TOSCA MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2011

DAVIDSON & COMPANY LLP Chartered Accountants A Partnership of Incorporated Professionals

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Tosca Mining Corp.

We have audited the accompanying consolidated financial statements of Tosca Mining Corp. which comprise the consolidated balance sheets as at November 30, 2011 and 2010 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and 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 Canadian generally accepted accounting principles, 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.

Auditors' 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 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 auditors' 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.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Tosca Mining Corp. as at November 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Tosca Mining Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada   Chartered Accountants

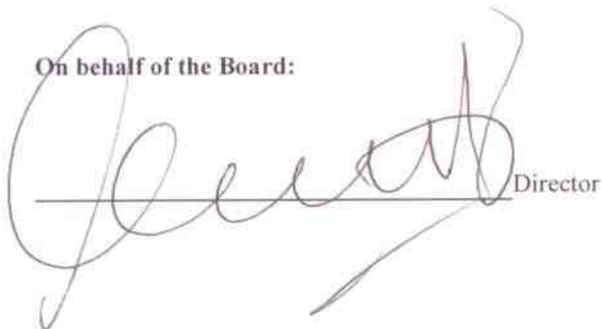
March 26, 2012

TOSCA MINING CORP.
CONSOLIDATED BALANCE SHEETS
AS AT NOVEMBER 30

		2011		2010
ASSETS				
Current				
Cash	$	1,854,211	$	732,511
Receivables		14,803		9,937
Prepaid expenses		86,723		5,000
		1,955,737		747,448
Equipment (Note 3)		11,371		1,799
Mineral property interest (Note 4)		3,153,936		-
	$	5,121,044	$	749,247
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	114,453	$	24,759
Shareholders' equity				
Capital stock (Note 5)		6,813,953		1,533,053
Contributed surplus (Note 5)		1,072,690		113,516
Subscriptions received in advance		-		138,750
Deficit		(2,880,052)		(1,060,831)
		5,006,591		724,488
	$	5,121,044	$	749,247

Nature and continuance of operations (Note 1)
Subsequent events (Note 10)

On behalf of the Board:


Director

Director

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

TOSCA MINING CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED NOVEMBER 30

	2011	2010
EXPENSES		
Accounting and audit	$ 71,960	$ 34,160
Amortization	3,407	496
Consulting fees	169,450	9,706
Interest and bank charges	4,584	1,449
Legal fees	17,375	28,053
Office and general	49,749	16,601
Management fees (Note 6)	255,500	238,817
Property evaluation costs	-	70,272
Shareholder communications	205,691	5,269
Stock-based compensation	749,199	84,386
Transfer agent and filing fees	80,625	18,958
Travel and promotion	98,670	13,449
Loss before other items	(1,706,210)	(521,616)
OTHER ITEMS		
Interest income	25,407	1,445
Write off mineral property interests (Note 4)	(277,862)	(384,621)
BCMETC recovery (Note 4)	65,884	-
Foreign exchange gain	73,560	-
Loss and comprehensive loss for the year	(1,819,221)	(904,792)
Deficit, beginning of year	(1,060,831)	(156,039)
Deficit, end of year	$ (2,880,052)	$ (1,060,831)
Basic and diluted loss per common share	$ (0.06)	$ (0.06)
Weighted average number of common shares outstanding	31,386,688	13,945,630

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

TOSCA MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED NOVEMBER 30

		2011		2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(1,819,221)	$	(904,792)
Items not involving cash:				
Amortization		3,407		496
Write off mineral property interests		277,862		384,621
Stock based compensation		749,199		84,386
Changes in non-cash working capital items:				
Increase in receivables		(4,866)		(9,937)
Increase in prepaid expenses		(81,723)		(5,000)
Increase in accounts payable and accrued liabilities		13,265		2,266
Net cash used in operating activities		(862,077)		(447,960)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment		(12,979)		(2,295)
Recoveries on mineral properties		-		5,147
Mineral property interests		(3,251,369)		(254,613)
Net cash used in financing activities		(3,264,348)		(251,761)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the issuance of share capital		5,733,075		723,250
Share issuance costs		(484,950)		(98,907)
Subscriptions received in advance		-		138,750
Net cash provided by financing activities		5,248,125		763,093
Increase in cash during the year		1,121,700		63,372
Cash, beginning of year		732,511		669,139
Cash, end of year	$	1,854,211	$	732,511
Cash paid during the year for interest	$	-	$	-
Cash paid during the year for income taxes	$	-	$	-

