FAIRMONT RESOURCES INC.

FINANCIAL STATEMENTS

YEAR ENDED
OCTOBER 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fairmont Resources Inc.

We have audited the accompanying financial statements of Fairmont Resources Inc. which comprise the balance sheet as at October 31, 2011 and the statements of operations, comprehensive loss and deficit, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements. The procedures selected depend on the auditors' 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 in our audit 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 Fairmont Resources Inc. as at October 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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Other Matters

The financial statements of Fairmont Resources Inc. for the year ended October 31, 2010 were audited by another auditor who expressed an unmodified opinion on those statements on February 24, 2011.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

February 20, 2012

FAIRMONT RESOURCES INC.
BALANCE SHEETS
AS AT OCTOBER 31, 2011 AND 2010

		2011	2010
ASSETS			
CURRENT			
Cash and cash equivalents (Note 4)	$	826,159	$ 975,901
Amounts receivable		68,710	11,795
Prepaid expenses		18,322	10,000
TOTAL CURRENT ASSETS		913,191	997,696
Mineral properties (Note 5)		1,214,519	187,636
TOTAL ASSETS	$	2,127,710	$1,185,332
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	$	32,627	$ 103,282
Due to related party (Note 7)		1,000	6,720
TOTAL CURRENT LIABILITIES		33,627	110,002
SHAREHOLDERS' EQUITY			
Share capital (Note 6)		2,997,658	1,297,464
Contributed surplus (Note 6)		548,124	127,833
Deficit		(1,451,699)	(349,967)
TOTAL SHAREHOLDERS' EQUITY		2,094,083	1,075,330
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	2,127,710	$1,185,332

Nature and continuance of operations (Note 1)
Subsequent event (Note 12)

Approved on behalf of the Board:

"Greg Ball"
Director

"Neil Pettigrew"
Director

The accompanying notes are an integral part of these financial statements

FAIRMONT RESOURCES INC.
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED OCTOBER 31, 2011 AND 2010

	2011	2010
EXPENSES		
Administration	$ 9,500	$ -
Advertising and promotion	182,858	40,838
Audit and accounting	54,518	21,596
Consulting	98,767	1,760
Insurance	9,239	-
Legal	17,462	30,689
Management fees (Note 7)	63,500	60,500
Office and miscellaneous	9,080	2,615
Rent	16,500	9,500
Stock based compensation (Note 6)	350,206	65,514
Registration and transfer fees	21,200	18,856
Travel	25,221	3,204
Website	7,765	-
Total expenses	865,816	255,072
Loss before other items and income taxes	(865,816)	(255,072)
Write-off mineral properties	(246,205)	-
Interest income	10,289	571
Loss before income taxes	(1,101,732)	(254,501)
Future income tax recovery (Note 11)	-	16,128
NET LOSS AND COMPREHENSIVE LOSS	(1,101,732)	(238,373)
DEFICIT, BEGINNING OF YEAR	(349,967)	(111,594)
DEFICIT, END OF YEAR	$ (1,451,699)	$ (349,967)
LOSS PER SHARE, basic and diluted	$ (0.08)	$ (0.04)
Weighted average number of common shares outstanding:	14,386,331	6,499,482

The accompanying notes are an integral part of these financial statements

FAIRMONT RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (1,101,732)	$ (238,373)
Items not affecting cash		
Future income tax recovery	-	(16,128)
Write-off of mineral properties	246,205	-
Stock based compensation	350,206	65,514
Changes in non-cash working capital items		
Amounts receivable	(56,915)	(7,993)
Prepaid expenses	(8,322)	(8,250)
Accounts payable and accrued liabilities	(70,655)	(69,585)
Due to related party	(5,720)	6,720
Net cash used in operating activities	(646,933)	(268,095)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	1,719,279	1,100,313
Net cash provided by financing activities	1,719,279	1,100,313
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property acquisition and exploration costs	(1,222,088)	(20,100)
Net cash used in investing activities	(1,222,088)	(20,100)
Change in cash and cash equivalents during the year	(149,742)	812,118
Cash and cash equivalents, beginning of year	975,901	163,783
Cash and cash equivalents, end of year	$ 826,159	$ 975,901
SUPPLEMENTAL INFORMATION		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
NON CASH TRANSACTIONS		
Shares issued for mineral property (Note 5)	$ 46,000	$ 35,000
Shares issued for agents commission (Note 6)	$ -	$ 15,000
Agent's warrants issued for initial public offering (Note 6)	$ -	$ 32,473
Finders' units and warrants issued for private placement (Note 6)	$ 77,124	$ 33,905

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Fairmont Resources Inc. (the "Company") was incorporated on May 25, 2007 under the British Columbia Business Corporations Act as Strike Explorations Corp. On April 23, 2009, the Company changed its name to Fairmont Resources Inc. The Company is primarily engaged in the acquisition, exploration and development of mineral properties. At October 31, 2011, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production from the mineral properties or proceeds from the disposition of the mineral property.

