WHITE TIGER MINING CORP.

Financial Statements
(Expressed in Canadian Dollars)

For the years ended October 31, 2012 and 2011

Contact Information:

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
White Tiger Mining Corp.

We have audited the accompanying financial statements of White Tiger Mining Corp., which comprise the statements of financial position as at October 31, 2012, October 31, 2011 and November 1, 2010, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years ended October 31, 2012 and October 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of White Tiger Mining Corp. as at October 31, 2012, October 31, 2011 and November 1, 2010 and its financial performance and its cash flows for the years ended October 31, 2012 and October 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

December 17, 2012

WHITE TIGER MINING CORP.
Statements of Financial Position
(Expressed in Canadian Dollars)
As at October 31,

	October 31, 2012	October 31, 2011 (Note 3)	November 1, 2010 (Note 3)
ASSETS			
Current			
Cash and cash equivalents	$ 1,162,055	$ 379,790	$ 547,971
Receivables	105,432	48,971	63,995
Prepaid expenses	1,300	117,264	20,233
	1,268,787	546,025	632,199
Deposits (Note 8)	30,000	-	-
Exploration advances (Note 5)	32,613	-	-
Exploration and evaluation assets (Note 5)	3,467,807	2,480,860	1,448,792
	$ 4,799,207	$ 3,026,885	$ 2,080,991
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities (Note 8)	$ 145,094	$ 60,832	$ 381,307
Flow-through premium liability (Note 6)	55,016	-	-
	200,110	60,832	381,307
Shareholders' equity			
Capital stock (Note 6)	11,506,906	8,882,785	6,479,038
Reserves	774,887	526,938	272,094
Deficit	(7,682,696)	(6,443,670)	(5,051,448)
	4,599,097	2,966,053	1,699,684
	$ 4,799,207	$ 3,026,885	$ 2,080,991

Nature of operations and going concern (Note 1)
Commitments (Note 11)
Subsequent event (Note 15)

On behalf of the Board:

"Sead Hamzagic" Director *"Douglas L. Mason"* Director

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

WHITE TIGER MINING CORP.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
Years ended October 31,

	2012	2011 (Note 3)
EXPENSES		
Administration fees	$ 36,000	$ 40,000
Advertising	13,285	86,722
Consulting fees	524,867	378,980
Interest	536	591
Investor relations	141,920	218,984
Office and miscellaneous	55,004	71,503
Professional fees	197,332	134,580
Rent	53,623	49,092
Share-based compensation (Note 7)	233,253	247,317
Transfer agent fees	38,907	27,451
Travel	33,340	37,515
Wages and benefits	100,148	99,937
	(1,428,215)	(1,392,672)
Interest income	3,705	450
Other income on settlement of flow-through premium liability (Note 6)	185,484	-
Loss and comprehensive loss for the year	$ (1,239,026)	$ (1,392,222)
Basic and diluted loss per share	$ (0.05)	$ (0.09)
Basic and diluted weighted average number of shares outstanding	25,063,044	15,566,701

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

WHITE TIGER MINING CORP.

Statements of Change in Shareholders' Equity

(Expressed in Canadian Dollars)

	Number of Common Shares	Amount	Share-based payment reserve	Deficit	Total
Authorized:					
Unlimited number common shares without par value					
Balance as at November 1, 2010	**10,834,410**	**$ 6,479,038**	**$ 272,094**	**$ (5,051,448)**	**$ 1,699,684**
Private placements	5,556,165	1,666,850	-	-	1,666,850
Share issue costs	-	(126,918)	-	-	(126,918)
Finders' fees – units	800	240	-	-	240
Finders' fees - warrants	-	-	28,913	-	28,913
Property option	400,000	104,000	-	-	104,000
Warrants exercised	1,654,907	701,589	-	-	701,589
Options exercised	150,000	57,986	(21,386)	-	36,600
Share-based compensation	-	-	247,317	-	247,317
Loss for the year	-	-	-	(1,392,222)	(1,392,222)
Balance as at October 31, 2011	**18,596,282**	**$ 8,882,785**	**$ 526,938**	**$ (6,443,670)**	**$ 2,966,053**
Private placements	18,007,500	2,841,950	-	-	2,841,950
Share issue costs	-	(37,329)	-	-	(37,329)
Property option	400,000	60,000	-	-	60,000
Flow-through premium	-	(240,500)	-	-	(240,500)
Share-based compensation	-	-	233,253	-	233,253
Finders' fees - warrants	-	-	14,696	-	14,696
Loss for the year	-	-		(1,239,026)	(1,239,026)
Balance as at October 31, 2012	**37,003,782**	**$ 11,506,906**	**$ 774,887**	**$ (7,682,696)**	**$ 4,599,097**

