FAIRMONT RESOURCES INC.

Condensed Interim Financial Statements

Six Months Ended
April 30, 2012 and 2011

(Expressed in Canadian Dollars)
Unaudited – Prepared by Management

FAIRMONT RESOURCES INC

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED APRIL 30, 2012

The accompanying unaudited condensed interim financial statements of Fairmont Resources Inc. (the “Company”) for the period ended April 30, 2012 have been prepared by, and are the responsibility of, the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity’s auditor.

FAIRMONT RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
Unaudited - Prepared by Management
(Expressed in Canadian Dollars)

	April 30, 2012	October 31, 2011
		(Note 12)
ASSETS		
CURRENT		
Cash and cash equivalents (Note 4)	$ 708,003	$ 826,159
Amounts receivable	70,238	68,710
Prepaid expenses	24,910	18,322
TOTAL CURRENT ASSETS	803,151	913,191
Exploration and evaluation assets (Note 5)	1,619,079	1,214,519
TOTAL ASSETS	$ 2,422,230	$ 2,127,710
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 7,571	$ 32,627
Due to related parties (Note 8)	157,828	1,000
Flow-through share premium liability (Note 7)	12,179	55,173
TOTAL CURRENT LIABILITIES	177,578	88,800
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	3,298,929	2,833,908
Equity Reserves (Note 6)	673,124	548,124
Deficit	(1,727,401)	(1,343,122)
TOTAL SHAREHOLDERS' EQUITY	2,244,652	2,038,910
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,422,230	$ 2,127,710

Nature and continuance of operations (Note 1)
Subsequent events (Note 13)
Approved on behalf of the Board:

"Greg Ball"
Director

"Neil Pettigrew"
Director

The accompanying notes are an integral part of these condensed interim financial statements

FAIRMONT RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
Unaudited - Prepared by Management
(Expressed in Canadian Dollars)

	Three months ended April 30,		Six months ended April 30,	
	2012	**2011**	**2012**	**2011**
	(Note 12)	(Note 12)	(Note 12)	(Note 12)
EXPENSES				
Administration	$ 10,000	$ 1,500	$ 19,000	$ 3,000
Advertising and promotion	11,935	60,619	32,067	65,981
Audit and accounting	23,020	23,460	38,020	25,460
Consulting	23,250	8,872	27,750	14,872
Exploration expense	-	-	8,104	-
Insurance	-	2,865	2,511	3,316
Investor relations	37,500	24,500	74,500	47,000
Legal	9,730	-	11,708	9,886
Management	23,917	25,500	47,167	50,000
Office and miscellaneous	1,726	1,950	7,691	3,887
Rent	7,000	4,500	11,500	9,000
Registration and transfer fees	15,204	5,711	17,039	14,855
Share-based payments (Note 6)	100,118	27,288	100,422	295,145
Travel	7,448	10,213	20,214	11,099
Wages and benefits	9,633	-	12,844	-
Loss before other items and income taxes	(280,481)	(196,978)	(430,537)	(553,501)
Interest income	1,517	1,301	3,264	2,299
Other income on settlement of flow-through share premium liability	37,875	56,873	42,994	56,873
Comprehensive loss for the period	(241,089)	(138,804)	(384,279)	(494,329)
LOSS PER SHARE, basic and diluted	$ (0.01)	$ (0.03)	$ (0.02)	$ (0.04)
Weighted average number of shares outstanding:	16,251,122	11,048,957	17,192,741	12,627,649

The accompanying notes are an integral part of these condensed interim financial statements

