TITAN GOLDWORX RESOURCES INC.

Consolidated Financial Statements
October 31, 2012 and 2011

(Expressed in Canadian Dollars)

TITAN GOLDWORX RESOURCES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	October 31, 2012	October 31, 2011
Assets		
Current assets		
Cash	$ 931,515	$ 956,989
Receivables	28,573	1,685
Prepaid expenses	265	-
Total current assets	960,353	958,674
Deferred financing cost	-	15,000
Exploration and evaluation assets (Note 3)	40,200	15,000
Total assets	$ 1,000,553	$ 988,674
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 22,167	$ 34,872
Total current liabilities	22,167	34,872
Total liabilities	22,167	34,872
Shareholders' equity		
Share capital (Note 4)	1,147,397	955,800
Warrant reserve (Note 5)	27,275	14,635
Contributed surplus (Note 6)	69,865	-
Deficit	(266,151)	(16,633)
Total equity	978,386	953,802
Total liabilities and equity	$ 1,000,553	$ 988,674

Nature of operations and going concern (Note 1)
Commitments (Note 3)
Subsequent event (Note 11)

On behalf of the Board:

"John K. Burns" Director "Yaron Conforti" Director

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

TITAN GOLDWORX RESOURCES INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		Year Ended October 31, 2012		Period from February 4, 2011 (inception) to October 31, 2011
Expenses				
Audit and accounting	**$**	**26,880**	$	-
Consulting fee (Note 9)		**60,000**		-
Geological consulting fees		**-**		12,750
Legal fees		**48,337**		-
Office and general		**9,906**		2,723
Regulatory fees		**25,580**		1,160
Share-based payments (Note 6)		**69,865**		-
Transfer agent		**9,647**		-
		(250,215)		(16,633)
Interest income		**697**		-
Net loss and comprehensive loss for the period	**$**	**(249,518)**	$	(16,633)
Basic and diluted loss per common share	**$**	**(0.02)**	$	(0.00)
Weighted average number of common shares outstanding		**15,177,712**		6,067,621

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

TITAN GOLDWORX RESOURCES INC.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Warrant Reserve	Contributed Surplus	Deficit	Total
Balance at February 4, 2011	**-**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Shares issued upon incorporation	1	1	-	-	-	1
Non-brokered private placement, May 25, 2011	2,000,000	20,000	-	-	-	20,000
Non-brokered private placement, May 26, 2011	4,600,000	230,000	-	-	-	230,000
Repurchase of shares and cancellation, July 29, 2011	(1)	(1)	-	-	-	(1)
Non-brokered private placement, July 29, 2011 (net of share issuance costs)	3,335,000	305,435	-	-	-	305,435
Non-brokered private placement, August 26, 2011	4,150,000	415,000	-	-	-	415,000
Finder's warrants	-	(14,635)	14,635	-	-	-
Net loss for the period	-	-	-	-	(16,633)	(16,633)
Balance at October 31, 2011	**14,085,000**	**955,800**	**14,635**	**-**	**(16,633)**	**953,802**
Initial Public Offering ("IPO"), May 15, 2012 (net of share issuance costs)	2,210,000	169,097	-	-	-	169,097
IPO Agent's Warrants	-	-	12,640	-	-	12,640
Issuance Pursuant to Mineral Property Option Agreement	150,000	22,500	-	-	-	22,500
Share-Based Payments	-	-	-	69,865	-	69,865
Net loss for the year	-	-	-	-	(249,518)	(249,518)
Balance at October 31, 2012	**16,445,000**	**$ 1,147,397**	**$ 27,275**	**$ 69,865**	**$ (266,151)**	**$ 978,386**