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

WHITE TIGER MINING CORP.
Statements of Cash Flows
(Expressed in Canadian Dollars)
Years Ended October 31,

	2012	2011 (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,239,026)	$ (1,392,222)
Items not affecting cash		
Share-based compensation	233,253	247,317
Other income on settlement of flow-through premium liability	(185,484)	-
Changes in non-cash working capital items		
Decrease (increase) in receivables	(56,461)	12,870
Decrease (increase) in prepaid expenses	99,464	(97,031)
Increase (decrease) in accounts payables and accrued liabilities	33,241	(19,679)
Net cash used in operating activities	(1,115,013)	(1,248,745)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	(13,500)	-
Exploration advances	(32,613)	-
Investment in exploration and evaluation assets	(875,926)	(1,226,710)
Net cash used in investing activities	(922,039)	(1,226,710)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of capital stock	2,841,950	2,405,039
Share issue costs	(22,633)	(97,765)
Net cash provided by financing activities	2,819,317	2,307,274
Increase (decrease) in cash during the year	782,265	(168,181)
Cash and cash equivalents, beginning of year	379,790	547,971
Cash and cash equivalents, end of year	$ 1,162,055	$ 379,790

Supplemental disclosures with respect to cash flows (Note 9)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

White Tiger Mining Corp. (the "Company") was incorporated under the laws of the Province of British Columbia and is in the business of exploration and development of exploration and evaluation assets.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Management believes the Company will be successful at securing additional funding so that its capital resources will be sufficient to carry its operations through the next twelve months and intends to continue the exploration of its exploration and evaluation assets, however, the Company has incurred significant operating losses over the past several fiscal years (2012: $1,239,026; 2011: $1,392,222), is currently financed but unable to self-finance operations in the long term, has working capital of $1,123,693 (October 31, 2011: $485,193), has a deficit of $7,682,696 has limited resources, no source of operating cash flows and no assurances that sufficient funding will be available to conduct further exploration and development of its exploration and evaluation assets. The recoverability of amounts shown for exploration and evaluation assets is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production or proceeds from disposition of exploration and evaluation assets. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. Management is actively engaged in the review and due diligence on new projects, is seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Board of Directors approved the financial statements for issue on December 17, 2012.

2. BASIS OF PREPARATION (Continued)

Statement of compliance (Continued)

These are the Company's first IFRS annual financial statements for the year ended October 31, 2012. Previously, the Company prepared its annual financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). In preparing these financial statements, management has adopted and changed accounting policies previously applied in the GAAP financial statements to comply with IFRS. The comparative figures for 2011 were restated to reflect these adjustments. Note 3 contains descriptions of the effect of the transition from GAAP to IFRS on equity, earnings and comprehensive loss. Subject to the transition elections, the Company has consistently applied the same accounting policies in the opening IFRS statement of financial position at November 1, 2010, and throughout all periods presented, as if these policies had always been in effect.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 4. The comparative figures presented in these financial statements are in accordance with IFRS.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

Use of estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. The financial statements have, in management's opinion, been properly prepared using careful judgment and reasonable limits of materiality and within the framework of the significant policies summarized below.

Critical accounting estimates:

a) **Recoverability of asset carrying values**
The Company assesses its exploration and evaluation assets for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, at each reporting period. The assessment of any impairment of property and equipment and exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions, timing of cash flows, the useful lives of assets and their related salvage values.

b) **Share-based payments**
The fair value of share options granted is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. These estimates will impact the amount of share-based payments recognized.