FAIRMONT RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED APRIL 30, 2012 AND 2011
Unaudited - Prepared by Management
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Equity Reserves	Deficit	Total equity
Balance at November 1, 2010	11,037,000	$1,297,464	$ 127,833	$ (349,967)	$ 1,075,330
Shares issued for exploration and evaluation asset option	100,000	35,000	-	-	35,000
Share issuance costs	-	(139)	-	-	(139)
Share-based payments	-	-	267,857	-	267,857
Comprehensive loss for the period	-	-	-	(494,329)	(494,329)
Balance at April 30, 2011	11,137,000	1,332,325	395,690	(844,296)	883,719
Private placement	4,905,000	1,880,500	-	-	1,880,500
Flow-through share premium liability	-	(163,750)	-	-	(163,750)
Share issuance costs	-	(175,302)	-	-	(175,302)
Agent warrants issued as finders' fees	-	(77,124)	77,124	-	-
Exercise of agent warrants	65,100	14,220	-	-	14,220
Adjustment for exercised agent warrants	-	7,039	(7,039)	-	-
Shares issued for exploration and evaluation asset option	100,000	16,000	-	-	16,000
Share-based payments	-	-	82,349	-	82,349
Comprehensive loss for the period	-	-	-	(498,826)	(498,826)
Balance at October 31, 2011	16,207,100	2,833,908	548,124	(1,343,122)	2,038,910
Shares issued for exploration and evaluation asset option	150,000	24,000	-	-	24,000
Private placement	3,443,333	516,500	-	-	516,500
Share issuance costs	-	(50,900)	-	-	(50,900)
Agent warrants issued as finders' fees	-	(24,579)	-	-	(24,579)
Share-based payments	-	-	125,000	-	125,000
Comprehensive loss for the period	-	-	-	(384,279)	(384,279)
Balance at April 30, 2012	19,800,433	$3,298,929	$ 673,124	$(1,727,401)	$ 2,244,652

The accompanying notes are an integral part of these condensed interim financial statements

FAIRMONT RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
Unaudited - Prepared by Management
(Expressed in Canadian Dollars)

	Six months ended April 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss and comprehensive loss for the period	$ (384,279)	$ (494,329)
Items not affecting cash		
Share-based payments	100,422	295,145
Other income on settlement of flow-through share premium liability	(42,994)	(56,873)
Changes in non-cash working capital items		
Amounts receivable	(1,528)	(84,719)
Prepaid expenses	(6,588)	1,066
Accounts payable and accrued liabilities	(25,056)	(74,526)
Due to related party	24,786	3,348
Net cash used in operating activities	(335,237)	(410,888)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	516,500	1,894,720
Share issuance cost	(50,901)	(175,441)
Net cash from financing activities	465,599	1,719,279
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures	(248,518)	(655,233)
Net cash used in investing activities	(248,518)	(655,233)
Change in cash and cash equivalents during the period	(118,156)	653,158
Cash and cash equivalents, beginning of period	826,159	975,901
Cash and cash equivalents, end of period	$ 708,003	$ 1,629,059
SUPPLEMENTAL INFORMATION		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
NON CASH TRANSACTIONS		
Shares issued for mineral property (Note 5)	$ 24,000	$ 35,000
Finders' units and warrants issued for private placement (Note 6)	$ 24,578	$ 77,124
Transfer from equity reserve to share capital upon the exercise of agent warrants	$ -	$ -
Exploration and evaluation assets included in accounts payable and accrued liabilities	$ -	$ 130,085
Exploration and evaluation assets included in due to related parties	$ 132,042	$ -

The accompanying notes are an integral part of these condensed interim financial statements

(Expressed in Canadian Dollars)

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's head office is Suite 610 – 1100 Melville Street, Vancouver, BC V6E 4A6, Canada. The registered and records office address is Suite 950 – 650 West Georgia Street, Vancouver, BC V6B 4N8, Canada, The Company is listed on the TSX Venture Exchange under the symbol "FMR". The Company is primarily engaged in the acquisition, exploration and development of exploration and evaluation assets. At April 30, 2012, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets 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 exploration and evaluation assets or proceeds from the disposition of the exploration and evaluation asset.

At April 30, 2012 and October 31, 2011, the Company had an accumulated deficit of $1,727,401 and $1,343,122 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.