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

TITAN GOLDWORX RESOURCES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

		Year Ended October 31, 2012		Period from February 4, 2011 (inception) to October 31, 2011
Cash Flows Provided By (Used In) Operating Activities				
Loss for the period	**$**	**(249,518)**	$	(16,633)
Items not affecting cash:				
Share-based payments		**69,865**		-
Changes in non-cash working capital items:				
Receivables		**(26,888)**		(1,685)
Prepaid expenses		**(265)**		-
Accounts payable and accrued liabilities		**17,295**		4,872
		(189,511)		(13,446)
Cash Flows Provided By Financing Activities				
Issuance of shares (net of share issuance costs)		**181,737**		970,435
		181,737		970,435
Cash Flows Used In Investing Activities				
Exploration and evaluation expenditures		**(17,700)**		-
		(17,700)		-
Net change in cash during the period		**(25,474)**		956,989
Cash, beginning of period		**956,989**		-
Cash, end of period	**$**	**931,515**	$	956,989

Supplemental information

Exploration and evaluation assets included in accounts payable and accrued liabilities	**$**	**-**	$	15,000
Deferred financing costs included in accounts payable and accrued liabilities	**$**	**-**	$	15,000
Shares issued for exploration and evaluation assets	**$**	**22,500**	$	-
Share issued for agent and corporate finance fees	**$**	**31,500**	$	-
Agent and finders warrants	**$**	**12,640**	$	-

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Titan Goldworx Resources Inc. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on February 4, 2011. The Company is engaged primarily in the business of evaluating, acquiring and exploring natural resource properties. The Company’s shares commenced trading on the Canadian National Stock Exchange (the “CNSX”) under the trading symbol “TTN” on May 15, 2012. The head office of the Company is located at 1 Westmount Square, Suite 600 Westmount, Quebec, H3Z 2P9.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on February 20, 2013.

The financial information is presented in Canadian Dollars (“CDN”), which is the functional currency of the Company.

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Management believes the Company has sufficient working capital to maintain its operations and activities for the upcoming fiscal year.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) which include International Accounting Standards and Interpretations (“IFRIC” and “SIC”) adopted by the International Accounting Standards Board.

The principal accounting policies are set out below.

b) Use of estimates

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates include assumptions and estimates relating to the impairment of long-lived assets, share-based compensation and deferred income tax assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Use of estimates (Continued)

Critical accounting judgments

- the Company's assumption of no material restoration, rehabilitation and environmental provisions, based on the facts and circumstances that existed during the period;
- recorded costs of mineral property exploration and evaluation assets are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount;
- the assumptions used for determining the amount of deferred income taxes and deferred income tax assets and liabilities including future income tax rate and recoverability; and
- all inputs used in the Black-Scholes option-pricing model for determining the fair value of share-based payment transactions in statement of loss and comprehensive loss;

(c) Basis of consolidation

These consolidated financial statements include the financial statements of the Company’s wholly-owned subsidiary as follows:

- 2336882 Ontario Inc., Ontario, Canada, a mineral exploration company

All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

d) Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

e) Exploration and evaluation assets

The Company’s exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and evaluation expenditure capitalized in respect of projects that are at the exploration/predevelopment stage.

No depreciation charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development assets upon the commencement of mine development.

Exploration and evaluation expenditures in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Exploration and evaluation assets (Continued)

Exploration and evaluation expenditures related to an area of interest where the Company has tenure are capitalized as intangible assets and are recorded at cost less impairment.

Exploration and evaluation expenditures also include the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest. Costs related directly to operational activities but incurred prior to engagement of legally binding agreements will be expensed.

All capitalized exploration and evaluation expenditures are assessed for impairment for each reporting period and are impaired if facts and circumstances indicate that impairment may exist. In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

f) Decommissioning and rehabilitation liabilities

The Company recognizes the fair value of a decommissioning and restoration liability the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the decommissioning and restoration liability due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company did not have any significant decommissioning and restoration obligations at October 31, 2012 and 2011.

g) Share-based payments

The share option plan allows Company employees (including directors and senior executives) and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in reserves. No expense is recognized for awards that do not ultimately vest.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Share-based payments (Continued)

At the time when the share options are exercised, the amount previously recognized in share option reserve is transferred to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share option expense is transferred to deficit.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

h) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are valued using the residual method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

i) Comprehensive income/loss

Comprehensive income/loss is the change in the Company's shareholders' equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale investments. Certain gains and losses are presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings.

j) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Financial instruments

Financial instruments are defined as any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following categories at their initial recognition:

- financial assets at fair value through profit or loss ("FVTPL");
- held-to-maturity investments;
- loans and receivables; and
- available-for-sale financial assets.