At October 31, 2011 and 2010, the Company had an accumulated deficit of $1,451,699 and $349,967 respectively, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

	October 31, 2011	October 31, 2010
Working capital	$ 879,564	$ 887,694
Deficit	(1,451,699)	(349,967)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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 assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral properties and deferred exploration costs, stock-based compensation and future income tax valuation allowance. Actual results could differ from those reported.

b) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased, or which are redeemable at the option of the Company, to be cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Mineral Properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units of production method over estimated recoverable reserves. Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. If management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed in the period that this determination is made.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values. When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

d) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences which arise between the accounting basis and the tax basis of various assets and liabilities, and are measured using substantively enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is provided for any future income tax assets if it is more likely than not that the asset will not be realized.

e) Long-lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of mineral properties and deferred exploration costs may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

f) Asset Retirement Obligations

The Company follows Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3110, “Asset Retirement Obligations”, which establishes standards for asset retirement obligations and associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at October 31, 2011, the Company has not incurred any asset retirement obligation related to the exploration and development of its mineral properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Stock-based Compensation

The Company applies the fair value method to stock-based payments and all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are credited to share capital.

h) Comprehensive Loss

Comprehensive loss reflects net loss and other comprehensive income (loss) for the period. Other comprehensive income (loss) includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

i) Loss Per Share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

j) Flow-through Shares

The Company has adopted Emerging Issues Committee 146 ("EIC 146"), which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized for the net tax effect of the deductions renounced, and share capital is reduced.

If the Company has sufficient unrecognized tax losses carried forward or other unrecognized future income tax assets to offset all or part of this future income tax liability, a portion of such unrecognized future income tax assets is recorded as a future income tax recovery up to the amount of the future income tax liability that would otherwise be recognized.

k) Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial Instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held to maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are initially recognized at fair value, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the CICA Handbook Section 3840, "Related Party Transactions". Subsequently, financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company classified its cash and cash equivalents as held-for-trading, amounts receivable as loans and receivables, its accounts payable and accrued liabilities and due to related party as other financial liabilities.

m) Comparative figures

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2008, the Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of November 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include a redeemable guaranteed investment certificate ("GIC") with an interest rate of prime minus 1.80% per annum and expiring on March 20, 2012. At October 31, 2011 and 2010, the fair value of the GIC was $750,000 and $330,000 respectively. At October 31, 2011 there was $5,254 (2010 - $Nil) in interest receivable that was included as a cash equivalent.

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

Title to mineral property interests

Title to mineral property interests involve certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Clay and Powell Properties (Ontario)

On September 14, 2010, the Company entered into a Letter of Intent with Rainy Mountain Royalty Corp. and Mega Uranium Ltd. (the "Optionors") for an option to purchase a 70% undivided interest in certain mineral tenures comprising the Powell property and the Clay property (the "Properties") located near Thunder Bay, Ontario.

The Company may exercise the option by the issuance to the Optionors of 400,000 common shares in the capital stock of the Company, and by incurring a total of $1,000,000 in exploration and development expenditures on the properties as follows:

Date of Completion	Number of Common Shares	Minimum Expenditures
Within 10 days of October 15, 2010 (shares issued at a value of $35,000)	100,000	$ -
Before October 15, 2011 (minimum expenditures of $250,000 incurred) (shares issued at a value of $11,000)	100,000	250,000
Before October 15, 2012 (minimum expenditures of $250,000 incurred)	100,000	250,000
Before October 15, 2013	100,000	500,000
	400,000	$ 1,000,000

In the event that the Company decides to abandon the Option and the Properties, the Company will provide thirty days prior written notice and will provide payment of rental fees for a period of at least six months from the effective date of such abandonment.

Pursuant to the Letter of Intent, the Clay and Powell properties are subject to a 2% net smelter return ("NSR") of which 1% can be purchased for $500,000 and the other 1% for $1,000,000. The Company and the Optionors will pay the amount in proportion to their respective interest in the Properties.