	April 30, 2012	October 31, 2011
Working capital	$ 625,573	$ 824,391
Deficit	$ (1,727,401)	$ (1,343,122)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance and basis of presentation

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company's transition date to IFRS is November 1, 2010. The rules for first-time adoption of IFRS are set out in IFRS 1, "First-time adoption of International Financial Reporting Standards". In preparing the Company's first IFRS financial statements, these transition rules have been applied to the amounts previously reported in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Historical results and balances have been restated under IFRS. These condensed interim financial statements should be read in conjunction with the Company's October 31, 2011 Canadian GAAP annual financial statements, and in consideration of the disclosure regarding the transition from Canadian GAAP to IFRS included in note 12. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in these condensed interim financial statements nor in the Company's most current annual Canadian GAAP financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Statement of compliance and basis of presentation (continued)

The condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed interim financial statements of the Company are presented in Canadian dollars unless otherwise indicated, which is the functional currency of the Company.

b) Use of Estimates

The preparation of financial statements in accordance with IFRS 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 exploration and evaluation assets and deferred exploration costs, share-based payments and future income tax valuation allowance. Actual results could differ from those reported.

Significant assumptions about the future and other sources of estimated uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

1) the carrying value and the recoverability of exploration and evaluation assets, which are included in the condensed interim statements of financial position;

2) the inputs used in the accounting for the deferred tax liability.

3) the inputs used in the accounting for stock-based payment expense included in profit or loss.

c) 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.

d) Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred.

All costs related to the acquisition, exploration and development of exploration and evaluation assets 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets (continued)

The recoverability of exploration and evaluation assets 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 exploration and evaluation assets contain economically recoverable reserves. Amounts capitalized to exploration and evaluation assets as exploration and development costs do not necessarily reflect present or future values. When options are granted on exploration and evaluation assets 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.

e) Income Taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

g) Provision for closure and reclamation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision required for closure and reclamation as at April 30, 2012, October 31, 2011 and November 1, 2010.

h) Share-based payment

The Company applies the fair value method to share-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 equity reserves. When the options are exercised, the exercise price proceeds together with the amount initially recorded in equity reserves are credited to share capital.

i) Basic and diluted loss per share:

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of the diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. Since the Company has losses the exercise of outstanding options has not been included in this calculation as it would be anti-dilutive.

j) Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and the premium is recognized as other income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

l) Financial Instruments

Financial assets:

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company’s cash and cash equivalents is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that provide objective evidence of impairment, which are recognized in earnings. The Company’s investments are classified as available-for-sale and its receivables are classified as loans and receivables.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period or, where appropriate, a shorter period. The Company’s financial liabilities consist of accounts payable, accrued liabilities and due to related parties, which are classified as other liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated present value of the future cash flows of the financial assets are less than their carrying values.

m) Comparative figures

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

3. ACCOUNTING STANDARDS ISSUED FOR ADOPTION IN FUTURE PERIODS

Joint Ventures

In May 2011, the IASB issued IFRS 11 – Joint Arrangements. IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 is effective for annual years beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its financial statements.

Consolidation

In May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 – Consolidation – Special Purpose Entities and IAS 27 – Consolidated and Separate Financial Statements and will be effective for the Company's fiscal year ending October 31, 2016. The Company is currently evaluating the impact of IFRS 10 on its financial statements.

Financial Instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

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 19, 2013. At April 30, 2012, October 31, 2011 and 2010, the fair value of the GIC was $600,000, $750,000 and $330,000 respectively. At April 30, 2012 there was $708 (October 31, 2011 - $5,254, November 1, 2010 - $Nil) in interest receivable that was included as a cash equivalent.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation asset

Title to exploration and evaluation asset 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 exploration and evaluation assets 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:

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (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 (cash payment of $40,000 made) (minimum expenditures of $150,000 incurred) (shares issued at a value of $24,000)	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

On January 4, 2012, the Company paid the cash payment of $40,000 and issued 150,000 common shares with a value of $24,000. 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.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (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.