2. BASIS OF PREPARATION (Continued)

Critical accounting estimates (Continued):

c) Income taxes

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

3. FIRST TIME ADOPTION OF IFRS

The Company has adopted IFRS on November 1, 2011 with a transition date of November 1, 2010. Under IFRS 1 (First Time Adoption of International Financial Reporting Standards), the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit unless certain exemptions are applied.

The accounting policies in note 4 have been applied in preparing the financial statements for the year ended October 31, 2012, the comparative information for the year ended October 31, 2011 and the preparation of an opening IFRS statement of financial position on the transition date, beginning November 1, 2010.

The Company elected to take the following IFRS 1 transition elections and accounting policy choices:

Exploration and evaluation expenses

The Company has elected to continue with its policy to capitalize exploration expenses as permitted under IFRS 6 – Exploration for and Evaluation of Mineral Resources, until facts and circumstances suggest that the asset's carrying amount may exceed its recoverable amount.

Share-based payments

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 to Share-based Payment to Equity Instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to November 1, 2010. As there were no unvested awards as at the transition date, there was no financial adjustment necessary.

Estimates

The estimates previously made by the Company under GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

3. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of GAAP Equity and Comprehensive Loss to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods. The Company reviewed IFRS transitional adjustments and determined that there is no impact to the financial statements of the Company; therefore no reconciliations are necessary.

4. SIGNIFICANT ACCOUNTING POLICIES

The following are a list of significant accounting policies used by the Company.

(a) Cash and cash equivalents

Cash and cash equivalents includes highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(b) Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of loss and comprehensive loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of loss and comprehensive loss.

Transactions costs associated with fair value through profit or loss 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.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost using the effective interest method. The Company’s accounts payable and accrued liabilities are classified as other financial liabilities.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – 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 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs upon obtaining the legal right to explore relating to the acquisition of, exploration for and evaluation of mineral claims and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a exploration and evaluation asset is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs are reclassified as mining assets and will be charged to operations on a unit-of-production method based on proven and probable reserves.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment at each financial position reporting date. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(c) Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Impairment

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

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, but so that the increased carrying amount does not 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. A reversal of an impairment loss is recognized immediately in profit or loss.

(e) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

<u>Flow-through shares:</u>
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 the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares 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 expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration and expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued and as an expense until paid.

(e) Share based payment transactions

The Company's stock option plan allows employees 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. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Share based payment transactions (Continued)

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is accrued and charged either to operations or exploration and evaluation assets, with the offset credit to share-based payments reserve, over the vesting period. If and when the stock options are exercised, the applicable amounts from share-based payments reserve are transferred to capital stock.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

(g) Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(h) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as 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 provided using the statement of financial position 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 following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 statement of financial position 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. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it will not be recognized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income taxes

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.

(i) Restoration and rehabilitation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of an exploration and evaluation asset interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. As at October 31, 2012 and 2011 the Company does not have any significant restoration obligations.

(j) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

(k) New accounting standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of October 31, 2012 and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

Effective for annual periods beginning on or after January 1, 2013

- New standard IFRS 10 Consolidated Financial Statements

  Provides a new single consolidation model that identifies control as the basis for consolidation for all types of entities, and replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) New accounting standards, interpretations and amendments not yet effective (Continued)

- New standard IFRS 11 Joint Arrangements

  Improves the accounting for joint arrangements by introducing a principle-based approach that requires a party to a joint arrangement to recognize its rights and obligations arising from the arrangement. Such a principle-based approach will provide users with greater clarity about an entity's involvement in its joint arrangements by increasing the verifiability, comparability and understandability of the reporting of these arrangements. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-Monetary Contributions by Venturers.

- New standard IFRS 12 Disclosure of Interests in Other Entities

  Combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

- New standard IFRS 13 Fair Value Measurement

  Defines fair value and sets out a framework for measuring fair value and disclosures about fair value measurements. It applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value.

- Revised standard IAS 27 Separate Financial Statements

  As a result of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 27 has been reissued to reflect the change as the consolidation guidance has recently been included in IFRS 10. In addition, IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements.

- IAS 28 Associates and Joint Ventures

  As a consequence of the issue of IFRS 11, IAS 28 has been amended and provides the accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Effective for annual periods beginning on or after January 1, 2015

- New standard IFRS 9 Financial Instruments

  Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement

The Company has not early adopted these revised standards and is currently assessing the impact that these standards could have on future financial statements.

