PACIFIC COMOX RESOURCES LTD.
(A Development Stage Enterprise)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed i n Canadian Dollars, unless otherwise stated)

JANUARY 31, 2012 AND 2011

PACIFIC COMOX RESOURCES LTD.
(A Development Stage Enterprise)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	January 31 2012	October 31 2011 (Note 19)	November 1 2010 (Note 19)
CURRENT			
Cash (note 16)	$ 9,437	$ 2,424	$ 22,183
Accounts receivable (note 17)	3,108	9,982	20,596
Due from a shareholder, director and officer (note 4)	26,204	26,204	24,122
Prepaid expenses	900	900	10,833
	39,649	39,510	77,734
ADVANCES TO RELATED PARTY (note 4)	338,436	363,664	396,475
MINERAL PROPERTIES (note 6)	1,936,039	1,936,039	1,805,087
PROPERTY, PLANT AND EQUIPMENT (note 5)	309	334	478
	$ 2,314,433	$ 2,339,547	$2,279,774

LIABILITIES

	January 31 2012	October 31 2011	November 1 2010
CURRENT			
Accounts payable and accrued liabilities (note 14,18)	$1,543,101	$ 1,530,031	$ 949,040
ACCRUED RECLAMATION & MINE CLOSURE COSTS (note 15)	96,321	96,321	-
	1,639,422	1,626,352	949,040

SHAREHOLDERS' EQUITY

	January 31 2012	October 31 2011	November 1 2010
SHARE CAPITAL (note 9)	20,849,543	20,849,543	20,755,243
SHARE-BASED PAYMENT RESERVE (note 10)	963,055	935,755	935,755
WARRANT RESERVE (note 11)	51,000	78,300	72,600
DEFICIT	(21,188,587)	(21,150,403)	(20,432,864)
	675,011	713,195	1,330,734
	$2,314,433	$2,339,547	$ 2,279,774

NATURE OF OPERATIONS AND GOING CONCERN (note 1)
COMMITMENTS AND CONTINGENCIES (notes 6 and 13)

Approved by the Board:

(Signed) "*Marvin Wolff*", Director

(Signed) "*Donald Empey*", Director

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

PACIFIC COMOX RESOURCES LTD.
(A Development Stage Enterprise)

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE THREE MONTHS ENDED

	January 31 2012	January 31 2011 (Note 19)
EXPENSES		
Bank charges and interest	$ 172	$ 192
Consulting fees	2,500	9,000
Amortization	25	36
Exploration and evaluation expenses	17,528	46,433
Foreign exchange loss	2,758	597
Legal and audit	150	2,600
Office, general and investor relations	5,835	8,621
Rent	2,466	2,466
Transfer agent's and regulatory fees	6,750	4,287
	38,184	74,232
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(38,184)	(74,232)
DEFICIT, BEGINNING OF THE PERIOD	(21,150,403)	(20,432,864)
DEFICIT, AT END OF THE PERIOD	($ 21,188,587)	($ 20,507,096)
Basic and diluted loss per share	($ 0.00)	($ 0.00)
Weighted average common shares outstanding	182,927,322	181,972,322

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

PACIFIC COMOX RESOURCES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital		Share-Based Payment Reserve	Warrant Reserve	Accumulated Deficit	Total
	Number of Shares	Amount				
Balance – November 1, 2010	181,260,655	$ 20,755,243	$ 935,755	$ 72,600	$ (20,432,864)	$ 1,330,734
Shares issued on private placement	2,000,000	100,000				100,000
Private placement - allocated to warrants		(5,700)		5,700		-
Net loss for the year					(717,539)	(717,539)
Balance – October 31, 2011	183,260,655	20,849,543	935,755	78,300	(21,150,403)	713,195
Warrant expiry			27,300	(27,300)		-
Net loss for the period					(38,184)	(38,184)
Balance – January 31, 2012	183,260,655	$ 20,849,543	$ 963,055	$ 51,000	$ (21,188,587)	$ 675,011
Balance – November 1, 2010	181,260,655	$ 20,755,243	$ 935,755	$ 72,600	$ (20,432,864)	$ 1,330,734
Shares issued on private placement	2,000,000	100,000				100,000
Private placement - allocated to warrants		(5,700)		5,700		-
Net loss for the period					(74,232)	(74,232)
Balance – January 31, 2011	183,260,655	$ 20,849,543	$ 935,755	$ 78,300	$ (20,507,096)	$ 1,356,502

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

PACIFIC COMOX RESOURCES LTD.
(A Development Stage Enterprise)

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED

	January 31 2012	January 31 2011 (Note 19)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss for the period	($ 38,184)	($ 74,232)
Add (deduct) items not affecting cash:		
Amortization	25	36
Net changes in working capital balances:		
Decrease (increase) in accounts receivable	6,874	4,769
Increase in accounts payable and accrued liabilities	13,070	(4,370)
Cash used in operations	(18,215)	(73,797)
CASH USED IN INVESTING ACTIVITIES:		
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Mineral properties expenditures	-	-
Advances to related party	25,228	(2,466)
Cash used in investing	25,228	(2,466)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Common shares issued in private placements	-	100,000
Net change in advances from (to) a shareholder, director and officer	-	(9,082)
Cash provided by financing	-	90,918
DECREASE IN CASH POSITION	7,013	14,655
CASH POSITION AT BEGINNING OF THE PERIOD	2,424	22,183
CASH POSITION AT END OF THE PERIOD	$ 9,437	$ 36,838

Non-cash transactions:		
Fair value ascribed to warrants issued in private placement	$ -	$ 5,700

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Pacific Comox Resources Ltd. (the "Company") was incorporated to seek mineral exploration and development opportunities. To date, the Company has not earned significant revenue from any of its activities and is considered to be in the development stage.

