Financial Statements of

MAINSTREAM MINERALS CORPORATION

Years ended November 30, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Mainstream Minerals Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Mainstream Minerals Corporation, which comprise the balance sheets as at November 30, 2011 and November 30, 2010 and the statements of operations and deficit and comprehensive loss and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 audits 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Mainstream Minerals Corporation as at November 30, 2011 and November 30, 2010, and its financial performance and its cash flows for the years then ended in accordance with the Canadian generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 1(a) of these financial statements which describes the uncertainty related to Mainstream Minerals Corporation's ability to operate as a going concern. Our opinion is not qualified in respect of this matter.

Magnus

February 9, 2012
Winnipeg, Canada

Magnus Chartered Accountants LLP

MAINSTREAM MINERALS CORPORATION

Balance Sheets

As at November 30, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and restricted cash (Note 5(d))	$ 106,710	$ 254,435
Accounts receivable	12,320	17,920
Share subscriptions receivable	-	207,000
Prepaid expenses	4,528	-
	123,558	479,355
Machinery and equipment (Note 3)	334	478
Mineral properties (Note 4)	3,852,837	3,502,272
	$ 3,976,729	$ 3,982,105
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 41,550	$ 168,094
Advance on share issuance from treasury	-	15,000
	41,550	183,094
Future income taxes (Note 5(c))	963,000	1,046,000
	1,004,550	1,229,094
Shareholders' equity:		
Capital stock (Note 6)	6,089,688	5,241,406
Contributed surplus (Note 6(f))	350,349	350,349
	6,440,037	5,591,755
(Deficit)	(3,467,858)	(2,838,744)
	2,972,179	2,753,011
Basis of presentation (Note 1(a))		
Commitments (Note 7 and Note 5(d))		
Subsequent events (Note 9)		
	$ 3,976,729	$ 3,982,105

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:

Director ______________________________

Chief Financial Officer Ray Prifti ______________________________

MAINSTREAM MINERALS CORPORATION

Statements of Operations and Deficit and Comprehensive Loss

Years ended November 30, 2011 and 2010

	2011	2010
Expenses:		
Advertising	$ 37,586	$ 5,000
Amortization	143	1,573
Consulting fees	248,533	293,100
General meeting	4,650	12,135
Insurance	10,266	11,011
Interest and bank charges	415	4,684
Meals and entertainment	4,380	2,017
Office	18,495	18,911
Part XII.6 tax	-	10,964
Professional fees	63,616	106,104
Regulatory filings	43,060	40,445
Stock based compensation	-	5,040
Travel	10,950	4,917
Vehicle expenses	556	62
	442,650	515,963
(Loss) from operations	(442,650)	(515,963)
Interest income	573	1,297
Mineral properties write-down	(272,537)	(13,676)
Gain on sale of machinery and equipment	2,500	1,321
	(269,464)	(11,058)
(Loss) before income taxes	(712,114)	(527,021)
Future income tax recovery (expense) (Note 5(c))	83,000	(33,000)
Net (loss) and comprehensive (loss) for the year	(629,114)	(560,021)
(Deficit), beginning of year	(2,838,744)	(2,278,723)
(Deficit), end of year	$(3,467,858)	$(2,838,744)
Basic and diluted loss per share (Note 6(e))	$ (0.01)	$ (0.02)

See accompanying notes to financial statements.

MAINSTREAM MINERALS CORPORATION

Statement of Cash Flows

Years ended November 30, 2011 and 2010

	2011	2010
Operating activities:		
Cash paid to suppliers	$ (567,564)	$ (391,961)
Interest received	573	1,297
Interest and bank charges	(415)	(1,207)
	(567,406)	(391,871)
Financing activity:		
Proceeds from issuance of common shares, net of share issue costs	907,782	891,365
Investing activities:		
Proceeds on disposal of machinery and equipment	2,500	-
Mineral exploration charges and acquisition costs incurred	(490,601)	(700,264)
	(488,101)	(700,264)
Change in cash	(147,725)	(200,770)
Cash, beginning of year	254,435	455,205
Cash, end of year	$ 106,710	$ 254,435

Supplementary information:

The company did not pay any income taxes during the above reporting periods.

See accompanying notes to financial statements.

General

Mainstream Minerals Corporation was incorporated pursuant to the Canada Business Corporation Act on July 19, 2006. The company is a mineral resource company in the development stage that is engaged in the acquisition of interests in, and in the exploration of, mineral resource properties. The company's shares are traded on the TSX Venture Exchange.

1. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. There is doubt about the appropriateness of the use of the going concern assumption given that the company has experienced significant losses and has experienced negative cash flow from operations over a number of years.

The ability of the company to continue as a going concern and to be able to realize on its assets and discharge its liabilities is dependent upon the company's ability to obtain sufficient funding for its operations and is ultimately dependant on the recoverability of the amounts capitalized to mineral properties. The company has not yet determined whether its mineral properties contain reserves that are economically recoverable, and accordingly, the success of any further exploration or development prospects cannot be assured. If the company's exploration and development programs are successful, additional funds may be required, and the company may not have sufficient funds to conduct the mineral exploration required. The primary source of future funds available to the company is through the sale of additional equity capital, which may dilute the interests of existing shareholders. There is no assurance that the company will be successful in raising sufficient funds to meet its obligations. In the event where it cannot meet its obligations, it may lose its properties.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities and the reported amounts of revenues and expenses.