5. EXPLORATION AND EVALUATION ASSETS

Realization of assets

The investment in and expenditures on exploration and evaluation assets comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of the exploration and development on an exploration and evaluation assets, the potential for production on the property may be diminished or negated.

Title to exploration and evaluation assets

Title to exploration and evaluation assets involves 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 exploration and evaluation assets. 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 properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

The Company has entered into agreements to acquire, explore and develop certain exploration and evaluation assets located in certain regions of Canada. Several aboriginal groups are claiming inextinguishable aboriginal title to the lands and resources in various regions of Canada, which may include one or more of the mineral claims beneficially owned by the Company. The extent to which any successful aboriginal claim would materially affect the ability of the Company to exploit its exploration and evaluation assets is not determinable at this time.

Exploration advances

As at October 31, 2012, the Company had advanced $32,613 (October 31, 2011: $nil; November 1, 2010: $nil) to various vendors for exploration costs that are to be incurred on the Marshall Lake Property. There are no interest or payment terms associated with these advances.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (Continued)

The Company's expenditures on exploration and evaluation assets are as follows:

	Norton Lake Property	Marshall Lake Property	TOTAL
Balance, October 31, 2010	**$ 902,790**	**$ 546,002**	**$ 1,448,792**
Acquisition Costs	-	141,500	141,500
Expenditures for the year			
Accommodation and field office expenses	-	33,748	33,748
Assays	-	88,557	88,557
Drilling and mobilization	-	310,174	310,174
Equipment rental and maintenance	-	51,464	51,464
Field office supplies	-	4,882	4,882
Fuel, oil and diesel	-	37,411	37,411
Geological and geophysical	1,950	225,082	227,032
Property staking costs	345	875	1,220
Reports	-	2,800	2,800
Road and access	-	17,605	17,605
Storage	-	3,960	3,960
Surveying	-	96,016	96,016
Transportation	-	53	53
Travel	-	15,646	15,646
Total expenditures for the year	2,295	1,029,773	1,032,068
Balance, October 31, 2011	**905,085**	**1,575,775**	**2,480,860**
Acquisition Costs	-	125,000	125,000
Expenditures for the year			
Accommodation and field office expenses	13,536	30,658	44,194
Assays	16,280	32,949	49,229
Drilling and mobilization	-	258,351	258,351
Equipment rental	706	49,251	49,957
Environmental	717	-	717
Fuel, oil and diesel	130	20,491	20,621
Field office expense	4,579	10,141	14,720
Geological and geophysical	68,310	226,973	295,283
Reports	3,100	21	3,121
Storage	-	10,377	10,377
Surveying	12,874	7,800	20,674
Transportation	71,989	190	72,179
Travel	10,922	11,602	22,524
Total expenditures for the year	203,143	783,804	986,947
Balance, October 31, 2012	**$ 1,108,228**	**$ 2,359,579**	**$ 3,467,807**

5. EXPLORATION AND EVALUATION ASSETS (Continued)

Norton Lake Property

The Company entered into a Joint Venture Assignment Agreement dated on January 21, 2009 with Cascadia International Resources Inc. of Calgary, Alberta ("Cascadia'), pursuant to which Cascadia assigned its 51% joint venture interest in the Norton Lake property to the Company for the sum of $300,000. The other joint venture partners are Rainy Mountain Royalty Corp. ("Rainy Mountain"), a company with certain common directors, and Trillium North Minerals Ltd ("Trillium"). The property is located north of Thunder Bay, Ontario and the Company is the operator. The Norton Lake Project consists of two properties, namely, the Norton West Property (the principal property) and the Norton East Property. Joint venture expenditures are being recorded by each joint venture partner on a cash call basis and as a result of the programs completed by the Company on the Norton West Property, the Company had a 57.6% interest in the Norton West Property (with Rainy Mountain having a 32.6% interest and Trillium having a 9.8% interest) and a 51% interest in the Norton East Property (with Rainy Mountain having a 9.8% interest and Trillium having a 39.2% interest). By agreement dated February 21, 2012, the Company, Rainy Mountain and Trillium combined and consolidated their respective interests in the Norton West and Norton East Properties, and as a result, the Company has a 57.6% interest in the combined Properties (with Rainy Mountain having a 32.6% interest and Trillium having a 9.8% interest). The Company and Rainy Mountain have certain common directors.

