino Métis Settlement lands northeast of Edmonton, Alberta.

In 2009 the Company wrote off all value on the Métis gas project with the exception of the \$515,800 deposit paid to Alberta Energy for mineral rights. The Company has been informed by the operator of the project that a refund of this payment is being pursued however the Company cannot guarantee that these funds will be refunded by the government without legal action required against all parties involved. Due to uncertainty regarding repayment of the deposit, it was written off in 2010.

CURLEW LAKE RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2011

4. MINERAL PROPERTIES

	Typhoon Claims	Peace River Claims
Balance, January 31, 2011	\$ -	\$ 6,263
Additions	-	4,092
Write-down	-	6,263
Balance, October 31, 2011	\$ -	\$ 4,092

Typhoon Claims, Clear Creek District, Yukon Territories

Curlew Lake holds a 100% interest in 117 mineral claims in the Clear Creek District of the Yukon. The 100% working interest on 98 claims is subject to a 4% Net Smelter Royalty, of which 1% may be purchased by the Company at any time in the future for the price of \$600,000, in cash or shares and an additional 2% which may be purchased at any time for \$1,000,000 in cash. The 100% working interest on the remaining 19 claims is subject to a 2% NSR Royalty, which may be purchased at any time by Curlew Lake for \$1 million for each 1% to the Vendor, Xenex Development Corporation. The Company announced in 2006 an agreement with a private investor whereby Curlew Lake Resources Inc. received additional funds to drill the Yukon property. The private investor received a 2% NSR Royalty on all Yukon properties. The property was written off in the current year as the Company identifies areas for follow up exploration.

Peace River Claims, Clear Hills District, Alberta

Curlew Lake holds a 50% interest in Metallic & Industrial Minerals rights on 37 Townships, an area of approximately 850,000 acres (351,675 hectares), of land on the Peace River Arch geological formation in north western Alberta. The lands will be operated as a joint venture, with Curlew and 2 private partners, and Curlew will be the initial operator of the exploration project. The lands lie north and west of the Clear Hills area and cover a structure known as Halverson Ridge and surrounding areas.

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number Of Shares	Capital Stock	Contributed Surplus
Authorized			
Common shares without par value	Unlimited		
Issued			
As at January 31, 2010	71,769,526	13,739,629	422,222
Issued for cash under private placements	27,700,000	1,385,000	-
Allocation to warrants		(112,000)	112,000
Stock-based compensation	-	-	132,643
As at January 31, 2011	99,469,526	\$15,012,629	\$666,685
Issued for cash under private placements	-	-	-
Allocation to warrants		-	-
Stock-based compensation	-	-	-
As at October 31, 2011	99,469,526	\$15,012,629	\$666,685

CURLEW LAKE RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2011

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

During the current year, the Company has not completed any share transactions.

During the prior year, the Company had the following share transactions:

On April 30th the Company arranged a private placement for 11,200,000 units at \$0.05 per share for total proceeds of \$560,000. Each unit consists of one common share and one warrant. Warrants included in the units totalled 11,200,000 exercisable up to two years at \$0.10 per share until expiration.

On August 26th the Company arranged a private placement for 10,500,000 flow-through units at \$0.05 per share for total proceeds of \$525,000. Each unit consists of one flow-through share and one flow-through warrant. Warrants included in the units totalled 10,500,000, exercisable up to two years at \$0.10 per share until expiration.

On December 17th the Company arranged a private placement for 6,000,000 flow-through units at \$0.05 per share for total proceeds of \$300,000. Each unit consists of one flow-through share and one flow-through warrant. Warrants included in the units totalled 6,000,000, exercisable up to two years at \$0.10 per share until expiration.

Stock options

The Company follows the policies of the TSX Venture Exchange ("TSX-V") 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 stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

Stock option transactions for the respective years and the number of share options outstanding are summarized as follows:

	Number Of Shares	Weighted Average Exercise Price
Balance, January 31, 2009	3,000,000	\$ 0.10
Options granted	600,000	0.10
Options granted	600,000	0.15
Options granted	2,500,000	0.10
Balance, January 31, 2010	6,700,000	0.06
Options cancelled	(1,200,000)	0.10
Options granted	1,200,000	0.10
Balance, January 31, 2011	6,700,000	\$ 0.10
Options cancelled	-	-
Options granted	-	-
Balance, October 31, 2011	6,700,000	\$ 0.10

CURLEW LAKE RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
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5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options (cont'd...)

- (i) On January 5th, 2010, the Company granted 2,500,000 options to acquire 2,500,000 shares of the Company at a price of \$0.10 per share. These options vest over the first twelve months of the agreement with 25% of the total vesting every 3 months.
- (ii) On August 3rd, 2010, the Company granted 800,000 options to acquire 800,000 shares of the Company at a price of \$0.10 per share. These options vest immediately.
- (iii) On October 20th, 2010, the Company granted 400,000 options to acquire 400,000 shares of the Company at a price of \$0.10 per share. These options vest immediately.
- (iv) On October 21st, 2010, the Company cancelled 1,200,000 options to acquire 1,200,000 shares of the Company at a price of \$0.10 per share.