(b) Machinery and equipment

Machinery and equipment are recorded at cost. Amortization is provided using the following method and annual rate:

	Rate	Method
Computer equipment	30%	Declining balance

(c) Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Amounts reflected for mineral exploration properties not in commercial production represent costs incurred to date, net of write-downs and are not intended to reflect present or future values. The recoverability of the costs is dependent upon the discovery of economically recoverable reserves, confirmation of the company's interests in the underlying mineral claims, the ability to obtain necessary financing to complete development and the development of future profitable production from the properties or realization of sufficient proceeds from the disposition of the properties.

Mineral properties will be amortized once commercial production begins.

1. Significant accounting policies (continued)

(d) Impairment of long-lived assets

On an annual basis the company reviews whether there are any indicators of impairment of its long-lived assets, primarily being its mineral exploration properties. If such indicators are present, the company assesses the recoverability of the long-lived assets or group of assets by determining whether the carrying value of such assets can be recovered through undiscounted future cash flows. If the sum of undiscounted future cash flows is less than the carrying amount or if long-lived assets are abandoned, the excess of the carrying amount over the estimated fair value, based on discounted future cash flows, is recorded as a charge to net income. The current year's review concluded that a write-down of $272,537 (2010 - $13,676) was necessary for abandoned properties.

(e) Asset retirement obligations

The company measures the expected costs required to retire its long-lived assets at fair value which approximates the cost a third party would incur in performing the tasks necessary to abandon the machinery, equipment and fields and restore the sites. The fair value is recognized in the financial statements at the present value of expected future cash outflows to satisfy the obligation.

The asset retirement costs, if any, are subsequently allocated in a rational and systematic method over the underlying asset's useful life, and are included in amortization expense. The initial fair value of the present value liability is accreted, by charges to operations, to its estimated nominal future value. The liability is also adjusted due to revisions in either the timing or amount of the estimated costs.

(f) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The portion of the share issue price related to the tax benefit renounced is charged to share capital in the period of renunciation.

(g) Joint ventures

A portion of the company's exploration activities is conducted jointly with others wherein the company enters into agreements that provide for specified percentage interests in mineral properties. The company accounts for its investment in joint ventures using the proportionate consolidation method.

(h) Loss per share

Diluted loss per share is calculated using the treasury stock method which assumes all common share equivalents, such as options and warrants had been exercised at the beginning of the reporting period of issue and that the funds obtained thereby were used to purchase common shares of the company at the estimated average trading price of the common shares during the year.

(i) Revenue recognition

Revenue from sales of precious metals will be recognized when title passes to the buyer, which will generally coincide with the delivery and acceptance of goods, and the collectibility is reasonably assured.

Interest income is recognized as accrued.

1. Significant accounting policies (continued)

(j) Future income taxes

The company uses the asset and liability method of accounting for income taxes. Under this method, future income 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 income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment or substantive enactment.

(k) Stock-based payments to non-employees

Stock-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the underlying equity instrument.

(l) Stock-based compensation

The company has implemented a stock option plan to allow the company to grant options to directors, officers, employees and service providers. The maximum number of common shares which may be issued pursuant to those granted under the stock option plan are limited to 10% of the issued and outstanding common shares. In addition, the number of common shares which may be reserved for issuance to any one individual may not exceed 5% of the issued common shares on a yearly basis.

The company uses the fair value-based approach to account for stock-based compensation. Compensation expense is recognized for these stock options over their vesting period based on their estimated fair values on the date of grant as determined by using the Black-Scholes option-pricing model.

The fair values of the options issued, if any, are credited to contributed surplus in the period they vest. When these options are exercised, the consideration paid by the subscribers and the fair value of the options previously credited to contributed surplus are credited to share capital.

(m) Financial instruments - recognition and measurement

Transaction costs are expensed as incurred for financial instruments designated as held-for-trading. The effective interest rate method of amortization is used for any transaction costs for financial instruments measured at amortized cost.

Loans and Receivables, Held-to-maturity Investments and Other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Gains or losses resulting from revaluation, impairment write-downs and foreign exchange translation adjustments are recognized in net earnings for the period. The company does not have any financial instruments designated as Loans and Receivables, Held-to-maturity Investments or Other financial liabilities.

Available-for-sale Financial Assets are initially and subsequently recorded at fair value, except for equity instruments that do not have a quoted market price in an active market as they are recorded at cost. Gains and losses resulting from revaluation are included in Other Comprehensive Income and are transferred to net earnings when the asset is derecognized. Impairment write-downs are included in net earnings for the year. The company does not have any financial instruments designated as Available-for-sale Financial Assets.

Held-for-trading financial instruments include cash and restricted cash, accounts receivable and accounts payable and accrued liabilities and are initially and subsequently recorded at fair value. Gains or losses on revaluation are included in net earnings for the year.

1. Significant accounting policies (continued)

(n) 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 amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from these estimates.

2. Future accounting change

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA formally adopted the strategy of replacing Canadian generally accepted accounting principles with International Financial Reporting Standards ("IFRS") for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for fiscal years commencing on or after January 1, 2011. The company will be required to adopt IFRS for its fiscal year ending November 30, 2012.