Financial liabilities are classified into the following categories at their initial recognition:

- financial liabilities at fair value through profit or loss; and
- other financial liabilities.

Financial assets and liabilities are initially measured at fair value, plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the financial asset or liability. In a purchase or sale of financial assets, recognition and derecognition occurs using trade date accounting.

Financial assets are subsequently measured after initial recognition at fair value, except for financial assets classified as held-to-maturity investments or loans and receivables, which are subsequently measured at amortized cost using the effective interest method. Financial liabilities at fair value through profit or loss are subsequently measured after recognition at fair value. All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognized when:

- the contractual rights to the cash flows from the financial asset expire;
- the contractual rights to the cash flows from the financial asset are retained, but a contractual obligation to pay the cash flows to another party without material delay is assumed by the Company; or
- when the Company transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognized when the obligations are discharged, cancelled, or expire.

Financial assets (other than a financial asset defined as FVTPL) 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 future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or significant or prolonged decrease in fair value; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization. For equity investments a significant or prolonged decline in fair value of the securities below its cost is evidence that the asset is impaired. Equity investments are assessed on a specific identification basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Financial instruments (Continued)

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of financial assets classified as loans and receivables, where the carrying amount is reduced through the use of an allowance account. When these assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss on debt securities is reversed through the statement of loss and comprehensive loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Impairment losses on available for sale equity instruments are not reversed through profit and loss.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has implemented the following classifications for its financial instruments:

a) Cash has been classified as FVTPL.
b) Receivables have been classified as loans and receivables.
c) Accounts payable and accrued liabilities have been classified as financial liabilities

l) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the consolidated financial statements and are disclosed in the notes to the consolidated financial statements unless their occurrence is remote. Contingent assets are not recognized in the consolidated financial statements, but are disclosed in the notes to the consolidated financial statements if their recovery is deemed probable.

o) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) New accounting standards and interpretations

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting International Committee ("IFRIC") that are mandatory for accounting periods after July 1, 2012 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company and the expected adoption date.

(i) IFRS 9 – Financial instruments (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 11 – Joint arrangements (“IFRS 11”) was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.

(iii) IFRS 13 – Fair value measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity’s net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorised under Level 3 of the fair value hierarchy to significant unobservable inputs;
- and information must be provided on an entity’s valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.

(iv) IAS 1 – Presentation of financial statements (“IAS 1”). IAS 1 was amended to change the disclosure of items presented in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS

		Tait Township Property
Balance, February 4, 2011	$	-
Additions		15,000
Balance, October 31, 2011		15,000
Additions		25,200
Balance, October 31, 2012	$	40,200

On July 25, 2011, the Company signed a Letter of Intent ("LOI") with Quantum Rare Earth Developments Corp.("Quantum") in order to acquire an undivided 70% interest in the Tait Township Property, Ontario (the "Property"). The Property is subject to an option agreement (the "Original Option Agreement") between Perry English for Rubicon Minerals Corporation ("Rubicon") and Silver Mountain Mines Corp. ("Silver Mountain") dated July 31, 2009. On January 31, 2011, Quantum completed the acquisition of Silver Mountain, pursuant to which Silver Mountain became a wholly owned subsidiary of Quantum.

On October 21, 2011, the Company entered into the Option and Joint Venture Agreement, which was subsequently amended on November 28, 2011, to acquire an undivided 70% interest in the Property and the Original Option Agreement. The terms of the Option and Joint Venture Agreement include cash payments of $140,000 in total and issuance of 150,000 common shares within 30 days of completion of the Company's initial public offering. Upon earning the 70% interest, the Company will form a joint venture with Silver Mountain.

