ADVENTURE GOLD INC.

(An Exploration Company)

Condensed Interim Financial Statements

(Unaudited and unreviewed by the Company's Independent Auditors)

For the three-month periods ended October 31, 2011 and 2010

(In CAD Dollars, unless otherwise noted)

ADVENTURE GOLD INC.

(An Exploration Company)

Condensed Interim Financial Statements

(Unaudited and unreviewed by the Company's Independent Auditors)

Three-month periods ended October 31, 2011 and 2010

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ADVENTURE GOLD INC.

(An Exploration Company)

Condensed Interim Statements of Financial Position

(Unaudited and unreviewed by the Company's Independent Auditors)

As at October 31, 2011, July 31, 2011 and August 1, 2010

	Note	October 31 2011	July 31 2011	August 1 2010
		$	$	$
Assets				
Current assets:				
Cash and cash equivalents	5	885,793	–	604,218
Short-term investments	6	–	711,715	1,000,635
Marketable securities	7	1,126,100	1,403,100	861,450
Trade accounts receivable and other receivables		12,109	208,884	1,343
Sales taxes receivable		170,758	177,112	52,380
Mining duties receivable		107,267	91,439	30,767
Mining exploration tax credit receivable		937,536	768,113	162,208
Prepaid expenses and deposits	8	36,445	38,616	13,818
Total current assets		3,276,008	3,398,979	2,726,819
Non-current assets:				
Long-term investment	9	–	–	345,000
Equipment	10	12,306	12,373	749
Mining properties	11	370,420	364,987	349,546
Exploration and evaluation assets	12	3,900,075	3,623,898	2,817,052
Total non-current assets		4,282,801	4,001,258	3,512,347
Total assets		7,558,809	7,400,237	6,239,166
Liabilities and Equity				
Current liabilities:				
Bank indebtedness	5	–	898	–
Trade accounts payable and accrued liabilities		453,927	208,382	49,673
Refundable advances	13	292,092	–	–
Total current liabilities		746,019	209,280	49,673
Non-current liabilities:				
Deferred tax liabilities		848,704	806,429	858,001
Total non-current liabilities		848,704	806,429	858,001
Equity:				
Share capital	14	6,595,526	6,593,848	4,797,069
Warrants	14	486,736	486,736	767,573
Agent options	15	–	–	51,904
Contributed surplus		791,850	792,578	477,565
Accumulated other comprehensive loss		(449,450)	(87,450)	(34,100)
Deficit		(1,460,576)	(1,401,184)	(728,519)
Total equity		5,964,086	6,384,528	5,331,492
Nature of operations and going concern	2			
Subsequent events	22			
Total liabilities and equity		7,558,809	7,400,237	6,239,166

The notes on pages 5 to 38 are an integral part of these condensed unaudited interim financial statements.

ADVENTURE GOLD INC.

(An Exploration Company)

Condensed Interim Statements of Comprehensive Loss

(Unaudited and unreviewed by the Company's Independent Auditors)

Three-month periods ended October 31, 2011 and 2010

	Note	October 31 2011	October 31 2010
		$	$
General and administrative expenses:			
Salaries and employee benefit expense		(20,412)	(28,081)
Management and consulting fees		(67,295)	(22,500)
Travel and promotion		(11,238)	(17,195)
Report to shareholders		(1,953)	(645)
Professional fees		(30,613)	(18,489)
General expenses		(13,617)	(11,215)
Share-based payments		–	(88,181)
Depreciation of equipment		(1,310)	(75)
Loss from operating activities		(146,438)	(186,381)
Finance income	17	3,659	5,760
Finance expense	17	(515)	(418)
Total net finance income		3,144	5,342
Other item:			
Operator of exploration project		14,157	–
Gain on optioning of mining properties		96,192	–
Total other item		110,349	–
Net loss before income taxes		(32,945)	(181,039)
Income tax expense		(26,447)	–
Net loss		(59,392)	(181,039)
Other comprehensive income (loss):			
Net change in fair value of available-for-sale financial assets	7	(362,000)	255,900
Income tax on other comprehensive income (loss)		–	–
Other comprehensive income (loss) for the period, net of tax		(362,000)	255,900
Total comprehensive income (loss) for the period		(421,392)	74,861
Basic weighted average number of outstanding common shares		53,636,008	47,055,446
Diluted weighted average number of outstanding common shares		53,636,008	47,055,446
Loss per share:			
Basic loss per share (dollars)		(0.001)	(0.004)
Diluted loss per share (dollars)		(0.001)	(0.004)

The notes on pages 5 to 38 are an integral part of these condensed unaudited interim financial statements.

ADVENTURE GOLD INC.

(An Exploration Company)

Condensed Interim Statements of Changes in Equity

Three-month periods ended October 31, 2011 and 2010
(Unaudited and unreviewed by the Company's Independent Auditors)

	Number of shares outstanding	Share capital	Warrants	Agent options	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
		$	$	$	$	$	$	$
Balance as at July 31, 2011	53,634,595	6,593,848	486,736	–	792,578	(87,450)	(1,401,184)	6,384,528
Shares issued								
Share options exercised	5,000	1,678			(728)			950
Net loss for the period							(59,392)	(59,392)
Other comprehensive loss								
Net change in fair value of available-for-sale financial assets, net of tax						(362,000)		(362,000)
Total comprehensive loss								(421,392)
Balance as at October 31, 2011	53,639,595	6,595,526	486,736	–	791,850	(449,450)	(1,460,576)	5,964,086
Balance as at August 1, 2010	46,692,882	4,797,069	767,573	51,904	477,565	(34,100)	(728,519)	5,331,492
Shares issued								
In consideration of mining property acquisition	150,000	34,500	44,683					79,183
Share options exercised	50,000	15,450			(5,950)			9,500
Agent options exercised	589,285	156,010		(64,326)				91,684
Warrants exercised	2,219,778	671,605	(125,083)					546,522
Agent options granted				12,422				12,422
Share-based payments								
Share options granted to employees					7,348			7,348
Share options granted to directors					22,045			22,045
Share options granted to service providers					58,787			58,787
Net loss for the period							(181,039)	(181,039)
Other comprehensive income								
Net change in fair value of available-for-sale financial assets, net of tax						255,900		255,900
Total comprehensive loss								74,861
Balance as at October 31, 2010	49,701,945	5,674,634	687,173	–	559,795	221,800	(909,558)	6,233,844

The notes on pages 5 to 38 are an integral part of these condensed unaudited interim financial statements.

ADVENTURE GOLD INC.

(An Exploration Company)

Condensed Interim Statements of Cash Flows

Three-month periods ended October 31, 2011 and 2010

(Unaudited and unreviewed by the Company's Independent Auditors)

	October 31 2011	October 31 2010
	$	$
Operating activities:		
Net loss	(59,392)	(181,039)
Adjustments for:		
Share-based payments	–	88,181
Depreciation of equipment	1,310	75
Gain on optioning of mining properties	(96,192)	–
Income tax expense	26,447	–
Current income tax expense	15,828	–
Interest income	(2,374)	–
Operating activities before changes in operating assets and liabilities	(114,373)	(92,783)
Change in trade accounts receivable and other receivables	181,775	(680)
Change in sales taxes receivable	6,354	5,301
Change in prepaid expenses and deposits	2,171	2,086
Change in mining duties receivable	(15,828)	–
Change in trade accounts payable and accrued liabilities	95,998	(2,538)
	270,470	4,169
Interest paid	–	–
Interest received	2,374	–
Cash flows from operating activities	158,471	(88,614)
Financing activities:		
Increase in refundable advances	292,092	–
Proceeds from issuance of shares	950	660,128
Cash flows from financing activities	293,042	660,128
Investing activities:		
Decrease in short-term investments	711,715	(3,332)
Option payments received	25,000	–
Acquisition of equipment	(1,243)	–
Acquisition of mining properties	(10,000)	(17,402)
Increase in exploration and evaluation assets	(290,294)	(107,243)
Cash flows from investing activities	435,178	(127,977)
Net change in cash and cash equivalents	886,691	443,537
(Bank indebtedness) Cash and cash equivalents, beginning of period	(898)	604,218
Cash and cash equivalents, end of period	885,793	1,047,755

Additional disclosures of cash flows information (Note 18)

The notes on pages 5 to 38 are an integral part of these condensed unaudited interim financial statements.

1. Reporting entity:

Adventure Gold Inc. (the “Company” or “Adventure”) is a company domiciled in Canada. Adventure was incorporated on February 9, 2007 under the *Canada Business Corporations Act.* The address of the Company's registered office is 507 Place d'Armes, 21st Floor, Montréal, Québec, Canada, H2Y 2W8. The Company is involved in the acquisition, exploration and development of mineral resource properties. The Company is in the development stage and does not derive any revenue from its properties. Its shares are listed on the TSX Venture Exchange under the symbol AGE.