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

The following acquisition and deferred exploration costs were incurred on the Company's exploration and evaluation assets:

	Clay and Powell	Marmion South Contact	Total
Acquisition costs, October 31, 2011	$ 46,000	$ 78,000	$ 124,000
Additions during the period	-	64,000	64,000
Acquisition costs, April 30, 2012	46,000	142,000	188,000
Deferred exploration costs, October 31, 2011	712,930	377,589	1,090,519
Additions during the period			
Administration	-	6,925	6,925
Assays	-	29	29
Core cutting	-	5,700	5,700
Drilling	-	163,875	163,875
Equipment rental	-	7,051	7,051
Field personnel and expenses	1,068	25,093	26,161
Geological consulting		107,632	107,632
Geophysical	3,220	19,516	22,736
Mapping	451	-	451
Deferred exploration costs, April 30, 2012	717,669	713,410	1,431,079
Total exploration and evaluation assets, April 30, 2012	$ 763,669	$ 855,410	$ 1,619,079

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

	Clay and Powell	Marmion South Contact	Nicoamen River Claims	Total
Acquisition costs, November 1, 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, November 1, 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
Deferred exploration costs, October 31, 2011	712,930	377,589	93,569	1,184,088
Write-off of deferred exploration costs	-	-	(216,981)	(216,981)
Total exploration and evaluation assets, October 31, 2011	$ 758,930	$ 455,589	$ -	$ 1,214,981

6. SHARE CAPITAL

The authorized share capital consists of an unlimited number of commons shares without par value.

Escrow Shares

At April 30, 2012, pursuant to an escrow agreement dated December 10, 2009, 675,760 of the common shares issued and outstanding were held in escrow. 337,880 shares are to be released on each of October 15, 2012 and April 15, 2013.

6. SHARE CAPITAL (continued)

Private Placements

Six Months Ended April 30, 2012

On March 15, 2012 the Company completed a Private Placement and issued a total of 3,443,333 units at a price of \$0.15 per unit for gross proceeds of approximately \$516,500 (the "Private Placement"). Each unit under the Private Placement is comprised of one common share and one non-transferable share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$0.20 per share until March 15, 2014. In connection with the Private Placement, Fairmont paid finders cash commissions totaling \$50,900 and issued finders a total of 339,333 non-transferable share purchase warrants. Each finder's warrant is exercisable on the same terms described above and expires on March 15, 2014.

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 2 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.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

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:

	Number of Stock Options	Weighted Average Exercise Price $
Balance at November 1, 2010	400,000	0.15
Granted	1,450,000	0.28
Cancelled	(200,000)	0.15
Exercised		-
Balance at October 31, 2011	1,650,000	0.27
Granted	1,100,000	0.15
Cancelled	(1,200,000)	0.23
Exercised	-	-
Balance at April 30, 2011	1,550,000	0.15

As at April 30, 2012, the following incentive stock options are available and fully vested:

Number of Stock Options	Exercise Price $	Expiry Date
200,000	0.15	December 9, 2014
50,000	0.31	November 3, 2015
200,000	0.115	October 24, 2016
1,050,000	0.15	February 8, 2017
50,000	0.15	February 14, 2017
1,550,000		

Share-based payments

For the three months ended April 30, 2012 the total share-based payments calculated for stock options granted under the fair value method was $117,465 (2011 - $323,499) using the Black-Scholes option pricing model. For the three months ended April 30, 2012, the Company expensed $100,118 (2011 - $267,857) for the vesting portion of the stock options to operations.

For the six months ended April 30, 2012 the total share-based payments calculated for stock options granted under the fair value method was $117,465 (2011 - $323,499) using the Black-Scholes option pricing model. For the six months ended April 30, 2012, the Company expensed $100,422 (2011 - $295,145) for the vesting portion of the stock options to operations.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)
Share-based payments (continued)

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

	2012	2011
Risk free interest rate	1.44%	2.02%
Expected life of options	5 years	5 years
Expected annualized volatility	100%	100%
Expected dividend rate	-	-%

Warrants

The following table summarizes the warrants and agent warrants activity.

