BITTERROOT RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2012

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	Note	April 30, 2012	October 31, 2011	November 1, 2010
			(Note 17)	(Note 17)
ASSETS				
Current assets				
Cash		$ 1,467,337	$ 772,964	$ 585,399
Prepaid expenses		6,331	5,128	9,428
Receivables	4	301,371	35,919	118,137
Total current assets		1,755,039	814,011	712,964
Non-current assets				
Reclamation deposit		23,300	23,300	23,300
Equipment	6	8,604	9,686	12,513
Exploration and evaluation assets	5	5,911,256	11,296,750	13,503,868
Total non-current assets		5,943,160	11,329,736	13,539,681
TOTAL ASSETS		$ 7,718,199	$ 12,143,747	$ 14,252,645
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	7	$ 331,182	$ 297,912	$ 182,103
Flow-through share premium liability	10	-	15,399	5,901
Total current liabilities		331,182	313,311	188,004
Non-current liabilities				
Decommissioning and restoration provision	8	-	27,359	24,872
Deferred income taxes	16	814,000	848,000	1,367,067
Total non-current liabilities		814,000	875,359	1,391,939
Total liabilities		1,145,182	1,188,670	1,579,943
SHAREHOLDERS' EQUITY				
Share capital	9	21,840,315	21,374,409	19,731,117
Equity reserves	9	3,317,307	3,217,514	3,025,141
Deficit		(18,584,605)	(13,636,846)	(10,083,556)
Total shareholders' equity		6,573,017	10,955,077	12,672,702
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 7,718,199	$ 12,143,747	$ 14,252,645

Nature and continuance of operations (Note 1)
Commitments (Note 15)

Approved by the Board of Directors on June 20, 2012:

"Michael S. Carr "	*"George W. Sanders"*
Michael S. Carr, Director	George W. Sanders, Director

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

BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	Note	Three months ended April 30, 2012	Three months ended April 30, 2011	Six months ended April 30, 2012	Six months ended April 30, 2011
			(Note 17)		(Note 17)
GENERAL AND ADMINISTRATIVE EXPENSES					
Accretion	8	$ 684	$ 621	$ 1,368	$ 1,244
Depreciation	6	541	706	1,082	1,413
Foreign exchange loss		395	1,759	697	4,526
Interest and bank charges		245	582	795	1,288
Management fees	12	24,000	24,000	48,000	48,000
Office and printing		20,823	43,040	38,230	78,412
Professional fees		21,450	30,048	25,128	46,822
Property investigation		-	2,591	-	47,854
Regulatory fees		-	8,405	-	8,405
Shareholder information		9,251	6,563	10,432	14,440
Share-based payments	9 & 12	-	61,148	93,213	89,611
Transfer agent and filing fees		13,550	9,263	14,802	10,997
Loss before other items		(90,939)	(188,726)	(233,747)	(353,012)
OTHER ITEMS					
Interest income		172	509	952	1,096
Other income on settlement of flow-through share premium liability	10	2,311	10,500	15,399	22,002
Loss on sale of exploration and evaluation assets	5	(58,459)	-	(4,630,099)	-
Reversal of investment tax credit		(134,264)	-	(134,264)	-
Deferred income tax recovery		34,000		34,000	
		(156,240)	(177,717)	(4,714,012)	(329,914)
Comprehensive loss for the period		$ (247,179)	$ (177,717)	$ (4,947,759)	$ (329,914)
Basic and diluted loss per share		$ (0.00)	$ (0.00)	$ (0.05)	$ (0.00)
Weighted average number of common shares outstanding		103,291,269	82,771,476	103,010,438	81,649,929

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

BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	Six months ended April 30, 2012	2011
Cash flows from operating activities		
Loss for the period	$ (4,947,759)	$ (329,914)
Items not involving cash:		
Accretion	1,368	1,244
Deferred income tax recovery	(34,000)	-
Depreciation	1,082	1,413
Share-based payments	93,213	89,611
Other income on settlement of flow-through share premium liability	(15,399)	(22,002)
Loss on sale of exploration and evaluation assets	4,630,099	-
Changes in non-cash working capital:		
Receivables	(15,452)	3,829
Prepaid expenses	(1,203)	5,619
Accounts payable and accrued liabilities	75,904	(113,957)
Cash used in operating activities	(212,147)	(364,157)
Cash flows from financing activities		
Share issuances	500,000	771,200
Share issue costs	(30,000)	(49,950)
Cash provided by financing activities	470,000	721,250
Cash flows from investing activities		
Exploration and evaluation assets expenditures	(313,480)	(529,125)
Proceeds from sale of exploration and evaluation assets	750,000	-
Recoveries of exploration and evaluation assets expenditures	-	44,545
Cash provided by (used in) investing activities	436,520	(484,580)
Increase (decrease) in cash during the period	694,373	(127,487)
Cash, beginning of period	772,964	585,399
Cash, end of period	$ 1,467,337	$ 457,912

Supplemental disclosure with respect to cash flows (Note 11)