As at October 31, 2012, the Company has the following future requirements to fulfill its obligation under the Option and Joint Venture Agreement:

Date	Shares		Cash Payments
Pay within 5 business days of the closing date (paid)	-	$	15,000
Issue within 30 days of completion of the IPO (issued)	**150,000**	$	-
On or before the first anniversary of the closing date (i)	-	$	15,000
On or before the second anniversary of the closing date	-	$	20,000
On or before the third anniversary of the closing date	-	$	40,000
On or before the fourth anniversary of the closing date	-	$	50,000

(i) Subsequent to October 31, 2012, the Company negotiated a deferral of this payment for a minimum of three months, to a maximum of six months from the original due date of November 28, 2012. In consideration for the deferral, the Company paid a fee of $3,000 for the initial three month deferral, and a further $3,000 for the second three month deferral.

4. SHARE CAPITAL

a) Authorized share capital

As at October 31, 2012, the authorized share capital of the Company was an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

b) Issued share capital

(i) Upon incorporation on February 4, 2011, the Company issued one common share at $1.00 per share.

(ii) On May 25, 2011, the Company issued 2,000,000 founders' shares at a price of $0.01 per share for gross proceeds of $20,000.

(iii) On May 26, 2011, the Company completed a private placement of 4,600,000 common shares at a price of $0.05 per share for gross proceeds of $230,000.

(iv) On July 29, 2011, the Company completed the first tranche of a private placement of 3,335,000 common shares at a price of $0.10 per share for gross proceeds of $333,500. In accordance with a finder's fee agreement, the Company issued 277,650 finder's warrants (the "Finder's Warrants") to the finder (the "Finder"). The fair value of the Finder's Warrants was calculated using the Black-Scholes Model and was determined to be $14,635.

(v) Also on July 29, 2011, the Company repurchased one common share for $1.00 and returned it to treasury for cancellation.

(vi) On August 26, 2011, the Company completed the second tranche of a private placement of 4,150,000 common shares at a price of $0.10 per share for gross proceeds of $415,000.

(vii) On May 15, 2012, the Company completed its IPO pursuant to its prospectus dated February 28, 2012. Under the Offering, the Company issued 2,000,000 common shares of the Company at a price of $0.15 per share.

As part of the IPO, the Company incurred share issuance costs of $162,403, which included 160,000 shares ("Agent's Shares") at a value of $0.15 per Agent's Share, agent's warrants to purchase up to 160,000 shares at a price of $0.15 per share for a period of 24 months after the closing of the IPO ("Agent's Warrants") with a value of $12,640, and a corporate finance fee comprised of $30,000 and 50,000 shares at a value of $0.15 per share.

(viii) On May 15, 2012, pursuant to the Option and Joint Venture Agreement, the Company issued 150,000 common shares of the Company to Quantum at $0.15 per share, for total fair value of $22,500 (Note 3).

c) Escrow shares

As at October 31, 2012, the Company had 1,800,000 common shares held in escrow (October 31, 2011 – 2,000,000).

(Expressed in Canadian Dollars)

5. WARRANTS

The following table shows the continuity of warrants for the periods presented:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 4, 2011	-	$ -
Issued (i)	277,650	0.10
Balance, October 31, 2011	277,650	0.10
Issued (ii)	160,000	0.15
Balance, October 31, 2012	437,650	$ 0.12

(i) On July 29, 2011, the Company issued 277,650 Finder's Warrants to purchase up to 277,650 shares at a price of $0.10 per share for a period of 24 months to the Finder. The Finder's Warrants were valued at $14,635, or $0.05 per Finder's Warrant, using the Black-Scholes Model with the following assumptions: expected dividend yield - 0%, expected volatility - 100% (based on comparable companies), risk-free interest rate - 1.39% and an expected average life of 2 years.

(ii) On May 15, 2012, the Company completed its IPO and issued 160,000 Agent's Warrants to purchase up to 160,000 shares at a price of $0.15 per share for a period of 24 months. The Agent's Warrants were valued at $12,640 or $0.08 per warrant, using the Black-Scholes Model with the following assumptions: expected dividend yield - 0%, expected volatility - 100% (based on comparable companies), risk-free interest rate - 1.29% and an expected average life of 2 years.