Supplemental disclosure with respect to cash flows

The significant non-cash transactions for the year ended November 30, 2011 were the issuance of 400,000 common shares for mineral property interest of $104,000, the issuance of 882,342 warrants as finders' fees valued at $213,100 and the accrual of $76,429 in mineral property expenditures through accounts payable and accrued liabilities.

The significant non-cash transactions for the year ended November 30, 2010 were the issuance of 1,000,000 commons shares with a fair value of $118,000 for mineral property interests and the reclassification of $81,718 in deferred financing costs to share issue costs.

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Tosca Mining Corp. is a publicly listed exploration company incorporated in Canada under the *British Columbia Corporations Act* on May 12, 2006. The Company together with its subsidiary, Red Hills Mining Corp. (collectively referred to as the "Company") is principally engaged in acquisition and exploration of resource properties. Upon completion of its qualifying transaction the Company was classified as a Tier II mining company, effective December 2, 2009, and trades on the TSX Venture Exchange under the symbol TSQ.

The Company operates inone reportable geographical segment, being the acquisition and exploration of its mineral properties in Canada but has not yet determined whether the properties contain ore resources that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable resources, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Red Hills Mining Corp. All intercompany balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant accounts that require estimates relate to the valuation allowances for future income tax assets, useful lives of equipment, stock-based compensation, the valuation of warrants granted in private placements as finders' fees and the impairment of mineral properties.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes the fair value of compensation costs over the vesting period for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable mineral reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amount shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Furniture and equipment

Furniture and equipment is recorded at cost less accumulated amortization.Amortization of automotive equipment is recorded on a declining balance basis at an annual rate of 30%. Furniture and computer equipment are recorded on a declining balance basis at an annual rate of 20% and 30% respectively.

Future income taxes

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

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. Liabilities include those liabilities related to environmental protection and rehabilitation due to environmental law or contracts. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. As at November 30, 2011 and 2010, the Company had no asset retirement obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the periods presented, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables and accounts payable and accrued liabilities, are classified as other liabilities, which are measured at amortized cost.

The Company is also required to provide disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

See Note 8 for relevant disclosures.

Comprehensive income

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting standards

International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of December 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. During the year ended November 30, 2011, the Company completed a scoping and diagnostic analysis between Canadian GAAP and IFRS as it pertains to the Company's activities.

Business combinations, non-controlling interest and consolidated financial statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning July 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

3. FURNITURE AND EQUIPMENT

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Automotive equipment	$ 8,410	$ 1,892	$ 6,518	$ -	$ -	$ -
Furniture and computer equipment	6,864	2,011	4,853	2,295	496	1,799
	$ 15,274	$ 3,903	$ 11,371	$ 2,295	$ 496	$ 1,799

4. INTEREST IN MINERAL PROPERTIES

Swift Katie, British Columbia

On August 21, 2009, the Company entered into a Mineral Property Working Option Agreement which will earn, subject to conditions, a 60% interest in certain mineral claims known as the Swift Katie property located in the Nelson Mining District, British Columbia from Valterra Resources Corporation ("Valterra"). Valterra acquired its interest in and to the Swift Katie Property pursuant to an amended and restated agreement dated December 18, 2008 between Valterra and the underlying claim holders (the "Underlying Option Agreement").

4. INTEREST IN MINERAL PROPERTIES (cont'd...)

Swift Katie, British Columbia (cont'd…)

During the year ended November 30, 2010, the Company abandoned the property and wrote off $231,621 in deferred exploration costs and $45,000 in property acquisition costs. During the year ended November 30, 2011, the Company received $65,884 with respect to BCMETC tax recoveries. As the Company no longer holds this property, the recovery was included in the calculation of loss and comprehensive loss.