Marmion South Contact Property (Ontario)

On January 7, 2011, the Company entered into a letter agreement with an arm's length party (the "Optionor") to earn a 100% interest in certain mineral claims known as the Marmion South Contact property. The property is located in the Thunder Bay Mining Division, Ontario. To acquire the 100% interest, the Company agreed to pay $320,000, issue a total of 750,000 common shares and incur a total of $1,500,000 in exploration expenditures as follows:

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)

Marmion South Contact Property (Ontario) (continued)

Date of Completion	Cash Payments	Number of Common Shares	Exploration Expenditures
By January 7, 2011 (paid)	$ 25,000	-	$ -
On receiving approval from TSX Venture Exchange (issued at a value of $40,000)	-	100,000	-
By January 7, 2012	40,000	150,000	150,000
By January 7, 2013	60,000	150,000	250,000
By January 7, 2014	75,000	150,000	400,000
By January 7, 2015	120,000	200,000	700,000
	$ 320,000	750,000	$ 1,500,000

Subsequent to the year ended October 31, 2011, the Company paid the cash payment of $40,000 and issued 150,000 common shares. The Company incurred the minimum exploration expenditures of $150,000 during the year ended October 31, 2011.

The Company paid $13,000 as a finder's fee for the Marmion South Contact acquisition.

The property is subject to a 2.5% net smelter return royalty. The Company has the right to acquire 50% of the royalty at any time prior to the commencement of commercial production upon the property for $1,000,000.

Nicoamen River Claims (British Columbia)

On July 30, 2009, the Company entered into an option agreement to acquire an initial 51% interest in the Nicoamen River Claims located in the Kamloops Mining Division, British Columbia. In order to earn its interest the Company agreed to make $25,000 cash payments to the optionor and incur $300,000 in exploration expenditures as follows:

Date of Completion	Cash Payments	Exploration Expenditures
On execution of the Agreement (paid)	$ 10,000	$ -
By December 31, 2009 (completed)	-	100,000
Before April 15, 2011 (cash paid in 2010, exploration requirement due date extended to July 31, 2011)	15,000	200,000
	$ 25,000	$ 300,000

On February 14, 2011, the Company entered into an amending agreement for the July 30, 2009 option agreement. Pursuant to the option agreement, the Company was required to incur $200,000 in exploration expenditures on the property by April 15, 2011. The optionor agreed to extend the exploration expenditure deadline from April 15, 2011 to July 31, 2011. As consideration for the amendment, the Company immediately paid the $15,000 cash obligation that would have been due on April 15, 2011.

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)

Nicoamen River Claims (British Columbia) (continued)

The Company could have acquired an additional 9% interest in the Nicoamen River Claims by issuing 300,000 common shares to the optionor and incurring $1,700,000 in exploration expenditures as follows:

	Number of Common Shares	Exploration Expenditures
By April 15, 2012	-	$ 300,000
By April 15, 2013	50,000	500,000
By April 15, 2014	100,000	-
By April 15, 2015	150,000	900,000
	300,000	$ 1,700,000

On June 27, 2011, management decided to terminate its Nicoaman River Claims option agreement. Accordingly, the Company wrote-off $29,224 in acquisition and $216,981 in deferred exploration costs related to the Nicoaman River Claims property.

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)

The following mineral property and deferred exploration costs were incurred on the Company's mineral properties:

	Clay and Powell	Marmion South Contact	Nicoamen River Claims	Total
Acquisition costs, October 31, 2010	$ 35,000	$ -	$ 29,224	$ 64,224
Additions during the year	11,000	78,000	-	89,000
Write-off during the year	-	-	(29,224)	(29,224)
Acquisition costs, October 31, 2011	46,000	78,000	-	124,000
Deferred exploration costs, October 31, 2010	-	-	123,412	123,412
Additions during the year				
Administration	8,291	3,199	612	12,102
Assays	43,528	24,401	15,426	83,355
Camp costs	35,364	16,100	3,321	54,785
Consulting	-	-	6,607	6,607
Demobilization	9,668	3,911	445	14,024
Drilling	227,140	-	-	227,140
Equipment rental	29,880	9,426	4,680	43,986
Field expenditures	20,641	3,514	868	25,023
Field personnel	51,632	48,300	22,328	122,260
Geological consulting	140,993	112,996	36,816	290,805
Geophysical	84,726	148,794	-	233,520
Insurance	2,150	-	-	2,150
Line-cutting and surveying	34,506	-	-	34,506
Mapping	3,349	1,192	-	4,541
Mobilization	10,762	3,911	445	15,118
Staking	2,871	-	-	2,871
Storage	450	-	433	883
Transport and freight	4,684	411	1,308	6,403
Travel and related	2,295	1,434	280	4,009
	712,930	377,589	93,569	1,184,088
Write-off of deferred exploration costs	-	-	(216,981)	(216,981)
Deferred exploration costs, October 31, 2011	712,930	377,589	-	1,090,519
Total mineral properties and deferred exploration costs, October 31, 2011	$ 758,930	$ 455,589	$ -	$ 1,214,519