Although the Company has taken steps to verify title to mineral 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 titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Nature of operations and going concern:

Until the Company has determined whether the properties containing mineral reserves can be economically mined, these are classified as mining properties. The recoverability of mining property costs and exploration and evaluation assets depends on the discovery of economically recoverable ore reserves, the Company’s ability to obtain the necessary financing to complete the exploration and development of the mining properties and future profitable production or the disposal of the properties for proceeds in excess of their carrying value.

These condensed interim financial statements have been prepared on the basis of the going concern assumption, in other words, the Company will be able to realize its assets, discharge its liabilities and pursue its mining exploration program in the normal course of operations. Management is of the opinion that, even without its capacity to continue to raise equity financing in the future, the Company will be able to meet its current exploration obligations and keep its properties in good standing for at least the next twelve months.

Given that the Company has not yet determined whether its mining properties contain mineral deposits that are economically recoverable, the Company did not generate income and cash flows from its operations until now. These conditions raise significant doubts regarding the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon its ability to raise financing to further explore its mining properties. Even if the Company has been successful in doing so this period, there is no assurance that it will manage to obtain additional financing in the future. Management assesses its need for financing and its strategic alternatives, including potential changes to its exploration programs and its discretionary expenses.

The Company’s financial statements do not include any adjustments to the assets carrying amount, to the expenses presented and to the reclassification of the balance sheet items that could be necessary should the Company be unable to continue its operations.

3. Basis of preparation:

3.1 Statement of compliance:

These condensed interim financial statements are unaudited and have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies applied in these condensed interim financial statements are based on IFRS issued and effective as at January 27, 2012, the date the Board of Directors approved these condensed interim financial statements for issue. Any subsequent changes to IFRS that are issued and effective as at July 31, 2012, could result in a restatement of these condensed interim financial statements, including the transition adjustments recognized on conversion to IFRS.

3. Basis of preparation (continued):

3.1 Statement of compliance (continued):

These are the Company's first condensed interim financial statements prepared in accordance with IFRS and, as a result, IFRS 1, "First-time Adoption of International Financial Reporting Standards," has been applied. Prior to the adoption of IFRS, the Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). As these condensed interim financial statements are the Company's first financial statements prepared in accordance with IFRS, disclosure of the reconciliation and explanation of accounting policy differences compared to Canadian GAAP have been provided in Note 23.

These condensed interim financial statements should be read in conjunction with the Company's 2011 annual financial statements, which were prepared in accordance with Canadian GAAP. The notes disclose IFRS information for the year ended July 31, 2011, not already provided in the 2011 annual financial statements.

3.2 Basis of measurement:

The condensed interim financial statements have been prepared on the historical cost basis except for the following item in the statement of financial position:

- Marketable securities classified as available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in other comprehensive income.

3.3 Functional and presentation currency:

These condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

3.4 Use of estimates and judgements:

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements is included in the Note 4.4 and consist in the determination of capitalizable costs as exploration and evaluation assets.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4.4, 11 and 12 - recoverability of mining properties and exploration and evaluation assets;
- Note 4.8 and 16 - estimation of the fair value of share-based payments;
- Note 4.11 - recoverability of deferred income tax assets;
- Note 4.2 - estimation of refundable credit on mining duties and refundable tax credit related to resources.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements and in preparing the opening IFRS statement of financial position at August 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

4. Significant accounting policies (continued):

4.1 Financial instruments:

Financial assets and liabilities are initially recognized at fair value plus any directly attributable transaction costs except for those at fair value through profit or loss.

(i) Non-derivative financial assets:

- *Loans and receivables*

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

Loans and receivables comprise cash and cash equivalents, trade accounts receivable, other receivables and short-term investments.

Cash and cash equivalents consist of cash balances and may include investment savings accounts, banker's acceptances, term deposits, guaranteed investment certificates and/or bonds with original maturities of three months or less.

Short-term investments consist of investment savings accounts, banker's acceptances, term deposits, guaranteed investment certificates and/or bonds with maturities at the date of acquisition ranging from 3 to 12 months.

- *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories.

Marketable securities and long-term investments are classified as available-for-sale financial assets. They are initially recognized at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented within equity in accumulated other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Investments in publicly traded companies are recorded at fair value based on quoted closing bid prices at the balance sheet date. Unrealized gains and losses are recorded in other comprehensive income.

(ii) Non-derivative financial liabilities:

The Company classifies its bank indebtedness, trade accounts payable and accrued liabilities, and refundable advances as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

4. Significant accounting policies (continued):

4.2 Refundable credit on mining duties and refundable tax credit related to resources:

The Company is eligible for a refundable credit on mining duties under the *Quebec Mining Duties Act*. This refundable credit on mining duties is equal to 7.5% of expenses incurred for mining activities in Québec. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*, which generates at the same time a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future; and accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets. Currently, credits on mining are recorded in compliance with IAS 12.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 38.75% of the amount of eligible expenses incurred and is recorded as a government grant against exploration and evaluation assets.

Credits related to resources and credits for mining duties recognized against exploration and evaluation expenditures are recorded when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. They are recognized in profit or loss on a systematic basis over the useful life of the related assets.

4.3 Equipment:

Items in equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or another amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives and the methods of depreciation for the current and comparative periods are as follows:

Asset	Method	Period
Computer equipment	Straight-line	3 years
Office furniture and equipment	Straight-line	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

4. Significant accounting policies (continued):

4.4 Mining properties and exploration and evaluation assets:

Mining properties correspond to acquired interests in mining exploration permits / claims which include the rights to explore for, mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, mining properties and exploration and evaluation expenditure are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Costs incurred include appropriate technical and administrative overheads.

Mining properties and exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing mining properties and exploration and evaluation costs for that area, tests recognized mining properties and exploration and evaluation assets for impairment and reclassifies any unimpaired mining properties and exploration and evaluation assets either as tangible and intangible mine development assets according to the nature of the assets.

4.5 Impairment:

(i) Financial assets:

Financial assets which are not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event can be reliably estimated to have a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

4. Significant accounting policies (continued):

4.5 Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of intangible assets and equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

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

4. Significant accounting policies (continued):

4.6 Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

4.7 Share capital:

- *Common shares:*

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

- *Flow-through shares:*

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company finances a portion of its exploration programs with flow-through share issuance.

At the time of share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability for flow-through shares obligation. The Company estimates the fair value of the obligation using the residual value method, i.e. by comparing the price of the flow-through share to the price of a common share at the date of the financing announcement.

An entity may renounce the deductions for tax purposes under either what is referred to as the “general” method or the “look-back” method.

When tax deductions are renounced under the general method, and the Company has the expectation of renouncing and has capitalized the expenditures during the current year, then the entity records a deferred tax liability with the corresponding charge to income tax expense. The obligation is reversed, with a corresponding income recorded, as expenditures are incurred.

When tax deductions are renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to deferred income tax expense when expenditures are made and capitalized. At that time, the obligation is reversed, with a corresponding income recorded, as expenditures are incurred.

- *Warrants:*

Warrants are classified as equity as they are derivatives over the Company’s own equity that will be settled only by the Company’s own equity instruments;

4.8 Share-based payments:

The grant date fair value of share-based payment awards granted to directors, employees, officers and service providers is recognized as a share-based payment expense, with a corresponding increase in contributed surplus, over the period that the participants unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market conditions at the vesting date.

4. Significant accounting policies (continued):

4.9 Leases:

All leases are classified as operating leases and as such the leased assets are not recognized in the Company's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

4.10 Finance income and finance costs:

Interests received and interests paid are classified under operating activities in the statement of cash flows.

4.11 Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regards to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred taxes are recognized as income or expense in profit or loss, except to the extent that tax arises from transactions recognized in equity. Therefore, when deferred taxes relate to equity items, a backwards tracing is necessary to determine the adjustment to taxes (e.g. change in tax rates and change in valuation allowance) that should be recorded in equity. For this purpose, the accounting policy of the Company is to first allocate changes in valuation allowance to capital losses due to share issuance costs before non-capital losses carryforwards.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

4.12 Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to employees.

These potential common shares are not included in the calculation of the weighted average number of outstanding shares for diluted loss per common share when the effect would be anti-dilutive.

4. Significant accounting policies (continued)

4.13 Segment reporting:

The Company determined that it had only one operating segment, i.e. the mining exploration.

4.14 New standards and interpretations not yet adopted:

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

At the date of authorization of these financial statements, the IASB and IFRIC has issued the following new and revised standards and interpretations which are not yet effective for the relevant reporting periods.

(i) *IFRS 9 - Financial Instruments: Classification and Measurement:*

Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

As part of the project to replace IAS 39, Financial Instruments: Recognition and Measurement, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

- deals with classification and measurement of financial assets;
- establishes two primary measurement categories for financial assets: amortized cost and fair value;
- prescribes that classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset;
- eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

The extent of the impact of adoption of IFRS 9 has not yet been determined.