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties 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 government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

While the consolidated financial statements have been prepared on a "going concern" basis, there are adverse conditions which cast significant doubt upon the validity of this assumption. For the three months ended January 31, 2012, the Company incurred a loss of $38,184 (October 31, 2011 - $804,491) and as at January 31, 2012, had an accumulated deficit of $21,188,587 (October 31, 2011 - $21,150,403). The Company has no income or cash flow from operations and, at January 31, 2012, had a working capital deficiency of $1,503,452 (October 31, 2011 - $1,490,521). The Company must secure sufficient funding to maintain legal title to its resources properties, to fund its exploration and development activities and to fund its general and administrative costs. In addition the company is currently undergoing a CRA assessment in relation to certain flow-through expenditures as described in note 13.

2. BASIS OF PREPARATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Reporting Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of April 23, 2012, the date the board of directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the annual consolidated financial statements could result in restatement of these consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

2. BASIS OF PREPARATION

a) Statement of Compliance (continued)

Previously, the Company prepared its consolidated annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 19.

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The comparative figures presented in these consolidated financial statements are in accordance with IFRS.

c) Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on January 1, 2011. For the purpose of preparing and presenting the Financial Information for relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

As at the date of approval of these Financial Statements, the IASB and IFRIC has issued the certain new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods. See Note 3 (s) for details on those new and revised Standards and Interpretations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary. All intercompany transactions and accounts have been eliminated.

b) Mineral Properties

All direct costs related to the acquisition of mineral property interests are capitalized into intangible assets on a property by property basis. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized to Property, Plant and Equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of- production basis using estimated resources as the depletion base.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Decommissioning, restoration and other similar liabilities (Asset retirement obligation – ARO)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with reclamation of mineral properties and Property, Plant and Equipment, when those obligations result from the acquisition, construction, development, or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized as its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related mineral property asset in the case where technical feasibility has been established, and expensed if technical feasibility is yet to be established. Once capitalized, the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

d) Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax is provided using the liability method on temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Taxation (continued)

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is not longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position to the extent that it becomes probable that future taxable profit will allow the deferred asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of financial position.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current assets against current liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

e) Loss per share
The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

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

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

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company’s accounts receivable are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial Liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method for calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, preference and common share dividends payable and due to related parties are classified as other-financial liabilities.

Financial liabilities classified at FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At March 31, 2012, the Company has not classified any liabilities as FVTPL.

h) Impairment of financial assets
The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost
If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the loss is 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 is reversed to the extent that carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale
If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

i) Cash
Cash in the statement of financial position comprise cash held at Canadian banks.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Provisions

Provisions are recognized when the Company has a future obligation (legal or constructive) that has arisen as a result of a past event and is probable that a future outflow of resources will be required to settle the obligation, provided 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 the passage of time is recognized as interest expense.

k) 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 or common significant influence, related parties may 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. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

l) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affects the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing, basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to accounts receivable, and the valuation of deferred income tax amounts. The most significant judgments relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

m) Foreign currency translation

The Company`s functional currency and reporting currency is the Canadian dollar. Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated to Canadian dollars by the using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets for part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalue amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Share capital
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and preference shares are classified as equity instruments. Incremental costs directly attributable to the new of shares or options are shown in equity as a deduction, net of tax, from the proceeds.

o) Share-based payments
Share-based payment transactions
Employees (including directors, senior executives and consultants) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions"). In addition, the Company may settle certain debt obligations with employees under mutual consent and amount. The fair value of the shares issued determines the value of the settlement with any difference reported as a gain or loss on settlement.

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

Equity-settled transactions
The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The cost 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 stock option award ('the vesting date"). The cumulative cost is 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 share option reserve. No expense is recognized for awards that do not ultimately vest.

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 modifications 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.

(p) Property, Plant and Equipment
Property, plant and equipment (PPE) are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and the restoring the site on which it is located. Depreciation on the computer equipment is provided at the rate of 30% per annum on a diminishing balance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Flow-through shares
The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of 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 share into i) a flow-through share premium, equal to the estimated premium, if any; investors pay for the flow-through feature, which is recognized as a liability, and (ii) share capital. Upon expenses being incurred and the expenditures renounced, the Company de-recognizes the liability and recognizes a deferred tax liability for the amount of the tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

r) Comprehensive loss
The Company presents certain gains and losses from changes in fair value outside of net loss as comprehensive loss. It includes unrealized gains and losses, such as: unrealized gains or losses on available-for-sale investments.

s) Standards, amendments and interpretations not yet effective
The following new standards may have an effect on the Company's future results and financial position:

IFRS 9 Financial Instruments – IFRS 9 Financial Instruments is part of IASB's wider project to replace IFRS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on our after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for available-for-sale investment.