Marshall Lake Property

The Company entered into an option agreement dated July 6, 2010 with Rainy Mountain Royalty Corp. ("Rainy Mountain") and Marshall Lake Mining PLC of London, England, whereby the Company was granted an option to acquire up to a 50% joint venture interest in certain mining claims that comprise the Marshall Lake property located north-northeast of Thunder Bay, Ontario. The Marshall Lake property is a copper, gold, silver and zinc exploration property and consists of certain unpatented mining and leased claims. Under the option agreement, the Company is required to incur $4,000,000 in expenditures on the property over five years and issue 2,000,000 shares over a four year period (400,000 issued in fiscal 2010 at a value of $88,000, 400,000 issued in fiscal 2011 at a value of $104,000, and 400,000 issued in fiscal 2012 at a value of $60,000). The Company will earn a 12.5% joint venture interest in the Marshall Lake property for every $1,000,000 in expenditures incurred and for every 400,000 shares issued (except for the initial 12.5% interest whereby the Company was required to issue 800,000 shares to Rainy Mountain). Additionally, once the Company has completed its share issuance and spending requirements, it has the additional option to increase its joint venture interest to 75% by incurring such additional property expenditures as are necessary to take the Marshall Lake property to bankable feasibility stage. As at October 31, 2012, the Company has earned a 25% joint venture interest in the Marshall Lake project.

6. CAPITAL STOCK

During the year ended October 31, 2012, the Company completed the following share transactions:

On August 20, 2012, the Company closed a non-brokered private placement and raised $1,291,200 by the issuance of 1,800,000 flow through shares (the "Shares") at a price of $0.16 per Share and the issuance of 6,270,000 non-flow through units (the "Units") at $0.16 per Unit. Each Unit consists of one common share and one-half of a share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share for a period of two years at an exercise price of $0.26. In connection with this Private Placement, finders' fees of $14,000 were paid, and as well, 87,500 finders' warrants (valued at $8,611) were issued. All the securities issued pursuant to this Private Placement are subject to a hold period expiring December 21, 2012. The premium received on the shares issued was determined to be $240,500 and has been recorded as a share capital reduction. An equivalent flow-through premium liability was recorded. As at October 31, 2012 $741,934 of qualified expenditures had been incurred resulting in a partial reduction to the flow-through premium liability for a balance of $55,016. The fair value was estimated using the Black-Sholes option pricing model with a risk free rate of 1.19%, an expected life of 2 years, expected volatility of 127.53% and an expected dividend rate of 0.0%.

On August 2, 2012, the Company issued 400,000 common shares, valued at $60,000, to Rainy Mountain, which represented the third share issuance required under the Company's Marshall Lake property option agreement (Note 5).

On June 8, 2012, the Company completed a non-brokered private placement and had raised $962,000 by the issuance of 6,012,500 flow shares at a price of $0.16 per share. All of the securities issued pursuant to this private placement are subject to a hold period expiring on October 9, 2012.

On March 26, 2012, the Company completed a non-brokered private placement of 3,925,000 non-flow through units (the "Units") at a price of $0.15 per Unit for gross proceeds of $588,750. Each Unit consists of one common share and one-half of a share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share for a period of 24 months at an exercise price of $0.25 in the first 12 months and $0.30 thereafter. In connection with the private placement, finders' fees were paid in the amount of $8,633, and as well, 57,750 finders' warrants (valued at $6,085) were issued. The fair value was estimated using the Black-Sholes option pricing model with a risk free rate of 1.19%, an expected life of 2 years, expected volatility of 124.52% and an expected dividend rate of 0.0%.