(ii) *IFRS 13 - Fair Value Measurement:*

In May 2011, the IASB published IFRS 13, *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income.

4. Significant accounting policies (continued)

4.14 New standards and interpretations not yet adopted (continued):

IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

(iii) *IFRS 11 - Joint Arrangements:*

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 11 replaces the guidance in IAS 31, *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31.

In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 11 has not yet been determined.

(iv) *Amendments to IAS 28 Investments in Associates and Joint Ventures:*

In May 2011, the IASB issued Amendments to IAS 28, *Investments in Associates and Joint Ventures*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IAS 28 (2011) carries forward the requirements of IAS 28 (2008) with several limited amendments.

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

5. Cash and cash equivalents:

	October 31 2011	July 31 2011	August 1 2010
	$	$	$
Bank balances	621,335	(898)	48,682
Investment savings accounts	264,458	–	555,536
Cash and cash equivalents (Bank indebtedness) on the face of the statement of financial position and statement of cash flows	885,793	(898)	604,218

6 Short-term investments:

	October 31 2011	July 31 2011	August 1 2010
	$	$	$
GTD Investment Certificate			
Pacific & Western Bank of Canada - due June 14, 2011 1.70%	–	–	100,000
Canadian Western Bank - due June 14, 2011 1.50%	–	–	100,000
Equitable Trust Company - due June 14, 2011 1.56%		–	100,000
Coupon Bonds			
Hydro-Québec - due August 15, 2011	–	406,848	400,488
Ontario Hydro - due August 18, 2011	–	304,867	300,147
	–	711,715	1,000,635

7 Marketable securities:

	October 31 2011	July 31 2011	August 1 2010
	$	$	$
Cost:			
2,300,000 common shares of RT Minerals Corp. (1)	368,000	368,000	–
15,000 common shares of Agnico-Eagle Mines Ltd. (2)	872,550	872,550	872,550
1,500,000 common shares of Mazorro Resources Inc. (3)	335,000	250,000	–
	1,575,550	1,490,550	872,550
Unrealized (loss) gain:			
2,300,000 common shares of RT Minerals Corp. (1)	(138,000)	23,000	–
15,000 common shares of Agnico-Eagle Mines Ltd. (2)	(223,950)	(75,450)	(11,100)
1,500,000 common shares of Mazorro Resources Inc. (3)	(87,500)	(35,000)	–
	(449,450)	(87,450)	(11,100)
	1,126,100	1,403,100	861,450

	October 31 2011	October 31 2010
	$	$
Unrealized (loss) gain:		
Beginning of period	(87,450)	(44,100)
Net change in fair value of available-for-sale financial assets	(362,000)	255,900
Beginning of period	(449,450)	211,800

(1) On May 25, 2010, the Company received 2,500,000 shares of RT Minerals Corp. ("RTM"), valued at $400,000, in accordance with the terms of the Meunier 144 option agreement (Note 11.4). As consideration for their approval of the option agreement with RTM, 200,000 of the RTM shares, valued at $32,000, were transferred to the initial Optionors on the Meunier 144 property, on October 28, 2010. The Company does not exercise significant influence over RTM. As at July 31, 2011, the common shares were reclassified into Marketable securities.

(2) On July 26, 2010, the Company received 15,000 shares of Agnico-Eagle Mines Ltd. ("AEM"), valued at $872,550, in accordance with the terms of the Dubuisson option agreement (Note 11.1).

(3) On April 18, 2011, the Company received 1,000,000 shares of Mazorro Resources Inc. ("MZO"), valued at $250,000 and on August 12, 2011, the Company received an additional 500,000 shares of Mazorro Resources Inc. ("MZO"), valued at $85,000 in accordance with the terms of the Lapaska and Dalquier option agreements (Note 11.1 and 11.10).

8. Prepaid expenses and deposits:

	October 31 2011	July 31 2011	August 1 2010
	$	$	$
Ministère des ressources naturelles et de la faune (funds for claims)	8,725	14,662	7,444
Training	448	–	–
CSST	–	–	811
Membership	–	–	146
Advertising	17,889	11,559	2,500
Trade shows	5,243	1,227	750
TSX Venture	1,237	3,102	2,167
Insurance (D&O and General liability)	2,903	8,066	–
	36,445	38,616	13,818

9 Long-term investments:

	October 31 2011	July 31 2011	August 1 2010
	$	$	$
Cost:			
2,500,000 common shares of RT Minerals Corp. (1)	–	–	400,000
200,000 commons shares of RT Minerals Corp. due to initial Meunier Optionors (1)	–	–	(32,000)
Unrealized gain (loss):			
2,500,000 common shares of RT Minerals Corp. (1)	–	–	(25,000)
200,000 commons shares of RT Minerals Corp. due to initial Meunier Optionors (1)	–	–	2,000
	–	–	345,000

(1) On May 25, 2010, the Company received 2,500,000 shares of RT Minerals Corp. (“RTM”), valued at $400,000, in accordance with the terms of the Meunier 144 option agreement (Note 11.4). As consideration for their approval of the option agreement with RTM, 200,000 of the RTM shares, valued at $32,000, were transferred to the initial Optionors on the Meunier 144 property, on October 28, 2010. The Company does not exercise significant influence over RTM. As at July 31, 2011, the common shares were reclassified into Marketable securities.

10 Equipment:

	Office furniture and equipment	Computer equipment	Total
	$	$	$
Cost			
As at August 1, 2010	1,498	5,815	–
Additions	2,613	12,327	14,940
As at July 31, 2011	4,111	18,142	14,940
Additions	–	1,243	1,243
As at October 31, 2011	4,111	19,385	16,183
Accumulated depreciation			
As at August 1, 2010	749	5,815	–
Depreciation	664	2,652	3,316
As at July 31, 2011	1,413	8,467	3,316
Depreciation	211	1,099	1,310
As at October 31, 2011	1,624	9,566	4,626
Net book value			
As at August 1, 2010	749	–	749
As at July 31, 2011	2,698	9,675	12,373
As at October 31, 2011	2,487	9,819	12,306

11. Mining properties:

Mining properties can be detailed as follows:

	July 31 2011	Acquisition	Disposition	Impairment	October 31 2011
	$	$	$	$	$
Québec:					
Val d'Or East / Pascalis-Colombière	62,500	–	–	–	62,500
Val d'Or East / Senore	126,000	–	–	–	126,000
Val d'Or East / Beaufor North	8,421	–	–	–	8,421
Val d'Or East / Beaufor West	8,421	–	–	–	8,421
Val d'Or East / Others	3,248	–	–	–	3,248
Detour Quebec	12,686	–	–	–	12,686
Casa Cameron	38,271	–	–	–	38,271
Abitibi Gold	5,279	–	(4,567)	–	712
Granada Extension	89,215	10,000	–	–	99,215
Appalaches	10,946	–	–	–	10,946
	364,987	10,000	(4,567)	–	370,420

11. Mining properties (continued):

	August 1 2010	Acquisition	Disposition	Impairment	October 31 2010
	$	$	$	$	$
Québec:					
Val d'Or East / Pascalis-Colombière	62,500	–	–	–	62,500
Val d'Or East / Senore	126,000	–	–	–	126,000
Val d'Or East / Beaufor North	8,421	–	–	–	8,421
Val d'Or East / Beaufor West	8,421	–	–	–	8,421
Val d'Or East / Lapaska	72,982	–	–	–	72,982
Val d'Or East / Others	3,404	104	–	–	3,508
Detour Quebec	12,686	260	–	–	12,946
Casa Cameron	38,271	208	–	–	38,479
Abitibi Gold	5,915	–	–	–	5,915
Granada Extension	–	92,034	–	–	92,034
Appalaches	10,946	3,978	–	–	14,924
	349,546	96,584	–	–	446,130

1) Val d'Or East / Beaufor North, Val d'Or East / Beaufor West, Val d'Or East / Lapaska and Dubuisson:

On February 26, 2007, the Company signed an agreement with Q.E.X. Resources Inc. whereby the Company acquired a 100% interest in four properties: Beaufor West, Beaufor North, Lapaska and Dubuisson, situated in the north-western part of Québec, in exchange for the issuance of 1,824,455 common shares, valued at $182,456. Beaufor North is not subject to any royalty Net Smelter Return (“NSR”). Beaufor West is subject to a 1.5% NSR, shared equally between Albert Audet and Geotest Corporation Ltd., and affecting also all claims acquired through staking within two miles of the property. Lapaska is subject to a 5% NSR on one claim payable to Bernard Charlebois. Dubuisson is subject to a royalty of $25 on the first 30,000 ounces of gold extracted from the Property and thereafter subject to a 2% NSR royalty, of which half (1%) may be purchased within two (2) years after commercial production, with a right of first refusal of ninety (90) days on the second half.