IFRS 10 Consolidated Financial Statements – IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. IFRS 10 replaces the consolidation requirements of SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. IFRS 10 builds upon existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is currently assessing the financial impact of the new standard

IFRS 12 Disclosure of Interests in Other Entities – IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the financial impact of the new standard.

IFRS 13 Fair-Value Measurement – IFRS 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The effective date of this new standard is for annual periods beginning on or after January 1, 2013. The Company is currently assessing the financial impact of the new standard.

4. RELATED PARTY TRANSACTIONS:

The following related party transactions occurred and were reflected in the consolidated financial statements:

	January 31 2012	January 31 2011
Rent paid to a corporation under common management	$ 2,466	$ 2,466
Consulting fees paid to an officer of the Company	$ 2,500	$ 9,000

Amounts due from related parties are as follows:

	January 31 2012	October 31 2011
Due from a shareholder, director and officer	$ 26,204	$ 26,204
Advances to a related party	$ 338,436	$ 363,664

The amount due from a shareholder, director and officer represents amounts advanced on account of expenditures to be incurred by the individual on behalf of the Company. These amounts are non-interest bearing.

The amount due from a shareholder, director and officer is non-interest bearing and due on demand.

The advances to a related party are due from a corporation under common management with the Company and represent amounts advanced to, or expenses paid on behalf of, the related party and they are repayable on demand. The advances are interest free.

During the year, the Company reimbursed certain directors of the Company for corporate costs paid directly by the directors. These credits were made at cost and aggregated $Nil (October 31, 2011 - $14,968).

Mineral properties include $Nil (October 31, 2011 - $6,000) of consulting fees charged by an officer and director and capitalized during the year.

Transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. PROPERTY PLANT AND EQUIPMENT:

	January 31, 2012			October 31, 2011
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Computer equipment	$ 6,823	$ 6,514	$ 309	$ 334

6. MINERAL PROPERTIES AND COMMITMENTS:

Mineral properties are summarized as follows:

	January 31 2012	October 31 2011
Balance, Beginning of the period	$1,849,087	$1,805,087
Acquisition costs	-	44,000
Balance, End of the period	$1,849,087	$ 1,849,087

The accumulated costs are represented by the expenditures relating to the Company's Mabel, Ryan Lake, Log Lake, and Powell Lake properties.

MABEL

i) On July 1, 2002, the Company entered into an agreement with respect to certain exploration properties in Mexico, whereby the Company will acquire a 100% interest in the properties over a five-year period, for an aggregate price payable as follows:

(a) A total cash payment of U.S. $386,000 payable: year one – U.S. $20,000, which has been paid; year two – U.S. $60,000, which has been paid; years three, four and five – U.S. $102,000 per year, which has been paid. The Company has satisfied the cash payments to be made under the agreement;

(b) Issue a total of 3,500,000 shares of the Company to the vendors, in a five-year period; respectively, 250,000 shares in each of years one and two, 500,000 shares in year three, 1,000,000 shares in year four and 1,500,000 shares in year five. The Company has satisfied the share issuance obligations under the agreement;

(c) A total work commitment of U.S. $2,300,000, to be spent on the properties in the five-year period; respectively, U.S. $75,000 in year one, U.S. $200,000 in year two, U.S. $500,000 in each of the years three and four and U.S. $1,000,000 in year five. As of January 31, 2012, the Company met its work commitments for its five-year period.

The properties are also subject to a net smelter royalty of 3% rising to 3.5% for periods in which the gold price exceeds U.S. $350 per ounce and to 4% for periods in which the gold price exceeds U.S. $400 per ounce. The Company has the right to purchase (during the term of the agreement and for two years after the commencement of the commercial production) 50% of the net smelter royalty for U.S. $4,500,000.

Mineral properties relating to the Mexican properties are as follows:

Balance, October 31, 2010	$ 613,892
Acquisition costs	-
Balance, October 31, 2011	613,892
Acquisition costs	-
Balance, January 31, 2012	$ 613,892

6. MINERAL PROPERTIES AND COMMITMENTS (continued):

RYAN LAKE

ii) On March 8, 2005, the Company entered into an agreement to acquire a 100% interest in the Ryan Lake copper-molybdenum property which consists of 10 claims totalling 513 acres, located near Matachewan, Ontario. The aggregate price payable, over a two year period, is as follows:

(a) A total cash payment of $600,000 payable: year one – $225,000 and year two – $375,000. The Company has made total cash payments of $600,000 to satisfy the obligation under the agreement;

(b) Issue a total of 2,000,000 common shares of the Company to the vendors, in a two year period; respectively, 500,000 shares in year one and 1,500,000 shares in year two. The 500,000 shares in respect of year one and the 1,500,000 shares in respect of year two have been issued to the vendor to satisfy obligations under the agreement;

(c) A total work commitment of $300,000, to be spent on the property in the two-year period; respectively, $100,000 in year one and $200,000 in year two. The Company has satisfied these work commitment obligations; and

(d) The Property is also subject to a net smelter royalty of 1%. The Company will have the right to purchase 50% of the net smelter royalty (0.5%) for $1,000,000 during the two-year term of the agreement and for two years after the commencement of commercial production.