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

BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Equity reserves	Deficit	Total
Balance - November 1, 2010 (Note 17)	**75,768,493**	**$ 19,731,117**	**$ 3,025,141**	**$ (10,083,556)**	**$ 12,672,702**
Private placement	7,000,000	700,000	-	-	700,000
Share issuances – exercise of stock options and broker warrants	10,000	1,932	(732)	-	1,200
Share issue costs	-	(13,710)	-	-	(13,710)
Finders' fees	-	(36,240)	-	-	(36,240)
Share-based payments	-	-	94,665	-	94,665
Comprehensive loss for the period	-	-	-	(329,914)	(329,914)
Balance - April 30, 2011 (Note 17)	**82,778,493**	**20,383,099**	**3,119,074**	**(10,413,470)**	**13,088,703**
Private placements	19,957,220	1,067,528	-	-	1,067,528
Share issue costs	-	(20,813)	-	-	(20,813)
Finders' fees	-	(55,405)	-	-	(55,405)
Fair value of warrants	-	-	23,222	-	23,222
Share-based payments	-	-	75,218	-	75,218
Comprehensive loss for the period	-	-	-	(3,223,376)	(3,223,376)
Balance - October 31, 2011 (Note 17)	**102,735,713**	**$ 21,374,409**	**$ 3,217,514**	**$ (13,636,846)**	**$ 10,955,077**
Private placement	10,000,000	500,000	-	-	500,000
Share issue costs	-	(4,094)	4,094	-	-
Finder's fees	-	(30,000)	-	-	(30,000)
Share-based payments	-	-	95,699	-	95,699
Comprehensive loss for the period	-	-	-	(4,947,759)	(4,947,759)
Balance - April 30, 2012	**112,735,713**	**$ 21,840,315**	**$ 3,317,307**	**$ (18,584,605)**	**$ 6,573,017**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Bitterroot Resources Ltd. (the "Company") is in the exploration stage and its principal business activity is the sourcing and exploration of resource properties.

The Company was incorporated on March 13, 1951 under the Laws of British Columbia. The Company's head office and registered office address is Suite 206-B – 1571 Bellevue Street, West Vancouver, BC, V7V 1A6, Canada. The Company is listed on the TSX Venture Exchange under the symbol "BTT".

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

2. BASIS OF PREPARATION

Statement of compliance

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

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They have also been applied in preparing an opening IFRS statement of financial position at November 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from GAAP to IFRS is explained in Note 17.

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

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

These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PREPARATION (cont'd)

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

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

2) the recognition of a decommissioning and restoration provision, including the estimation of the rehabilitation costs, timing of expenditures, the impact of changes in discount rates, and changes in environmental and regulatory requirements;

3) the recoverability of receivables which are included in the condensed consolidated interim statement of financial position;

4) the inputs used in calculating share-based payments using the Black-Scholes option-pricing model.

Going concern of operations

These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends on its ability to raise adequate financing and to develop profitable operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company, and its wholly-owned subsidiaries, Trans Superior Resources, Inc. and Voyageur Lands Corporation, both of which are Michigan, USA corporations. All significant inter-company balances and transactions have been eliminated upon consolidation.

Exploration and evaluation assets

Pre-exploration costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exploration and evaluation assets (cont'd)

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Equipment

Equipment is recorded at cost, including betterment and renewals subsequent to acquisition, less accumulated depreciation. When equipment is sold or abandoned, the recorded costs and related accumulated depreciation are removed from the accounts and any gains or losses are included in the determination of net earnings. Repairs and maintenance are recorded as an expense as incurred.

Depreciation is calculated on the declining balance method at the following rates per annum:

Computer hardware	-	30%
Furniture and fixtures	-	20%
Leasehold improvements	-	20%
Field equipment	-	30%

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency translation (cont'd)

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

Earnings/loss per share

Basic earnings/loss per share is computed by dividing net earnings/loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of "in the money" stock options and warrants. Since the Company has losses, the exercise of outstanding stock options and warrants has not been included in this calculation as it would be anti-dilutive.

Share-based payments

The Company has a plan for granting stock options to directors, employees and consultants as described in Note 9. The fair value of stock options granted to employees is recognized as share-based payments over the vesting period and credited to equity reserve. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to non-employees is recognized as share-based payments from the date of grant to the reporting date and credited to equity reserves. Upon the exercise of stock options, consideration paid and the fair value amounts previously credited to equity reserves are recorded as share capital. The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted.

Warrants issued in equity financing transactions

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

Income taxes

Income tax expense 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. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable loss, and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes (cont'd)

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 is not recorded.

Flow-through shares

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

Decommissioning and restoration provision

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows, based on engineering and environmental reports prepared by third party industry specialists, discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgements and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Cost of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of mine.

Cash

Cash includes demand deposits and guaranteed investment certificates that on acquisition have a term to maturity of three months or less, or may be redeemed during this period. These guaranteed investment certificates are highly liquid, are designated as held-for-trading and are recorded at their fair values. Face value represents the fair value due to the highly liquid nature of the investment certificates.

Financial instruments

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Held-to-maturity ("HTM")

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 costs using the effective interest method. If there is objective evidence that the asset 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 profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

Available for sale ("AFS")

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 profit or loss.

The Company has classified its financial assets as follows:

- Cash is classified as FVTPL.
- Receivables are classified as loans and receivables.
- Reclamation deposits are classified as held-to-maturity.

Financial liabilities

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss;
- Other financial liabilities.