On July 1, 2010, the Company entered into an option agreement with AEM, whereby AEM acquired a 51% interest in the Dubuisson property (“the Property”) by making a cash payment of $100,000 and issuing 15,000 shares of AEM to the Company, valued at $872,550. Also, under the terms of the agreement, AEM can acquire an additional 14% interest in the Property by spending $4,000,000 in exploration work over a five year period, with a minimum of $600,000 of work to be completed or paid in cash to the Company before the end of the first two years. Following the exercise of the second option, AEM can acquire an additional 5% interest in the Property by completing a Bankable Feasibility Study. The consideration received was recorded as a reduction of the property’s book value to Nil ($278,975) and the balance ($693,575) was recorded as a gain on optioning of mineral properties.

To earn an additional 14% interest, AEM must incur exploration expenses in the following timelines:

	Exploration expenses
	$
On or before July 1, 2012	600,000 [1]
On or before July 1, 2015	3,400,000
	4,000,000

[1] This timeline can be completed from exploration work or by a cash payment.

11. Mining properties (continued):

1) Val d'Or East / Beaufor North, Val d'Or East / Beaufor West, Val d'Or East / Lapaska and Dubuisson (continued):

In April 2011, the Company entered into an option agreement with Mazorro Resources Inc. ("Mazorro"), whereby Mazorro acquired an exclusive option to earn up to 70% in 26 claims covering an area of approximately 352 hectares of the Company’s Lapaska Gold property in Val d’Or East area, by spending $7.7M in exploration expenditures, issuing 3,000,000 shares of Mazorro, paying $250,000 in cash and paying $2,000,000 (in cash and shares) over the next 6 years. The Company will be the operator until Mazorro earns a 70% interest. The consideration received was recorded as a reduction of the property’s book value of $275,000.

Under the terms of the option agreement, in order to acquire an initial 50% undivided interest in the Property (the “First Option”), Mazorro is required to provide total cash payments of $250,000, a total of 3,000,000 common shares and has committed to incur exploration expenses of $1,700,000 over a period of three years from the completion of the option agreement. Consideration payable is summarized as follows:

	Cash payments	Shares	Exploration expenses
	$		$
On April 18, 2011	25,000 [1]	1,000,000 [2]	–
On or before December 15, 2011	25,000 [1]	500,000 [3]	500,000 [4]
On or before December 15, 2012	50,000	500,000	500,000
On or before December 15, 2013	150,000	1,000,000	700,000
	250,000	3,000,000	1,700,000

(1) This cash payment was made on the date noted in the agreement.

(2) These common shares were issued on April 18, 2011 at a price of $0.25 per share.

(3) These common shares were issued on December 16, 2011 at a price of $0.11 per share.

(4) These exploration expenses were incurred on or before the date noted in the agreement.

Following the exercise of the First Option, Mazorro shall have the option to acquire an additional 20% undivided interest in the Property (the “Second Option”), thereby acquiring a total undivided interest of 70%, by making additional cash payments of $2,000,000 and by incurring additional exploration expenses of $6,000,000 over another three year period. Mazorro shall have the option of paying up to 75% of the required cash payments for the Second Option in common shares at a price equal to the market price of the Company’s shares on the TSX Venture Exchange (the “Exchange”) on the date such payment is payable less the maximum applicable discount allowed by the policies of the Exchange, subject to the required regulatory and corporate approvals, including disinterested shareholder approval, as applicable. After the Second Option period, Mazorro shall be entitled to become the operator of the Property. A director of the Company is also a director of Mazorro.

2) Val d'Or East / Pascalis-Colombière:

Val d'Or East / Pascalis-Colombière consist of the following mining claims: Pascalis-Colombière and Senore. On March 17, 2008, the Company signed an agreement with IAMGOLD Quebec Management Inc. (“IAMGOLD”) to acquire a 100% interest in Pascalis-Colombière gold property located northeast of Val d’Or, Québec in exchange for the issuance of 250,000 common shares. The shares were issued on March 17, 2008 at a price of $0.25 per share. The property is subject to a 2% NSR of which half (1%) may be purchased at any time by the Company for $1 million. The property is also subject to a 1% gross sale royalty and a 20% net proceeds of production royalty on some of the property’s claims, payable to Alain Garneau and Tiomin Resources Inc., respectively.

3) Val d'Or East / Senore:

On July 8, 2008 and amended on June 30, 2011, the Company entered into an option agreement with Peter Bambic (the “Optionor”) in order to acquire a 100% interest in the Senore property, located 22 kilometers northeast of Val d’Or, Québec by paying $200,000, issuing 1,000,000 common shares and incurring $400,000 in exploration expenses over a period of three years.

11. Mining properties (continued):

3) Val d'Or East / Senore (continued):

In January 2012, the Company acquired 100% interest in the property by fulfilling its obligations as per the following timelines:

	Cash payments	Shares	Exploration expenses
	$		$
On July 8, 2008	10,000 [1]	–	–
On August 6, 2008	–	100,000 [2]	–
On or before July 8, 2009	10,000 [1]	100,000 [3]	150,000 [6]
On or before July 8, 2010	30,000 [1]	300,000 [4]	250,000 [6]
On or before January 8, 2012	150,000 [1]	500,000 [5]	–
	200,000	1,000,000	400,000

[1] This cash payment was made on the date noted in the agreement.
[2] These common shares were issued on August 6, 2008 at a price of $0.175 per share.
[3] These common shares were issued on July 16, 2009 at a price of $0.135 per share.
[4] These common shares were issued on July 8, 2010 at a price of $0.15 per share.
[5] These common shares were issued on January 8, 2012 at a price of $0.355 per share.
[6] These exploration expenses were incurred on or before the date noted in the agreement.

The Optionor retains a 3% NSR on two mining claims and 2% NSR on the balance of the property. The Company has the right to buy back at any time 50% of the NSR for, $2,000,000 and $1,000,000, respectively.

4) Timmins West / Meunier-144:

On July 8, 2008, and as amended on June 1, 2009, and May 5, 2010, the Company entered into an option agreement with a group of prospectors (the “Optionors”) in order to acquire a 100% interest in the Meunier 144 gold property located 19 kilometers west of Timmins, Ontario, by paying $125,000, issuing 1,000,000 common shares and 200,000 warrants and incurring $1,650,000 in exploration expenses.

In August 2011, the Company acquired 100% interest in the property by fulfilling its obligations as per the following timelines:

	Cash payments	Shares	Warrants	Exploration expenses
	$			$
On July 18, 2008	25,000 [1]	700,000 [2]	–	–
On or before July 8, 2009	25,000 [1]	150,000 [3]	–	150,000 [6]
On or before July 8, 2010	75,000 [1]	150,000 [4]	200,000 [5]	–
On or before December 31, 2010	–	–	–	500,000 [6]
On or before December 31, 2011	–	–	–	1,000,000 [6]
	125,000	1,000,000	200,000	1,650,000

[1] These cash payments were made on the dates noted in the agreement.
[2] These common shares were issued on July 18, 2008 at a price of $0.21 per share.
[3] These common shares were issued on July 8, 2009 at a price of $0.13 per share.
[4] These common shares were issued on July 8, 2010 at a price of $0.15 per share.
[5] These warrants were issued on July 8, 2010, each warrant entitling the holder to purchase one common share of the Company at a price of $0.20 for a period of 5 years.
[6] These exploration expenses were incurred on or before the date noted in the agreement.

11. Mining properties (continued):

4) Timmins West / Meunier-144 (continued):

The property is also subject to a 2.5% NSR of which a 1% NSR may be purchased at any time by the Company for $2,000,000.

On May 5, 2010, the Company entered into an option agreement with RTM and Lake Shore Gold Corp. ("LSG") whereby RTM can acquire up to 50% of the Company's right, title and interest in the Meunier 144 property. RTM can earn an initial 25% interest in the property by making a cash payment of $300,000, issuing 2,500,000 shares of RTM to the Company and incurring exploration costs of $1,500,000.

As at October 31. 2011, RTM acquired 25% interest in the property by fulfilling its obligations as per the following timelines:

	Cash payments	Shares	Exploration expenses
	$		$
On May 27, 2010	300,000 (1)	2,500,000 (2)	–
On October 28, 2010	–	(200,000) (2)	–
On or before October 31, 2010	–	–	500,000 (3)
On or before October 31, 2011	–	–	1,000,000 (3)
	300,000	2,300,000	1,500,000

(1) This cash payment was received on the date noted in the agreement.

(2) The RTM shares, valued at $400,000, were received on May 25, 2010. On October 28, 2010, 200,000 of the RTM shares were transferred to the initial Optionors on the Meunier 144 property.

(3) These exploration expenses were incurred on or before the date noted in the agreement.

As consideration for the firm RTM commitments, the Company issued 500,000 compensation warrants to RTM, each warrant entitling RTM to purchase one common share of the Company at a price of $0.20 until May 27, 2011. As consideration for the approval of the option agreement with RTM as well as amendments to the initial option agreement, 200,000 of the 2,500,000 shares of RTM were transferred to the Optionors, on October 28, 2010.

