LINEAR METALS CORPORATION
Consolidated Financial Statements
(unaudited - Prepared by Management)
January 31, 2012

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended January 31, 2012.

LINEAR METALS CORPORATION
Consolidated Balance Sheets
(unaudited - Prepared by Management)

(expressed in Canadian dollars)

	January 31 2012	(note 13) October 31 2011	(note 13) November 1 2010
ASSETS	$	$	$
Current assets			
Cash and cash equivalents	174,788	1,116,532	283,682
Accounts receivable and sales taxes recoverable	64,921	66,314	38,762
Prepaid expenses and deposits	64,178	105,582	31,392
	303,887	1,288,428	353,836
Property and equipment (note 7)	38,761	42,215	51,539
Resource properties (note 8)	8,056,998	11,496,843	9,885,010
	8,399,646	12,827,486	10,290,385
LIABILITIES			
Current liabilities			
Accounts payable and accruals	828,310	946,659	216,438
Deferred income taxes	-	504,000	666,000
	828,310	1,450,659	882,438
SHAREHOLDERS' EQUITY	7,571,336	11,376,827	9,407,947
	8,399,646	12,827,486	10,290,385

Nature of operations (note 1)
Going concern (note 2)

The accompanying notes form an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors

(s) Wade K. Dawe — *(s) Brian MacEachen*
Wade K. Dawe — **Brian MacEachen**

LINEAR METALS CORPORATION
Consolidated Statements of Operations and Comprehensive Loss
(unaudited - Prepared by Management)

(expressed in Canadian dollars)

	For the Three-Months Ended January 31	
	2012	2011
	$	$
EXPENSES		
Amortization	2,949	1,189
Banking fees	187	109
General and administrative	17,632	18,552
Investor relations and marketing	6,369	28
Listing and regulatory costs	16,186	7,127
Management salaries and services	131,160	46,766
Professional services	31,936	21,203
Stock-based compensation	76,956	57,348
Travel	11,493	33,679
Write-down of resource properties (note 8)	4,405,173	-
	4,700,041	186,001
LOSS FROM OPERATIONS	(4,700,041)	(186,001)
OTHER INCOME (EXPENSES)		
Foreign exchange	(5,667)	299
Interest	-	132
Gain/(loss) on disposal of equipment	(3,829)	139
NET LOSS BEFORE INCOME TAXES	(4,709,537)	(185,431)
RECOVERY OF DEFERRED INCOME TAXES	(504,000)	(37,000)
	(504,000)	(37,000)
NET LOSS FOR THE PERIODS	(4,205,537)	(148,431)
COMPREHENSIVE LOSS FOR THE PERIODS	(4,205,537)	(148,431)
LOSS PER SHARE - BASIC AND DILUTED	$ (0.07)	$ (0.00)
Weighted Average Number of Common Shares Outstanding		
Basic	62,663,601	53,000,193

The accompanying notes form an integral part of these consolidated financial statements.

LINEAR METALS CORPORATION

Consolidated Statements of Changes in Equity

(unaudited - Prepared by Management)

(expressed in Canadian dollars)

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Deficit	Total
		$	$	$	$	$
Balance at November 1, 2010	53,000,193	18,383,195	3,544,673	-	(12,519,921)	9,407,947
Net loss for the period	-	-	-	-	(148,431)	(148,431)
Share-based compensation	-	-	61,510	-	-	61,510
Balance at January 31, 2011	53,000,193	18,383,195	3,606,183	-	(12,668,352)	9,321,026
Net loss for the period	-	-	-	-	(469,313)	(469,313)
Shares issued pursuant to private placements	9,482,083	2,200,928	-	-	-	2,200,928
Less: subscriptions receivable	(411,950)	(80,458)	-	-	-	(80,458)
Share issue costs	-	(75,058)	-	-	-	(75,058)
Warrants issued pursuant to private placements	-	-	-	313,730	-	313,730
Warrant issue costs	-	-	-	(17,752)	-	(17,752)
Share-based compensation	-	-	183,724	-	-	183,724
Balance at October 31, 2011	62,070,326	20,428,607	3,789,907	295,978	(13,137,665)	11,376,827
Net loss for the period	-	-	-	-	(4,205,537)	(4,205,537)
Share-based compensation	-	-	93,578	-	-	93,578
Issued in exchange for technical data	949,658	203,480	-	-	-	203,480
Subscriptions receivable collected	411,950	80,458	-	22,530	-	102,988
Balance at January 31, 2012	63,431,934	20,712,545	3,883,485	318,508	(17,343,202)	7,571,336

The accompanying notes form an integral part of these consolidated financial statements.