The company is currently assessing the impact of these new accounting standards on its financial statements.

3. Machinery and equipment

2011	Cost	Accumulated amortization	Net book value
Computer equipment	$ 1,428	$ 1,094	$ 334

2010	Cost	Accumulated amortization	Net book value
Computer equipment	$ 1,428	$ 950	$ 478

4. Mineral properties

	2011	2010
Acquisition, exploration and development costs:		
Bobjo Mine	$ 2,924,828	$ 2,852,200
Hazard Lake	59,855	33,355
West Keefer Claims	161,810	161,810
Price Claims	-	272,536
Slate Lake	154,554	17,875
Casa Berardi Claims	170,530	118,676
Hudson - Patricia Claims	129,913	6,944
Fly Lake Claims	50,732	4,418
Rowan Lake Claims	162,246	34,458
Birch Lake Claims	38,369	-
	$ 3,852,837	$ 3,502,272

5. Income taxes

(a) Canadian development and exploration expenditures

As at November 30, 2011, the company had $742,262 (2010 - $124,161) of unused Canadian exploration and development expenses available to offset future taxable income of the company. The tax benefit of these expenses carry forward indefinitely.

(b) Losses

The company has non-capital losses for carry forward available to reduce future years' taxable income of $3,361,000 which expire as follows:

2026	$ 15,000
2027	655,000
2028	716,000
2029	752,000
2030	665,000
2031	558,000
Total loss carry forwards	$ 3,361,000

The company has not recorded in its accounts the potential income tax benefit that may be derived from the tax losses due to the uncertainty that the benefits will be realized.

(c) Income tax recovery (expense) differs from the amount that would be computed by applying the federal and provincial statutory income tax rate of 28% (2010 - 31%). The reasons for the differences are as follows:

	2011	2010
Income tax recovery computed at statutory rates	$ 125,000	$ 163,000
Permanent differences	(1,000)	(2,000)
Adjustment to future tax assets and liabilities due to change in combined federal and provincial tax rates	13,000	1,000
	137,000	162,000
Valuation allowance	(54,000)	(195,000)
	$ 83,000	$ (33,000)

5. Income taxes (continued)

The components of the company's net future income tax liability at November 30, 2011 and 2010 are as follows:

	2011	2010
Future income tax assets (liabilities)		
Property and equipment	$ 1,000	$ 1,000
Operating loss carry-forwards	958,000	869,000
Share issue costs	43,000	64,000
Mineral exploration properties	(963,000)	(1,047,000)
Future income tax assets (liabilities)	39,000	(113,000)
Valuation allowance	(1,002,000)	(933,000)
Net future income tax liability	$ (963,000)	$(1,046,000)

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

(d) Flow-through shares

As at November 30, 2011 $nil (2010 - $179,043) of eligible renounced Canadian exploration expenditures had not yet been expended by the company.

6. Capital stock

(a) Authorized

Authorized share capital consists of an unlimited number of common shares.

(b) Changes in issued common shares are summarized below:

Year ended November 30, 2011	Number of common shares	Amount
Balance, November 30, 2010	43,701,021	$ 5,241,406
Shares issued for land options (i)	100,000	9,000
Shares issued for land options (ii)	100,000	9,000
Shares issued for land options (iii)	100,000	9,000
Shares issued for land options (iv)	50,000	4,500
Shares issued for land options (v)	200,000	18,000
Shares issued for land options (vi)	100,000	10,000
Shares issued for land options (vii)	100,000	10,000
Shares issued for land options (viii)	200,000	20,000
Private placement of shares (ix)	8,086,109	661,682
Shares issued under property interests exchange agreement (x)	250,000	15,000
Exercise of warrants (xi)	385,000	39,100
Shares issued for land options (xii)	500,000	25,000
Shares issued for land options (xiii)	100,000	8,000
Shares issued for land options (xiv)	50,000	6,000
Shares issued for land options (xv)	100,000	4,000
Balance, November 30, 2011	54,122,130	$ 6,089,688

The weighted average number of common shares outstanding during fiscal 2011 was 50,097,845.

6. Capital stock (continued)

Year ended November 30, 2010	Number of common shares	Amount
Balance, November 30, 2009	27,101,087	$ 4,093,291
Private placement of shares (xvi)	4,336,362	395,000
Shares issued for land options (xvii)	900,000	99,000
Shares issued for land options (xviii)	1,750,000	183,750
Shares issued for land options (xix)	100,000	10,000
Private placement of shares (xx)	3,313,572	215,878
Private placement of shares (xxi)	700,000	45,080
Shares issued for land options (xxii)	500,000	45,000
Private placement of shares (xxiii)	2,400,000	215,100
Private placement of shares (xxiv)	2,600,000	200,307
Future income taxes on renouncement of flow-through shares	-	(261,000)
Balance, November 30, 2010	43,701,021	$ 5,241,406

The weighted average number of common shares outstanding during fiscal 2010 was 35,289,112.

(i) On December 7, 2010 the company issued 100,000 common shares under a land option agreement relating to the Rowan Lake claims. Based on the estimated fair value of the land options, the shares were valued at $9,000.

(ii) On December 9, 2010 the company issued 100,000 common shares under land option agreements relating to the Slate Lake property. Based on the estimated fair value of the land options, the shares were valued at $9,000.