The consideration received was recorded as a reduction of the property's book value to $Nil ($569,063) and the balance ($130,937) was recorded in operations as a gain on optioning of mineral properties.

RTM can earn an additional 25% interest in the property by issuing to the Company an additional 250,000 shares of RTM and incurring an additional $1,500,000 in exploration costs by no later than October 31, 2013.

As part of the agreement, following the exercise of the second option by RTM and for a period of up to 10 years, LSG may acquire from the Company and RTM a 10% interest in the property by carrying out a Preliminary Resource Assessment on any NI 43-101 resources identified by RTM or the Company on the property and by reimbursing RTM and/or the Company for any costs associated with the initial NI 43-101 report.

5) Val d'Or East / Others:

Val d'Or East / Others consist of the following mining claims located in the Abitibi region that the company acquired by staking and map-designation in 2008, 2009 and 2010: Megiscane-Tavernier and Realore.

During the year ended July 31, 2010, the Company wrote down to $Nil the cost of the Senneville property, as it no longer fits the Company's development strategy ($350 in acquisition costs and $2,726 in exploration and evaluation assets).

11. Mining properties (continued):

6) Detour Quebec:

Detour Quebec consists of the following mining claims located in the Abitibi region that the company acquired by staking and map-designation in 2008, 2009 and 2010: Casgrain. Fenelon, Massicotte, Martigny, Manthet and Sicotte.

7) Casa Cameron:

On August 12, 2009, the Company acquired from five independent prospectors (the "Vendors"), a 100% interest in the Bruneau Gold Property, located 45 kilometers southeast of Matagami, Quebec, in consideration for a cash payment of $2,000 and the issuance of 100,000 common shares (valued at $10,500) and 100,000 warrants at an exercise price of $0.25 until August 12, 2012 (valued at $10,898). An area of interest in this property is subject to a 2% NSR in favour of the Vendors, of which 1% can be bought back by the Company at any time by paying the Vendors $500,000.

Other Casa Cameron properties consist of the following mining claims that the company acquired by staking and map-designation in 2008, 2009 and 2010, located in the north-western part of Quebec, in the Abitibi region: Cere, Bell-Vezza, Casagosic, KLM and Florence.

8) Appalaches:

During the summer 2010, the Company has acquired significant ground in the Appalache Belt. A total of 190 mining claims for 11,225 hectares have been acquired by map designation at this time in two distinct blocks in the Appalache belt, South-east of Quebec, Canada. These two properties named Stoke and St-Francois are located about at 53 km south-east and 23 km south-west of Thetford Mines and 155 km and 200 km east of Montreal, Québec, Canada.

9) Granada Extension:

On September 21, 2010 and amended on October 8, 2010, the Company signed an option agreement with two individuals (the "Optionors") in order to acquire a 100% interest in three of the eleven claims acquired by the Company. The Granada Extension property covering approximately 200 hectares, is located along the Cadillac Larder Lake Gold Break, in the Rouyn-Noranda mining camp, Québec.

To earn its 100% interest, the Company must make cash payments and issue common shares and warrants in the following timelines:

	Cash payments	Shares	Warrants
	$		$
On October 5, 2010	10,000 [1]	–	–
On October 27, 2010	–	150,000 [2]	150,000 [3]
On or before August 31, 2011	10,000 [1]	–	–
On or before August 31, 2012	10,000	–	–
On or before August 31, 2013	10,000	–	–
On or before August 31, 2014	10,000	–	–
	50,000	150,000	150,000

(1) These cash payments were made on the dates noted in the agreement.
(2) These common shares were issued on October 27, 2010 at a price of $0.23 per share.
(3) These warrants were issued on October 27, 2010, each warrant entitling the holder to purchase one common share of the Company at a price of $0.25 for a period of 5 years.

The Optionors retains a 1.5% NSR on three mining claims. The Company has the right to buy back at any time a 0.5% of the NSR for $5,000,000.

11. Mining properties (continued):

10) Abitibi Gold:

Abitibi Gold consist of the following mining claims located in the Abitibi region that the company acquired by staking and map-designation in 2008, 2009 and 2010: Montreuil, Dalquier, Solitaire and Bourniol.

In February 2011, the Company entered into an option agreement with Société d'exploration minière Vior Inc. ("Vior"), whereby Vior acquired an exclusive option of 100% interest of Bourniol property in 12 claims in the district of Abitibi, by paying $7,500 in cash payment and a 2% NSR. Vior retains the right, at any time to purchase 1 of the 2 percentage points of the Royalty by paying the Company the sum of $1,000,000. The consideration received was recorded as a reduction of the property's book value to $Nil ($7,468) and the balance ($32) was recorded in operations as a gain on optioning of mining properties.

In June 2011, and as approved by TSX regulations in August 2011, the Company entered into an option agreement with Mazorro, whereby Mazorro acquired an exclusive option to earn up to 100% in 85 claims covering an area of approximately 3,500 hectares of the Company's Dalquier property, located in the south-central segment of the prolific Archean Abitibi Greenstone Belt less than 4 kilometers north of the town of Amos in the township of Dalquier, Quebec. in Val d'Or East area, by spending $2.0M in exploration expenditures, issuing 2,000,000 shares of Mazorro and paying $300,000 over the next 5 years.

To earn its initial 100% interest, Mazorro must make cash payments, issue common shares and incur exploration expenses according to the following timelines:

	Cash payments	Shares	Exploration expenses
	$		$
On signing of the Agreement	25,000 (1)	500,000 (2)	100,000 (3)
On or before June 30, 2012	25,000	500,000	250,000
On or before June 30, 2016	250,000	1,000,000	1,650,000
	300,000	2,000,000	2,000,000

(1) This cash payment was made in August 2011.
(2) These common shares were issued on August 12, 2011 at a price of $0.17 per share.
(3) These exploration expenses were incurred on or before the date noted in the agreement.

Following the exercise of the Option, Mazorro will grant the Company a royalty (the "Royalty") equal to two and one-half percent (2.5%) in aggregate of the net smelter returns on all mining claims of the property. Mazorro retains the right, at any time to purchase 1 of the 2.5 percentage points of the Royalty by paying the Company a sum of $1,500,000. A director of the Company is also a director of Mazorro.

During the year ended July 31, 2011, the Company wrote down to $Nil some residual costs of properties abandoned in the past, as they no longer fit the Company's development strategy ($260 in acquisition costs and $487 in exploration and evaluation assets).

During the year ended July 31, 2010, the Company wrote down to $Nil the cost of the Faribault and Faribault-Pluton properties, as they no longer fit the Company's development strategy ($1,500 in acquisition costs and $5,239 in exploration and evaluation assets).

12. Exploration and evaluation assets:

Exploration and evaluation assets by nature are detailed as follows:

	October 31 2011	July 31 2011
	$	$
Exploration and evaluation costs:		
Opening balance	3,623,898	2,817,052
Drilling	322,682	671,126
Project management and supervision	–	141,505
Geophysics	10,198	447,373
Geology	99,609	265,203
Geochemistry	–	–
Environment and relation with the community	–	121
Staking	8,969	36,069
Licences and permits	8,651	20,404
General field expenses	4,732	40,812
Ending balance	4,078,739	4,439,665
Reductions:		
Disposition	(9,241)	(208,954)
Impairment of exploration and evaluation costs	–	(487)
Tax credit related to resources	(169,423)	(606,326)
Ending balance	(178,664)	(815,767)
Net book value	3,900,075	3,623,898

Exploration and evaluation assets by properties are detailed as follows:

	July 31 2011	Exploration costs	Tax credits	Disposition	Impairment	October 31 2011
	$	$	$	$	$	$
Ontario:						
Timmins West / Meunier-144	2,515	53	(20)	–	–	2,548
Québec:						
Val d'Or East / Pascalis-Colombière	1,059,878	397,328	(153,861)	–	–	1,303,345
Val d'Or East / Senore	644,455	134	–	–	–	644,589
Val d'Or East / Beaufor North	178,318	89	–	–	–	178,407
Val d'Or East / Beaufor West	173,844	36	–	–	–	173,880
Val d'Or East / Lapaska	636,599	5,293	(1,779)	–	–	640,113
Val d'Or East / Others	84,213	11,585	(3,682)	–	–	92,116
Dubuisson	2,872	139	–	–	–	3,011
Detour Quebec	346,572	20,904	(6,245)	–	–	361,231
Casa Cameron	344,488	22,973	(3,908)	–	–	363,553
Abitibi Gold	50,718	(6,566)	967	(9,241)	–	35,878
Appalaches	19,501	–	–	–	–	19,501
Granada Extension	79,925	2,873	(895)	–	–	81,903
	3,623,898	454,841	(169,423)	(9,241)	–	3,900,075

12. Exploration and evaluation assets (continued):

	August 1 2010	Exploration costs	Tax credits	Disposition	Impairment	October 31 2010
	$	$	$	$	$	$
Ontario:						
Timmins West / Meunier-144	–	551	–	–	–	551
Québec:						
Val d'Or East / Pascalis-Colombière	546,372	33,707	–	–	–	580,079
Val d'Or East / Senore	642,813	1,711	–	–	–	644,524
Val d'Or East / Beaufor North	177,957	204	–	–	–	178,161
Val d'Or East / Beaufor West	173,157	556	–	–	–	173,713
Val d'Or East / Lapaska	837,505	56	–	–	–	837,561
Val d'Or East / Others	40,205	11,949	–	–	–	52,154
Dubuisson	–	697	–	–	–	697
Detour Quebec	141,994	19,466	–	–	–	161,460
Casa Cameron	223,185	6,744	–	–	–	229,929
Abitibi Gold	30,114	2,173	–	–	–	32,287
Appalaches	3,750	18,041	–	–	–	21,791
Granada Extension	–	50,181	–	–	–	50,181
	2,817,052	146,036	–	–	–	2,963,088

13. Refundable advances:

Advances from Mazorro as part of the exploration expenses incurred by the Company (operator) on behalf of Mazorro on the Lapaska property (Note 11.1).