On November 17, 2006, the Company exercised its option to purchase the Ryan Lake claims. In addition to the cash payment and common share obligation and work commitment, all of which have been satisfied, the Company paid $100,000 for the mill on the property.

In the October 31, 2011 year end, an asset retirement obligation asset and corresponding liability was recognized for the closure of the mill and remediation of Ryan Lake property. See note 14 for detailed disclosure.

LOG LAKE

iii) On September 25, 2005, the Company entered into a preliminary option agreement to acquire claims totalling approximately 3,400 acres contiguous to the northern and western boundaries of the Ryan Lake claims in Matachewan, Ontario. To exercise the option, the Company has assumed the following commitments:

(a) A total cash payment of $180,000 payable: year one – $80,000; year two – $50,000; and $50,000 for year three. The Company has made cash payments totalling $180,000 to satisfy the obligation under the agreement;

(b) Issue a total of 850,000 common shares of the Company to the vendors, in a three year period; respectively, 400,000 shares in year one, 200,000 shares in year two and 250,000 shares in year three. The Company has issued the 850,000 common shares to satisfy the obligation under the agreement;

6. MINERAL PROPERTIES AND COMMITMENTS (continued):

(c) A total work commitment of $235,000, to be spent on the property in the three-year period; respectively, $60,000 in year one, $75,000 in year two and $100,000 in year three. The Company was in default in meeting work commitments as of the 3rd anniversary date in the amount of $143,100. However, during year ended October 31, 2009 the Company issued 300,000 shares to the vendor of the property in order to facilitate the completion of the transfer of 100% ownership of the claims. As a result, certain work commitments that were outstanding with respect to the original option agreement were forgiven. The shares issued had a deemed value of $9,000.

(d) The Property is also subject to a net smelter royalty of 2%. The Company will have the right to purchase 50% of the net smelter royalty (1%) for $1,000,000 during the three year term of the agreement and for two years after the commencement of commercial production.

POWELL LAKE

iv) On September 8, 2008, the Company entered into an option agreement to acquire four claims in Powell Township contiguous to the Ryan Lake claims in Matachewan, Ontario. To exercise the option the Company has assumed the following commitments:

a) A total cash payment of $100,000 payable: on closing - $20,000; year one – $20,000; year two – $20,000 and $40,000 for year three. As at October 31, 2011, the Company has paid the $20,000 due on closing and the $20,000 year one obligation. The amount of $20,000 due September 8, 2010 and $40,000 due September 8, 2011 for a total of $60,000 was set up in accrued liabilities and accounts payable at January 31, 2012;

b) Issue a total of 500,000 common shares of the Company to the vendor, in a three year period; respectively, 100,000 shares on closing, 100,000 shares in year one, 100,000 shares in year two and 200,000 shares in year three. As at October 31, 2011, the Company issued the 100,000 shares due on closing and the 100,000 share obligations due September 8, 2009, the 100,000 shares due September 8, 2010 and the 200,000 shares due September 8, 2011 have been accrued in the amount of $9,000 and included in accounts payable and accrued liabilities as at January 31, 2012; and

c) A total work commitment of $6,000, to be spent on the property in the three-year period; respectively, $2,000 in year one, $2,000 in year two and $2,000 in year three.

The Company is currently in arrears in meeting certain property commitments with respect to the Powell Lake claims. However, in order for the property vendor to exercise default mechanisms, the vendor must issue a default notice in writing, the date from which the Company has six months to satisfy the commitments in arrears. To date, the property vendor has not issued any default notice and has no current plans to terminate the agreement

6. MINERAL PROPERTIES AND COMMITMENTS (continued):

Mineral properties relating to the Ryan Lake, Log Lake and Powell Lake, Matachewan, Ontario properties are as follows:

	Powell Lake	Ryan Lake	Log Lake	Total
Balance, October 31, 2010	$ 70,000	$ 855,000	$ 266,195	$ 1,191,195
Mine closure costs			86,952	86,952
Acquisition costs	44,000	-	-	44,000
Balance, October 31, 2011	114,000	855,000	353,147	1,322,147
Acquisition costs	-	-	-	-
Balance, January 31, 2012	$ 114,000	$ 855,000	$ 353,147	$ 1,322,147

7. INCOME TAXES:

At January 31, 2012, the Company has non-capital loss carry forwards of approximately $1,645,471 available to reduce taxable income in future years in Canada and $53,843 in Mexico. These losses expire through 2032. The benefits of these losses have not been reflected in the consolidated financial statements.