(iii) On December 9, 2010 the company issued 100,000 common shares under a land option agreement relating to the Bobjo Mine water claims. Based on the estimated fair value of the land options, the shares were valued at $9,000.

(iv) On December 13, 2010 the company issued 50,000 common shares under a land option agreement relating to the Hazard Lake property. Based on the estimated fair value of the land options, the shares were valued at $4,500.

(v) On February 1, 2011 the company issued 200,000 common shares under land option agreements relating to the Hudson - Patricia claims. Based on the estimated fair value of the land options, the shares were valued at $18,000.

(vi) On April 1, 2011 the company issued 100,000 common shares under land option agreements relating to the Slate Lake property. Based on the estimated fair value of the land options, the shares were valued at $10,000.

(vii) On April 1, 2011 the company issued 100,000 common shares under land option agreements relating to the Fly Lake claims. Based on the estimated fair value of the land options, the shares were valued at $10,000.

(viii) On May 2, 2011 the company issued 200,000 common shares under land option agreements relating to the Birch Lake claims. Based on the estimated fair value of the land options, the shares were valued at $20,000.

(ix) On April 15, 2011 8,086,109 units were issued through a private placement at a price of $0.09 per unit. Each unit consisted of one non-flow-through common share and one half of one non-flow-through common share purchase warrant. Each non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of $0.15 expiring April 14, 2012. The amount recorded to share capital in the amount of $661,682 represents gross proceeds of $727,750 less share issue costs of $66,068.

6. Capital stock (continued)

(x) On May 3, 2011 the company issued 250,000 common shares under a property interests exchange agreement relating to the Bobjo Mine claims. Based on the estimated fair value of the claims, the shares were valued at $15,000.

(xi) On May 4, 2011 30,000 Series H warrants were exercised for $0.12 per warrant, 305,000 Series J warrants were exercised for $0.10 per warrant and 50,000 Series K warrants were exercised for $0.10 per warrant for gross proceeds in the amount of $39,100.

(xii) On August 10, 2011 the company issued 500,000 common shares under land option agreements relating to the Casa Berardi claims. Based on the estimated fair value of the land options, the shares were valued at $25,000.

(xiii) On October 12, 2011 the company issued 100,000 common shares under land option agreements relating to the Slate Lake property. Based on the estimated fair value of the land options, the shares were valued at $8,000.

(xiv) On October 12, 2011 the company issued 50,000 common shares under land option agreements relating to the Hazard Lake property. Based on the estimated fair value of the land options, the shares were valued at $6,000.

(xv) On November 16, 2011 the company issued 100,000 common shares under land option agreements relating to the Rowan Lake claims. Based on the estimated fair value of the land options, the shares were valued at $4,000.

(xvi) On December 31, 2009 4,090,908 Class A units were issued through a private placement at a price of $0.11 per unit. Each unit consisted of one flow-through common share and one non-flow-through common share purchase warrant. Each non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of $0.15 per share in year 1 and $0.20 per share in year 2 expiring December 30, 2011. The amount recorded to share capital in the amount of $395,000 represents gross proceeds of $450,000 less share issue costs of $55,000. Share issue costs include the value of certain share issue costs that were settled by the issuance of 245,454 non-flow through common shares and 409,090 finder's options. Each finder's option entitles the holder to purchase one finder's unit for $0.11 per unit. Each finder's unit is comprised of one non-flow through common share and one non-flow-through common share purchase warrant. Each finder's warrant entitles the holder to purchase one non-flow-through common share of the company at a price of $0.15 in year 1 and $0.20 in year 2 expiring December 30, 2011. The recorded value of these units is $27,000. The value of warrants is based on the estimated fair value of the warrants using the Black-Scholes option pricing model. The company also paid cash share issue costs in the amount of $28,000.

(xvii) On March 9, 2010 the company issued 900,000 common shares under a land option agreement relating to the West Keefer claims. Based on the estimated fair value of the land options, the shares were valued at $99,000.

(xviii) On March 9, 2010 the company issued 1,750,000 common shares under a land option agreement relating to the Price claims. Based on the estimated fair value of the land options, the shares were valued at $183,750.

(xix) On March 9, 2010 the company issued 100,000 common shares under a land option agreement relating to the Hazard Lake property. Based on the estimated fair value of the land options, the shares were valued at $10,000.

6. Capital stock (continued)

(xx) On May 31, 2010 3,313,572 units were issued through a private placement at a price of $0.07 per unit. Each unit consisted of one non-flow-through common share and one half of one non-flow-through common share purchase warrant. Each non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of $0.10 per share expiring May 30, 2011. The amount recorded to share capital in the amount of $215,878 represents gross proceeds of $231,950 less share issue costs of $16,072.

(xxi) On June 4, 2010 700,000 units were issued through a private placement at a price of $0.07 per unit. Each unit consisted of one non-flow-through common share and one half of one non-flow-through common share purchase warrant. Each whole non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of $0.10 per share expiring June 3, 2011. The amount recorded to share capital in the amount of $45,080 represents gross proceeds of $49,000 less share issue costs of $3,920.

(xxii) On October 20, 2010 the company issued 500,000 common shares under a land option agreement relating to the Casa Berardi claims. Based on the estimated fair value of the land options, the shares were valued at $45,000.