LINEAR METALS CORPORATION
Consolidated Statements of Cash Flows
(unaudited - Prepared by Management)

(expressed in Canadian dollars)

	For the Three-Months Ended January 31	
	2012	2011
	$	$
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net loss for the periods	(4,205,537)	(148,431)
Charges to operations not involving cash		
Amortization	2,949	1,189
Stock-based compensation	76,956	57,348
(Gain) loss on disposal of equipment	3,829	(139)
Write-down of resource properties	4,405,173	-
Recovery of deferred income taxes	(504,000)	(37,000)
	(220,630)	(127,033)
Net change in non-cash working capital related to operations		
Decrease (increase) in sales taxes recoverable	5,144	8,566
Decrease (increase) in prepaid expenses and deposits	11,479	7,702
Increase (decrease) in accounts payable and accruals	(34,709)	37,141
	(238,716)	(73,624)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Subscriptions receivable collected	102,988	-
	102,988	-
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Resource property interests and options, net	(798,064)	(132,467)
Sales taxes recoverable related to resource property interests	(3,751)	(34,598)
Purchases of equipment	(4,201)	-
Proceeds on disposal of equipment	-	139
	(806,016)	(166,926)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(941,744)	(240,550)
CASH AND CASH EQUIVALENTS, beginning of periods	1,116,532	283,682
CASH AND CASH EQUIVALENTS, end of periods	174,788	43,132
SUPPLEMENTAL INFORMATION		
Interest received during the periods	-	132

The accompanying notes form an integral part of these consolidated financial statements.

1) Nature of operations

Linear Metals Corporation (the "Company") is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues. The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, obtaining necessary financing and permitting to complete the development, and future profitable production or proceeds from the disposition thereof. The Company's head office is located at 1969 Upper Water Street, Suite 2001, Halifax, Nova Scotia, Canada.

2) Basis of Presentation and Going Concern

Going Concern

These interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

For the three-month period ended January 31, 2012, the Company incurred a net loss of approximately $4.2 million (year-ended October 31, 2011 - $0.6 million) and as at January 31, 2012 had an accumulated deficit of approximately $17.3 million (year-ended October 31, 2011 - $13.1 million). The Company has no income or cash flow from operations and at January 31, 2012 had a negative working capital balance of approximately $0.5 million (year-ended October 31, 2011 - positive working capital balance of $0.3 million). In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. Such material uncertainties cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or the sale of properties. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting

Standards Board ("IASB"). These are the Company's first financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The disclosures required by the provisions of IFRS 1, *First-time adoption of International Financial Reporting Standards*, have been applied, as they are part of the period covered by the Company's first IFRS consolidated financial statements for the year ending October 31, 2012. The interim consolidated financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 13. This note includes reconciliations of equity and comprehensive income (loss) for comparative periods and of equity at the date of transition reported under previous Canadian GAAP to those reported for those periods at the date of transition under IFRS.

The policies applied in these interim consolidated financial statements are presented in note 3 and are based on the IFRS issued and outstanding as of April 11, 2012, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending October 31, 2012 could result in the restatement of these interim consolidated financial statements, including the transition adjustments recognized on transition to IFRS.

Basis of Presentation

The interim consolidated financial statements have been prepared on the historical cost basis, except for share-based payments measured at fair value. Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The interim consolidated financial statements are presented in Canadian dollars, which is the presentation currency of the Company. The Company's functional currency is the Canadian dollar.

Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that

period or in the period of the revision and further periods if the review affects both current and future periods.

3) Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position at November 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The exemptions the Company has taken in applying IFRS for the first time are set out in note 13.

(a) Basis of consolidation

These interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 6321593 Canada Inc., Linear Metals Corporation of Kenya Limited, and Linear Metal Corp. Mexico, S.A. de C.V. All intercompany balances and transactions have been eliminated on consolidation of the accounts.

(b) Resource properties and related deferred costs

The Company defers all expenditures related to its resource properties until such time as the properties are put into commercial production, sold, abandoned or considered to be impaired. Under this method, all amounts shown as resource properties represent costs incurred to date less amounts amortized, received from exploration partners and/or written off, and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted following the unit of production method. If the properties are sold or abandoned, or considered to be impaired in value, the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining its resource properties in good standing.

Resource properties are reviewed for impairment on a property by property basis whenever events or changes in circumstances indicate that the carrying amount of a resource property may not be recoverable. If the Company has sufficient information about a resource property to estimate future cash flows expected to be generated by the resource property, then recoverability is measured by a comparison of the carrying amount to the estimated cash flows. If the Company does not have sufficient information about the resource property to estimate future cash flows expected to be generated by the resource property, then the carrying amount is compared to the estimated fair value. If the carrying amount exceeds the estimated future cash flows or estimated fair value, the resource property will be written down to its estimated fair value. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions; however, it is possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized resource property carrying values. Conversely, properties which have been written down may represent future value to the Company in excess of management's estimates and/or the carrying value of the properties.

(c) Property option agreements

From time to time, the Company may acquire or dispose of an interest in a resource property pursuant to the terms of an option agreement. In accordance with the terms of the underlying option agreement, any amounts payable or receivable at the discretion of the optionee are not recorded until paid or received. Option payments are recorded as property costs or recoveries when the payments are made or received.

(d) Cash and cash equivalents

Cash and cash equivalents consists of cash and highly-liquid investments which are readily convertible into cash, with maturities of three months or less when purchased.

(e) Foreign currency

Transactions in currencies other than the entity's functional currency ("foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

(f) Deferred income taxes

Income taxes are comprised of current and deferred tax. Income tax is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, as well as the benefit of losses that are probable to be realized and are available for carry forward to future years to reduce income taxes. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that is probable that the assets can be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The effect of a change in tax rates on deferred tax assets and liabilities is included in earnings in the period that the change is substantively enacted, except to the extent it relates to items previously recognized outside earnings in which case the rate change impact is recognized in a manner consistent with how the items were originally recognized.

Deferred income tax assets and liabilities are presented as non-current. Tax on income in interim periods is accrued using the tax rate that would be applicable to expected annual total earnings.

(g) Flow-through shares

The issuance of flow-through shares entitles the Company to renounce certain resource expenditures incurred in Canada, allowing the expenditures to be deducted for tax purposes by the investors who purchased the flow-through shares. The Company has, in prior years, financed portions of its exploration activities through the issuance of flow-through shares. The income tax attributes of the related exploration expenditures are renounced to investors in accordance with income tax legislation. The proceeds received on the issue of flow-through shares are allocated between share capital and the obligation to deliver the tax deduction to investors. This allocation is based on the difference between the quoted price of the Company's non-flow-through shares and the amount the investor pays for the flow-through shares.

(h) Related party transactions

Unless otherwise disclosed herein, all transactions with related parties are in the normal course of business and are measured at the exchange amount.

(i) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The Company provides for amortization using the declining-balance method at the annual rate of 30% for office equipment, exploration equipment and software.

(j) Loss per share

The calculation of basic loss per share is based on net loss divided by the weighted-average number of common shares outstanding. The Company follows the treasury stock method of calculating diluted per share amounts. Diluted loss per share is equal to loss per share since the exercise of options and warrants is anti-dilutive.