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)

	Clay and Powell	Nicoamen River Claims	Total
Acquisition costs, October 31, 2009	$ -	$ 14,224	$ 14,224
Additions during the year	35,000	15,000	50,000
Acquisition costs, October 31, 2010	35,000	29,244	64,224
Deferred exploration costs, October 31, 2009	-	118,312	118,312
Consulting	-	5,100	5,100
Deferred exploration costs, October 31, 2010	-	123,412	123,412
Total mineral property and deferred exploration costs, October 31, 2010	$ 35,000	$ 152,636	$ 187,636

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued common shares			
Balance as at October 31, 2009	4,155,000	$ 302,320	$ -
Initial public offering	4,000,000	600,000	-
Shares issued to agent as corporate finance fee	100,000	15,000	-
Share issue costs	-	(231,909)	-
Non-brokered private placement	2,642,000	660,500	-
Share issue costs	-	(95,506)	-
Shares issued for mineral property	100,000	35,000	-
Exercise of warrants at	40,000	8,000	-
Stock based compensation	-	-	65,514
Agent and finders warrants	-	-	66,378
Transfer from contributed surplus on exercise of warrants	-	4,059	(4,059)
Balance as at October 31, 2010	11,037,000	$ 1,297,464	$ 127,833
Private placement	4,905,000	1,880,500	-
Share issuance costs	-	(175,441)	-
Agent warrants issued as finders' fees	-	(77,124)	77,124
Exercise of agent warrants	65,100	14,220	-
Adjustment for exercised agent warrants	-	7,039	(7,039)
Shares issued for mineral property option	200,000	51,000	-
Stock-based compensation	-	-	350,206
Balance as at October 31, 2011	16,207,100	$ 2,997,658	$ 548,124

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

Escrow Shares

At October 31, 2011, pursuant to an escrow agreement dated December 10, 2009, 1,013,628 (2010 – 1,689,378) of the common shares issued and outstanding were held in escrow and 337,875 are to be released every six months from April 15, 2011 to April 15, 2013.

Private Placements

Year Ended October 31, 2011

On March 4, 2011, the Company completed the first tranche of a private placement which was comprised of 3,275,000 Flow-Through Units ("FT Unit") at $0.40 per FT Unit for gross proceeds of $1,310,000. An additional $351,750 was received from the issuance of 1,005,000 Non-Flow-Through Units ("Non FT Units") at $0.35 per Unit.

On March 15, 2011, the Company completed the second tranche of a private placement by issuing 625,000 Non-Flow-Through Units at $0.35 per Unit for gross proceeds of $218,750.

Each FT Unit is comprised of one flow-through common share and one-half of a non-transferable share purchase warrant. Each whole warrant is exercisable into an additional common share at $0.50 per share until March 4, 2012 and then at $0.75 per share until March 4, 2013.

Each Non FT Unit is comprised of one common share and one non-transferable share purchase warrant. Each warrant is exercisable into an additional common share at $0.45 per share in the first year and then at $0.70 in the second year from issuance of the respective warrants.

The Company issued 287,500 finder's units valued at $50,030 as finder's fees for the first tranche of the private placement. These finder's units are exercisable into units at $0.40 per unit until March 4, 2013. The finder's units are comprised of one common share and one-half of a non-transferable share purchase warrant. Each whole warrant is exercisable into an additional common share at $0.50 per share until March 4, 2012 and then at $0.75 per share until March 4, 2013. The fair value of the finder's warrants was determined using the Black Scholes option pricing model with a volatility of 100%, risk free interest rate of 1.84%, expected life of 2 years, and a dividend rate of 0%.