(xxiii) On November 3, 2010 2,400,000 units were issued through a private placement at a price of $0.09 per unit. Each unit consisted of one non-flow-through common share and one half of one non-flow-through common share purchase warrant. Each non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of $0.12 per share expiring November 2, 2011. The amount recorded to share capital in the amount of $215,100 represents gross proceeds of $216,000 less share issue costs of $900.

(xxiv) On November 12, 2010 2,600,000 units were issued through a private placement at a price of $0.09 per unit. Each unit consisted of one non-flow-through common share and one half of one non-flow-through common share purchase warrant. Each non-flow-through common share purchase warrant entitles the holder to purchase an additional common share of the company at a price of $0.12 per share expiring November 11, 2011. The amount recorded to share capital in the amount of $200,307 represents gross proceeds of $234,000 less share issue costs of $33,693. Of this amount, $207,000 is classified as share subscriptions receivable on the balance sheet as at November 30, 2010. This amount was received in December 2010.

(c) Options

(i) The following table summarizes the 3,215,000 outstanding options as at November 30, 2011:

	Number outstanding	Exercise price	Expiry date
Directors' options	180,000	$0.27	February 19, 2012
Directors' options	940,000	$0.36	December 3, 2012
Directors' options	195,000	$0.10	February 18, 2014
Directors' options	100,000	$0.10	September 2, 2014
Directors' options	1,800,000	$0.10	June 29, 2015

6. Capital stock (continued)

(ii) A summary of the stock option activity for the years ended November 30, 2011 and 2010 is as follows:

	2011	2010
Outstanding at beginning of year	3,215,000	1,715,000
Granted	-	1,800,000
Expired	-	(300,000)
Outstanding at end of year	3,215,000	3,215,000

(d) Warrants

(i) The following table summarizes the 8,952,143 outstanding warrants as at November 30, 2011:

	Number outstanding	Exercise price	Expiry date
Series I warrants	4,090,908	$0.20 (i)	December 30, 2011
Series N Warrants	4,043,055	$0.15	April 14, 2012
Finders warrants	409,090	$0.11	December 30, 2011
Finder warrants - imbedded	409,090	$0.20 (i)	December 30, 2011

(i) Prior to December 30, 2010, the exercise price was $0.15 per share.

(ii) A summary of the warrant activity for the years ended November 30, 2011 and 2010 are as follows:

	2011	2010
Outstanding at beginning of year	15,083,374	9,344,638
Granted	4,043,055	9,415,874
Exercised	(385,000)	-
Expired	(9,789,286)	(3,677,138)
Outstanding at end of year	8,952,143	15,083,374

(e) Loss per share

Loss per share is computed using the weighted average number of common shares outstanding during the year (Note 6(b)). The dilution created by the options and warrants has not been reflected in the per share amounts as the effect would be anti-dilutive.

(f) Contributed surplus

A summary of the contributed surplus activity for the years ended November 30, 2011 and 2010 is as follows:

	2011	2010
Balance, beginning of year	$ 350,349	$ 318,309
Stock-based payments	-	27,000
Stock-based compensation	-	5,040
Balance, end of year	$ 350,349	$ 350,349

7. Joint venture operations, land option agreements and commitments

The company is involved in jointly controlled operations. These joint operations have no liabilities or revenues and the assets are limited to mineral exploration properties. Expenditures are limited to exploration activities which are deferred in the accounts of the company (Note 4). The cash flows of the joint operations are limited to the expenditures on exploration activity and are equal to the amounts of these expenditures. The joint operations are subject to certain commitments relating to net smelter rights and these commitments, where applicable, are disclosed below.

(a) Bobjo Mine property

The company entered into an agreement to acquire an option for the nine patented claims identified as Bobjo Mine. The vendor has retained a 2% production royalty in the property of which the company has the right to purchase 50% of the production royalty for $1,000,000 at any time.

The company then entered into a joint venture agreement with King's Bay Gold Corporation. Both companies had two directors in common at that time. King's Bay Gold Corporation has earned a 50% interest related to nine patented claim units of the property after funding earn-in expenditures in the amount of $125,000.

On June 14, 2010, the company entered into a Property Interests Exchange Agreement with King's Bay Gold Corporation whereby King's Bay Gold Corporation has sold its remaining interests in the Bobjo Mine project to the company. King's Bay Gold Corporation further agreed to cancel the advance receivable related to the project in the amount of $141,572 from the company. In consideration for the Property Interests Exchange Agreement the company agreed to assign to King's Bay Gold Corporation its 100% interest in the Raleigh Lake Property, grant 250,000 common shares to King's Bay Gold Corporation valued at $15,000 and transfer title and ownership on various pieces of equipment valued at approximately $16,000. The company issued the 250,000 common shares to King's Bay Gold Corporation on May 3, 2011 (Note 6(b)(x)).

On September 23, 2010, the company entered into an option agreement to acquire a 100% interest in 28 mineral claims adjacent to and included with the Bobjo Mine Claims. Upon signing of the agreement the company paid $10,000 and was required to issue 100,000 common shares. The company issued the 100,000 common shares on December 9, 2010 (Note 6(b)(iii)).