	Number of Warrants	Weighted Average Exercise Price $
Balance at November 1, 2010	1,847,400	0.31
Agents warrants	465,500	
Private placement warrants	3,267,500	
Exercised warrants	(65,100)	
Expired warrants	(1,555,400)	
Balance at October 31, 2011	3,959,900	0.49
Agents warrants	339,333	
Private placement warrants	3,443,333	
Expired warrants	(226,900)	
Balance at April 30, 2012	7,515,666	0.42

As at April 30, 2012, the following share purchase warrants are outstanding:

Number of Warrants	Exercise Price $	Expiry Date
1,808,000	$ 0.70	March 4, 2013
1,637,500	0.75	March 4, 2013
287,500	0.40	March 15, 2013
3,782,666	0.15	March 15, 2014
7,515,666		

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

Agent warrants

As at April 30, 2012, the following agent warrants are outstanding:

Number of Warrants	Exercise Price $	Expiry Date
287,500	0.75	March 4, 2013
100,500	0.70	March 4, 2013
15,000	0.75	March 4, 2013
62,500	0.70	March 15, 2013
339,333	0.20	March 15, 2014
804,833		

7. FLOW-THROUGH SHARE PREMIUM LIABILITY

	Issued on March 4, 2011
Balance at November 1, 2010	$ -
Liability incurred on flow-through shares issued March 4, 2011	163,750
Settlement of flow-through share liability upon expenditures being incurred	(108,577)
Balance at October 31, 2011	$ 55,173
Settlement of flow-through share liability upon expenditures being incurred	(42,994)
Balance at April 30, 2012	$ $12,179

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 $1,210,000. The premium received on the shares issued was determined to be $163,750 and has been recorded as a share capital reduction. An equivalent premium liability was recorded and reduced when the required exploration expenditures were incurred.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

In the six months ended April 30, 2012 and 2011 the following amounts were paid or accrued to related parties:

a) Paid or accrued $Nil (2011 – $20,000) in management fees to two companies controlled by former directors of the Company.

b) Paid or accrued $Nil (2011 – $9,000) in rental fees to a company controlled by a former director of the Company.

c) Paid or accrued $6,000 (2011 - $Nil) in management fees to a director of the Company.

d) Paid or accrued $15,000 (2011 - $Nil) in management fees to a director of the Company.

e) Paid or accrued $26,167 (2011 - $Nil) in management fees to a company controlled by two directors of the Company.

f) Paid or accrued $291,579 (2011 - $Nil) in deferred exploration expenses to a company controlled by two directors of the Company. This amount includes $163,875 paid to a subcontractor for drilling and $18,457 in other reimbursable expenses. At April 30, 2012 $157,828 in accounts payable was outstanding to this company.

g) Paid or accrued $Nil (2011 – $2,372) in consulting fees and $Nil (2011 – $4,305) in deferred exploration costs to a company controlled by a former director of the Company.

These transactions were in the normal course of operations.

The remuneration of directors and other members of key management personnel, including amounts disclosed above, during the six months ended April 30, 2012 and 2011 were as follows:

	April 30, 2012	April 30, 2011
Exploration costs	$ 291,579	$ 4,305
Management fees	47,167	20,000
Office rent	-	6,000
Total	$ 338,736	$ 30,305

9. 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.

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS

a) 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:

	April 30, 2012	October 31, 2011	November 1, 2010
Fair value through profit and loss (i)	$ 708,003	$ 826,159	$ 975,901
Loans and receivables (ii)	70,238	68,710	11,795
Other financial liabilities (iii)	$ 165,399	$ 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

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	$ 708,003	-	-	$ 708,003

b) 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.

c) 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.

10. FINANCIAL INSTRUMENTS (continued)

c) Liquidity Risk (continued)

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.

d) Foreign Exchange Risk

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

e) Interest Rate Risk

The Company is not exposed to significant interest rate risk.

f) 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

11. SEGMENT INFORMATION

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

12. EXPLANATION OF TRANSITION TO IFRS

The accounting policies set out in note 2 of the January 31, 2012 unaudited condensed interim financial statements have been applied in preparing the condensed interim financial statements for the six months ended April 30, 2012, and have been used throughout all periods presented and the opening consolidated statement of financial position at the date of transition. The Company applied IFRS 1 in preparing these IFRS condensed interim financial statements. An explanation on how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables and in note 13 of the January 31, 2012 unaudited condensed interim financial statements.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company has not elected to take any of the IFRS 1 optional exemptions.