The Company paid $107,940 cash in finder's fees. An additional 178,000 agent warrants valued at $27,094 were issued as finder's fees, of which 15,000 are exercisable into one common share at $0.50 per share until March 4, 2012 and at $0.75 per share until March 4, 2013. The remaining 163,000 agent warrants are exercisable into one common share at $0.45 per share in the first year and then at $0.70 in the second year from issuance of the respective agent warrants. The fair value of these agents' warrants was determined using the Black Scholes option pricing model with the following weighted average assumptions: volatility of 100%, risk free interest rate of 1.78%, expected life of 1.78 years, and a dividend rate of 0%.

The Company paid $67,501 cash for due diligence, filing, legal and other fees directly attributed to the private placement and therefore were allocated as share issuance costs.

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

Year ended October 31, 2010

On April 14, 2010, the Company completed its initial public offering of 4,000,000 common shares at a price of $0.15 per common share for gross proceeds of $600,000. The Company paid to the agent a commission of $48,000, administration fee of $12,500 and legal and other expenses of $14,973. In addition, the Company issued to the agent 100,000 common shares as a corporate finance fee and granted agent warrants exercisable to purchase 320,000 common shares at a price of $0.20 per share until April 13, 2012. Of these warrants, 40,000 were exercised prior to October 31, 2010. The fair value of the common shares and the warrants were $15,000 and $32,472 respectively. The Company also incurred legal and other issue costs of $108,964.

On October 28, 2010, the Company completed a non-brokered private placement of 2,642,000 units of the Company at a price of $0.25 per unit for gross proceeds of $660,500. Each unit consisted of one common share and one-half of one transferable share purchase warrant. One whole share purchase warrant entitles the holder to purchase one additional common share at an exercise price of $0.33 per share until October 28, 2011. The Company paid finders' fees in the amount of $61,600 and issued 246,400 finders' warrants at a fair value of $33,906. Each finders' warrant entitles the holder to purchase one additional common share at an exercise price of $0.30 per share until October 28, 2011.

Stock options

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 1,651,000 common shares. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

The following table summarizes the stock option activity for the years ended October 31, 2010 and 2011.

	Number of Stock Options	Weighted Average Exercise Price $
Balance October 30, 2009	-	
Granted	1,100,000	0.15
Cancelled	(700,000)	0.15
Exercised	-	-
Balance at October 30, 2010	400,000	0.15
Granted	1,450,000	0.28
Cancelled	(200,000)	0.15
Exercised	-	-
Balance at October 30, 2011	1,650,000	0.27

Subsequent to the year end of October 31, 2011 735,000 options were cancelled.

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

As at October 31, 2011, the following incentive stock options are available:

Number of Stock Options	Exercise Price $	Expiry Date
200,000	0.15	December 9, 2014
1,250,000	0.31	November 3, 2015
200,000	0.115	October 24, 2016
1,650,000		

As at October 31, 2011, the following incentive stock options are fully vested:

Number of Stock Options	Exercise Price $	Expiry Date
200,000	0.15	December 9, 2014
1,196,250	0.31	November 3, 2015
200,000	0.115	October 24, 2016
1,596,250		

Stock-based compensation

The total stock-based compensation calculated for stock options granted under the fair value method was $350,206 (2010 - $65,514) using the Black-Scholes option pricing model. For the year ended October 31, 2011, the Company expensed $350,206 (2010 - $65,514) for the vesting portion of the stock options to operations.

The following weighted average assumptions were used for the Black-Scholes option-pricing model calculation of stock options granted during the year:

	2011	2010
Risk-free interest rate	1.97%	2.46%
Expected life of options	5 years	4.75 years
Expected annualized volatility	100.00%	118.00%
Expected dividend rate	- %	-%

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

Warrants

The following table summarizes the warrants and agent warrants activity for the years ended October 31, 2010 and 2011.

	Number of Warrants	Weighted Average Exercise Price $
Balance October 30, 2009	-	
Private placement warrants	1,321,000	0.33
Agents warrants	320,000	0.20
Finders warrants	246,400	0.30
Exercised warrants	(40,000)	0.20
Balance at October 30, 2010	1,847,400	0.31
Agents warrants	465,500	0.42
Private placement warrants	3,267,500	0.48
Exercised warrants	(65,100)	0.22
Expired warrants	(1,555,400)	0.33
Balance at October 30, 2011	3,959,900	0.45

As at October 31, 2011, the following share purchase warrants are outstanding:

Number of Warrants	Exercise Price $	Expiry Date
1,005,000	0.45	March 4, 2012
	then at 0.70	March 4, 2013
1,637,500	0.50	March 4, 2012
	then at 0.75	March 4, 2013
625,000	0.45	March 15, 2012
	0.70	March 15, 2013
3,267,500		