Impairment of financial assets

Fair value through profit or loss

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

Other financial liabilities

This category includes amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company classified its financial liabilities which consisted of accounts payable and accrued liabilities as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortized cost would have been had the impairment not be recognized.

Government assistance

Investment tax credits are accounted for using the cost reduction approach. This approach requires investment tax credits received or receivable to be deducted from capitalized resource expenditures. Investment tax credits are accrued when the Company has made the qualifying expenditures, provided there is reasonable assurance that the credits will be realized. Recognition is based on collection history.

Comprehensive income

Comprehensive income is the change in the Company's shareholders' equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale investments.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Accounting standards issued but not yet applied

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Accounting Standards Issued and Effective January 1, 2013

IFRS 10 *Consolidated Financial Statements* replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements,* and SIC-12, *Consolidation – Special Purposes Entities.* IFRS 10 changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting 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. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

Accounting Standards Issued and Effective January 1, 2015

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

(Expressed in Canadian Dollars)

4. RECEIVABLES

	April 30, 2012	October 31, 2011	November 1 2010
Accounts receivable	$ -	$ -	$ 67,237
Accrued interest receivable	40	40	1,208
GST/HST receivable	51,331	35,879	49,692
Holdback receivable from sale of exploration and evaluation assets (Note 5)	250,000	-	-
	$ 301,371	$ 35,919	$ 118,137

5. EXPLORATION AND EVALUATION ASSETS

	GK Property B.C., Canada	Mineral Creek Property B.C., Canada	North Brenda Property B.C., Canada	SPN Property B.C., Canada	Windy Property Nunavut, Canada	Michigan Lands Michigan, USA	Total
Balance - November 1, 2010	**$2,576,636**	**$ 5,189,113**	**$ 1,848,980**	**$ 513,540**	**$ -**	**$3,375,599**	**$ 13,503,868**
Claims, leases and permits	1,125	2,204	1,125	1,125	128,827	28,808	163,214
Consulting and professional	117,907	63,142	71,529	1,644	5,735	102,154	362,111
Drilling	219,505	-	-	-	-	-	219,505
Field supplies	-	4,994	-	-	-	2,048	7,042
Fuel	-	1,193	-	-	-	102	1,295
Geochemistry	41,758	(2,253)	41,452	172	-	10,386	91,515
Geophysics	-	144,109	3,841	11,142	-	63,284	222,376
Ground transportation	727	2,076	-	-	-	2,622	5,425
Other	9,807	7,121	-	-	24	42,275	59,227
Recovery of costs	-	(45,563)	-	-	-	(988)	(46,551)
Room and board	339	2,127	-	-	-	3,024	5,490
Share-based payments	18,362	-	-	-	-	5,054	23,416
Travel and freight	443	3,106	3,926	41	-	7,949	15,465
Trenching	17,220	-	-	-	-	-	17,220
Reversal of investment tax credit	-	177,625	-	-	-	-	177,625
Expenditures during the year	427,193	359,881	121,873	14,124	134,586	266,718	1,324,375
Write-off of exploration and evaluation assets	(3,003,829)	-	-	(527,664)	-	-	(3,531,493)
Balance - October 31, 2011	**-**	**5,548,994**	**1,970,853**	**-**	**134,586**	**3,642,317**	**11,296,750**
Claims, leases and permits	-	22,245	1,225	-	326	23,826	47,622
Consulting and professional	-	51,130	8,494	-	30,953	3,448	94,025
Field supplies	-	1,090	-	-	-	378	1,468
Geochemistry	-	-	-	-	-	10	10
Geophysics	-	-	-	-	85,881	-	85,881
Ground transportation	-	35	-	-	139	107	281
Other	-	32,685	255	-	16	5,655	38,611
Room and board	-	577	-	-	197	215	989
Share-based payments	-	1,243	-	-	1,243	-	2,486
Travel and freight	-	827	-	-	752	380	1,959
Expenditures during the period	-	109,832	9,974	-	119,507	34,019	273,332
Proceeds from sale of exploration and evaluation assets	-	(1,000,000)	-	-	-	-	(1,000,000)
Loss on sale of exploration and evaluation assets	-	(4,658,826)	-	-	-	-	(4,658,826)
Balance - April 30, 2012	**$ -**	**$ -**	**$ 1,980,827**	**$ -**	**$ 254,093**	**$3,676,336**	**$5,911,256**

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Title to exploration and evaluation assets involves certain inherent risks due to 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 its exploration and evaluation assets and to the best of its knowledge, title to its exploration and evaluation assets are in good standing.

Michigan Lands, Michigan, U.S.A.

Mineral rights

The Company owns a 100% interest in certain mineral rights in the Upper Peninsula of Michigan, U.S.A. On certain mineral rights the vendor retains a 2% net smelter return royalty (NSR) and the Company has the option to purchase one half of the total 2% NSR royalty by paying $1,000,000 U.S. on or before December 31, 2048.

Federal and State leases

During the year ended October 31, 2011, the Company had been granted prospecting permits covering certain federal mineral rights in Michigan. In the event of a discovery, these lands will be subject to a net smelter returns royalty, the terms of which are negotiated on a case-by-case basis.

The Company held state leases covering certain State of Michigan mineral rights. State leases are subject to a sliding scale production royalty ranging from 2% to 10.5%, or to a net smelter returns royalty, the terms of which are negotiated on a case-by-case basis. In order to maintain the leases in good standing, the Company must make aggregate rental payments through February 28, 2014.