The vendor has retained a 2.0% Net Smelter Return (the "NSR") interest in the properties. The company can buy back 1.0% of the NSR for $1,000,000 at any time.

On February 11, 2011 the company entered into an option agreement with Premier Gold Mines Limited ("Premier") with respect to the Bobjo Mine Project. On May 16, 2011, Premier provided notice to the company of their decision to terminate its option on the Bobjo Mine Project property.

(b) Hazard Lake land option agreement

The company has entered into an agreement to acquire an option for twenty four claim units in a gold property identified as Hazard Lake. Upon signing of the agreement the company paid $8,000 and issued 100,000 common shares and during 2010 the company paid $12,000 and was required to issue 50,000 common shares. These 50,000 common shares were issued on December 13, 2010 (Note 6(b)(iv)). During the year, the company paid $16,000 and issued 50,000 common shares (Note 6(b)(xiv). The company has agreed to pay additional consideration for these options as follows:

2012	$25,000
2013	$35,000

The vendor has retained a 1.5% production royalty in the property of which one half (0.75%) can be purchased back by the company for a one time payment of $750,000 at any time.

7. Joint venture operations, land option agreements and commitments (continued)

(c) West Keefer claims land option agreement

On January 5, 2010, the company entered into an option agreement to acquire a 100% interest in properties consisting of three claims totaling thirty four mineral claim units commonly known as the West Keefer claims located in Keefer township of the Porcupine Mining District of Ontario.

Under the terms of the option agreement, the company can earn a 100% interest in the properties by issuing 900,000 common shares of the company to the vendors. These shares were issued on March 9, 2010. (Note 6(b)(xvii))

The vendors will retain a 2.0% NSR interest in the properties. The company can buy back 1.0% of the NSR for both properties for $1,000,000 at any time.

(d) Price claims land option agreement

On December 30, 2009, the company entered into an option agreement to acquire a 100% interest in properties consisting of eleven claims totaling one hundred and thirty four mineral claim units known as the Price Claims located in the Price and Adams townships of the Porcupine Mining District of Ontario.

Under the terms of the option agreement, the company can earn a 100% interest in the properties by issuing 1,750,000 common shares of the company to the vendor. These shares were issued on March 9, 2010 (Note 6(b)(xviii)).

In addition to the issuance of common shares as outlined immediately above, the company agreed to a $225,000 work commitment. $75,000 of the work commitment is to be completed by December 30, 2010 and the remaining $150,000 of the work commitment is to be completed by December 30, 2011 (Note 9(b)).

The vendor will retain a 2.0% NSR interest in the Properties. The company can buy back 1.0% of the NSR for $1,000,000 at any time.

(e) Casa Berardi claims land option agreement

On August 12, 2010, the company entered into an option agreement to acquire a 100% interest in properties consisting of sixty two mineral claim units known as Casa Berardi located in the Casa Berardi area of the Province of Quebec.

Upon signing the agreement the company paid $15,000 and issued 500,000 common shares on October 20, 2010 (Note 6(b)(xxii)). During the year the company paid an additional $15,000 and issued 500,000 common shares of the company (Note 6(b)(xii).

In addition to the cash payments and the issuance of common shares as outlined immediately above, the company agreed to a $30,000 work commitment to be completed in the fall of 2010. This obligation was met in September 2010.

The vendor will retain a 2.0% NSR interest in the Properties. The company can buy back 1.0% of the NSR for $1,000,000 at any time.

7. Joint venture operations, land option agreements and commitments (continued)

(f) Slate Lake land option agreement and mining lease

(i) On October 10, 2010, the company entered into an agreement to acquire a 100% interest in properties consisting of one hundred and seven mineral claim units known as Slate Lake in the Township of Slate Lake in the District of Red Lake in the Province of Ontario.

Upon signing the agreement the company paid $10,000 and was required to issue 100,000 common shares. The 100,000 common shares were issued on December 9, 2010 (Note 6(b)(ii)). During the year the company paid $10,000 and issued 100,000 common shares (Note 6(b)(xiii)). The company has agreed to pay additional consideration for these options as follows:

2012	$15,000
2013	$20,000
2014	$25,000

The vendor has retained a 2.0% production royalty in the property of which one half (1.0%) can be purchased back by the company for $1,000,000 at any time.

(ii) On February 7, 2011 the company entered into an agreement to acquire a 100% interest in a mining lease located in the middle of the company's property known as Slate Lake in the Township of Slate Lake in the District of Red Lake in the Province of Ontario.

Upon signing the agreement the company paid $15,000 and agreed to issue 100,000 common shares. On April 1, 2011 the company issued the 100,000 common shares (Note 6(b)(vi)). The company has agreed to pay additional consideration for these options as follows:

2012	$5,000 and 100,000 common shares (Note 9(g))
2013	$10,000
2014	$10,000
2015	$35,000

The vendor acquired the property rights to the Slate Lake mining lease from a third party, who retains an original NSR of 1.5%. Under the terms of the agreement, there will be two NSR royalties with the original third party retaining 1.5% and the vendor retaining 1.5% creating a total NSR of 3.0%. The company can purchase half of either or both of the NSRs for a one time payment of $1,000,000 for each NSR.