(k) Share-based payments

The Company has a share-based compensation plan. Awards of options under this plan are expensed based on the estimated fair value of the options at the grant date, with a corresponding credit to share-based compensation in shareholders' equity. Fair value is estimated using the Black-Scholes pricing model. If the options are subject to a vesting period, the estimated fair value is recognized over this period on a graded vesting basis, based on the Company's estimate of the shares that will eventually vest.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the estimated fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Cash consideration received on exercise of options is credited to share capital together with the amounts originally recorded as share-based compensation related to the exercised options.

(l) Critical estimates uncertainty

The preparation of consolidated financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Impairment of non-financial assets

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

Deferred income taxes

The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period of changes.

Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, the market price for gold, production costs, quantities of proven and probable reserves, interest rates, and foreign currency exchange rates.

Share-based payments

The Company makes certain estimates and assumptions when calculating the fair values of stock options granted and warrants issued. The significant assumptions used include estimate of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for the grant of stock options and the issuance of warrants.

4) Future Changes in Accounting Policies

(a) IFRS 9, *Financial Instruments*

In November 2009, IFRS 9, *Financial Instruments* (“IFRS 9”) was issued and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, *Financial Instruments – Recognition and Measurement* (“IAS 39”) for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. This standard is required to be applied for accounting periods beginning

on or after January 1, 2015, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

(b) IFRS 10, *Consolidated Financial Statements*

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), which supersedes SIC 12 and the requirements relating to consolidated financial statements in IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 establishes control as the basis for an investor to consolidate its investees and defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

(c) IFRS 12, *Disclosure of Interests in Other Entities*

IFRS 12, *Disclosure of Interest in Other Entities* ("IFRS 12"), enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard requires a reporting entity to disclose information that helps users assess the nature and financial effects of the reporting entity's relationship with other entities. Disclosure requirements include information that helps users in understanding the judgments and assumptions made by a reporting entity when deciding how to classify its involvement with another entity, understand the interest that non-controlling interest have in consolidated entities, and assess the nature of the risks associated with interest in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

(d) IFRS 13, *Fair Value Measurement*

In May 2011, as a result of the convergence project undertaken by the IASB and the US Financial Accounting Standards Board, to develop common requirements for measuring fair value and for disclosing information about fair value measurements, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"). IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 13 defines fair value and sets out a single framework for measuring fair value, which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that, when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized which unobservable inputs should be minimized. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

(e) Amendments to IAS 1, *Presentation of Financial Statements*

In June 2011, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1") that require an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

(f) Amendment to IAS 12, *Income Taxes*

In December 2010, the IASB issued an amendment to IAS 12, *Income Taxes* that provides guidelines to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after January 1, 2012, with earlier application permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

5) Financial Instruments

The Company recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net income (loss) or comprehensive income (loss).

If a financial instrument is measured at fair value, changes in its fair value shall usually be recognized in net income (loss) in the period in which the change occurs, with some exceptions, such as for cash flow hedges and available-for-sale investments. For investments designated as being Available-for-Sale, changes in the fair value shall be recorded directly in Shareholders' Equity in a separate account called "Accumulated Other Comprehensive Income (Loss)" until the asset is disposed of or becomes impaired. At that time, the gains and losses are transferred to the Statement of Operations and Comprehensive Loss.

The Company has implemented the following classifications:

- Cash and cash equivalents and accounts receivable are classified as "Loans and Receivables." After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

- Accounts payable and accruals are classified as "Other Financial Liabilities." After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

a) Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying values of cash, accounts receivable, accounts payable, and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

b) Foreign currency rate risk

A portion of the Company's transactions occur in United States, Kenyan and Mexican currencies; accordingly, the related financial assets are subject to fluctuations in the respective exchange rates.

c) Concentration of credit risk

Management does not believe it is exposed to any significant concentration of credit risk except that a significant portion of its cash and cash equivalents are on deposit with a major Canadian chartered bank. All of the sales taxes recoverable are with either the government of Canada or the government of Mexico.

d) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due (see note 2). Cash and cash equivalents are held in bank accounts or interest-bearing instruments that can be converted to cash without penalty at any time and are recorded at fair value.

e) Interest rate risk

The Company has cash and cash equivalents and no interest-bearing debt; accordingly, the Company's interest income is susceptible to fluctuations in interest rates.