The temporary differences that give rise to significant components of the deferred income tax assets and liabilities computed at the future rate of 25% (October 31, 2011 - 25%) are as follows:

	January 31 2012	October 31 2011
Deferred income tax assets (liabilities):		
Non capital loss carry forwards	$ 424, 829	$ 464, 813
Capital loss carry forwards	4,350	4,350
Mining interest	142,670	138,288
Capital assets and others	10,795	10,795
	582,644	618,246
Assets not recognized	(582,644)	(618,246)
Net asset (liability)	$ -	$ -

7. INCOME TAXES (continued):

The company's effective tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 28% (January 31, 2011 - 28%) to the net loss for the period. The reasons for the differences are as follows:

	January 31 2012	January 31 2011
Net loss for the period before income taxes	($ 38,184)	($ 74,232)
Combined Canadian Federal and Ontario tax rate	28%	28%
Statutory rate applied to loss for the period before income taxes	($ 10,692)	($ 20,785)
Exploration and evaluation expenses	4,908	12,973
Tax benefit not recognized	5,784	7,812
Deferred income tax expense (recovery)	$ -	$ -

The Canada Revenue Agency instigated an audit of certain flow-through share issuances of the Company during fiscal 2010. See further information in note 13.

8. FINANCIAL INSTRUMENTS:

(a) Fair value

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have a material effect on the estimated fair value amounts.

The fair value of cash, accounts receivable and accounts payable and accrued liabilities, and due from a shareholder, director and officer are comparable to their carrying value due to the relatively short period to maturity of these instruments.

The fair value of the advances to related parties could not be determined as there are no specified terms of repayments.

(b) Risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are described below:

8. FINANCIAL INSTRUMENTS (continued):

- Credit risk

  Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed to the Company. Management's assessment of the Company's credit risk is low as it is primarily attributable to funds held in Canadian chartered banks, amounts due from a shareholder, director and officer and advances to a related company. Management does not believe it is exposed to any significant concentration of credit risk except that a significant portion of its cash is on deposit with a major Canadian chartered bank. Management believes the advances due from a related party will be recovered.

- Liquidity risk

  Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. All of the company's payables are due within the next year. As at year end January 31, 2012 the Company has a working capital deficiency of $ 1,503,452 (October 31, 2011 – $ 1,490,521)

- Market risk

  Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair value of financial assets and liabilities.

- Foreign currency risk

  The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars and Mexican Pesos. The Company funds operations and exploration in Canada and Mexico. The Company maintains a Mexican Peso bank account in Mexico. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. During the period ended January 31, 2012, the Company recorded a non-cash loss of $2,758 (2011 – loss of $597) which reflects the volatility in the current foreign exchange market against the Canadian dollar and due to the variances in the balance sheet from year to year.

  Based on the Company's exposure to foreign exchange risk and assuming all other variables remain constant, a 10% increase or decrease in value of the foreign currency against the Canadian dollar would result in an increase or decrease of approximately $5,000 (2011-$5,000) in the Company's net loss.

9. SHARE CAPITAL:

a) Common shares

Authorized
Unlimited number of common shares

Issued

	January 31, 2012		October 31, 2011	
	Shares	Amount	Shares	Amount
Balance, beginning of the period	183,260,655	$20,849,543	181,260,655	$20,755,243
Issued on completion of private placement – flow-through	-	-	1,500,000	75,000
Issued on completion of private placement – non flow-through	-	-	500,000	25,000
Fair value attributable to warrants issued in private placements	-	-	-	(5,700)
Balance, end of the period	183,260,655	$20,849,543	183,260,655	$20,849,543

On December 31, 2009, the Company closed a private placement raising gross proceeds of $200,000. Of the financing, $100,000 is in the form of flow-through units consisting of one flow-through common share and one common share purchase warrant and $100,000 is in the form of units consisting of one common share and one common share purchase warrant. Each unit was priced at $0.05 and each warrant is exercisable at $0.10 for a period of two years expiring December 31, 2011. Directors of the Company subscribed for $175,000 of the financing. A total of $21,600 ($0.0054 per share) was assigned to the warrants. The warrants were valued using the Black-Scholes pricing model using the following assumptions: dividend yield of 0.00%; expected volatility of 100%; risk free rate of 1.47% and expected term of two years.

On June 16, 2010, the Company closed a private placement raising gross proceeds of $250,000. The proposed financing is in the form of 5,000,000 units consisting of one common share and one common share purchase warrant. Each unit was priced at $0.05 and each warrant is exercisable at $0.10 for a period of five years expiring June 16, 2015. A director of the Company subscribed for $100,000 of the financing. A total of $51,000 ($0.0102 per share) was assigned to the warrants. The warrants were valued using the Black-Scholes pricing model using the following assumptions: dividend yield of 0.00%; expected volatility of 100%; risk free rate of 2.76% and expected term of five years.

On December 30, 2010, the Company closed a private placement raising gross proceeds of $100,000. Of the financing, $75,000 is in the form of flow-through units consisting of one flow-through common share and one common share purchase warrant and $25,000 is in the form of units consisting of one common share and one common share purchase warrant. Each unit was priced at $0.05 and each warrant is exercisable at $0.10 for a period of one year expiring December 31, 2011. Two directors of the Company subscribed for $100,000 of the financing. A total of $5,700($0.00287 per share) was assigned to the warrants. The warrants were valued using the Black-Scholes pricing model using the following assumptions: dividend yield of 0.00%; expected volatility of 100%; risk free rate of 2.76% and expected term of one year.