a) Optional exemptions

The Company elected to take IFRS 1 option exemption to apply the requirements of IFRS 2, Share-based Payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

b) Mandatory exceptions

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of October 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

c) Reconciliation of Canadian GAAP statements of financial position and comprehensive loss to IFRS

IFRS requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive loss as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

(Expressed in Canadian Dollars)

12. EXPLANATION OF TRANSITION TO IFRS (continued)

The Canadian GAAP statements of financial position has been reconciled to IFRS as follows:

	Canadian GAAP April 30, 2011	Effect of transition to IFRS	IFRS April 30, 2011
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,629,059	-	$ 1,629,059
Amounts receivable	96,514	-	96,514
Prepaid expenses	8,934	-	8,934
	1,734,507	-	1,734,507
Non-current assets			
Exploration and evaluation assets	1,035,971	-	1,035,971
	$ 2,770,478	-	$ 2,770,478
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	$ 186,858	-	$ 186,858
Due to related parties	10,068	-	10,068
Flow through share premium liability	-	106,877	106,877
	196,926	106,877	303,803
EQUITY			
Share capital (i)	2,981,658	(163,750)	2,817,908
Contributed Surplus (i)	493,063	-	493,063
Deficit (i)	901,169	56,873	901,169
	2,573,552	(106,877)	2,573,552
Total Liabilities and Equity	$ 2,770,478	-	$ 2,770,478

(Expressed in Canadian Dollars)

12. EXPLANATION OF TRANSITION TO IFRS (continued)

The following reconciliation provides a quantification of the effect of the transition to IFRS:

	Three months ended April 30, 2011			**Six months ended April 30, 2011**		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**
EXPENSES						
Administration	$ 1,500	$ -	$ 1,500	$ 3,000	$ -	$ 3,000
Advertising and promotion	60,619	-	60,619	65,780	-	65,780
Audit and accounting	23,460	-	23,460	25,460	-	25,460
Consulting	8,872	-	8,872	14,872	-	14,872
Insurance	2,865	-	2,865	3,316	-	3,316
Investor Relations	24,500	-	24,500	47,000	-	47,000
Legal	-	-	-	9,886	-	9,886
Management	25,500	-	25,500	50,000	-	50,000
Office and miscellaneous	1,950	-	1,950	3,887	-	3,887
Rent	4,500	-	4,500	9,000	-	9,000
Registration and transfer fees	5,711	-	5,711	14,855	-	14,855
Share based payment (Note 6)	27,288	-	27,288	295,145	-	295,145
Travel	10,213	-	10,213	11,300	-	11,300
Total expenses	196,978	-	196,978	553,501	-	553,501
		-			-	
Loss before other items and income taxes	(196,978)	-	(196,978)	(553,501)	-	(553,501)
		-			-	
Interest income	1,301	-	1,301	2,299	-	2,299
Other income on settlement of flow-through share premium liability	-	56,873	56,873	-	56,873	56,873
Comprehensive loss for the period	$(195,677)	$ 56,873	$(138,804)	$(551,202)	$ 56,873	$(494,329)

12. EXPLANATION OF TRANSITION TO IFRS (continued)

Explanation for the adjustments are as follows:

Flow-through shares

Under Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and: ii) share capital. Upon expenses being renounced, the Company derecognizes the liability and the premium is recognized as other income.

As a result, for issuances of flow-through shares for which expenditures have not been renounced, by the end of the reporting period, a liability is shown in “flow-through share premium liability”. This resulted in a liability of $12,179 at April 30, 2012 (October 31, 2011 - $55,173) and a decrease in share capital of $163,750 at October 31, 2011. The impact on loss and comprehensive loss for the six months-ended April 30, 2012 was $42,994 (2011, $56,873; year ended October 31, 2011 - $108,577).

13. SUBSEQUENT EVENT

Subsequent to the end of the quarter, on May 10, 2012, the Company held its Annual General Meeting and the shareholders passed a resolution to change the stock option plan from a fixed plan to a rolling 10 % stock option plan.