6) Capital Management

The Company's capital structure consists of share capital, warrants and contributed surplus, which at January 31, 2012 totalled $24.9 million (October 31, 2011 - $24.5 million). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments.

There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

7) Property and equipment

	Office equipment	Exploration equipment	Total
	$	$	$
Cost			
Balance as at November 1, 2010	75,062	82,556	157,618
Additions	4,500	4,716	9,216
Disposals	-	-	-
Balance at October 31, 2011	79,562	87,272	166,834
Additions	3,857	344	4,201
Disposals	-	(35,371)	(35,371)
Balance at January 31, 2012	83,419	52,245	135,664
Accumlated amortization			
Balance as at November 1, 2010	49,153	56,926	106,079
Additions	7,003	11,537	18,540
Disposals	-	-	-
Balance at October 31, 2011	56,156	68,463	124,619
Additions	1,910	1,916	3,826
Disposals	-	(31,542)	(31,542)
Balance at January 31, 2012	58,066	38,837	96,903
Carrying amounts			
As at November 1, 2010	25,909	25,630	51,539
As at October 31, 2011	23,406	18,809	42,215
As at January 31, 2012	25,353	13,408	38,761

During the period ended January 31, 2012, the Company capitalized amortization of $877 (October 31, 2011 - $6,718) to resource properties.

8) Resource properties

The Company's resource properties consist of the following:

	Kenya	Canada			Mexico	
	Nyanza	KM61	Seymour Lake	Other	La Morena	Total
	$	$	$	$	$	$
Balance as at November 1, 2010	-	8,393,761	1,161,844	-	329,405	9,885,010
Additions incurred during the period	1,244,610	7,412	7,687	5,000	397,124	1,661,833
Proceeds from option payments	-	-	(50,000)	-		(50,000)
Balance at October 31, 2011	1,244,610	8,401,173	1,119,531	5,000	726,529	11,496,843
Additions incurred during the period	949,600	4,000	6,185	-	5,543	965,328
Proceeds from option payments	-	-	-	-		-
Impairment write-down	-	(4,405,173)	-	-	-	(4,405,173)
Balance at January 31, 2012	2,194,210	4,000,000	1,125,716	5,000	732,072	8,056,998

Kenya

On February 9, 2011, the Company reached an agreement with East African Pure Gold Limited ("EAPG") and B&M Mining Company Limited ("B&M) to earn up to an initial 80% interest in three mineral exploration concessions located in Kenya (the "Nyanza Project"). Under the terms of the agreements, the Company can earn an 80% interest in the concessions by incurring exploration expenditures of US$4,000,000 and making cash payments to EAPG and B&M totalling US$300,000 over a four-year period.

Canada

i) KM61

The Company holds a 100% interest in the KM61 property, which is a molybdenum-copper-silver prospect, located in northwestern Ontario, contiguous with the Seymour Lake project. The majority of the KM61 property, including the mineralized zone, is subject to a 0.5% net smelter royalty. Of the remaining claims on the KM61 property, certain portions are subject to a 3% net smelter royalty and the balance are not subject to any royalties. The Company can repurchase 50% of the 0.5% net smelter royalty for $250,000 and/or 50% of the 3% net smelter royalty for $1.0 million. During the period, the Company recognized an impairment write-down of $4,405,173 related to its interest in the KM61 property.

ii) Seymour Lake

The Company holds a 100% interest in the Seymour Lake property, which is a tantalum-lithium-beryllium prospect located in northwestern Ontario, in the Crescent Lake area of the Thunder Bay Mining District. Certain portions of the Seymour Lake property are subject to a 3% net smelter return royalty, of which 1.5% can be purchased by the Company for $1.0 million.

The Company had previously entered an agreement with a private company pursuant to which the Company granted an option to earn a 70% interest in the Seymour Lake Property. As of the date of these financial statements, the optionee has not made certain payments required pursuant to the option agreement.

iii) Canada - Other

On November 4, 2010, the Company entered into two separate option agreements to acquire up to a 100% interest, subject to certain net smelter royalties, in two early-stage exploration properties in Ontario, Canada by making payments and incurring exploration expenditures over a two-year period. Refer to note 12 for details on an agreement signed relating to these properties subsequent to the end of the period.

