Stockport Exploration Inc.
(Formerly Linear Metals Corporation)

Consolidated Financial Statements
October 31, 2012 and 2011

January 22, 2013

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of **Stockport Exploration Inc. (formerly Linear Metals Corporation)** have been prepared by the Company's management. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and contain estimates based on management's judgment. Internal control systems are maintained by management to provide reasonable assurances that assets are safeguarded and financial information is reliable.

The Board of Directors of the Company is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management discussion and analysis. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and a majority of its members are independent directors. It meets with the Company's management and auditors and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the financial statements to the Board of Directors for approval.

PricewaterhouseCoopers LLP, appointed as the Company's auditors by the shareholders, has examined these consolidated financial statements and their report follows.

(signed) "*James Megann*"
President and Chief Executive Officer
Halifax, Nova Scotia

(signed) *"Robert Randall"*
Chief Financial Officer
Halifax, Nova Scotia

January 22, 2013

Independent Auditor's Report

To the Shareholders of
Stockport Exploration Inc. (formerly Linear Metals Corporation)

We have audited the accompanying consolidated financial statements of **Stockport Exploration Inc. (formerly Linear Metals Corporation)** and its subsidiaries, which comprise the consolidated statements of financial position as at October 31, 2012, October 31, 2011 and November 1, 2010 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended October 31, 2012 and October 31, 2011 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Stockport Exploration Inc. (formerly Linear Metals Corporation) and its subsidiaries as at October 31, 2012, October 31, 2011 and November 1, 2010 and the results of their operations and their cash flows for the years ended October 31, 2012 and October 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 2 of the consolidated financial statements which describe matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Stockport Exploration Inc.'s ability to continue as a going concern.

(signed) "*PricewaterhouseCoopers LLP*"

Chartered Accountants

PricewaterhouseCoopers LLP
Summit Place, 1601 Lower Water Street, Suite 400, Halifax, Nova Scotia, Canada B3J 3P6
T: +1 (902) 491 7400, F: +1 (902) 422 1166

Stockport Exploration Inc.
(Formerly Linear Metals Corporation)
Consolidated Statements of Financial Position
As at October 31, 2012, October 31, 2011 and November 1, 2010

(in Canadian dollars)

	October 31, 2012 $	October 31, 2011 $	November 1, 2010 $
Assets			
Current assets			
Cash and cash equivalents	347,403	1,116,532	283,682
Sales taxes recoverable	38,368	66,314	38,762
Prepaid expenses and deposits	41,039	105,582	31,392
	426,810	1,288,428	353,836
Marketable securities	9,000	–	–
Property and equipment (note 7)	42,615	42,215	51,539
Resource properties (note 8)	8,543,627	11,496,843	9,885,010
	9,022,052	12,827,486	10,290,385
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 9)	882,127	946,659	216,438
Deferred income taxes (note 13)	–	504,000	666,000
	882,127	1,450,659	882,438
Shareholders' Equity	8,139,925	11,376,827	9,407,947
	9,022,052	12,827,486	10,290,385

Basis of presentation and going concern (note 2)

Commitments and contingency (notes 14 and 15)

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

Appoved on behalf of the Board of Directors

(signed) "*Wade K. Dawe*"
Director

(signed) *"Mark Welton"*
Director

Stockport Exploration Inc.

(Formerly Linear Metals Corporation)

Consolidated Statements of Comprehensive Loss

For the years ended October 31, 2012 and 2011

(in Canadian dollars)