(g) Rowan Lake land option agreement

(i) On November 24, 2010, the company entered into an agreement to acquire a 100% interest in properties consisting of three hundred and twenty three mineral claim units known as Rowan Lake in the Township of Rowan Lake and Brooks Lake area in the District of Kenora in the Province of Ontario.

Upon signing the agreement the company paid $32,300 for the reimbursement of staking costs incurred by the optionor and was required to issue 100,000 common shares. These 100,000 common shares were issued on December 7, 2010 (Note 6(b)(i)). During the year the company paid $12,000 and issued 100,000 common shares (Note 6(b)(xv)). The company has agreed to pay additional consideration for these options as follows:

2012	$16,000
2013	$16,000
2014	$35,000

The vendor has retained a 2.0% production royalty in the property of which one half (1.0%) can be purchased back by the company for $1,000,000 at any time.

7. Joint venture operations, land option agreements and commitments (continued)

(ii) On October 14, 2011 the company entered into an option agreement with Alita Resources Ltd. ("Alita") with respect to the Rowan Lake property. Alita will earn up to a 60% interest in the property by performing the following:

Alita can earn a 60% interest in the property by making a cash payment of $20,000 and issuing 100,000 shares upon signing the agreement (Note 9(e)), making a cash payment of $20,000 and issuing 100,000 shares prior to the first anniversary of the agreement, making a cash payment of $20,000 and issuing 100,000 common shares prior to the second anniversary of the agreement. In addition Alita must expend $900,000 for exploration work on the claims within the first three years after signing with a minimum of $200,000 expended prior to the first anniversary of the agreement and a minimum of $550,000 expended prior to the second anniversary of the agreement.

(h) Hudson - Patricia Claims

On January 10, 2011 the company entered into two option agreements relating to seventy two mineral claim units known as the Hudson Patricia Mine in the Township of Dent area in the District of Red Lake in the Province of Ontario. Under the first option agreement, the company can earn a 100% interest in the mineral claim units by paying $8,000 and issuing 100,000 common shares upon signing the agreement. Upon signing the agreement the company paid $8,000 and on February 1, 2011 the company issued the 100,000 common shares (Note 6(b)(v)). The company has agreed to pay additional consideration for these options as follows (Note 9(c)):

2012	100,000 common shares
2012	$16,000
2014	$16,000
2015	$25,000

The vendor has retained a 2.0% production royalty in the property of which one half (1.0%) can be purchased back by the company for $1,000,000 at any time.

Under the second option agreement, the company can earn a 100% interest in the mining lease by paying $50,000 and issuing 100,000 common shares upon signing the agreement. Upon signing the agreement the company paid $50,000 and on February 1, 2011 the company issued the 100,000 common shares (Note 6(b)(v)). The company has agreed to pay additional consideration for these options as follows (Note 9(d)):

2012	$25,000 and 100,000 common shares
2013	$25,000 and 100,000 common shares
2014	$25,000 and 100,000 common shares
2015	$35,000

The vendor acquired the property rights to the Hudson Patricia Mine mining lease from a third party, who retains an original NSR of 1.5%. Under the terms of the agreement, there will be two NSR royalties with the original third party retaining 1.5% and the vendor retaining 1.5% creating a total NSR of 3.0%. The company can purchase half of either or both of the NSRs for a one time payment of $1,000,000 for each NSR.

7. Joint venture operations, land option agreements and commitments (continued)

(i) Fly Lake Claims

On February 7, 2011 the company entered into an agreement to acquire a 100% interest in one leased and six mineral claim units known as Fly Lake in Mitchell Township in the District of Red Lake in the Province of Ontario.

Upon signing the agreement the company paid $15,000 and was required to issue 100,000 common shares. On April 1, 2011 the company issued the 100,000 common shares (Note 6(b)(vii)). The company has agreed to pay additional consideration for these options as follows:

2012	$5,000 and 100,000 common shares (Note 9(f))
2013	$10,000
2014	$10,000
2015	$35,000

The vendor acquired the property rights to the Fly Lake mining lease and mineral claims from a third party, who retains an original NSR of 1.5%. Under the terms of the agreement, there will be two NSR royalties with the original third party retaining 1.5% and the vendor retaining 1.5% creating a total NSR of 3.0%. The company can purchase half of either or both of the NSRs for a one time payment of $1,000,000 for each NSR.

(j) Birch Lake property

On April 17, 2011 the company entered into an agreement to acquire a 100% interest in properties consisting of 10 mineral claims known as Birch Lake in the townships of Keigat Lake and Casummit Lake in the District of Red Lake in the Province of Ontario.

Upon signing the agreement the company paid $12,500 and was required to issue 200,000 common shares. On May 2, 2011 the company issued the 200,000 common shares (Note 6(b)(viii)). The company has agreed to pay additional consideration for these options as follows:

2012	$12,000
2013	$16,000
2014	$25,000
2015	$35,000

The vendor has retained a 2.0% NSR interest in the property of which one half (1.0%) can be purchased back by the company for $1,000,000 at any time.

8. Related party transactions

In addition to those otherwise disclosed, in these financial statements are the following related party transactions, which are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Certain expenditures relating to exploration have been capitalized to mineral properties.