Mexico

i) La Morena

The Company holds a 100% interest in the La Morena property, located in the state of Coahuila, Mexico.

9) Capital Stock

a) Authorized

The Company has authorized an unlimited number of common shares without par value.

b) Issued

During the three-month period ended January 31, 2012, the Company issued 949,658 common shares to African Queen Mines Limited ("AQ") in connection with a settlement agreement announced on November 28, 2011. The settlement agreement related to a dispute over certain mineral claims within the Nyanza Project and included the acquisition of certain project-related data by the Company from AQ for US$500,000, of which US$200,000 was paid through the issuance of 949,658 common shares of the Company, US$150,000 was paid in cash, and the remaining US$150,000 is due within 12 months of the initial payment.

On October 28, 2011, the Company completed a non-brokered private placement financing of 6,000,000 units at a price of $0.25 per unit, for aggregate gross proceeds of $1,500,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.35 until October 28, 2013. The expiry of the warrants may be accelerated by the Company if the Company's shares trade above $0.50 for twenty consecutive trading days. The value allocated to the common shares issued was $1,171,875, and the value allocated to the warrants was $328,125. Total costs associated with the private placement were $81,150, including cash paid for commissions of $37,187, legal and regulatory fees of $6,775 and

148,750 units issued as finder's fees valued at $37,188. The Company allocated $63,398 to the costs of issuing the common shares, including $39,053 of the value of the units issued as finder's fee, and $17,752 to the costs of issuing the warrants. Officers and directors of the Company subscribed for 350,000 of the units pursuant to the private placement. During the period, previously outstanding share subscriptions receivable of $102,988 pursuant to the non-brokered financing were received.

On February 24, 2011, the Company completed a non-brokered private placement of 3,333,333 common shares priced at $0.30 per share, for total gross proceeds of $1,000,000. Share issuance costs to complete the financing were $11,660. Officers and directors of the Company subscribed for 1,666,666 common shares pursuant to the private placement.

10) Stock options

Changes in stock options during the three-month period ended January 31, 2012 and year ended October 31, 2011 are summarized as follows:

	Three-months ended January 31, 2012		Year-ended October 31, 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding - beginning of periods	4,600,000	$ 0.31	3,525,000	$ 0.31
Granted	1,250,000	0.25	1,225,000	0.31
Forfeited or expired	-	-	(150,000)	0.40
Outstanding - end of periods	5,850,000	$ 0.30	4,600,000	$ 0.31

The following table summarizes information about the stock options outstanding and exercisable at January 31, 2012:

Weighted average exercise price per share	Number of options outstanding	Expiry date	Number of options exercisable
0.14	150,000	August 3, 2015	75,000
0.15	2,425,000	August 24, 2014	2,425,000
0.25	850,000	December 1, 2016	-
0.25	400,000	January 12, 2017	-
0.27	250,000	November 8, 2015	125,000
0.28	200,000	October 21, 2014	130,000
0.30	775,000	June 7, 2016	193,750
0.40	200,000	August 3, 2016	-
1.00	600,000	January 31, 2013	600,000
$ 0.30	5,850,000		3,548,750

11) Warrants

Changes in share purchase warrants during the three-month period ended January 31, 2012 and year ended October 31, 2011 are summarized as follows:

	Three-months ended January 31, 2012			Year-ended October 31, 2011		
	Number	Exercise price per warrant	Amount	Number	Exercise price per warrant	Amount
Outstanding - beginning of periods	2,868,400	$ 0.35	$ 295,978	-	$ -	$ -
Issued for cash	-	-	-	3,000,000	0.35	328,125
Issued as cost of financing	-	-	-	74,375	0.35	8,135
Costs of financing	-	-	-	-	-	(17,752)
Subscriptions receivable	205,975	0.35	22,530	(205,975)	0.35	(22,530)
Outstanding - end of periods	3,074,375	$ 0.35	$ 318,508	2,868,400	$ 0.35	$ 295,978