	October 31, 2012 $	October 31, 2011 $
Expenses		
Amortization	9,088	11,822
Banking fees	1,417	718
General and administrative	72,689	67,436
Investor relations and marketing	39,616	18,399
Listing and regulatory costs	54,892	51,228
Management salaries and services	438,672	219,173
Professional services	113,976	95,250
Share-based compensation (note 10)	174,817	212,546
Travel	50,792	114,769
Write-down of resource properties (note 8)	4,405,173	–
	5,361,132	791,341
Other income (expenses)		
Recovery from resource properties (note 8)	26,000	–
Gain on disposal of equipment	940	8,169
Foreign exchange gain (loss)	(13,705)	3,228
Interest income	241	200
	13,476	11,597
Loss before income taxes	(5,347,656)	(779,744)
Recovery of future income taxes (note 13)	504,000	162,000
Net loss for the year	(4,843,656)	(617,744)
Unrealized loss on marketable securities	(3,000)	–
Comprehensive loss for the year	(4,846,656)	(617,744)
Loss per share – basic and diluted	(0.072)	(0.011)
Weighted average number of common shares outstanding	67,519,435	55,346,167

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

Stockport Exploration Inc.

Consolidated Statements of Changes in Equity

For the years ended October 31, 2012 and 2011

(in Canadian dollars)

	Number	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
		$	$	$	$	$	$
	(note 10)	(note 10)	(note 11)	(note 12)			
Balance November 1, 2010	53,000,193	18,383,195	–	3,544,673	–	(12,519,921)	9,407,947
Net loss and comprehensive loss for the year	–	–	–	–	–	(617,744)	(617,744)
Shares issued pursuant to private placement	3,333,333	1,000,000	–	–	–	–	1,000,000
Units issued pursuant to private placement	6,148,750	1,200,928	336,260	–	–	–	1,537,188
Unit issue costs	–	(63,398)	(17,752)	–	–	–	(81,150)
Share issue costs	–	(11,660)	–	–	–	–	(11,660)
Less: subscriptions receivable	(411,950)	(80,458)	(22,530)		–	–	(102,988)
Share-based compensation	–		–	245,234	–	–	245,234
Balance October 31, 2011	62,070,326	20,428,607	295,978	3,789,907	–	(13,137,665)	11,376,827
Net loss for the year	–	–	–	–	–	(4,843,656)	(4,843,656)
Shares issued pursuant to private placement	11,000,000	1,100,000	–	–	–	–	1,100,000
Unrealized loss on marketable securities	–	–	–	–	(3,000)	–	(3,000)
Issued on acquisition of an option to certain mineral properties and technical data	949,658	203,480	–	–	–	–	203,480
Subscriptions receivables collected	411,950	80,458	22,530	–	–	–	102,988
Finder's fees for shares issued	350,000	35,000	–	–	–	–	35,000
Share issue costs	–	(44,969)	–	–	–	–	(44,969)
Share-based compensation	–	–	–	213,255	–	–	213,255
Balance October 31, 2012	74,781,934	21,802,576	318,508	4,003,162	(3,000)	(17,981,321)	8,139,925

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

Stockport Exploration Inc.

(Formerly Linear Metals Corporation)

Consolidated Statements of Cash Flows

For the years ended October 31, 2012 and 2011

(in Canadian dollars)

	October 31, 2012 $	October 31, 2011 $
Cash and cash equivalents provided by (used in)		
Operating activities		
Net loss for the year	(4,843,656)	(617,744)
Charges (credits) to income not involving cash		
Amortization	9,088	11,822
Share-based compensation	174,817	212,546
Gain on disposal of equipment	(940)	(8,169)
Write-down of resource properties	4,405,173	–
Recovery of future income taxes	(504,000)	(162,000)
	(759,518)	(563,545)
Net change in non-cash working capital balances related to operations		
Decrease (increase) in sales taxes recoverable	(843)	2,513
Decrease (increase) in prepaid expenses and deposits	9,268	(74,190)
Increase in accounts payable and accrued liabilities	29,810	236,425
	(721,283)	(398,797)
Financing activities		
Common shares issued for cash, net of issuance costs	1,090,031	1,977,052
Subscriptions receivable collected	102,988	–
Warrants issued for cash, net of issuance costs	–	276,839
Debt financing provided by directors of the Company (note 17)	–	300,000
Cash repayment of debt financing (note 17)	–	(212,500)
	1,193,019	2,341,391
Investing activities		
Resource property interests and options, net	(1,256,994)	(1,063,633)
Sales taxes recoverable related to resource property interests	28,789	(45,064)
Purchases of equipment	(17,429)	(9,216)
Proceeds on disposal of equipment	4,769	8,169
	(1,240,865)	(1,109,744)
Net change in cash and cash equivalents during the year	(769,129)	832,850
Cash and cash equivalents – beginning of year	1,116,532	283,682
Cash and cash equivalents – end of year	347,403	1,116,532
Cash and cash equivalents		
Cash on hand and balances with banks	347,403	1,116,532
	347,403	1,116,532
Non-cash financing activities		
Common shares issued as a cost of financing (note 10)	35,000	29,053
Warrants issued as a cost of financing (note 11)	–	8,135
Shares issued as repayment of debt financing (note 17)	–	87,500
Shares issued on acquisition of an option to certain mineral properties and technical data	203,480	–