6. CAPITAL STOCK (Continued)

During the year ended October 31, 2011, the Company completed the following share transactions:

On February 4, 2011, the Company completed a non-brokered private placement of 4,541,165 units at a price of $0.30 per unit for gross proceeds of $1,362,350. Each unit consisted of one common share and one-half of one non-transferable share purchase warrant (each whole warrant a "Series A Warrant"), with each Series A Warrant entitling the holder to purchase one additional common share at a price of $0.40 for a period of 1 year from the date of closing (the expiry date of the Series A Warrants was subsequently extended for 1 additional year to February 4, 2013). Further, if the closing price of the Company's shares as traded on the TSX Venture Exchange is $0.60 or greater for a period of 20 consecutive trading days, the Company may give notice of an earlier expiry of the Series A Warrants, in which case they would expire 30 calendar days from the giving of such notice; provided further that, if a subscriber exercises any Series A Warrants during the term thereof, the Company will issue to that subscriber that number of Series B Warrants equal to the number of Series A Warrants exercised, with each Series B Warrant entitling the holder to purchase one additional common share at a price of $0.50 for a period of 2 years from the date of closing. Further, if the closing price of the Company's shares as traded on the TSX Venture Exchange is $0.75 or greater for a period of 20 consecutive trading days, the Company may give notice of an earlier expiry of the Series B Warrants, in which case they would expire 30 calendar days from the giving of such notice. In connection with this private placement, finders' fees were paid in the amount of $72,588 ($72,348 in cash and 800 units valued at $240) and 241,959 finders' warrants were issued at a value of $28,913. Each finder's warrant entitled the holder to acquire one common share of the Company at $0.40 per share and exercisable for 12 months from the closing. The fair value was estimated using the Black-Sholes option pricing model with a risk-free rate of 1.76%, an expected life of one year, expected volatility of 88.72%, and an expected dividend rate of 0.0%.

On June 21, 2011, the Company completed a non-brokered private placement and raised $304,500 by the issuance of 1,015,000 units at a price of $0.30 per unit. Each unit consisted of one common share and one-half of a share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share at a price of $0.40 for a period of one year from the closing date. In connection with this private placement, finders' fees were paid in the amount of $13,440.

On August 25, 2011, the Company issued 400,000 common shares, valued at $104,000, to Rainy Mountain Royalty Corp., which represented the second share issuance required under the Company's Marshall Lake property option agreement (Note 5).

(Expressed in Canadian Dollars)

7. STOCK OPTIONS AND WARRANTS

The Company has a rolling stock option plan whereby it is allowed to issue options of up to 10% of the Company's issued and outstanding common shares at any given time. Under the plan, options can be granted for a maximum term of 5 years and vesting of stock options is at the discretion of the board of directors at the time options are granted.

As at October 31, 2012, the following incentive stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
120,000	$ 0.38	February 16, 2013
100,000	$ 0.30	June 8, 2013
455,000	$ 0.45	June 3, 2014
220,000	$ 0.22	October 20, 2015
465,000	$ 0.38	February 16, 2016
218,000	$ 0.30	May 10, 2016
120,000	$ 0.25	August 31, 2016
1,135,000	$ 0.16	July 3, 2017
840,000	$ 0.16	August 29, 2017
3,673,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, October 31, 2010	1,040,000	$ 0.35
Cancelled	(135,000)	0.32
Issued	1,063,000	0.32
Exercised	(150,000)	0.24
Outstanding, October 31, 2011	1,818,000	0.36
Cancelled	(100,000)	0.44
Expired	(20,000)	0.22
Issued	1,975,000	0.16
Outstanding, October 31, 2012	3,673,000	$ 0.25
Number of options currently exercisable	3,673,000	$ 0.25

(Expressed in Canadian Dollars)

7. STOCK OPTIONS AND WARRANTS (Continued)

As at October 31, 2012, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,270,585	$ 0.40	February 4, 2013 (1)(2)
1,962,500	$0.25	March 26, 2014 (4)
57,750	$0.25	March 26, 2014 (3)(4)
3,135,000	$0.26	August 20, 2014
87,500	$0.26	August 20, 2014 (3)
7,513,335		