During the year ended October 31, 2011, the Company released the State leases. As of October 31, 2010, the Company wrote off all the costs related to the state leases for the total of $150,194.

Private leases

The Company holds private mineral leases covering approximately 1,240 acres in Michigan, U.S.A. In order to maintain the leases in good standing the Company must make aggregate rental payments of US$409,200 through January 12, 2020, and aggregate advance royalty payments of US$1,125,000 from January 12, 2021 through 2030. The vendor retains a sliding scale net smelter returns royalty indexed to the price of copper. The Company is required to pay US$18,600 in fiscal 2012 (paid).

During the period ended April 30, 2012, the Company incurred exploration expenditures of $34,019 (October 31, 2011 - $266,718) relating to the Michigan properties.

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Mineral Creek Property, B.C., Canada

The Company owned a 100% interest in the Mineral Creek Property, located near Port Alberni, British Columbia. The project area is subject to a 3.5% net smelter returns royalty.

During the period ended April 30, 2012, the Company incurred exploration expenditures of $109,832 (October 31, 2011 - $405,444) relating to the Mineral Creek property and received $Nil (October 31, 2011 - $45,563) from the sale of dore. In April 2012, the Company sold the mineral claims and related data and equipment for a purchase price of $1,000,000 (received $750,000 during the period and $250,000 is recorded as a holdback receivable at April 30, 2012) and accordingly recorded a loss on sale of exploration and evaluation assets of $4,658,826. A referral fee of $34,500 was paid in conjunction with the sale of the Mineral Creek claims.

North Brenda Property, B.C., Canada

The Company owns a 100% interest in the North Brenda molybdenum/copper/gold property in south western British Columbia. The vendors retain a 2% net smelter returns royalty, of which the Company can purchase half by paying $1,000,000.

During the period ended April 30, 2012, the Company incurred acquisition and exploration expenditures of $9,974 (October 31, 2011 - $121,873) relating to the North Brenda property.

Windy Property, Nunavut Canada

The Company has staked mineral claims forming the 398 square-kilometre Windy Property in southern Nunavut.

During the period ended April 30, 2012, the Company incurred acquisition and exploration expenditures of $119,507 (October 31, 2011 - $134,586) relating to the Windy Property.

GK Property, B.C., Canada

The Company owns a 100% interest in the GK Property located east of the town of Beaverdell, British Columbia. The vendors retain a 2% net smelter returns royalty, of which the Company can purchase half by paying $1,000,000.

During the year ended October 31, 2011, the Company ceased exploration on the GK Property and wrote off $3,003,829 of costs related to the GK Property.

SPN Property, B.C., Canada

The Company owns a 100% interest in the SPN claims, which are located approximately 20 kilometres southeast of Barriere, British Columbia. The vendor retains a 2% net smelter return royalty, of which the Company can purchase half by paying $1,000,000.

During the year ended October 31, 2011, the Company ceased exploration on the SPN property and wrote off $527,664 of costs related to the SPN Property.

(Expressed in Canadian Dollars)

6. EQUIPMENT

	Computer hardware	Field equipment	Furniture and fixtures	Leasehold improvements	Total
Cost					
Balance - November 1, 2010	$ 9,396	$ 20,094	$ 9,381	$ 10,646	$ 49,517
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance - October 31, 2011	9,396	20,094	9,381	10,646	49,517
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance - April 30, 2012	9,396	20,094	9,381	10,646	49,517
Accumulated depreciation					
Balance - November 1, 2010	8,760	17,488	4,789	5,967	37,004
Additions	191	782	918	936	2,827
Balance - October 31, 2011	8,951	18,270	5,707	6,903	39,831
Additions	67	274	367	374	1,082
Balance – April 30, 2012	9,018	18,544	6,074	7,277	40,913
Carrying amounts					
November 1, 2010	636	2,606	4,592	4,679	12,513
October 31, 2011	445	1,824	3,674	3,743	9,686
April 30, 2012	$ 378	$ 1,550	$ 3,307	$ 3,369	$ 8,604

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2012	October 31, 2011	November 1, 2010
Trade accounts payable	$ 28	$ 49,522	$ 125,853
BCMETC payable	313,654	179,390	-
Accrued liabilities	17,500	69,000	56,250
	$ 331,182	**$ 297,912**	**$ 182,103**

8. DECOMMISSIONING AND RESTORATION PROVISION

The Company’s obligations with respect to asset retirement related to reclamation of the Mineral Creek Property site on which project operations are situated. The obligation was recognized in the period in which the obligation was created based on the estimated future reclamation costs using a rate of 10 percent and estimated inflation of 1.92 percent annually. The total undiscounted future obligation was $53,315. The Company estimated its obligations to be settled in approximately 7 years.

(Expressed in Canadian Dollars)

8. DECOMMISSIONING AND RESTORATION PROVISION (cont'd)

During the period ended April 30, 2012, the Company sold its claims and equipment in the Mineral Creek Property (Note 5) and accordingly reduced its decommissioning and restoration provision to $nil.