The Company uses the fair value method for determining stock-based compensation expense for all options granted during the fiscal periods. The fair value of options granted and vested was \$132,643 (2010 - \$32,188), determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2011	2010
Expected life (years)	5	5
Interest rate	2.11%	2.74%
Volatility (average)	127%	124%
Dividend yield	0%	0%
Fair value	\$0.05	\$0.03

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

	Number Of Shares	Exercise Price	Expiry Date
	3,000,000	\$ 0.10	May 27, 2013
	2,500,000	\$ 0.10	January 5, 2015
	800,000	\$ 0.10	August 3, 2015
	400,000	\$ 0.10	October 20, 2015

Warrants

Warrant transactions for the respective years and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 31, 2009	500,000	\$ 0.15
Warrants granted	9,460,000	0.05
Warrants expired	(500,000)	0.15
Balance, January 31, 2010	9,460,000	0.05
Warrants granted	27,700,000	0.10
Balance, January 31, 2011	37,160,000	\$ 0.10
Warrants granted	-	-
Warrants expired	9,460,000	0.10
Balance, October 31, 2011	27,700,000	\$ 0.10

CURLEW LAKE RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
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5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Warrants (cont'd...)

The following warrants to acquire common shares were outstanding at October 31, 2011

Number of Shares	Exercise Price	Expiry Date
11,200,000	\$ 0.10	May 22, 2012
10,500,000	\$ 0.10	August 26, 2012
6,000,000	\$ 0.10	December 17, 2012

6. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Jan 31, 2011	Jan 31, 2010
Income (loss) before taxes for the year	\$ (1,005,206)	\$ (644,252)
Expected income tax (recovery) at statutory rates @ 28.33% (2010 – 29.88%)	\$ (284,808)	\$ (192,502)
Items not deductible for tax purposes	38,240	10,777
Adjustment for change in statutory rates	25,299	64,968
Non-capital loss carry-forward expired	30,953	40,437
Change in valuation allowance	190,249	76,320
Actual income tax expense (recovery)	\$ -	\$ -

The Company's future tax assets are as follows:

	Jan 31, 2011	Jan 31, 2010
Future income tax assets (liabilities):		
Non-capital loss carry forwards	\$ 170,825	\$ 158,989
Capital loss carry forwards	67,595	67,595
Share issue costs	-	4,033
Resource properties	1,123,727	941,298
Other item	2,500	2,500
	1,364,646	1,174,415
Less: Valuation allowance	(1,364,646)	(1,174,415)
	\$ -	\$ -

CURLEW LAKE RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2011

6. INCOME TAXES (cont'd...)

The Company has available for deduction against future taxable income non-capital losses of approximately \$683,298 and capital losses of \$540,756. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital and capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance, except for a recovery created by the renouncement of a benefit on the issuance of flow through shares.

The Company has accumulated non-capital losses for income tax purposes of approximately \$683,298. These non-capital losses expire as follows:

2015 -	\$159,748
2026 -	\$120,814
2027 -	\$ 85,900
2028 -	\$ 17,718
2029 -	\$ 51,010
2030 -	\$ 91,521
2031 -	\$ 156,587

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid management fees of \$7,500 (2010 - \$7,500) to a company controlled by a director.
- b) Paid wages and benefits of \$7,500 (2010 - \$7,500) to a company controlled by a director.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

8. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The fair values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their carrying values as the financial assets and liabilities have a short-term to maturity.

Fair Value Hierarchy

Financial instruments recorded at fair value on the Balance Sheets are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

CURLEW LAKE RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2011

8. FINANCIAL INSTRUMENTS (cont'd...)

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

October 31, 2011	Level 1	Level 2	Level 3
Assets:			
Cash	\$ 28,436	\$ -	\$ -

January 31, 2011	Level 1	Level 2	Level 3
Assets:			
Cash	\$ 519,356	\$ -	\$ -

Financial Instrument Risks

The Company is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The types of risk exposure and the way in which such exposures are managed are as follows:

Liquidity Risk - The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short and long-term cash requirements. To the extent that the Company may not have sufficient liquidity to meet these obligations, management considers securing additional funds by issuing more equity instruments. The Company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs.

Market Risk - The significant market risk exposure to which the Company is exposed is interest rate risk. This is discussed further below:

Interest rate risk - The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity of its cash and cash equivalents.

Concentration risk - At January 31, 2011, all of the Company's cash was held at a recognized Canadian national financial institution. As a result, the Company is exposed to the risk that the financial institution ceases operations and the Company loses its capital, the Company considers this risk to be minimal.

9. CAPITAL DISCLOSURES

The Company defines its capital as shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets, incur debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements. The Company's overall strategy remains unchanged from the prior year.

10. COMMITMENT

The Company is committed to incur exploration expenditures of \$300,000 in 2011 to meet the renouncement requirements from the issuance of flow-through shares in December 2010.

11. SUBSEQUENT EVENT

None