14. Share capital and warrants:

(a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number	Amount
		$
Balance as at August 1, 2010	46,692,882	4,797,069
Issued for cash:		
Share options exercised	130,000	44,878
Agent options exercised	589,285	156,010
Warrants exercised	6,072,428	1,561,391
Issued for mining properties:		
To acquire interest in Granada property (Note 11.9)	150,000	34,500
Balance as at July 31, 2011	53,634,595	6,593,848

	Number	Amount
		$
Balance as at July 31, 2011	53,634,595	6,593,848
Issued for cash:		
Share options exercised	5,000	1,678
Balance as at October 31, 2011	53,639,595	6,595,526

14. Share capital and warrants (continued):

(c) Warrants:

The table below presents a summary of the outstanding warrants:

	October 31 2011		July 31 2011	
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		$		$
Outstanding at beginning	8,162,602	0.20	14,110,030	0.20
Issued	–	-	150,000	0.25
Exercised	–	-	(6,072,428)	0.20
Expired	–	-	(25,000)	0.20
Outstanding at end	8,162,602	0.20	8,162,602	0.20

The table below presents a summary of the outstanding warrants as at October 31, 2011:

	Outstanding warrants		
Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		$	
December 2011	99,330	0.13	0.1
December 2011	4,336,692	0.16	0.1
April 2012	370,000	0.18	0.5
April 2012	1,885,000	0.27	0.5
May 2012	200,000	0.20	0.6
May 2012	1,000,000	0.27	0.6
July 2015	196,580	0.20	3.7
October 2015	75,000	0.25	4.0
	8,162,602		

2011:

On October 27 2010, as part of the acquisition of Granada property, the Company issued 150,000 warrants to optionors (Note 11.9) at an exercise price of $0.25 per share, expiring on October 27, 2015. Each warrant entitles the holder to acquire one common share. The fair value of the warrant was estimated at $0.30 per warrant at the issuing date for a total of $44,715 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Expected volatility	118.2%
Risk-free interest rate	2.06%
Expected life	5.0 years

15. Agent options:

The table below presents a summary of the outstanding agent options:

		October 31 2011		**July 31 2011**
	Number of outstanding agent options	**Weighted average exercise price**	**Number of outstanding agent options**	**Weighted average exercise price**
		$		**$**
Outstanding at beginning	–	-	392,857	0.14
Granted	–	-	196,428	0.25
Exercised	–	-	(589,285)	0.18
Outstanding at end	–	-	–	-

2011:

During the year ended July 31, 2011, the Company granted 196,428 agent options (392,857 in 2010) following the exercise of 392,857 options held by the agent at an exercise price of $0.25 per share, expiring on October 30, 2010. Each option entitles the holder to acquire one common share. The fair value of the options was estimated at $0.06 per option at the grant date for a total of $12,422 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Expected volatility	118.3%
Risk-free interest rate	1.39%
Expected life	10 days

16. Share-based payments:

(a) Share option plan:

The Company has a share option plan approved by its shareholders. The maximum number of common shares which may be issued under the plan is equal to 4,970,000 (formerly 3,000,000 amended by a resolution dated December 8, 2010). These share options may be granted to the Company's employees, officers, directors, and non-employees, subject to regulatory approval. The exercise price of each share option can be set equal to or greater than the closing market price, less allowable discounts, of the common shares on the TSX Venture Exchange on the day prior to the date of the grant of the share option. In 2011 and 2010, the exercise price of all options granted was equal to the closing market price on the day prior to the date of the grant of the option. Share options have a maximum term of ten years (formerly five years amended by a resolution dated December 8, 2010) and terminate one year (formerly 90 days amended by a resolution dated December 8, 2010) following the termination of the optionee's employment, except in cases of death. Vesting of share options is made at the discretion of the Board of Directors at the time the share options are granted. During the year ended July 31, 2011 and the year ended July 31, 2010, all options granted vested at the date they were granted.

16. Share-based payments (continued):

The table below presents a summary of the outstanding share options:

		October 31 2011		July 31 2011
	Number of outstanding share options	Weighted average exercise price	Number of outstanding share options	Weighted average exercise price
		$		$
Outstanding at beginning	3,240,000	0.26	2,250,000	0.21
Granted	–	-	1,125,000	0.34
Exercised	(5,000)	0.19	(130,000)	0.21
Forfeited	–	-	(5,000)	0.19
Outstanding at end	3,235,000	0.26	3,240,000	0.26
Exercisable	3,235,000	0.26	3,240,000	0.26

The table below presents a summary of the outstanding share options as at October 31, 2011:

			Options outstanding
Expiry date	Number of outstanding options	Exercise price	Remaining life
		$	
November 2012	800,000	0.27	1.0
June 2013	50,000	0.19	1.7
October 2013	300,000	0.19	1.9
March 2014	220,000	0.14	2.4
January 2015	740,000	0.19	3.2
September 2015	600,000	0.19	3.9
November 2015	75,000	0.39	4.0
December 2020	450,000	0.53	9.1
	3,235,000		

2011:

On September 10, 2010, the Company granted 600,000 share options to directors, officers, employees and consultants at an exercise price of $0.19 per share, expiring on September 10, 2015. Each share option entitles the holder to acquire one common share. The fair value of the share options was estimated at $0.15 per share option at the grant date for a total of $90,787 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Expected volatility	117.2%
Risk-free interest rate	2.24%
Expected life	5.0 years

On November 5, 2010, the Company granted 75,000 share options to a director at an exercise price of $0.39 per share, expiring on November 5, 2015. Each share option entitles the holder to acquire one common share. The fair value of the share options was estimated at $0.32 per share option at the grant date for a total of $23,751 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

16. Share-based payments (continued):

Expected dividend yield	0.0%
Expected volatility	118.4%
Risk-free interest rate	2.05%
Expected life	5.0 years

On December 8, 2010, the Company granted 450,000 share options to directors, officers, employees and consultants at an exercise price of $0.53 per share, expiring on December 8, 2020. Each share option entitles the holder to acquire one common share. The fair value of the share options was estimated at $0.48 per option at the grant date for a total of $216,884 using the Black-Scholes share option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Expected volatility	117.3%
Risk-free interest rate	3.25%
Expected life	10.0 years

During the year ended July 31, 2011, a compensation expense of $331,422 ($111,865 in 2010) was recognized for share options granted and the corresponding credit was recognized in contributed surplus.

17. Finance income and finance expense:

Finance income and finance expense recognized in the net loss of the period are as follows:

	October 31 2011	October 31 2010
	$	$
Interest income on investment savings accounts, coupon bonds and/or GTD investment certificates	1,285	5,760
Dividend income	2,374	–
Finance income	3,659	5,760
Bank charges	(5)	(295)
Exchange loss	(510)	(123)
Finance expense	(515)	(418)
Net finance income recognized in the loss of the period	3,144	5,342

18. Supplemental cash flow information:

The Company entered into the following transactions which had no impact on the cash flows:

	October 31 2011	July 31 2011
	$	$
Non-cash investing activities:		
Exploration and evaluation expenditures in trade accounts payable and accrued liabilities	287,115	122,568
Share capital issued in consideration of mining properties	–	34,500
Warrants issued in consideration of mining properties	–	44,715
Marketable securities received on optioning of mining properties	–	250,000

19. Related party transactions:

The Company has no ultimate parent.

Key management personnel compensation comprised:

	October 31 2011	July 31 2011
	$	$
Short term benefits	33,750	163,462
Share-based payments	–	27,881
	33,750	191,343

Other related parties transactions:

Under an agreement between the Company and Focus Metals Inc. (“Focus”), which share common management, Focus was invoiced by the Company, at cost, for rent and office expenses incurred on behalf of Focus for a total of $1,110 for the three-month period ended October 31, 2011 (2010 - $Nil). No amount was due by Focus to the Company as at October 31, 2011 ($4,172 as at July 31, 2011).