Balance - November 1, 2010	$ 24,872
Accretion expense	2,487
Balance - October 31, 2011	27,359
Accretion expense	1,368
Disposals	(28,727)
Balance - April 30, 2012	$ -

9. SHARE CAPITAL AND EQUITY RESERVES

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

During the period ended April 30, 2012, the Company issued common shares pursuant to the following:

(i) On April 25, 2012, the Company issued 10,000,000 units priced at $0.05 per unit for gross proceeds of $500,000. Each unit consists of one common share and one half of a common share purchase warrant. Each full warrant is exercisable at $0.10 expiring April 24, 2013. In connection with this private placement, the Company paid a finder's fee of $30,000 and issued 600,000 broker warrants which are exercisable into common shares at $0.10 per share expiring April 24, 2013. The fair value of the broker warrants under the Black-Scholes pricing model was $4,094 and was recorded as share issue costs.

During the year ended October 31, 2011, the Company issued common shares pursuant to the following:

(i) On November 25, 2010, the Company issued 7,000,000 flow-through common shares priced at $0.11 per share for gross proceeds of $770,000. In connection with this private placement, the Company paid a finder's fee of $36,240 and issued 329,454 broker's warrants which are exercisable into common shares at $0.11 per share expiring November 25, 2012. The fair value of the broker warrants under the Black-Scholes pricing model was $17,164 and was recorded as share issue costs.

(ii) On March 10, 2011, 10,000 stock options were exercised at $0.12 per option for gross proceeds of $1,200. Accordingly $732 was transferred from equity reserves to share capital.

(iii) On June 24, 2011, the Company issued 2,322,220 units priced at $0.09 per unit for gross proceeds of $209,000. Each unit consists of one common share and one-half of a common share purchase warrant. Each full warrant is exercisable at $0.15 until June 24, 2013. The fair value of the warrants of $23,222 was allocated to equity reserves. In connection with this private placement, the Company paid a finder's fee of $10,000 and issued 100,000 broker warrants to purchase shares at $0.15 per share expiring June 24, 2013. The fair value of the broker warrants under the Black-Scholes pricing model was $2,535 and was recorded as share issue costs.

(iv) On October 27, 2011, the Company issued 17,635,000 units priced at $0.05 per unit for gross proceeds of $881,750. Each unit consists of one common share and one common share purchase warrant. Each full warrant is exercisable at $0.10 until October 27, 2013. The warrants are subject to an accelerated exercise provision in the event the closing price of the Company's shares exceeds $0.30 per share for any 20 consecutive trading days. The fair value of the warrants of $nil was allocated to equity reserves. 908,100 broker warrants to purchase shares at $0.10 expiring October 27, 2013 were issued in conjunction with the private placement. The fair value of the broker warrants under the Black-Scholes model was $15,121 and was recorded as a share issue cost. The Company also paid $45,405 in finders' fees in conjunction with this private placement.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND EQUITY RESERVES (continued)

Warrants

Warrant transactions are summarized as follows:

	Number Of Warrants	Weighted Average Exercise Price
Balance - November 1, 2010	520,000	$ 0.12
Issued	18,796,110	0.10
Broker warrants	1,337,554	0.11
Expired	(270,000)	0.12
Balance - October 31, 2011	20,383,664	0.10
Issued	5,600,000	0.10
Expired	(250,000)	0.12
Balance - April 30, 2012	25,733,664	$ 0.10

The following share purchase warrants were outstanding at April 30, 2012:

Number of Warrants	Exercise Price	Expiry Date
329,454	$ 0.11	November 25, 2012
1,261,110	$ 0.15	June 24, 2013
5,600,000	$ 0.10	April 24, 2013
18,543,100	$ 0.10	October 27, 2013
25,733,664		

The following weighted average assumptions were used for the Black-Scholes valuation of broker warrants:

	2012	2011
Volatility	136%	125%
Risk-free interest rate	1.42%	1.69%
Dividend yield	-	-
Expected life	1.00 year	2.00 years

Stock options

The Company, in accordance with the policies of the TSX Venture Exchange, has a stock option plan in place under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years.

Pursuant to the option plan, options granted in respect of investor relations activities are subject to vesting restrictions such that one-quarter of the options vest three months from the date of grant and in each subsequent three-month period thereafter such that the entire option will have vested twelve months after the award date. Vesting restrictions may also be applied to certain other options grants, at the discretion of the directors.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND EQUITY RESERVES (cont'd)

Stock options (cont'd)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number Of Options	Weighted Average Exercise Price
Balance - November 1, 2010	7,574,500	$ 0.30
Granted	1,405,000	0.12
Exercised	(10,000)	0.12
Expired	(615,000)	0.53
Cancelled	(1,530,000)	0.21
Balance - October 31, 2011	6,824,500	0.26
Granted	2,310,000	0.10
Expired	(755,000)	0.70
Balance – April 30, 2012	8,379,500	$ 0.18

The following stock options were outstanding and exercisable at April 30, 2012:

Range of Exercise Price	Options Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
($)		(years)	($)
0.00 – 0.24	7,100,000	3.47	0.12
0.25 – 0.49	864,500	0.58	0.35
0.75 – 0.99	415,000	1.15	0.76
	8,379,500	3.05	0.18

The weighted average fair value of each stock option granted during the period was $0.04 (2011 - $0.12), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	2012	2011
Volatility	136.50%	106%
Risk-free interest rate	1.30%	2.58%
Dividend yield	-	-
Expected life	5.00 years	5.00 years

Share-based payments

Total share-based payments recognized for stock options granted during the six month period ended April 30, 2012 was $95,699 (2011 - $94,665). Share-based payments of $2,486 (2011 - $5,054) was capitalized to exploration and evaluation assets for options granted to field consultants and $93,213 (2011 - $89,611) was expensed to operations for options granted to directors, officers, corporate consultants and employees of the Company.