The following table summarizes information about the warrants outstanding and exercisable at January 31, 2012:

Expiry date	Number of outstanding warrants	Weighted average exercise price	Number of exercisable warrants
October 28, 2013	3,074,375	$ 0.35	3,074,375

12) Subsequent Events

Subsequent to the end of the period, the Company signed a formal agreement with Greencastle Resources Ltd. ("Greencastle"), whereby the Company signed all right, title, and interest in and to the option of its two early-stage exploration properties located in Ontario, Canada. Consideration by Greencastle for the assignment of the option agreements consisted of an initial payment of $20,000 and issuance to the Company of 100,000 common shares of Greencastle, which were received by the Company subsequent to the end of the period. On the first anniversary of the agreement, Greencastle may elect to continue the options and make a final payment to the Company of up to $20,000 and an additional 100,000 common shares of Greencastle. The properties are subject to a 2% net smelter royalty. Greencastle has the option to purchase half of each royalty for $1,000,000 and has granted the Company the right to purchase 25% of this purchased royalty for $500,000.

13) Transition to IFRS

i) Overview

As stated in note 2, these are the Company's first interim consolidated financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 have been applied in preparing the interim consolidated financial statements for the three-month period ended January 31, 2012, the

comparative information presented in these financial statements for both the three-month period ended January 31, 2011 and the year ended October 31, 2011 and in the preparation of the opening consolidated IFRS balance sheet at November 1, 2010 (the "Transition Date").

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in its consolidated financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's balance sheet, financial performance and cash flows is set out in the following tables and accompanying notes.

The transition from Canadian GAAP to IFRS has had no material effect on the reported cash flows generated by the Company. The reconciling items between the Canadian GAAP presentation and the IFRS presentation have no impact on the cash flows generated.

ii) First-time Adoption of IFRS

IFRS 1, *First-time Adoption of International Financial Reporting Standards,* sets forth guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The following are the optional exemptions available under IFRS 1 that the Company has elected to apply to its opening IFRS consolidated balance sheet dated November 1, 2010:

Share-based payments
The election allows the application of IFRS 2, *Share-Based Payments*, only to equity instruments granted after November 7, 2002 which had not vested by the Transition Date.

The Company has elected not to apply the remaining optional exemptions available at the time of transition from Canadian GAAP to IFRS.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS consolidated balance sheet as at the Transition Date are consistent with those made under Canadian GAAP.

iii) Reconciliation of comprehensive income and equity as previously reported under Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income for certain prior periods. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods for comprehensive income and equity.

Comprehensive income

The following is a summary of transition adjustments to the Company's comprehensive income from Canadian GAAP to IFRS:

	note 13 (iv)	Year ended October 31, 2011 $	Three-months ended January 31, 2011 $
Comprehensive loss - Canadian GAAP		(695,965)	(169,021)
IFRS adjustments increase (decrease)			
Share-based compensation	(a)	78,221	20,590
Comprehensive loss - IFRS		(617,744)	(148,431)

Equity

The following is a summary of transition adjustments to the Company's shareholders' equity from Canadian GAAP to IFRS:

	note 13 (iv)	October 31, 2011 $	January 31, 2011 $	November 1, 2010 $
Equity - Canadian GAAP		11,353,080	9,291,833	9,377,212
IFRS adjustments increase (decrease)				
Share-based compensation	(a)	23,747	29,193	30,735
Equity - IFRS		11,376,827	9,321,026	9,407,947

iv) Changes to Accounting Policies

The transition from Canadian GAAP to IFRS resulted in changes to certain accounting policies to be consistent with IFRS, and the Company expects these policies to be effective and available on October 31, 2012, the Company's first annual IFRS reporting date. The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

a) Stock-based compensation

Under IFRS, each tranche of a stock-based award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value was amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they were estimated, and revised for actual forfeitures in subsequent periods.