(1) Series A Warrants entitling the holder to purchase one additional common share at a price of $0.40 for a period of 1 year from the date of closing (February 4, 2011). If the closing price of the Company's shares as traded on the TSX Venture Exchange is $0.60 or greater for a period of 20 consecutive trading days, the Company may give notice of an earlier expiry of the Series A Warrants, in which case they would expire 30 calendar days from the giving of such notice; provided further that, if a subscriber exercises any Series A Warrants during the term thereof, the Company will issue to that subscriber that number of Series B Warrants equal to the number of Series A Warrants exercised, with each Series B Warrant entitling the holder to purchase one additional common share at a price of $0.50 for a period of 2 years from the date of closing. Further, if the closing price of the Company's shares as traded on the TSX Venture Exchange is $0.75 or greater for a period of 20 consecutive trading days, the Company may give notice of an earlier expiry of the Series B Warrants, in which case they would expire 30 calendar days from the giving of such notice.

(2) The Company extended the term for exercising the Series A Warrants to February 4, 2013, with the exercise price of $0.40 per share remaining unchanged.

(3) Agents warrants

(4) The exercise price of $0.25 per share is for a term of one year until March 26, 2013 and then increases to $0.30 for year two expiring on March 26, 2014.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, October 31, 2010	3,704,121	$ 0.44
Expired	(2,049,214)	0.45
Granted	3,020,444	0.40
Exercised	(1,654,907)	0.42
Outstanding, October 31, 2011	3,020,444	0.40
Expired	(749,859)	0.40
Granted	5,242,750	0.26
Outstanding, October 31, 2012	7,513,335	$ 0.30

(Expressed in Canadian Dollars)

7. STOCK OPTIONS AND WARRANTS (Continued)

Share-based compensation

During the year ended October 31, 2012, the Company recognized $233,253 (October 31, 2011 - $247,317) as share-based compensation expense for options vested during the year. The weighted average fair value of options granted during the year ended October 31, 2012, was $0.13 (October 31, 2011 - $0.23 per option).

The fair value of stock options was calculated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2012	2011
Risk-free interest rate	1.29%	2.3%
Expected life of option	5 years	4.38 years
Annualized volatility	112.56%	101.61%
Dividend rate	0%	0%

8. RELATED PARTY TRANSACTIONS

The following are related party transactions that have occurred during the year ended October 31, 2012, which have not yet otherwise been disclosed herein.

The Company paid or accrued the following amounts to companies controlled by directors or companies having common directors:

	2012	2011
Administrative services	$ 36,000	$ 40,000
Consulting fees	353,309	308,250
Professional fees	114,000	93,000
Rent	53,623	49,092
Share-based payments	199,838	172,498
Wages and benefits	89,135	86,072

The above amounts include compensation to key management personnel, such as the Chief Executive Officer, Chief Financial Officer and the Chief Operating Officer as follows:

	2012	2011
Consulting fees	$ 349,000	$ 308,000
Share-based payments	144,120	142,043

Included in accounts payable as at October 31, 2012 is $39,116 (October 31, 2011 - $20,287) owed to a companies controlled by directors or companies having certain common directors.

Included in prepaid expenses as at October 31, 2012 is $nil (October 31, 2011 - $18,914) for computer hardware, software and installation costs related to IFRS implementation and as a payroll deposit paid to companies with certain common directors.

Included in deposits at October 31, 2012 is $30,000 (October 31, 2011- $nil) as a payroll deposit paid to Waterfront Communications Inc. to cover shared payroll costs, a company with certain common directors.

(Expressed in Canadian Dollars)

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash financing or investing transactions during the year ended October 31, 2012 included:

- Issued 57,750 warrants as finders' fees valued at $6,085;
- Issued 87,500 warrants as finders' fees valued at $8,611;
- Issued 400,000 common shares valued at $60,000 in connection with the Marshall Lake Property (Note 5);
- Accrued $62,228 in exploration and evaluation assets costs in accounts payable;
- Reclassification of $16,500 recorded in prepaid expenses to deposits.

Significant non-cash financing or investing transactions for the year ended October 31, 2011 included:

- Accrued $11,207 in exploration and evaluation asset costs in accounts payable;
- Issued 241,959 warrants as finders' fees valued at $28,913;
- Issued 800 units as finders' fees valued at $240; and
- Issued 400,000 common shares valued at $104,000 in connection with the Marshall Lake Property (Note 5).