(Expressed in Canadian Dollars)

10. FLOW-THROUGH SHARE PREMIUM LIABILITY

	Issued on December 3, 2009	Issued on November 25, 2010	Total
Balance - November 1, 2010	$ 5,901	$ -	$ 5,901
Liability incurred on flow-through shares issued	-	70,000	70,000
Settlement of flow-through share liability upon expenditures being incurred	(5,901)	(54,601)	(60,502)
Balance - October 31, 2011	$ -	$ 15,399	$ 15,399
Settlement of flow-through liability upon expenditures being incurred	-	(15,399)	(15,399)
Balance – April 30, 2012	$ -	$ -	$ -

On December 3, 2009, the Company completed a private placement consisting of the issue and sale of 5,901,666 flow-through shares at a price of $0.12 per flow-through share for gross proceeds of $708,200. The premium received on the shares issued was determined to be $29,508 and has been recorded as a share capital reduction. An equivalent premium liability was recorded and reduced when the required exploration expenditures were incurred.

On November 25, 2010, the Company completed a private placement consisting of the issue and sale of 7,000,000 flow-through shares at a price of $0.11 per flow-through share for gross proceeds of $770,000. The premium received on the shares issued was determined to be $70,000 and has been recorded as a share capital reduction. An equivalent premium liability was recorded and reduced when the required exploration expenditures were incurred.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions during the period ended April 30, 2012 included:

(a) The Company issued 600,000 broker warrants valued at $4,094 as a share issue cost in connection with the private placement during the period.

(b) Included in exploration and evaluation assets is $110,388 which relates to accounts payable and accrued liabilities.

(c) Included in exploration and evaluation assets is $2,486 which relates to share-based payments.

Significant non-cash transactions during the period ended April 30, 2011 included:

(a) The Company reallocated $732 of equity reserves to share capital on the exercise of 10,000 stock options and broker warrants.

(b) Included in exploration and evaluation assets is $7,206 which relates to accounts payable and accrued liabilities.

(c) Included in exploration and evaluation assets is $5,054 which relates to share-based payments.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions and balances during the period ended April 30, 2012, not disclosed elsewhere in the financial statements:

(a) Management fees of $48,000 (2011 - $48,000) were incurred from a company controlled by a director in common.

(b) Share-based payments include stock options granted to directors and officers recorded at a fair value of $93,213 (2011 - $56,095).

13. SEGMENTED INFORMATION

Industry information

The Company operates in one reportable operating segment, being the acquisition, exploration and development of exploration and evaluation assets.

Geographic information

The Company operates in both Canada and the U.S.A. The Company's equipment and reclamation deposits are in Canada. The Company's exploration and evaluation assets in geographic locations are as follows:

	April 30, 2012	October 31, 2011	November 1, 2010
Canada	$ 2,234,920	$ 7,654,433	$ 10,128,269
U.S.A.	3,676,336	3,642,317	3,375,599
Total exploration and evaluation assets	$ 5,911,256	$ 11,296,750	$ 13,503,868

14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Capital management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through short-term prospectuses and private placements, or return capital to shareholders. As at April 30, 2012, the Company does not have any debt and is not subject to externally imposed capital requirements.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash consists of cash deposited in business accounts and redeemable guaranteed investment certificates held by high credit quality financial institutions. The Company is not invested in any asset backed commercial paper.

14. FINANCIAL INSTRUMENTS (cont'd)

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash, receivables and reclamation deposits. The Company limits exposure to credit risk by maintaining its cash and reclamation deposits with high-credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The receivables balance mainly consists of GST/HST recoverable and a holdback receivable. There is ongoing review to evaluate the credit worthiness of these counterparties. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and, receivables and reclamation deposits.

Currency risk

The Company's operations are in Canada and the United States. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. A strengthening (weakening) of the Canadian dollar against the US dollar of 10% would not have a significant effect on net loss.

Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. The Company's practice has been to invest cash at floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions.

Price risk

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

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy.

The estimated fair value of financial liabilities is equal to their carrying values due to the short-term nature of these instruments.

(Expressed in Canadian Dollars)

15. COMMITMENTS

(a) The Company is required to make certain cash payments to maintain its exploration and evaluation assets, as described in Note 5.

(b) The Company has entered into an office lease expiring March 31, 2015 which calls for monthly payments of approximately $1,528 in year one; $1,584 in year two; $1,641 in year three; $1,698 in year four; and $1,754 in year five, plus an applicable portion of operating costs.

Minimum annual lease payments, not including operating costs, pursuant to the lease agreement are as follows:

2012	$	14,556
2013		20,087
2014		20,766
2015		8,770
	$	64,179

16. INCOME TAXES

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at April 30, 2012 and October 31, 2011 are presented below:

		April 30, 2012		October 31, 2011
Net operating loss carry-forwards	$	1,614,000	$	1,580,000
Resource properties		(2,482,000)		(2,482,000)
Equipment		11,000		11,000
Share issue costs		43,000		43,000
	$	(814,000)	$	(848,000)

17. FIRST TIME ADOPTION OF IFRS

As stated in note 2, these financial statements are prepared in accordance with IFRS.