Under an agreement between the Company and Atwater Financial Group (“Atwater”), which share common management, Atwater invoiced the Company $15,600 (2010 - $Nil) for the three-month period ended October 31, 2011 for bookkeeping, accounting and CFO services provided to the Company. An amount of $5,961 was due by the Company to Atwater as at October 31, 2011 ($10,253 as at July 31, 2011).

These transactions were measured at the exchange amount, which is the amount established and accepted by the parties and were conducted in the normal course of business.

20. Financial instruments:

(a) Fair value:

Certain of the Company's accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that financial asset or financial liability.

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.

20. Financial instruments (continued):

(a) Fair value (continued):

- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

- Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

The carrying values of short-term financial assets and liabilities, which include cash and cash equivalents, trade accounts receivable and other receivables, bank indebtedness, trade accounts payable and accrued liabilities, and refundable advances approximate their fair value because of the short-term nature of these items.

The classification within the fair value hierarchy of marketable securities and long-term investments and their respective fair values were as follows:

	October 31 2011	July 31 2011	August 1 2010
	$	$	$
Level 1			
Assets			
Marketable securities	1,126,100	1,403,100	861,450
Long-term investments	–	–	345,000
	1,126,100	1,403,100	1,206,450

There were no transfer from one level to another during the period.

(b) Financial risk management:

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks.

The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

(i) Interest risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk.

The Company’s policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments (such as investment savings accounts, banker’s acceptances, term deposits, guaranteed investment certificates or bonds) with maturities of 360 days or less from the original date of acquisition.

The Company has limited exposure to financial risk arising from fluctuations in interest rates earned on cash equivalents and short-term investments and the volatility of these rates. As at October 31, 2011, cash equivalents total $264,458 and interest income derived from these amounts during the three-month period ended October 31, 2011 was $1,285.

20. Financial instruments (continued):

(ii) Liquidity risk:

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents to meet its financial obligations as they fall due. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible for the Company to continue its operations, and while it has been successful in doing so this year, there can be no assurance it will be able to do so in the future. The Company's trade accounts payable have a maturity of less than twelve months.

The Company’s working capital totals $2,529,989 as at October 31, 2011 ($3,189,699 as at July 31, 2011 and $2,677,146 as at August 1, 2010) including marketable securities of $1,126,100, tax credits and mining duties receivable of $1,044,803 and current liabilities totalling $746,019. Following a private placement concluded in late December 2011 (Note 22) and the exercise of warrants and share options in November and December 2011, the Company anticipates having sufficient funds to discharge its current liabilities, meet its commitments for exploration programs and cash payments, which are minimal given the optioning of the Dubuisson, Meunier and Granada properties (Note 11), undertake exploration work on its properties and/or acquire additional exploration properties, and meet all of its general and administrative costs for the next twelve months.

(iii) Credit risk:

Credit risk is the risk that one party will fail to discharge an obligation to a financial instrument and cause the other party to incur a financial loss. The Company’s financial assets exposed to credit risk are primarily composed of cash and cash equivalents and short-term investments. To mitigate exposure to credit risk, the Company has revised its policy to limit the concentration of credit risk and to ensure counterparties demonstrate minimum acceptable worthiness. The Company’s cash and cash equivalents and short-term investments are held at several large financial institutions.

(iv) Market risk:

The Company holds publicly listed shares of companies in the mining exploration industry. The Company is exposed to market risk in trading these shares and unfavourable market conditions could result in the disposal at less than their value at October 31, 2011. As at October 31, 2011, the value of these common shares is $1,126,100. As at October 31, 2011, had the bid price for these publicly listed shares been 10% lower, the unrealized loss on marketable securities would have increased by approximately $112,610. Conversely, had the bid price been 10% higher, the unrealized loss on marketable securities would have decreased by approximately $112,610.

21. Capital management:

The Company’s objective in managing capital is to ensure continuity as a going-concern as well as to safeguard its ability to continue its acquisition and exploration programs. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company defines its capital as the shareholders' equity. To effectively manage the Company’s capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. As needed, the Company raises funds through private placements or other equity financings. The Company does not utilize long-term debt as the Company does not currently generate operating revenues. There is no dividend policy. The Company is subject to regulatory requirements related to the use of funds obtained by flow-through share arrangements. These funds have to be incurred for eligible exploration expenses. The Company has respected these regulatory requirements.

22. Subsequent events:

In December 2011, the Company concluded a private placement by issuing 3,888,946 units at a price of $ 0.45 per unit for total proceeds of $1,750,026. Each unit consists of one common share and one-half of a warrant for a total of 3,888,946 common shares and 1,944,473 warrants. Each warrant will entitle the holder thereof to acquire one additional common share of the Company at an exercise price of $0.65 until December 2013. In addition, the Company paid a finder's fee of $108,501 and issued, as additional consideration, 275,560 non-transferable warrants entitling the holder to acquire same number of common shares of the Company at a price of $0.45 per common share until December 2013.

In November and December 2011, a total of 4,256,022 warrants were exercised for gross proceeds of $677,984 and a total of 110,000 share options were exercised for gross proceeds of $17,400.

23. Explanation of transition to IFRS:

As stated in note 3, these are the Company's first interim financial statements prepared in accordance with IFRS.

The accounting policies set out in note 4 have been applied in preparing the condensed interim financial statements for the three-month period ended October 31, 2011, the comparative three-month period information as well as the statement of financial position as at July 31, 2011 and August 1, 2010.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and accompanying notes.

23. Explanation of transition to IFRS (continued):

Reconciliation of financial position

		August 1, 2010			October 31, 2010			July 31, 2011		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$	$	$	$	$	$	$
Assets										
Current assets:										
Cash and cash equivalents		604,218	–	604,218	1,047,755	–	1,047,755	–	–	–
Short-term investments		1,000,635	–	1,000,635	1,003,967	–	1,003,967	711,715	–	711,715
Marketable securities		861,450	–	861,450	1,186,350	–	1,186,350	1,403,100	–	1,403,100
Accounts receivable and other receivables		1,343	–	1,343	2,023	–	2,023	208,884	–	208,884
Sales taxes receivable		52,380	–	52,380	47,079	–	47,079	177,112	–	177,112
Mining duties receivable		30,767	–	30,767	30,767	–	30,767	91,439	–	91,439
Mining exploration tax credit receivable		162,208	–	162,208	162,208	–	162,208	768,113	–	768,113
Prepaid expenses and deposits		13,818	–	13,818	11,732	–	11,732	38,616	–	38,616
Total current assets		2,726,819	–	2,726,819	3,491,881	–	3,491,881	3,398,979	–	3,398,979
Non-current assets:										
Long-term investment		345,000	–	345,000	276,000	–	276,000	–	–	–
Equipment		749	–	749	5,048	–	5,048	12,373	–	12,373
Mining properties		349,546	–	349,546	446,130	–	446,130	364,987	–	364,987
Exploration and evaluation assets	(a)	2,786,329	30,723	2,817,052	2,932,365	30,723	2,963,088	3,532,924	90,974	3,623,898
Total non-current assets		3,481,624	30,723	3,512,347	3,659,543	30,723	3,690,266	3,910,284	90,974	4,001,258
Total assets		6,208,443	30,723	6,239,166	7,151,424	30,723	7,182,147	7,309,263	90,974	7,400,237
Liabilities and Equity										
Current liabilities:										
Bank indebtedness		–	–	–	–	–	–	898	–	898
Trade accounts payable and accrued liabilities		49,673	–	49,673	90,302	–	90,302	208,382	–	208,382
Total current liabilities		49,673	–	49,673	90,302	–	90,302	209,280	–	209,280
Non-current liabilities:										
Deferred tax liabilities	(b)	605,992	252,009	858,001	605,992	252,009	858,001	381,735	424,694	806,429
Total non-current liabilities		605,992	252,009	858,001	605,992	252,009	858,001	381,735	424,694	806,429
Equity:										
Share capital		4,797,069	–	4,797,069	5,674,634	–	5,674,634	6,593,848	–	6,593,848
Warrants		767,573	–	767,573	687,173	–	687,173	486,736	–	486,736
Agent options		51,904	–	51,904	–	–	–	–	–	–
Contributed surplus		477,565	–	477,565	559,795	–	559,795	792,578	–	792,578
Accumulated other comprehensive income		(34,100)	–	(34,100)	(688,272)	–	(688,272)	(87,450)	–	(87,450)
Deficit	(c)	(507,233)	(221,286)	(728,519)	221,800	(221,286)	514	(1,067,464)	(333,720)	(1,401,184)
Total equity		5,552,778	(221,286)	5,331,492	6,455,130	(221,286)	6,233,844	6,718,248	(333,720)	6,384,528
Total liabilities and equity		6,208,443	30,723	6,239,166	7,151,424	30,723	7,182,147	7,309,263	90,974	7,400,237