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

1 Nature of operations

Stockport Exploration Inc. (formerly 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 is incorporated and domiciled in Canada, and its head office is located at 1969 Upper Water Street, Suite 2001, Halifax, Nova Scotia, Canada.

2 Basis of presentation and going concern

a) Going concern

These audited consolidated financial statements have been prepared using International Financial Reporting Standards 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 year ended October 31, 2012, the Company incurred a net loss of approximately $4.8 million (2011 - $0.6 million) and as at October 31, 2012 had an accumulated deficit of approximately $18.0 million (2011 - $13.1 million). The Company has no income or cash inflow from operations and at October 31, 2012 had a negative working capital balance of approximately $0.5 million (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.

b) Statement of compliance

The Company prepares its financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2010. Accordingly, the Company has commenced reporting on this basis in these audited consolidated financial statements.

2 Basis of presentation and going concern (continued)

b) Statement of compliance (continued)

In these audited consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS, and the term "IFRS" refers to generally accepted accounting principles in Canada after the adoption of IFRS.

These audited consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements, including IFRS 1, First-time Adoption of International Financial Reporting Standards. Subject to certain transition elections disclosed in note 4, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at November 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements as at November 1, 2010 and as at and for the year ended October 31, 2011 which were prepared under Canadian GAAP.

The Board of Directors approved the statements for issue on January 17, 2013.

c) Basis of measurement

These consolidated financial statements have been prepared under a historical cost basis except for certain financial instruments recorded at fair value.

d) Use of estimates and judgments

The preparation of the financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from these estimates. The more significant areas requiring the use of management estimates and assumptions are discussed below.

Recoverability of resource properties

The Company assesses all resource properties at each reporting period date 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. These assessments require the use of estimates and assumptions such as long-term commodity prices, future capital requirements, exploration potential, and operating performance.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at November 1, 2010, for the purpose 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 4.

a) Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 6321593 Canada Inc., Linear Metals Corporation of Kenya Limited, and Minera Zapoteca, S.A. de C.V. All inter-company transactions and balances have been eliminated on consolidation of the accounts. All amounts are expressed in Canadian dollars, unless otherwise noted.

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 of the Company in excess of management's estimates and/or the carrying values of the properties.

3 Significant accounting policies (continued)

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. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable, in accordance with the terms of the options, are not recorded. 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 consist of 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 equity'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 dominated 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.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. Revenues and expenses are translated at the average exchange rates prevailing during the years except for expenses that relate to non-monetary assets or liabilities, which are translated at the same historical exchange rate as the related asset or liability. Gains and losses on translation are included in the determination of loss for the years.

f) Deferred income taxes

Income taxes are comprised of current and deferred tax. Income tax is recognized in the statement of comprehensive loss 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.

3 Significant accounting policies (continued)

f) Deferred income taxes (continued)

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.

g) Flow-through shares

The Company has financed a portion of its exploration activities through the issue of flow-through shares. As permitted under the Income Tax Act (Canada), the tax attributes of eligible expenditures incurred with the proceeds of flow-through share issuances are renounced to the flow-through shareholders.