Apache, Mexico

On June 23, 2010, the Company entered into aMineral Property Acquisition Agreement to acquire a 100% interest in certain mineral claims known as the Apache property located in the Municipality of Trincheras, Sonora, Mexico. As consideration, the Company issued a total of 900,000 shares with a fair value of $108,000.

During the year ended November 30, 2010, the Company abandoned the property and wrote off $108,000 in property acquisition costs.

Secret Pass, Arizona, USA

During the year ended November 30, 2011, the Company signed an option to purchase up to 100% equity interest in the Secret Pass Gold Property, located in Mojave County, northern Arizona. The property is subject to a 2% net smelter return royalty ("NSR").

The total purchase price of the Secret Pass property is US$ 6,100,000 payable in escalating instalments over a five year period. First year payments will total US$100,000 and a further payment of US$750,000 is due on February 5, 2012. In addition, for every 100,000 ounces of gold reserves attributed to the property in a NI 43- 101compliant report, the Company shall issue 500,000 of its common shares up to a maximum 2,500,000 shares. As of November 30, 2011, the Company paid the entire first year commitment of US$100,000.

In response to unfavourable due diligence results, the Company is no longer pursuing the Secret Pass property and has returned the interest to the vendor. The Company abandoned the property and wrote off $170,134 in deferred exploration costs and $107,728 in acquisition costs.

Red Hills, Texas, USA

During the year ended November 30, 2011, the Company signed an option to purchase 100% interest in the Red Hills advanced stage moly-copper project located in Presidio County, Texas.The property is subject to a 2% NSR. In addition there is a 1% NSR on any contiguous claims acquired by the Company.

The agreement involves cash payments to the vendors in the amount of US$ 10,900,000, and the issuance of 2,100,000 common shares over a five year period. The first year commitment is US$575,000 and 400,000 shares until May 1, 2012. As atNovember 30, 2011, the Company paid the first year commitment of US$575,000 and 400,000 common shares were issued with a fair value of $104,000.

4. INTEREST IN MINERAL PROPERTIES (cont'd...)

Red Hills, Texas, USA (cont'd...)

In addition, there is an annual sublease of US$175,000 for a period of five years.

	2011			2010
	Red Hills, Texas	Secret Pass, Arizona	Total 2011	Swift Katie British Columbia
Acquisition costs:				
Balance, beginning of year	$ -	$ -	$ -	$ -
Additions	691,775	107,728	799,503	153,000
Write-off	-	(107,728)	(107,728)	(153,000)
Balance, end of year	691,775	-	691,775	-
Exploration costs:				
Balance, beginning of year	-	-	-	17,155
Assay	139,888	3,095	142,983	15,770
Camp	32,586	-	32,586	4,300
Claim Staking	-	16,341	16,341	-
Drilling	1,322,753	-	1,322,753	104,028
Exploration advance	60,162	-	60,162	-
Geological and geophysical services	424,515	121,072	545,587	81,324
Metallurgy	103,454	-	103,454	-
Project management and professional services	295,861	8,988	304,849	3,308
Survey and mapping	19,949	3,874	23,820	-
Transportation	62,993	16,764	79,757	10,883
BC METC	-	-	-	(5,147)
Incurred during the year	2,462,161	170,134	2,632,295	214,466
Total exploration costs	2,462,161	170,134	2,632,295	231,621
Write-off	-	(170,134)	(170,134)	(231,621)
Balance, end of year	2,462,161	-	2,462,161	-
Total costs	$ 3,153,936	$ -	$ 3,153,936	$ -