10. INCOME TAXES

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

	2012	2011
Loss for the year	$ (1,239,026)	$ (1,392,222)
Expected income tax (recovery)	$ (313,000)	$ (374,000)
Change in statutory, foreign tax, foreign exchange rates and other	(7,000)	47,000
Permanent difference	13,000	69,000
Impact on flow-through shares	187,000	-
Share issue cost	(6,000)	(26,000)
Change in unrecognized deductible temporary differences	126,000	284,000
Income tax recovery	$ -	$ -

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

The significant components of the Company's temporary differences unused tax credits and unused tax losses are as follows:

	2012	Expiry Date Range	2011	Expiry Date Range
Temporary differences:				
Exploration and evaluation assets	$ 113,000	No expiry	$ 855,000	No expiry
Canadian eligible capital (CEC)	32,000	No expiry	32,000	No expiry
Share issue costs	128,000	2033 to 2036	160,000	2032 to 2035
Investment tax credits	115,000	2029 to 2032	103,000	2029 to 2031
Allowable capital losses	11,000	No expiry	11,000	No expiry
Non-capital losses available for future periods	3,590,000	2014 to 2032	2,349,000	2014 to 2031

The attributes are subject to review, and potential adjustment, by tax authorities.

(Expressed in Canadian Dollars)

11. COMMITMENTS

The Company has entered into a lease agreement for office premises with a limited partnership, the majority of which partnership is owned by a director of the Company. The minimum annual lease commitments are as follows:

2013	$	4,247

The Company has entered into four 5 year term renewable agreements with companies controlled by four directors of the Company for the provision of consulting and/or legal services at a current cost of $7,500 per month ($90,000 per annum), $7,500 per month ($90,000 per annum), $7,000 per month ($84,000 per annum) and $7,000 per month ($84,000 per annum), respectively. If any of such agreements are terminated without cause or if there is a change in control of the Company, the Company is required to pay an amount equal to five times the annual fee payable thereunder.

The Company has entered into four agreements with certain directors/officers for services rendered in such capacities. If such agreements are terminated without consent of the director/officer or the director/officer resigns within 120 days following a change in control, the Company must pay $100,000 to each such director/officer and allow any unvested stock options to vest.

12. CAPITAL MANAGEMENT

The Company manages its common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable 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. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

To fund future operations and exploration activities, the Company will need to raise funds through future share issuances, issue new debt or dispose of assets.

There have been no changes to the Company's approach to capital management during the year ended October 31, 2012. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS

Fair value

The Company classifies its cash and cash equivalents and short-term investments as fair value through profit or loss; receivables and deposits as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company's measurement of fair value of financial instruments in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
October 31, 2012				
Assets				
Cash and cash equivalents	$ 1,162,055	$ 1,162,055	$ -	$ -
October 31, 2011				
Assets				
Cash and cash equivalents	$ 379,790	$ 379,790	$ -	$ -
November 1, 2010				
Assets				
Cash and cash equivalents	$ 547,971	$ 547,971	$ -	$ -

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents and other receivables.

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. Management believes that the credit risk concentration with respect to cash and cash equivalents and receivables is remote as it maintains accounts with highly-rated financial institutions. Receivable are due primarily from from Harmonized Sales Tax recoveries.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At October 31, 2012, the Company had accounts payable and accrued liabilities of $145,094 (October 31, 2011 - $60,832, November 1, 2010 - $381,307).

Based on the current funds held, the Company will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

13. FINANCIAL INSTRUMENTS (Continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents consist of cash held in bank accounts and a demand guaranteed investment certificate that earns interest at the prime lending rate minus 2.05%. Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. Given the balance of the guaranteed investment certificate, any fluctuations in the interest rate would lead to an immaterial change in the statements of comprehensive loss.

(ii) Foreign currency risk

The Company is not exposed to foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its investments, as they are carried at fair values based on quoted market prices, and investments, as they are carried at fair values based on quoted market prices.

14. SEGMENTED INFORMATION

The Company currently has one business segment and operates in the mineral exploration business in Canada.

15. SUBSEQUENT EVENT

On November 13, 2012, the Company issued an aggregate of 200,000 shares to certain First Nations in connection with an Exploration Agreement covering the Marshall Lake property (Note 5).