23. Explanation of transition to IFRS (continued):

Reconciliation of comprehensive income for the three-month period ended October 31, 2010 and for the year ended July 31, 2011

	Note	Three-month period ended October 31, 2010			Year ended July 31, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$	$	$	$
General and administrative expenses:							
Salaries and employee benefit expense		(28,081)	–	(28,081)	(157,500)	–	(157,500)
Management and consulting fees		(22,500)	–	(22,500)	(107,500)	–	(107,500)
Travel and promotion		(17,195)	–	(17,195)	(115,905)	–	(115,905)
Report to shareholders		(645)	–	(645)	(10,612)	–	(10,612)
Professional fees		(18,489)	–	(18,489)	(56,117)	–	(56,117)
General expenses		(11,215)	–	(11,215)	(70,707)	–	(70,707)
Share-based payments		(88,181)	–	(88,181)	(331,422)	–	(331,422)
Depreciation of equipment		(75)	–	(75)	(3,316)	–	(3,316)
Write-down of mining properties		–	–	–	(260)	–	(260)
Write-down of exploration and evaluation assets		–	–	–	(487)	–	(487)
Loss from operating activities		(186,381)	–	(186,381)	(853,826)	–	(853,826)
Finance income		5,760	–	5,760	29,003	–	29,003
Finance expense		(418)	–	(418)	(507)	–	(507)
Total net finance expense		5,342	–	5,342	28,496	–	28,496
Other item:							
Operator of exploration project		–	–	–	40,810	–	40,810
Gain on optioning of mining properties		–	–	–	32	–	32
Total other item		–	–	–	40,842	–	40,842
Net loss before income taxes		(181,039)	–	(181,039)	(784,488)	–	(784,488)
Income tax expense	(c)	–	–	–	224,257	(112,434)	111,823
Net loss		(181,039)	–	(181,039)	(560,231)	(112,434)	(672,665)
Other comprehensive income (loss):							
Net change in fair value of available-for-sale financial assets		255,900	–	255,900	(53,350)	–	(53,350)
Income tax on other comprehensive income (loss)		–	–	–	–	–	–
Other comprehensive income (loss) for the period, net of tax		255,900	–	255,900	(53,350)	–	(53,350)
Total comprehensive income (loss) for the period		74,861	–	74,861	(613,581)	(112,434)	(726,015)
Basic weighted average number of common shares outstanding		47,055,446	47,055,446	47,055,446	51,025,018	51,025,018	51,025,018
Diluted weighted average number of common shares outstanding		47,055,446	47,055,446	47,055,446	51,025,018	51,025,018	51,025,018
Loss per share:							
Basic loss per share (dollars)		(0.004)	–	(0.004)	(0.011)	(0.002)	(0.013)
Diluted loss per share (dollars)		(0.004)	–	(0.004)	(0.011)	(0.002)	(0.013)

23. Explanation of transition to IFRS (continued):

Reconciliation of cash flows for the three-month period ended October 31, 2010 and for the year ended July 31, 2011

	Note	Three-month period ended October 31, 2010			Year ended July 31, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$	$	$	$
Operating activities:							
Net loss		(181,039)	–	(181,039)	(560,231)	(112,434)	(672,665)
Adjustments for:							
Share-based payments		88,181	–	88,181	331,422	–	331,422
Net change in fair value of financial assets at fair value through profit or loss	(c)	–	–	–	–	–	–
Depreciation of equipment		75	–	75	3,316	–	3,316
Write-down of mining properties		–	–	–	260	–	260
Write-down of exploration and evaluation assets		–	–	–	487	–	487
Gain on optioning of mining properties		–	–	–	(32)	–	(32)
Income tax expense	(d)	–	–	–	(224,257)	172,685	(51,572)
Interest income		–	–	–	–	–	–
Operating activities before changes in operating assets and liabilities		(92,783)	–	(92,783)	(449,035)	60,251	(388,784)
Change in trade accounts receivable and other receivables		(680)	–	(680)	(207,541)	–	(207,541)
Change in sales taxes receivable		5,301	–	5,301	(124,732)	–	(124,732)
Change in prepaid expenses and deposits		2,086	–	2,086	(24,798)	–	(24,798)
Change in mining duties receivable		–	–	–	–	(60,251)	(60,251)
Change in trade accounts payable and accrued liabilities		(2,538)	–	(2,538)	45,343	–	45,343
		4,169	–	4,169	(311,728)	(60,251)	(371,979)
Interest paid		–	–	–	–	–	–
Interest received		–	–	–	–	–	–
Cash flows from operating activities		(88,614)	–	(88,614)	(760,763)	–	(760,763)
Financing activities:							
Proceeds from issuance of shares	(a)	660,128	–	660,128	1,368,414	–	1,368,414
Share issuance costs		–	–	–	–	–	–
Cash flows from financing activities		660,128	–	660,128	1,368,414	–	1,368,414
Investing activities:							
Decrease (increase) in short-term investments		(3,332)	–	(3,332)	288,920	–	288,920
Acquisition of equipment		–	–	–	(14,939)	–	(14,939)
Acquisition of mining properties		(17,402)	–	(17,402)	(9,740)	–	(9,740)
Increase in exploration and evaluation assets		(107,243)	–	(107,243)	(1,509,508)	–	(1,509,508)
Options payments received		–	–	–	32,500	–	32,500
Cash flows from investing activities		(127,977)	–	(127,977)	(1,212,767)	–	(1,212,767)
Net change in cash and cash equivalents		443,537	–	443,537	(605,116)	–	(605,116)
Cash and cash equivalents, beginning of year		604,218	–	604,218	604,218	–	604,218
Cash and cash equivalents, end of year		1,047,755	–	1,047,755	(898)	–	(898)

23. Explanation of transition to IFRS (continued):

(a) Mining duties:

Contrary to Canadian GAAP, and in compliance with the IFRS accounting policy disclosed in note 4.2, mining duties are accounted for as an income tax in accordance with IAS 12 *Income taxes*.

As a result, deferred tax liabilities must be recorded on mining duties that the Company will have to pay in the future following the renounciation of tax deductions arising from flow-through shares or following credits on mining duties that will be claimed.

Accordingly, as at August 1, 2010, a deferred tax liability of $333,441 was recorded under IFRS, with the counterpart of $302,718 as deficit and $30,723 as exploration and evaluation assets.

Accordingly, as at July 31, 2011, a deferred tax liability of $563,956 was recorded under IFRS, with the counterpart of $230,515 as deferred tax expense, $302,718 as deficit and $30,723 as exploration and evaluation assets.

(b) Income tax:

In addition to above-mentioned adjustments related to income and mining taxes, deferred tax assets are recognized during the period ended July 31, 2011 under IFRS as there are sufficient deferred tax liabilities to offset them. Also, deferred income tax assets of $151,705 are recorded under IFRS as at July 31, 2011 as mining duties are deductible for income tax purposes.

IFRS adjustments to deferred tax liabilities are summarized as follows:

	July 31 2011	October 31 2010	August 1 2010
	$	$	$
Deferred tax liabilities under Canadian GAAP	(381,735)	(605,992)	(605,992)
Deferred mining tax liabilities arising from flow-through shares	(413,866)	(302,718)	(302,718)
Deferred mining tax liabilities arising from the refundable mining duty	(150,090)	(30,723)	(30,723)
Deferred tax assets on deductible mining duties	151,705	89,696	89,696
Adjustment to exploration and evaluation assets	(24,471)	(8,264)	(8,264)
Inititial recognition exemption from mining property	12,028	–	–
Deferred tax liabilities under IFRS	(806,429)	(858,001)	(858,001)

IFRS adjustments to deferred tax expense are summarized as follows:

	July 31 2011	October 31 2010
	$	$
Income tax expense under Canadian GAAP	(224,257)	–
Deferred income tax expense arising from mining duties	230,515	–
Deferred income tax recovery arising from the deduction of mining duties	(62,009)	–
Current income tax recovery arising from the refundable mining duty	(60,251)	–
Deferred income tax expense arising from the adjustment to exploration and evaluation assets	16,207	–
Deferred income tax recovery arising from the initial recognition exemption	(12,028)	–
Income tax expense under IFRS	(111,823)	–

23. Explanation of transition to IFRS (continued):

(c) Deficit

The above adjustments change deficit as follows:

	July 31 2011	October 31 2010	August 1 2010
	$	$	$
Deferred income tax expense arising from mining duties	(533,233)	(302,718)	(302,718)
Deferred income tax recovery arising from the deduction of mining duties	151,705	89,696	89,696
Current income tax recovery arising from the refundable mining duty	60,251	–	–
Deferred income tax expense arising from the adjustment to exploration and evaluation assets	(24,471)	(8,264)	(8,264)
Deferred income tax recovery arising from the initial recognition exemption	12,028	–	–
Increase in deficit	(333,720)	(221,286)	(221,286)