At the time of share issuance, the proceeds are allocated between share capital and the obligation to deliver the tax deduction. The 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 (given no other differences between the securities).

In accordance with IFRS, deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis when the qualified expenditures are incurred. This can occur either before or after the formal renunciation of expenditures is filled with tax authorities. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro-rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the statement of comprehensive loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as a recovery of deferred income taxes in the statement of comprehensive loss.

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. Amortization is calculated using the declining-balance method at the annual rate of 30% for office equipment and exploration equipment.

3 Significant accounting policies (continued)

j) Loss per share

Loss per share is computed based on the weighted average number of common shares outstanding during the years. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted loss per share is equal to loss per share since the exercise of all 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 judgments 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:

3 Significant accounting policies (continued)

l) Critical estimates uncertainty (conitued)

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 base 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 estimated 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 grant of stock options and the issuance of warrants.

3 Significant accounting policies (continued)

m) Accounting standards issued but not yet applied

The Company does not expect to early adopt the following new, revised or amended standards and amendments. Accordingly, the Company expects to adopt these standards as set forth below.

IFRS 9, Financial Instruments

The International Accounting Standards Board ("IASB") has issued IFRS 9, "Financial Instruments" ("IFRS 9"), effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. IFRS 9 introduces new classification and measurement requirements for financial instruments. The Company has not yet assessed the impact of IFRS 9 on its consolidated statements of comprehensive loss and financial position.

IFRS 10, Consolidated Financial Statements

The IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), effective for annual periods beginning on or after January 1, 2013. IFRS 10 replaces portions of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") that addresses consolidation, and supersedes Standing Interpretations Committee ("SIC") SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended to reflect the issuance of IFRS 10 and retains guidance only for separate financial statements. The Company has not yet assessed the impact of IFRS 10 on its consolidated statements of comprehensive loss and financial position.

IFRS 11, Joint Ventures

The IASB issued IFRS 11, "Joint Ventures" ("IFRS 11"), effective for annual periods beginning on or after January 1, 2013. IFRS 11 supersedes IAS 31, "Interest in Joint Ventures" and SIC-13, "Jointly Controlled Entities – Non Monetary Contributions by Venturers". Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements which are controlled jointly. As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") was amended to reflect the guidance provided in IFRS 10 and IFRS 11. The Company has not yet assessed the impact of IFRS 11 on its consolidated financial statements of the Company.

IFRS 12, Disclosure of Interests in Other Entities

The IASB issued IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), effective for annual periods beginning on or after January 1, 2013. IFRS 12 requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance. The Company has not yet assessed the impact if IFRS 12 on its consolidated statements of comprehensive loss and financial position.

3 Significant accounting policies (continued)

m) Accounting standards issued but not yet applied (continued)

IFRS 13, Fair Value Measurement

The IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13"), effective for annual periods beginning on or after January 1, 2013. IFRS 13 defines fair value, provides guidance in a single framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. The Company has not yet assessed the impact of IFRS 13 on its consolidated statements of loss and financial position.

Amendments to IAS 1, *Presentation of Financial Statements*

In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" ("1AS 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.

4 Transition to IFRS

The Company has adopted IFRS effective November 1, 2010. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The Company's transition date is November 1, 2010 and the Company has prepared its opening IFRS balance at that date.

Transition elections

Generally, the conversion to IFRS requires an entity to present its financial statements as if it had always reported under 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 requirements 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 vesting by the Transition Date.

4 Transition to IFRS (continued)

Transition elections (continued)

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 condensed consolidated balance sheet as at the Transition Date are consistent with those made under Canadian GAAP.

Reconciliation of equity and comprehensive income 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 reconciliation from Canadian GAAP to IFRS for the respective periods for equity and comprehensive income.

The following tables reconcile Canadian GAAP to IFRS at each specified date.