The accounting policies in note 3 have been applied in preparing the condensed consolidated interim financial statements for the six months ended April 30, 2012 and 2011, the financial statements for the year ended October 31, 2011 and the opening IFRS statement of financial position on the Transition Date, November 1, 2010.

Under IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings unless certain exemptions are applied. IFRS provides for certain optional exemptions and certain mandatory exemptions for first time IFRS adopters.

(a) Optional exemptions

Share-based payments

IFRS 1 permits the application of IFRS 2, Share-based Payments, only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company has elected to apply this exemption and will apply IFRS 2 only to equity instruments that had not vested by November 1, 2010.

Business Combinations

The Company has elected not to retrospectively apply IFRS 3 Business Combinations to any business combination that may have occurred prior to its Transition Date and such business combinations have not been restated.

(b) Mandatory exceptions

Estimates

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

Reconciliation of Canadian GAAP and comprehensive loss to IFRS

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

(Expressed in Canadian Dollars)

17. FIRST TIME ADOPTION OF IFRS (cont'd)

The November 1, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS				
Current assets				
Cash		$ 585,399	$ -	$ 585,399
Prepaid expenses		9,428	-	9,428
Receivables		118,137	-	118,137
Total current assets		712,964	-	712,964
Non-current assets				
Reclamation deposit		23,300	-	23,300
Equipment		12,513	-	12,513
Exploration and evaluation assets		13,503,868	-	13,503,868
Total non-current assets		13,539,681	-	13,539,681
Total assets		$ 14,252,645	$ -	$ 14,252,645
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		$ 182,103	$ -	$ 182,103
Flow-through share premium liability	17 (i)	-	5,901	5,901
Total current liabilities		182,103	5,901	188,004
Non-current liabilities				
Decommissioning and restoration provision		24,872	-	24,872
Deferred income taxes		1,367,067	-	1,367,067
Total non-current liabilities		1,391,939	-	1,391,939
Total liabilities		1,574,042	5,901	1,579,943
SHAREHOLDERS' EQUITY				
Share capital	17 (i)	19,528,877	202,240	19,731,117
Equity reserves		3,025,141	-	3,025,141
Deficit	17 (i)	(9,875,415)	(208,141)	(10,083,556)
Total shareholders' equity		12,678,603	(5,901)	12,672,702
Total liabilities and shareholders' equity		$ 14,252,645	$ -	$ 14,252,645

(Expressed in Canadian Dollars)

17. FIRST TIME ADOPTION OF IFRS (cont'd)

The April 30, 2011 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS				
Current assets				
Cash		$ 457,912	$ -	$ 457,912
Receivables		114,308	-	114,308
Prepaid expenses		3,809	-	3,809
Total current assets		576,029	-	576,029
Non-current assets				
Reclamation deposit		23,300	-	23,300
Equipment		11,100	-	11,100
Exploration and evaluation assets		14,000,708	-	14,000,708
Total non-current assets		14,035,108	-	14,035,108
Total assets		$ 14,611,137	$ -	$ 14,611,137
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		$ 75,351	$ -	$ 75,351
Flow-through share premium liability	17 (i)	-	53,900	53,900
Total current liabilities		75,351	53,900	129,251
Non-current liabilities				
Decommissioning and restoration provision		26,116	-	26,116
Deferred income taxes		1,367,067	-	1,367,067
Total non-current liabilities		1,393,183	-	1,393,183
Total liabilities		1,468,534	53,900	1,522,434
SHAREHOLDERS' EQUITY				
Share capital	17 (i)	20,058,360	324,739	20,383,099
Equity reserves		3,119,074	-	3,119,074
Deficit	17 (i)	(10,034,831)	(378,639)	(10,413,470)
Total shareholders' equity		13,142,603	(53,900)	13,088,703
Total liabilities and shareholders' equity		$ 14,611,137	$ -	$ 14,611,137

(Expressed in Canadian Dollars)

17. FIRST TIME ADOPTION OF IFRS (cont'd)

The Canadian GAAP consolidated statement of interim comprehensive loss for the three months ended April 30, 2011 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
General and Administrative Expenses				
Accretion		$ 621	$ -	$ 621
Depreciation		706	-	706
Foreign exchange loss		1,759	-	1,759
Interest and bank charges		582	-	582
Management fees		24,000	-	24,000
Office and printing		43,040	-	43,040
Professional fees		30,048	-	30,048
Property investigation		2,591	-	2,591
Regulatory fees		8,405	-	8,405
Shareholder information		6,563	-	6,563
Share-based payments		61,148	-	61,148
Transfer agent fees		9,263	-	9,263
Loss before other items and income taxes		(188,726)	-	(188,726)
OTHER ITEMS				
Interest income		509	-	509
Other income on settlement of flow-through share premium liability	17 (i)	-	- 10,500	10,500
Loss before income taxes		(188,217)	10,500	(177,717)
Deferred income tax recovery	17 (i)	192,500	(192,500)	-
Comprehensive income (loss) for the period		$ 4,283	$ (182,500)	$ (177,717)