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9. SHARE CAPITAL (continued):

b) Stock Option Plan

Under the Employee Stock Option Plan, the Company may grant options for up to 10% of the outstanding shares of common stock. Options may be granted to any director, officer, employee or consultant of the Company or any of its subsidiaries. Options granted to directors, officers and employees vest immediately. If the optionee is a consultant or providing investor relations services to the Company, the options must vest in stages over 12 months, with no more than one quarter of the options vesting in any three-month period. The number of shares reserved for issuance to any one optionee pursuant to options cannot exceed 5% (2% if the optionee is engaged in providing investor relation services to the Company or is a consultant) of the issued and outstanding common shares of the Company at the date of grant of such options. The exercise price of each option cannot be less than the fair market value of the shares on the last trading date preceding the date of the grant. The maximum term of an option is 5 years.

All outstanding options are fully vested. The 8,500,000 options outstanding expire on October 20, 2013 as at January 31, 2012 (see note 10 (b) for additional stock option plan information).

A summary of the status of the Company's stock option plan and changes during the period is presented below:

	January 31, 2012		October 31, 2011	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at beginning of the period	8,500,000	0.10	10,400,000	0.10
Expired during the period	-	0.10	(1,900,000)	-
Outstanding at end of the period	8,500,000	0.10	8,500,000	0.10

(c) Warrants

The following summarizes warrants that have been issued:

	Number of Warrants	
	January 31 2012	October 31 2011
Balance, beginning of period	11,000,000	9,000,000
Warrants expired during the period	(6,000,000)	
Warrants issued on private placements	-	2,000,000
Balance, end of period	5,000,000	11,000,000

9. SHARE CAPITAL (continued):

a) Warrants

At January 31, 2012, there were 5,000,000 warrants outstanding, exercisable at $0.10 until June 16, 2015.

10. SHARE-BASED PAYMENT RESERVE:

	January 31 2012	October 31 2011
Balance, beginning of the period	$ 935,755	$ 935,755
Warrant expiry	27,300	-
Balance, end of the period	$ 963,055	$ 935,755

11. WARRANT RESERVE:

	January 31 2012	October 31 2011
Balance, beginning of the period	$ 78,300	$ 72,600
Fair value of warrants issued on private placements	-	5,700
Warrant expiry	(27,300)	-
Balance, end of the period	$ 51,000	$ 78,300

12. CAPITAL MANAGEMENT:

The Company considers its capital to include all components of shareholders' equity.

The Company's objectives in managing its capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefits of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties. 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.

12. CAPITAL MANAGEMENT (continued):

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

The Company's investment policy is to invest excess cash in low risk, highly liquid, short-term interest bearing investments, selected with regards to the expected timing of upcoming expenditures.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended January 31, 2012. The Company is not subject to externally imposed capital requirements except spending requirements on its flow-through shares. As discussed in note 14, the Company was not in compliance with its requirements during the year.

13. SEGMENTED INFORMATION:

The Company operates in a single reportable operating segment, which is the exploration and development of mineral properties.

Segmented geographic information is as follows:

The following table allocates total assets by segment:

	January 31 2012	October 31 2011
Canada	$1,702,960	$ 1,779,618
Mexico	611,473	559,929
Total assets	$ 2,314,433	$ 2,339,547

The following table allocates net (loss) by segment:

	January 31 2012	January 31 2011
Canada	($ 18,578)	($ 46,440)
Mexico	(19,606)	(27,792)
Net (loss)	($ 38,184)	($ 74,232)

14. CONTINGENCIES:

The Canada Revenue Agency ("CRA") commenced an audit during fiscal 2010 in respect of flow-through share issuances of the Company during the period from 2005 to 2008.

The CRA has indicated that it will be assessing, pursuant to both an indicated deficiency in qualifying eligible exploration expenditures as well as the timing thereof, an aggregate of $383,953 for Part XII.6 tax and penalties associated with the forgoing flow-through audit. The Company believes that the indicated amount of the assessment is overstated by $152,618. The Company will be providing additional evidence of facts to the CRA relevant to the qualifying Canadian exploration expenditures made by the Company to support this position and it believes it is likely that it will be successful in reducing the amount of the associated assessment, however at this point the reduced tax and penalties cannot be determined with certainty. These financial statements contain the full amount of liability of $383,953 as assessed by CRA to reflect the estimated interest charges and penalties. In addition, depending on the results of the above mentioned proposal to CRA, the Company may be obligated to reimburse investors as a result of flow-through funds not being spent within prescribed time limits. While a final determination of the associated liability cannot be made at this time, the Company estimates it may incur $862,317 in regards to these investor reimbursements and accordingly has accrued this amount in these financial statements.

15. ACCRUED RECLAMATION AND MINE CLOSURE COSTS

The Company makes full provision for the estimated future costs of reclamations and the decommissioning of mineral exploration properties related to the Ryan Lake claims. The discounted estimate to settle the reclamation and decommissioning obligation at January 31, 2012 is $96,321. The undiscounted cash flows of $ 453,000 were discounted using a 35% credit adjusted risk free rate using a probability analysis of expected settlement over 20 years. There is no certainty in terms of the timing of the settlement of the cash flows. As such a 2% inflation rate was applied to the current cash flow estimate.

16. CASH

Cash consists of cash on deposit with a Canadian bank in general non-interest bearing accounts totaling $9,437 (October 31, 2011 - $2,424).