		October 31, 2011 $	November 1, 2010 $
Equity			
As reported under Canadian GAAP		11,353,080	9,377,212
IFRS adjustments			
Share-based compensation	**(a)**	23,747	30,735
As reported under IFRS		11,376,827	9,407,947

		Year ended October 31, 2011 $
Comprehensive loss		
As reported under Canadian GAAP		(695,965)
IFRS adjustments		
Share-based compensation	**(a)**	78,221
As reported under IFRS		(617,744)

4 Transition to IFRS (continued)

Explanation of adjustments restating equity and comprehensive loss from Canadian GAAP to IFRS

a) Share-based compensation

Under IFRS, each tranche of a share-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 are revised for actual forfeitures in subsequent periods.

Under Canadian GAAP, the fair value of share-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 the deficit balances were adjusted. Resources properties, contributed surplus and the deficit increased by $30,735, $130,985 and $100,250, respectively, at the Transition Date. Additionally, share-based compensation expense decreased by $78,221 and equity increased by $23,747 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.

Adjustments to the statement of cash flows

There was no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

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 net loss.

The Company has implemented the following classifications:

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

- Marketable securities are classified as "Available-for-Sale". Financial assets classified as Available-for-Sale are recognized initially at fair values plus transaction costs and are subsequently carried at fair value, with changes in the fair value recorded in other comprehensive income.

- Accounts payable and accrued liabilities 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 and cash equivalents, 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, Mexican and Kenyan 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.

5 Financial instruments (continued)

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.

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 October 31, 2012 totalled $26.1 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 year. 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 as at October 31, 2011	79,562	87,272	166,834
Additions	3,857	13,572	17,429
Disposals	–	(35,371)	(35,371)
Balance as at October 31, 2012	83,419	65,473	148,892
Accumulated amortization			
Balance as at November 1, 2010	49,153	56,926	106,079
Additions	7,003	11,537	18,540
Disposals	–	–	–
Balance as at October 31, 2011	56,156	68,463	124,619
Additions	8,050	5,150	13,200
Disposals	–	(31,542)	(31,542)
Balance as at October 31, 2012	64,206	42,071	106,277
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 October 31, 2012	19,213	23,402	42,615

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 year	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 year	1,409,327	12,400	8,187	1,000	27,043	1,457,957
Proceeds from option payments	–	–	–	(6,000)	–	(6,000)
Impairment write-down	–	(4,405,173)	–	–	–	(4,405,173)
Balance at October 31, 2012	2,653,937	4,008,400	1,127,718	–	753,572	8,543,627

Kenya

i) Nyanza

The Company has an agreement with East African Pure Gold Limited ("EAPG") and B&M Mining Company Limited ("B&M") to earn an interest in three mineral exploration concessions located in Kenya. Under the terms of the agreement, the Company has:

- A first option to earn a 70% interest on completing exploration expenditures of US $600,000 and making cash payments of US $300,000 to EAPG and B&M.

- A second option to earn an 80% interest by exercising the first option and incurring cumulative exploration expenditures of US $4 million.

- Within 90 days of completion of the second option, EAPG and B&M can deliver a one-time joint election to fund its 20% share of exploration costs, or EAPG and B&M can grant the Company a further option to acquire an additional 10% interest by funding additional exploration expenditures of US $10 million.

- Within 90 days of completion of a positive feasibility study and receipt of a production notice from the Company for each project, EAPG and B&M can deliver a one-time joint election to fund its 10% share of the construction costs, or EAPG and B&M can grant the Company a further option to acquire an additional 5% interest by funding additional costs of US $10 million.

8 Resource properties (continued)

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 balances 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 year ended October 31, 2012, the Company identified various indicators of impairment of the property, including declines in the prices of molybdenum, copper and silver, a lack of recent exploration work with no significant exploration work planned in the foreseeable future, as well as a strategic shift in the Company's exploration focus towards its Kenyan operations. The Company also experienced a significant decline in market capitalization, with its share price decreasing from $0.25 per share to $0.10 per share during the year.