(Expressed in Canadian Dollars)

17. FIRST TIME ADOPTION OF IFRS (cont'd)

The Canadian GAAP consolidated statement of interim comprehensive loss for the six months ended April 30, 2011 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
General and Administrative Expenses				
Accretion		$ 1,244	$ -	$ 1,244
Depreciation		1,413	-	1,413
Foreign exchange loss		4,526	-	4,526
Interest and bank charges		1,288	-	1,288
Management fees		48,000	-	48,000
Office and printing		78,412	-	78,412
Professional fees		46,822	-	46,822
Property investigation		47,854	-	47,854
Regulatory fees		8,405	-	8,405
Shareholder information		14,440	-	14,440
Share-based payments		89,611	-	89,611
Transfer agent fees		10,997	-	10,997
Loss before other items and income taxes		(353,012)	-	(353,012)
OTHER ITEMS				
Interest income		1,096	-	1,096
Other income on settlement of flow-through share premium liability	17 (i)	-	22,002	22,002
Loss before income taxes		(351,916)	22,022	(329,914)
Deferred income tax recovery	17 (i)	192,500	(192,500)	-
Comprehensive income (loss) for the period		$ (159,416)	$ (182,500)	$ (329,914)

(Expressed in Canadian Dollars)

17. FIRST TIME ADOPTION OF IFRS (cont'd)

The October 31, 2011 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS				
Current assets				
Cash		$ 772,964	$ -	$ 772,964
Prepaid expenses		5,128	-	5,128
Receivables		35,919	-	35,919
Total current assets		814,011	-	814,011
Non-current assets				
Reclamation deposit		23,300	-	23,300
Equipment		9,686	-	9,686
Exploration and evaluation assets		11,296,750	-	11,296,750
Total non-current assets		11,329,736	-	11,329,736
Total assets		$ 12,143,747	$ -	$ 12,143,747
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		$ 297,912	$ -	$ 297,912
Flow-through share premium liability	17 (i)	-	15,399	15,399
Total current liabilities		297,912	15,399	313,311
Non-current liabilities				
Decommissioning and restoration provision		27,359	-	27,359
Deferred income taxes		848,000	-	848,000
Total non-current liabilities		875,359	-	875,359
Total liabilities		1,173,271	15,399	1,188,670
SHAREHOLDERS' EQUITY				
Share capital	17 (i)	21,049,669	324,740	21,374,409
Equity reserves		3,217,514	-	3,217,514
Deficit	17 (i)	(13,296,707)	(340,139)	(13,636,846)
Total shareholders' equity		10,970,476	(15,399)	10,955,077
Total liabilities and shareholders' equity		$ 12,143,747	$ -	$ 12,143,747

(Expressed in Canadian Dollars)

17. FIRST TIME ADOPTION OF IFRS (cont'd)

The Canadian GAAP consolidated statement of comprehensive loss for the year ended October 31, 2011 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
General and Administrative Expenses				
Accretion		$ 2,487	$ -	$ 2,487
Depreciation		2,827	-	2,827
Foreign exchange loss		5,249	-	5,249
Interest and bank charges		2,663	-	2,663
Management fees		96,000	-	96,000
Office and printing		186,999	-	186,999
Professional fees		74,038	-	74,038
Property investigation		51,154	-	51,154
Regulatory fees		8,405	-	8,405
Shareholder information		16,172	-	16,172
Share-based payments		111,646	-	111,646
Transfer agent fees		14,383	-	14,383
Loss before other items and income taxes		(572,023)	-	(572,023)
Other items				
Interest income		657	-	657
Other income on settlement of flow-through share premium liability	17 (i)	-	60,502	60,502
Write-off of exploration and evaluation assets		(3,531,493)	-	(3,531,493)
		(3,530,836)	60,502	(3,470,334)
Loss before income taxes		(4,102,859)	-	(4,042,357)
Deferred income tax recovery	17 (i)	681,567	(192,500)	489,067
Comprehensive loss for the year		$(3,421,292)	$ (131,998)	$ (3,553,290)

17. FIRST TIME ADOPTION OF IFRS (cont'd)

Explanations for the adjustments are as follows:

(i) *Flow-through shares*

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

As a result, for issuance of flow-through shares for which expenditures have been renounced, share capital was increased by $202,240 at the date of transition (April 30, 2011 - $324,739; October 31, 2011 - $324,740) and deficit was increased by $208,141 at the date of transition (April 30, 2011 - $378,639; October 31, 2011 – $340,139).

Where flow-through shares were issued but expenditures were not incurred by the end of the reporting period, a liability is shown in 'flow-through share premium liability.' This resulted in a liability of $5,901 at November 1, 2010 (April 30, 2011 - $53,900; October 31, 2011 - $15,399) and a corresponding decrease in share capital for the same amount. The impact on loss and comprehensive loss for the six months ended April 30, 2011 was $182,500 (year ended October 31, 2011 - $131,998).

Presentation differences

Some line items are described differently under IFRS compared to Canadian GAAP. These line items are as follows (with Canadian GAAP descriptions in brackets):

i. Exploration and evaluation assets ("Resource properties")
ii. Decommissioning and restoration provision ("Asset retirement obligation")
iii. Equity reserves ("Contributed surplus")