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

Agent warrants

As at October 31, 2011, the following agent warrants are outstanding:

Number of Warrants	Exercise Price $	Expiry Date
226,900	0.20	April 13, 2012
287,500	0.40	March 4, 2013
100,500	0.45	March 4, 2012
	then at 0.70	March 4, 2013
15,000	0.50	March 4, 2012
	then at 0.75	March 4, 2013
62,500	0.45	March 15, 2012
	then at 0.70	March 15, 2013
692,400		

7 RELATED PARTY TRANSACTIONS

There was a balance due to one of the Company's officers at October 31, 2011, of $1,000 (2010 - $6,720). The amounts owing are unsecured, non-interest bearing and with no stated payment date.

The following amounts were paid or accrued to related parties:

a) Paid or accrued $10,000 (2010 – $15,000) in management fees to a company controlled by a former director of the Company.

b) Paid or accrued $32,500 (2010 - $2,500) in management fees to a company controlled by a former director of the Company.

c) Paid or accrued $Nil (2010 - $9,500) in management fees to a company controlled by a former director of the Company.

d) Paid or accrued $Nil (2010 - $28,000) in management fees to a company controlled by a former director of the Company.

e) Paid or accrued $Nil (2010 - $10,625) in accounting fees to a company controlled by a former director of the Company.

f) Paid or accrued $2,854 (2010 - $Nil) in consulting fees and $5,817 (2010 - $Nil) in deferred exploration costs to a company controlled by a director of the Company. This director resigned from the Company subsequent to October 31, 2011.

g) Paid or accrued $Nil (2010 - $9,500) in office rent to a company controlled by a former director of the Company.

h) Paid or accrued $1,000 (2010 - $Nil) in management fees to an officer and director of the Company.

7 RELATED PARTY TRANSACTIONS (continued)

i) Paid or accrued $20,000 (2010 - $Nil) in management fees to an officer and director of the Company.

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

8. CAPITAL MANAGEMENT

The Company considers its capital to be the components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through debt and 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.

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

9. FINANCIAL INSTRUMENTS

Fair Values

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and due to related party. The fair values of these financial instruments approximate their carrying values because of their current nature.

The following table summarizes the carrying values of the Company's financial instruments:

	October 31, 2011	October 31, 2010
Held for trading (i)	$ 826,159	$ 975,901
Loans and receivables (ii)	68,710	11,795
Other financial liabilities (iii)	$ 33,627	$ 110,002

(i) Cash and cash equivalents
(ii) Amounts receivable
(iii) Accounts payable and accrued liabilities and amounts due to related party

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market data

9. FINANCIAL INSTRUMENTS (continued)

Fair Values (continued)

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 826,159	-	-	$ 826,159

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuances when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

The Company does not have significant foreign exchange risk as most of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company

10. SEGMENT INFORMATION

The Company conducts all of its business activities in Canada, in one reportable operating segment, being the acquisition and exploration of mineral properties.

11. INCOME TAX

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates; with the amount reported:

	2011	2010
Combined statutory tax rate	26.83%	28.75%
Income tax recovery at combined statutory rate	$ (295,631)	$ (73,169)
Permanent differences	(47,077)	-
Non-deductible expenses	160,342	18,835
Reduction in tax rates	10,844	7,087
Valuation allowance	171,522	31,119
Future income tax recovery	-	$ (16,128)

Significant components of the Company's future income tax assets (liabilities) are shown below:

	2011	2010
Non-capital loss carry forwards	216,000	$ 69,000
Share issuance costs	74,000	52,000
Mineral properties	31,000	(25,000)
Valuation Allowance	(321,000)	(96,000)
Net future income tax liabilities	$ -	$ -

As at October 31, 2011, the Company had approximately $862,000 in non-capital loss carry forwards available to reduce taxable income for future years. These losses, if not utilized, will expire through to 2031. Subject to certain restrictions, the Company has further resource development and exploration expenditures totalling approximately $1,336,000 available to reduce taxable income of future years.

Future tax benefits, which may arise as a result of these non-capital losses, capital losses and other tax assets, have not been recognized in these financial statements and have been offset by a valuation allowance.

12. SUBSEQUENT EVENTS

Subsequent to the year end the Company issued 1,100,000 stock options to officers, directors and consultants at $0.15 per option. 220,000 options expired due to termination of services and 880,000 options were canceled by mutual consent.