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares, without par value			
Issued			
Balance, November 30, 2009	4,000,000	$ 212,849	$ 29,130
For cash - private placement	9,500,000	950,000	-
Share issuance costs	-	(131,046)	-
For mineral property interests	1,000,000	118,000	-
For the exercise of share purchase warrants	2,555,000	383,250	-
Stock-based compensation	-	-	84,386
Balance, November 30, 2010	17,055,000	1,533,053	113,516
For cash - private placement	15,024,499	5,258,575	-
Share issuance costs	-	(698,050)	213,100
For mineral property interests	400,000	104,000	-
For the exercise of share purchase warrants	4,055,000	608,250	-
For the exercise of stock options	50,000	8,125	(3,125)
Stock-based compensation	-	-	749,199
Balance, November 30, 2011	36,584,499	$ 6,813,953	$ 1,072,690

During the year ended November 30, 2011, the Company:

a) Issued 4,055,000 common shares for the exercise of share purchase warrants for cash proceeds of $608,250.

b) Issued 15,024,499 units at $0.35 per unit for gross proceeds of $5,258,575. Each unit consists of one common share and one non-transferable share purchase warrant, with each warrant entitling the holder to purchase one common share for a period of one year at a price of $0.45 per share for a period of one year. In connection with the closing of this private placement, the Company paid finder's fees consisting of $445,922 in cash, other issuance costs of $39,028 and issued 882,342 finder's share purchase warrants with a fair value of $213,100. Each share purchase warrant can be converted into one common share at an exercise price of $0.45 until March 28, 2012. The fair value of these agents' warrants was estimated using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate of 1.70%; dividend yield 0%; volatility of 96%; and an expected life of 1 year.

c) Issued 50,000 common shares for the exercise of stock options for cash proceeds of $5,000.

d) Issued 400,000 common shares for mineral property interests of $104,000.

During the year ended November 30, 2010, the Company:

a) Completed a non-brokered private placement of 9,500,000 units at a price of $0.10 per unit for gross proceeds of $950,000, of which $610,000 had been received in the year ended November 30, 2009.

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

Each unit consists of one common share and oneshare purchase warrant. Each warrant is exercisable into one common share at $0.15 per share on or before December 1, 2010.

In connection with this private placement, the Company incurred $131,046 in share issuance costs.

b) Issued 1,000,000 common shares with a fair value of $118,000 for mineral property interests.

c) Issued 2,555,000 common shares for the exercise of share purchase warrants for cash proceeds of $383,250.

Shares held in escrow

The escrow agreement provides for the release of shares from escrow on the basis of 10% upon completion of the Qualifying Transaction and the remaining escrow shares will be released in 6 equal tranches (15%) every six months thereafter. In addition, on January 15, 2010, the Exchange approved the early release of 180,000 escrow shares held by original directors and officers who are no longer part of the post-Qualifying Transaction management team. Including the 10% release upon completion of the Qualifying Transaction, a total of 1,322,000 shares have now been released from escrow and a total of 918,000 shares remain in the escrow pool.

Stock options and warrants

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of five years and vest at the discretion of the board of directors.

Share purchase warrant and incentive stock option transactions are summarized as follows:

	Share Purchase Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, November 30, 2009	-	$ -	400,000	$ 0.10
Granted	9,500,000	0.15	1,350,000	0.10
Cancelled	-	-	(400,000)	0.10
Exercised	(2,555,000)	0.15	-	-
Outstanding, November 30, 2010	6,945,000	0.15	1,350,000	0.10
Granted	15,906,841	0.45	2,260,000	0.42
Expired	(2,890,000)	0.15	-	-
Exercised	(4,055,000)	0.15	(50,000)	0.10
Outstanding, November 30, 2011	15,906,841	$ 0.45	3,560,000	$ 0.30
Number currently exercisable	15,906,841	$ 0.45	3,560,000	$ 0.30

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

Stock options and warrants (cont'd...)

The following share purchase warrants were outstanding at November 30, 2011:

Number of Shares	Exercise Price	Expiry Date
15,906,841	$ 0.45	March 28, 2012

The following incentive stock options were outstanding at November 30, 2011:

Number of Shares	Exercise Price	Expiry Date
1,300,000	$ 0.10	December 2, 2012
760,000	0.27	December 29, 2013
1,500,000	0.50	March 31, 2016
3,560,000		

Stock-based compensation

During the year ended November 30, 2011, the Company granted a total of 2,260,000 (2010 - 1,350,000) stock options to directors and consultants with a weighted-average fair value of $0.33 (2010 - $0.06). Each stock option is exercisable into one common share at an average price of $0.42 per share on or before March 31, 2016. The stock options were determined to have a fair value of $749,199 (2010 - $84,386) and was recognized in the statement of operations, comprehensive loss and deficit. Management determined the fair value using the Black-Scholes option pricing model with the weighted-average assumptions as noted below.