Under Canadian GAAP, the fair value of stock-based awards with graded vesting was calculated as a single grant and the resulting fair value was recognized over the vesting period for the grant. Forfeitures were recognized as they occurred. As a result of the conversion to IFRS, resource properties, contributed surplus, loss, and deficit balances were adjusted in the included schedules. Resource properties, contributed surplus and the deficit increased by $30,735, $130,985 and $100,250, respectively at the Transition Date. Additionally, stock-based compensation expense decreased by $20,590 for the three-months ended January 31, 2011 and by $78,221 for the year-ended October 31, 2011.

b) Flow-through shares

Under IFRS, the proceeds received from the issuance of flow-through shares must be allocated between share capital and the obligation to deliver the tax deduction. This allocation is based on the difference between the quoted price of the Company's non-flow-through shares and the amount the investor pays for the flow-through shares.

Under Canadian GAAP, share capital is reduced by the amount of the estimated tax benefit transferred to investors. The renunciation of expenditures associated with all flow-through shares issued by the Company was completed and recognized in accordance with Canadian GAAP prior to the Transition Date. As a result, both share capital and the Company's deficit increased by $565,000 at the Transition Date.

v) Additional IFRS Information

Compensation of key management

Key management includes all directors, including both executive and non-executive directors, as well as the Chief Financial Officer and the Vice-President-Exploration. The compensation earned by key management is as follows:

	Year ended October 31, 2011	
Salaries and director fees earned	$	342,918
Non-cash share-based compensation		172,779
	$	515,697

As of January 31, 2012, $64,500 of the salaries and director fees earned during the year-ended October 31, 2011 remain unpaid.

Segmented information

The Company conducts mineral operations in Canada, Mexico and Kenya and is searching for mineral exploration opportunities worldwide. Since the Company is in the exploration stage, there is no segmented revenue or operating results to report. The Company's total assets are segmented geographically as follows:

					January 31, 2012
	Corporate Canada	**Mineral Operations Canada**	**Mineral Operations Mexico**	**Mineral Operations Kenya**	**Total**
	$	**$**	**$**	**$**	**$**
Current assets	219,805	-	58,362	25,720	303,887
Property and equipment	25,353	8,683	-	4,725	38,761
Resource properties	-	5,130,716	732,072	2,194,210	8,056,998
	245,158	5,139,399	790,434	2,224,655	8,399,646

					October 31, 2011
	Corporate Canada	**Mineral Operations Canada**	**Mineral Operations Mexico**	**Mineral Operations Kenya**	**Total**
	$	**$**	**$**	**$**	**$**
Current assets	1,206,350	-	56,138	25,940	1,288,428
Property and equipment	23,406	9,385	4,868	4,556	42,215
Resource properties	-	9,525,704	726,529	1,244,610	11,496,843
	1,229,756	9,535,089	787,535	1,275,106	12,827,486

					November 1, 2010
	Corporate Canada	**Mineral Operations Canada**	**Mineral Operations Mexico**	**Mineral Operations Kenya**	**Total**
	$	**$**	**$**	**$**	**$**
Current assets	273,120	-	80,716	-	353,836
Property and equipment	25,909	13,392	12,238	-	51,539
Resource properties	-	9,555,605	329,405	-	9,885,010
	299,029	9,568,997	422,359	-	10,290,385

Deferred income taxes

The following reflects deferred income tax assets (liaibilities)

	January 31, 2012 $	October 31, 2011 $	November 1, 2010 $
Deferred tax assets (liabilities)			
Non-capital losses carried forward	310,000	922,000	708,000
Deductible share issue costs	31,000	38,000	94,000
Accounting value of mineral resource properties in excess of tax value	(365,000)	(1,487,000)	(1,488,000)
Tax value of property and equipment and prepaid expenses in excess of accounting value	24,000	23,000	20,000
Net deferred future income tax asset (liability) recognized	-	(504,000)	(666,000)

The Company also has the following approximate net deferred tax assets, primarily related to foreign operations which have not been recognized:

	January 31, 2012 $	October 31, 2011 $	November 1, 2010 $
Net deferred tax assets - not recognized	2,484,000	1,812,000	2,156,000