Given the stage of exploration of the property, the estimated fair value of $4 million was determined based on a review of comparable sale transactions of resource properties. The resulting impairment charge of $4.4 million was charged to expenses. This write-down was approximately 50% of the carrying value prior to the recorded impairment. As at October 31, 2012, if it were determined that the estimated fair value of the property should have been 10% higher or lower, this would result in an increase or decrease of the impairment charge by approximately $400,000.

The manner and amount of the ultimate realisation of the KM61 property remains subject to significant uncertainty.

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 80% interest in the Seymour Lake Property. During the year ended October 31, 2012, the optionee did not make certain payments required pursuant to the option agreement, and the agreement has been cancelled. During the year ended October 31, 2011, cash payments of $50,000 were received from the optionee pursuant to the agreement and were recorded as a reduction of Resource Properties.

8 Resource properties (continued)

Canada (continued)

iii) 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.

During the year ended October 31, 2012, 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 these two properties to Greencastle. 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, valued at $12,000, which were received by the Company during the year. 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 $1.0 million and has granted the Company the right to purchase 25% of this purchased royalty for $0.5 million.

Mexico

i) La Morena

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

9 Accounts payable and accrued liabilities

	October 31, 2012 $	October 31, 2011 $	November 1, 2010 $
Trade accounts payable and accrued liabilities	611,336	732,081	136,356
Amounts payable to related parties	268,504	204,839	80,082
Withholdings and taxes payable	2,287	9,739	–
	882,127	946,659	216,438

10 Capital stock

a) Authorized

Unlimited number of common shares without par value.

b) Changes in the Company's issued common share capital during the years ended October 31, 2012 and 2011 were as follows:

	2012		2011	
	Number	**Amount $**	**Number**	**Amount $**
Opening balance	62,070,326	20,428,607	53,000,193	18,383,195
Shares issued pursuant to private placements	11,000,000	1,100,000	9,482,083	2,200,928
Shares issued as finder's fees	350,000	35,000	–	–
Shares issued on acquisition of an option to certain mineral properties and technical data	949,658	203,480	–	–
Collection of subscriptions receivable	411,950	80,458	–	–
	74,781,934	21,847,545	62,482,276	20,584,123
Less: Subscriptions receivable	–	–	(411,950)	(80,458)
Less: Unit and share issue costs	–	(44,969)	–	(75,058)
Closing balance	74,781,934	21,802,576	62,070,326	20,428,607

c) Shares and units issued for cash

On June 15, 2012, the Company completed a non-brokered private placement of 11 million common shares priced at $0.10 per share, for total gross proceeds of $1.1 million. In connection with the financing, 350,000 shares of the Company were issued as finders' fees, valued at $35,000. Additional share issuance costs to complete the financing were $9,969, consisting of professional fees and regulatory costs. Officers and directors of the Company subscribed for 1.75 million common shares pursuant to the private placement. All securities issued in connection with the financing were subject to a four-month hold period.

During the year ended October 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 has been recorded as a liability in these financial statements and was paid in December 2012.

10 Capital stock (continued)

c) Shares and units issued for cash (continued)

On October 28, 2011, the Company completed a non-brokered private placement financing of 6 million units at a price of $0.25 per unit, for aggregate gross proceeds of $1.5 million. 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 $29,053 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.

On February 24, 2011, the Company completed a non-brokered private placement of 3,333,333 common shares at a price of $0.30 per share, for aggregate gross proceeds of $1 million. 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.

d) Stock option plan

The Company has adopted a stock option plan (the "Plan"), providing the Board of Directors with the discretion to issue an equivalent number of options of up to 10% of the issued and outstanding share capital of the Company. Stock options are granted with an exercise price of not less than closing share price of the day preceding the date of grant.