	2011	2010
Risk-free interest rate	**2.48%**	1.59%
Dividend yield	**0%**	0%
Volatility factor	**97%**	101%
Expected option life	**4.3years**	3 years

6. RELATED PARTY TRANSACTIONS

The Company conducted the following transactions with related parties during the year ended November 30, 2011:

a) Paid or accrued management fees of $255,500 (2010 - $238,817) to companies controlled by directors.

b) Paid or accrued mineral property interest costs of $334,564 (2010 - $23,125) to companies controlled by directors.

6. RELATED PARTY TRANSACTIONS (cont'd...)

c) Incurred stock based compensation expense of $478,814 (2010 - $71,256) to four directors.

Included in accounts payable is $24,175 (2010 - $Nil) owed to directors of the Company for management fees and geological services.

Related party transactions other than stock based compensation have been recorded at their exchange amount, which is the amount agreed to by the related parties.

7. INCOME TAXES

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

	2011	2010
Loss before income taxes	$ (1,819,221)	$ (904,792)
Expected income tax recovery	$ 485,000	$ 258,997
Permanent differences and other items	(145,000)	(119,531)
Unrecognized benefit of non-capital losses	(340,000)	(139,466)
Net income tax recovery	$ -	$ -

The significant components of the Company's future income tax assets are as follows:

	2011	2010
Future income tax assets:		
Non-capital loss carry forwards	$ 417,000	$ 164,000
Equipment	1,000	58,000
Financing costs	117,000	41,000
Mineral property interest	140,000	-
Less: valuation allowance	(675,000)	(263,000)
Net future income tax assets	$ -	$ -

The Company has non-capital losses carried forward for income tax purposes of approximately $1,600,000 which can be applied against future years' taxable income. These losses will expire through to 2031. Future tax benefits which may arise as a result of these non-capital losses have been offset by a valuation allowance and have not been recognized in these financial statements.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 value of receivables and accounts payable and accrued liabilities, approximate their fair value because of the short-term nature of these instruments and cash is valued using a level 1 fair value measurement.

Financial risk factors

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is limited to amounts held in banking institutions and for sales tax with the Government of Canada. The Company believes these risks to be remote.

Liquidity risk

Liquidity risk includes the risk that, as a result of operational liquidity requirements, there will not be sufficient funds to settle a transaction on the due date; the Company will be forced to sell financial assets at a price less than fair value; or the Company may be unable to settle or recover any part of a financial asset. At November 30, 2011, the Company had a cash balance of $1,854,211(2010 - $732,511) and current liabilities of $114,453(2010 - $24,759).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances. AtNovember 30, 2011, the Company had $1,500,000 in short-term guaranteed investment certificates.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. From time to time, the Company funds exploration expenditures in American dollars.

The Company is also exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in a foreign currency. As at November, 2011, the Company had cash of US$168,580 and liabilities of US$54,573 relating to the Red Hills advanced stage moly-copper project located in Presidio County, Texas. Management believes the foreign exchange risk derived from currency conversion is not significant and therefore does not hedge its foreign exchange risk.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

(c) Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

9. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the identification, acquisition, exploration and development of mineral property interests. Capital is comprised of the Company's shareholders' equity. As at November 30, 2011, the Company's shareholders' equity was $5,006,591(2010 - $724,488). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

10. SUBSEQUENT EVENTS

Subsequent to year end, the Company cancelled 520,000 stock options which were set at $0.50 per share and re-priced 285,000 stock options from $0.50 per share to $0.20 per share.

In addition, the Company granted 718,000 stock options at $0.23 for a period of five years.