	2011	2010
Verenex Capital Corporation, a company owned by a director for consulting services related to a position of office for the company	$ 90,000	$ 90,000
Raymond L. Préfontaine Advisory Services, a business owned by an officer for consulting services relating to a position of office for the company	90,000	97,000
Kyle Picard Advisory Services, a business owned by a director for consulting services relating to a position of office for the company	31,200	28,600

9. Subsequent events

(a) On December 1, 2011 the company entered into a lease agreement for premises located at 211 - 850 West Hastings Street, Vancouver, BC for a period of 12 months commencing on January 1, 2012. The monthly rental charge is $938 plus applicable taxes.

(b) The company did not meet the work commitment requirement of $225,000 required under the Price claims land option agreement as at December 30, 2011. As a result the company no longer has an option right relating to this property (Note 7((d)).

(c) On January 6, 2012, the company entered into an agreement to amend the terms of the option agreement relating to the Hudson - Patricia mineral claims. An 11 month extension of the first anniversary cash payment has been granted resulting in a due date of December 10, 2012 rather than January 10, 2012 and the cash payment has been increased from $12,000 to $16,000. The new terms results in additional consideration to be paid for these options as follows:

2012 (January 10)	100,000 common shares
2012 (December 10)	$16,000
2014	$16,000
2015	$25,000
2016	$30,000

On January 12, 2012 the company issued 100,000 common shares under this land option agreement. Based on the estimated fair value of the land options, the shares were valued at $9,000.

(d) On January 6, 2012, the company entered into an agreement to amend the terms of the option agreement relating to the Hudson - Patricia mining lease. An 11 month extension of the first anniversary cash payment has been granted resulting in a due date of December 10, 2012 rather than January 10, 2012 and the cash payment has been increased from $25,000 to $30,000. The new terms results in additional consideration to be paid for these options as follows:

2012 (January 10)	100,000 common shares
2012 (December 10)	$30,000 and 100,000 common shares
2014	$25,000 and 100,000 common shares
2015	$25,000
2016	$35,000

On January 12, 2012 the company issued 100,000 common shares under this land option agreement. Based on the estimated fair value of the land options, the shares were valued at $9,000.

(e) On February 2, 2012 the company received the $20,000 cash payment required under the Rowan Lake option agreement with Alita and on February 7, 2012 the company received the 100,000 common shares of Alita under the Rowan Lake option agreement (Note 7(g)(ii)).

(f) On February 3, 2012, the company issued 100,000 common shares under a land option agreement relating to the Fly Lake claims. Based on the estimated fair value of the land options, the shares were valued at $10,000.

(g) On February 3, 2012, the company issued 100,000 common shares under a land option agreement relating to the Slate Lake property. Based on the estimated fair value of the land options, the shares were valued at $10,000.

10. Financial instruments

(i) Risk management, sensitivity analysis and hedging activities

In the normal course of operations the company is exposed to various financial risks. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The company does not meaningfully participate in the use of financial instruments to control these risks. The company has no designated hedging transactions. The financial risks and management's risk management objectives and policies are as follows:

(b) Currency risk
The company does not hold any assets or liabilities denominated in a foreign currency.

(c) Price risk
The company is exposed to price risk with respect to commodity prices. As the company is not a producing entity, this risk does not currently affect earnings; however, the risk could affect the completion of future equity transactions. The company monitors commodity prices of precious metals and the stock market to determine the timing, nature and extent of equity transactions.

(d) Credit risk
The company is exposed to credit risk on cash and accounts receivable. Cash is held with a reputable Canadian bank and the company's accounts receivable are from Canadian government entities, from which management believes the risk of loss to be remote. The company does not have any derivatives or similar instruments that mitigate the maximum exposure to credit risk.

(e) Liquidity risk
Management monitors the company's liquidity and is of the opinion that it is unlikely that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments.

(f) Interest rate risk
The company is not exposed to any meaningful interest rate risk.

(ii) Fair values, carrying amounts and changes in fair value

The fair values of the company's financial instruments approximate their carrying value. The net carrying value of the company's Held-for-trading financial instruments is $77,480 (2010 - $296,261). The company has no other classes of financial instruments. There were no gains or losses arising from changes in the fair value of financial instruments during the reporting periods.

(iii) Collateral

The carrying value of financial assets the company has pledged as collateral is $nil (2010 - $nil)

11. Capital management

As the company is in the exploration stage, its principal source of capital is from the issuance of common shares. The company's capital management objective is to obtain sufficient capital to maintain its exploration programs for the benefit of its stakeholders. To meet the objectives, management monitors the company's ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements on specific exploration properties on a case by case basis. The company is not subject to externally imposed capital requirements. Management is of the opinion that the amounts and changes in the company's capital is readily determinable in these financial statements.

12. Insurance

Commencing on December 1, 2007, the corporation obtained insurance coverage with Lloyd's (Commercial General Liability Insurance) and with the Chartis Insurance Company of Canada - formerly known as AIG Commercial Insurance Company of Canada - (Directors' & Officers' Insurance). Originally the respective liability limits for both policies were $5,000,000 but were subsequently reduced effective December 1, 2008. Both policies now have respective liability limits of $2,000,000 and $1,000,000. The deductible for the Directors' & Officers' Insurance is $25,000 per event. The deductibles for the Commercial General Liability Insurance range from $500 to $5,000 per event and are dependent on the nature of the event. The policies are underwritten by JLT Northern Underwriting Services of Toronto, ON.