The following are the warrants outstanding at October 31, 2012:

Number of Warrants	Black-Scholes Value	Exercise Price ($)	Expiry Date
277,650	$ 14,635	0.10	July 29, 2013
160,000	12,640	0.15	May 15, 2014
437,650	$ 27,275	0.12	

6. STOCK OPTIONS

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Vesting and the term of an option is determined at the discretion of the Board of Directors of the Company.

The following table shows the continuity of stock options for the periods presented:

	Number of Options	Weighted Average Exercise Price
Balance, February 4, 2011 and October 31, 2011	-	$ -
Issued (i)	625,000	0.15
Balance, October 31, 2012	625,000	$ 0.15

(Expressed in Canadian Dollars)

6. STOCK OPTIONS (Continued)

(i) On May 15, 2012, the Company granted 625,000 stock options to officers and directors of the Company, whereby the option holders can purchase up to 625,000 shares at a price of $0.15 per share. The options vested immediately and are exercisable until May 15, 2022. The weighted average fair value of the stock options awarded on May 15, 2012, estimated using the Black-Scholes Model, was $0.11 per option, with a total fair value of $69,865. The Company used the Black-Scholes Model to estimate the fair value of the options at the grant date using the following weighted average assumptions: expected dividend yield - 0%, expected volatility - 100% (based on comparable companies), risk-free interest rate - 1.35% and an expected average life of 5 years.

The following are the stock options outstanding at October 31, 2012:

Number of Options	Black-Scholes Value ($)	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Expiry Date
625,000	69,865	0.15	9.54	May 15, 2022

7. CAPITAL MANAGEMENT

Capital is comprised of shareholders' equity and any long-term debt that the Company may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness, and to maximize returns for shareholders over the long term.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements.

8. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

Fair Value

As of October 31, 2012 and 2011, all financial instruments held at fair value are considered to be level 1 under the fair value hierarchy. As of October 31, 2012 and 2011, the fair value of all the Company's financial instruments held at amortized cost approximates fair value, due to their short-term nature.

(Expressed in Canadian Dollars)

8. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The Company believes it has no significant credit risk.

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 (Note 7).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

9. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, senior management, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at fair value.

(a) The Company entered into the following transactions with related parties:

	Notes	Year Ended October 31, 2012	Period from February 4, 2011 (inception) to October 31, 2011
Baron Global Financial Canada Ltd.	(i)	**$ 40,000**	$ -
Emmarentia Management Corp.	(ii)	**10,000**	-

(i) On July 6, 2012, the Company entered into a corporate advisory agreement with Baron Global Financial Canada Ltd. ("Baron") to provide accounting and administrative services. These services are recorded as consulting fees. This agreement expired at November 30, 2012. The former CEO and director of the Company is also the managing director of Baron.

(ii) The Chief Executive Officer and director of the Company controls Emmarentia Management Corp. ("Emmarentia"). Fees relate to consulting fees. As at October 31, 2012, $11,300 was included in accounts payable and accrued liabilities owing to Emmarentia.

(Expressed in Canadian Dollars)

10. INCOME TAXES

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 25% (2011 - 27%) to the amounts recognized in the statements of operations:

	Year Ended October 31, 2012	Period from February 4, 2011 (inception) to October 31, 2011
Net loss for the period	$ **(249,518)**	$ (16,633)
Expected income tax recovery	**(63,627)**	(4,463)
Non-deductible expenses	**17,816**	-
Share issue costs	**(7,630)**	-
Changes in unrecognized deductible temporary differences and other	**53,441**	4,463
Income tax expense	$ **-**	$ -

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada

Significant components of deductible temporary differences and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	October 31, 2012	October 31, 2011
Non-capital losses	$ **226,000**	$ 17,000
Share issue costs	**120,000**	-

11. SUBSEQUENT EVENT

On November 14, 2012, the Company entered into a six month consulting agreement with Emmarentia to provide executive management services, for a fee of $7,500 per month. As part of this agreement, in the event of a change of control of the Company, Emmarentia would be entitled to a payment of six month's fees.