17. ACCOUNTS RECEIVABLE

The Company's accounts receivable consist of Harmonized Goods and Services Tax ("HST") due from the Canadian government taxation authorities in the amount of $3,108 (October 31, 2011 - $9,982).

18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchase relating to exploration activities and administrative activities.

The following is an aged analysis of the accounts payable and accrued liabilities:

	January 31, 2012	October 31, 2011
Less than one month	$ 10,934	$ 72,639
One to three months	2,587	24,717
Over three months	1,529,580	1,432,675
	$ 1,543,101	$ 1,530,031

19. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of assets, liabilities and shareholders' equity

	November 1, 2010			
	GAAP	Effect of transition To IFRS	IFRS	Notes
Assets				
Current Assets				
Cash	$22,183	-	$22,183	
Accounts receivable	20,596	-	20,596	
Due from a shareholder, director and officer	24,122	-	24,122	
Prepaid expenses	10,833	-	10,833	
	77,734	-	77,734	
ADVANCES TO RELATED PARTIES	396,475	-	396,475	
MINERAL PROPERTIES	7,615,237	(5,810,150)	1,805,087	(a)
PROPERTY, PLANT AND EQUIPMENT	478	-	478	
	$8,089,924	($5,810,150)	$2,279,774	
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$949,040	-	$949,040	
ACCRUED RECLAMATION AND MINE CLOSURE COSTS	-		-	
Shareholders' Equity				
Capital stock	20,755,243	-	20,755,243	
Contributed surplus	1,008,355	(1,008,355)	-	(b)
Share-based payment reserve	-	935,755	935,755	(b)
Warrant reserve	-	72,600	72,600	(b)
Deficit	(14,622,714)	(5,810,150)	(20,432,864)	(a)
	7,140,884	(5,810,150)	1,330,734	
	$8,089,924	($5,810,150)	$2,279,774	

19. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of assets, liabilities and shareholders' equity

	January 31, 2011			
	GAAP	**Effect of transition To IFRS**	**IFRS**	**Notes**
Assets				
Current Assets				
Cash	$36,838	-	$36,838	
Accounts receivable	15,827	-	15,827	
Due from a shareholder, director and officer	33,204	-	33,204	
Prepaid expenses	10,833	-	10,833	
	96,702	-	96,702	
ADVANCES TO RELATED PARTIES	398,941	-	398,941	
MINERAL PROPERTIES	7,661,670	(5,856,583)	1,805,087	(a)
PROPERTY, PLANT AND EQUIPMENT	442	-	442	
	$8,157,755	($5,856,583)	$2,301,172	
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$944,670	-	$944,670	
ACCRUED RECLAMATION AND MINE CLOSURE COSTS	-		-	
Shareholders' Equity				
Capital stock	20,849,543	-	20,849,543	
Contributed surplus	1,014,055	(1,014,055)	-	(b)
Share-based payment reserve	-	935,755	935,755	(b)
Warrant reserve	-	78,300	78,300	(b)
Deficit	(14,650,513)	(5,856,583)	(20,507,096)	(a)
	7,213,085	(5,856,583)	1,356,502	
	$8,157,755	($5,856,583)	$2,301,172	

19. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of assets, liabilities and shareholders' equity

	October 31, 2011			
	GAAP	**Effect of transition To IFRS**	**IFRS**	**Notes**
Assets				
Current Assets				
Cash	$2,424	-	$2,424	
Accounts receivable	9,982	-	9,982	
Due from a shareholder, director and officer	26,204	-	26,204	
Prepaid expenses	900	-	900	
	39,510	-	39,510	
ADVANCES TO RELATED PARTIES	363,664	-	363,664	
MINERAL PROPERTIES	7,841,923	(5,905,884)	1,936,039	(a)
PROPERTY, PLANT AND EQUIPMENT	334	-	334	
	$8,245,431	($5,905,884)	$2,339,547	
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$1,530,031	-	$1,530,031	
ACCRUED RECLAMATION AND MINE CLOSURE COSTS	96,321		96,321	
Shareholders' Equity				
Capital stock	20,849,543	-	20,849,543	
Contributed surplus	1,014,055	(1,014,055)	-	(b)
Share-based payment reserve	-	963,055	963,055	(b)
Warrant reserve	-	51,000	51,000	(b)
Deficit	(15,244,519)	(5,905,884)	(21,150,403)	(a)
	6,619,079	(5,905,884)	713,195	
	$8,245,431	($5,905,884)	$2,339,547	

19. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of loss and comprehensive loss

	Three months ended January 31, 2011			
		Effect of transition		
	GAAP	To IFRS	IFRS	Notes
Expenses				
Bank charges	$192	-	$192	
Consulting fees	9,000		9,000	
Amortization	36		36	
Exploration and evaluation expenses	-	46,433	46,433	(a)
Foreign exchange loss	597		597	
Legal and audit	2,600		2,600	
Office, general and investor relations	8,621		8,621	
Rent	2,466		2,466	
Transfer agent and regulatory fees	4,287	-	4,287	
	27,799	46,433	74,232	
Net loss and comprehensive loss for the period	27,799	46,433	74,232	

19. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of loss and comprehensive loss

	Year ended October 31, 2011			
		Effect of transition		
	GAAP	To IFRS	IFRS	Notes
Expenses				
Bank charges	$791	-	$791	
Consulting fees	24,000		24,000	
Amortization	143		143	
Accretion	9,369		9,369	
Exploration and evaluation expenses	-	95,734	95.734	(a)
Foreign exchange loss	1,495		1,495	
Legal and audit	36,120		36,120	
Office, general and investor relations	30,234		30,234	
Rent	9,864		9,864	
Transfer agent and regulatory fees	15,357		15,357	
Part XII.6 interest and penalties	152,716		152,716	
Shareholder indemnification costs	341,716	-	341,716	
	621,805	95,734	717,539	
Net loss and comprehensive loss for the period	621,805	95,734	717,539	

19. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of cash flows

	Three Months ended January 31, 2011			
	GAAP	**Effect of transition To IFRS**	**IFRS**	**Notes**
Cash flows used in operating activities				
Net loss for the period	$(27,799)	(46,433)	$(74,232)	(a)
Items not affecting cash:				
Amortization	36	-	36	
Accretion				
Changes in non-cash working capital				
Accounts receivable	4,769	-	4,769	
Prepaid expenses	-	-	-	
Accounts payable and accrued liabilities	(4,370)	-	(4,370)	
	(27,364)	(46,433)	(73,797)	
Cash flows used in financing activities				
Mineral properties	(46,433)	46,433	-	(a)
Advances from related parties	(2,466)	-	(2,466)	
	(48,899)	46,433	(2,466)	
Cash flows used in investing activities				
Common shares issued	100,000		100,000	
Advances from (to) a shareholder	(9,082)	-	(9,082)	
	90,918		90,918	
Net increase (decrease) in cash	14,655	-	14,655	
Cash, beginning of period	22,183	-	22,183	
Cash – end of period	$36,838	-	$36,838	

19. FIRST TIME ADOPTION OF IFRS (continued)

Reconciliation of cash flows

	Year ended October 31, 2011			
	GAAP	**Effect of transition To IFRS**	**IFRS**	**Notes**
Cash flows used in operating activities				
Net loss for the period	$(621,805)	(95,734)	$(717,539)	(a)
Items not affecting cash:				
Amortization	143	-	143	
Accretion	9,369		9,369	
Changes in non-cash working capital				
Accounts receivable	10,614	-	10,614	
Prepaid expenses	9,933	-	9,933	
Accounts payable and accrued liabilities	580,992	-	580,992	
	(10,754)	(95,734)	(106,488)	
Cash flows used in financing activities				
Mineral properties	(139,734)	95,734	(44,000)	(a)
Advances from related parties	32,811	-	32,811	
	(106,923)	95,734	(11,189)	
Cash flows used in investing activities				
Common shares issued	100,000		100,000	
Advances from (to) a shareholder	(2,082)	-	(2,082)	
	97,918		97,918	
Net increase (decrease) in cash	(19,759)	-	(19,759)	
Cash, beginning of period	22,183	-	22,183	
Cash – end of period	$2,424	-	$2,424	

19. FIRST TIME ADOPTION OF IFRS (continued)

Notes to Reconciliations

a) Acquisition, exploration and evaluation expenditures

Under Canadian GAAP - The Company used the policy of deferring the cost of mineral properties and their related exploration and development expenditures until the properties are placed into production, sold for abandoned. These costs would be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, were recorded in the accounts at such time as the payments were made. The proceeds from property options granted reduced the cost of the related property and any excess over cost is applied to income.

Under IFRS - All direct costs related to the acquisition of mineral property interests are capitalized into intangible property on a property by property basis. Exploration and evaluation expenditures include the costs of acquiring licences, costs associates with exploration and evaluation activity. Exploration and evaluation expenditures are expensed as incurred except for the acquisition of exploration and evaluation assets, which are recognized at the fair value at acquisition date. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs which give rise to future benefit.

b) Equity Reserves

Under Canadian GAAP - The Company recorded the value of share based payments and warrants issued to contributed surplus.

Under IFRS - IFRS requires an entity to present each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to “Reserve for warrants”, “Reserve for share based payments” and other components of equity.

c) Flow through Shares

Under Canadian GAAP - The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow through share arrangements are renounced to investors in accordance with tax legislation. The deferred income taxes relating to the temporary difference that arise when qualifying expenditures are incurred were recorded at the time of filing the renunciation with the tax authorities. The recognition of the deferred income tax liability results in a corresponding reduction to the carrying value of the shares issued.

Under IFRS - The obligation to renounce tax deductions at the time of issuance of flow through shares is recorded as a liability in accordance with IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” measured using a residual or a relative fair value method. This obligation is released into the statement of comprehensive income as a gain as and when the Company incurs qualifying expenditures (i.e. fulfilling its obligation to renounce tax attributes).

19. FIRST TIME ADOPTION OF IFRS (continued)

Notes to Reconciliations

c) Flow through Shares (continued)

A deferred tax liability is recognized (with a debit to statement of comprehensive income), in accordance with IAS 12, Income Taxes, in respect of the temporary difference that arises from the difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.