10 Capital stock (continued)

d) Stock option plan (continued)

The estimated fair value of options recognized has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options. Weighted average assumptions used in the pricing model for the years ended October 31, 2012 and 2011 are as follows:

	2012	2011
Risk-free rate	1.01%	1.48%
Expected volatility of the Company's share price	138%	142%
Expected dividend yield	0%	0%
Expected life of each option	3.9 years	4.3 years
Weighted average grant date fair value per option		
Exercise price equal to stock price on date of grant	$0.09	$0.25
Exercise price exceeds stock price on date of grant	$0.18	$0.26

Option activity for the years ended October 31:

	2012		2011	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Opening balance	4,600,000	0.31	3,525,000	0.31
Granted	1,950,000	0.20	1,225,000	0.31
Expired/forfeited	(1,125,000)	0.31	(150,000)	0.40
Ending balance	5,425,000	0.27	4,600,000	0.31

10 Capital stock (continued)

d) Stock option plan (continued)

As at October 31, 2012, the Company had outstanding stock options entitling the holders to acquire additional common shares as follows:

Weighted average exercise price per share $	Number outstanding	Expiry date	Weighted average remaining contractual life (years)	Number exercisable
0.10	700,000	September 30, 2017	4.92	–
0.14	150,000	August 3,2015	2.76	150,000
0.15	2,175,000	August 24, 2014	1.81	2,175,000
0.25	700,000	December 1, 2016	4.09	175,000
0.27	250,000	November 8, 2015	3.02	187,500
0.28	200,000	October 21, 2014	1.97	200,000
0.30	725,000	June 7, 2016	3.60	362,500
1.00	525,000	January 31, 2013	0.25	525,000
0.27	5,425,000		2.68	3,775,000

As at October 31, 2012, 2,053,193 options were available for granting under the Plan (2011 - 1,607,032 options).

The estimated value of options earned during the year ended October 31, 2012 was $213,255 (2011 - $245,234). The Company capitalized $38,438 (2011 - $32,688) in non-cash share-based compensation expense to resource properties with the balance of $174,817 (2011 - $212,546) charged to operations.

11 Warrants

a) Warrant activity for the years ended October 31, 2012 and 2011 was as follows:

			2012			2011
	Number	Exercise price per warrant $	Amount $	Number	Exercise price per warrant $	Amount $
Opening balance	2,868,400	0.35	295,978	–	–	–
Issued for cash (note 10(c))	–	–	–	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)
Closing balance	3,074,375	0.35	318,508	2,868,400	0.35	295,978

11 Warrants (continued)

b) Warrants outstanding as of October 31, 2012:

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

c) Fair value of warrants

The fair value of the warrants has been estimated using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model for each of the warrants granted during the year ended October 31, 2011 are as follows:

	2011
Risk free interest rate	1.09%
Expected volatility	125%
Expected dividend yield	0%
Expected life	2.0 years
Weighted average grant date fair value	$0.11

12 Contributed surplus

	$
Balance at November 1, 2010	3,544,673
Value of options earned	245,234
Balance at October 31, 2011	3,789,907
Value of options earned	213,255
Balance at October 31, 2012	4,003,162

13 Income taxes

a) Reconciliation of total tax recovery

	For the years ended October 31, 2012 $	October 31, 2011 $
Loss before income taxes	(5,347,656)	(779,744)
Income tax rate	26%	26%
Expected income tax recovery	(1,390,000)	(203,000)
Non-deductible share based compensation	45,000	55,000
Unutilized losses	809,000	–
Unutilized foreign losses	177,000	(344,000)
Other	(145,000)	331,000
Change in tax rates	–	(1,000)
Income tax recovery	(504,000)	(162,000)

b) Deferred income taxes

The following reflects deferred income tax assets (liabilities):

	October 31, 2012 $	October 31, 2011 $	November 1, 2010 $
Deferred tax assets (liabilities)			
Non-capital losses carried forward	332,000	922,000	708,000
Deductible share issue costs	11,000	38,000	94,000
Accounting value of mineral resources properties in excess of tax value	(369,000)	(1,487,000)	(1,488,000)
Tax value of property and equipment and prepaid expenses in excess of accounting value	26,000	23,000	20,000
Net deferred income tax 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:

	October 31, 2012 $	October 31, 2011 $	November 1, 2010 $
Net deferred tax assets – not recognized	2,798,000	1,812,000	2,156,000

13 Income taxes (continued)

The Company has accumulated losses for Canadian income tax purposes of approximately $4,393,000 which may be carried forward and used to reduce taxable income in future years. These losses expire as follows:

	$ (‘000)
Year ending October 31, 2027	85
2028	1,290
2029	672
2030	676
2031	825
2032	845
	4,393

The Company has undeducted share issuance costs of approximately $156,000, which will be deducted from Canadian taxable income over the next four years. The Company has also incurred resource expenditures of approximately $6,074,000, which may be carried forward indefinitely and used to reduce Canadian taxable income in future years.

In addition, the Company has accumulated Mexican tax losses of approximately $8,083,000, which may be carried forward and used to reduce taxable income from Mexico in future years. These losses expire as follows:

	$ (‘000)
Year ending October 31, 2016	583
2017	3,221
2018	3,355
2021	924
	8,083

14 Commitments

The Company has a commitment of $55,000 in respect of its operating lease on its premises in Toronto, which expires on March 31, 2013. The premises are currently sub-leased for gross rents of approximately $10,000 per month for the remaining term of the lease.

15 Contingency

The Company has an employment arrangement with the President and CEO of the Company which provides that, should a change in control event occur, the President may elect to terminate his employment with the Company, in which event the Company is required to pay the President a lump sum payment equal to 2.5 times his annual salary. The Company also has a consulting arrangement with the Chairman of the Company which provides that, should a change in control event occur, the Chairman may elect to terminate his arrangement with the Company, in which event the Company is required to pay the Chairman a lump sum payment equal to 2.0 times his annual remuneration. The payment of these change in control settlements would be subject to the Company maintaining an average market capitalization in excess of CDN$25 million, based on any 10-day volume weighted trading price within the three-month period following the effective date of the change in control.

16 Segmented information

The Company conducts mineral operations in Canada, Kenya and Mexico and is searching for mineral exploration opportunities worldwide. There is no segmented revenue or operating results to report however, the geographical information regarding the Company's total assets is as follows:

					October 31, 2012
		Mineral Operations			
	Corporate Canada $	Canada $	Mexico $	Kenya $	Total $
Current assets	385,180	–	35,471	6,159	426,810
Marketable securities	9,000	–	–	–	9,000
Property and equipment	19,213	6,570	–	16,832	42,615
Resource properties	–	5,136,118	753,572	2,653,937	8,543,627
	413,393	5,142,688	789,043	2,676,928	9,022,052

					October 31, 2011
		Mineral Operations			
	Corporate Canada $	Canada $	Mexico $	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
		Mineral Operations			
	Corporate Canada $	Canada $	Mexico $	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

17 Related party transactions

During the year ended October 31, 2012, officers and directors of the Company subscribed for 1.75 million of the common shares issued pursuant to the private placement that was completed by the Company on June 15, 2012, and a director of the Company provided debt financing in the amount of $75,000 to the Company in the form of a demand loan, bearing interest at an annual rate of 10%. All amounts were repaid to the director, with interest of $715, prior to October 31, 2012.

During the year ended October 31, 2011, officers and directors of the Company subscribed for 1,666,666 common shares pursuant to the private placement that was completed by the Company on February 24, 2011 and 350,000 of the units pursuant to the private placement on October 28, 2011. In addition, two directors of the Company provided debt financing of $300,000 in the form of demand loans, bearing interest at a rate of prime plus 2%. The loans were settled in full, including interest of $2,258, prior to October 31, 2011.

18 Compensation of key management

Key management includes all Directors, including both Executive and Non-Executive Directors, as well as the President and Chief Executive Officer, the Chief Financial Officer and the Vice-President of Exploration. Compensation earned by key management is summarized as follows:

	October 31, 2012 $	October 31, 2011 $
Salaries and director fees earned	538,963	342,918
Share-based compensation	186,080	172,779
	725,043	515,697