SHIELD GOLD INC.
(An Exploration Stage Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE MONTH PERIODS ENDED JANUARY 31, 2012 AND 2011

Reflecting the Company’s adoption of International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”)

Notice to Reader – From Shield Gold Inc.

The interim condensed unaudited financial statements of Shield Gold Inc. (the “Company” or “Shield Gold”) including the accompanying statements of financial position as at January 31, 2012, October 31, 2011 and November 1, 2010 and the statements of comprehensive loss, changes in shareholders’ equity and cash flows for the three month periods ended January 31, 2012 and 2011 are the responsibility of the Company’s management. The interim unaudited financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards for interim financial statements.

The interim unaudited financial statements as at and for the three month period ended January 31, 2012 have not been reviewed by the Company's auditors.

SHIELD GOLD INC.
(An Exploration Stage Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE MONTH PERIODS ENDED JANUARY 31, 2012 AND 2011

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SHIELD GOLD INC.
(An Exploration Stage Company)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

	As at		
	January 31, 2012	October 31, 2011 (Note 4)	November 1, 2010 (Note 4)
ASSETS			
CURRENT			
Cash and cash equivalents (note 8)	$ 63,161	$ 262,883	$ 223,502
Prepaid expenses	10,000	-	-
HST recoverable	30,812	22,415	16,038
	103,973	285,298	239,540
MINERAL PROPERTIES (note 5)	802,570	772,570	277,639
	$ 906,543	$ 1,057,868	$ 517,179
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities (note 7)	$ 175,286	$ 357,385	$ 112,290
Other liabilities	107,612	73,011	-
	282,898	430,396	112,290
SHAREHOLDERS' EQUITY			
SHARE CAPITAL (note 6(a))	1,248,026	1,200,326	873,578
RESERVE FOR WARRANTS (note 6(c))	115,128	132,673	37,972
RESERVE FOR SHARE-BASED PAYMENTS (note 6(b))	18,123	18,123	18,123
CONTRIBUTED SURPLUS (note 6(d))	109,539	74,295	74,295
DEFICIT	(867,171)	(797,945)	(599,079)
	623,645	627,472	404,889
	$ 906,543	$ 1,057,868	$ 517,179

GOING CONCERN CONSIDERATIONS (note 1)
COMMITMENTS (note 5)

Approved by the Board

(signed) "*Paul Ankcorn*" , Director

(signed) "*Howard Sinclair-Jones*" , Director

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

SHIELD GOLD INC.
(An Exploration Stage Company)

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

	For the three month ended	
	January 31, 2012	January 31, 2011
EXPENSES		
Professional fees	$ 14,627	$ -
Management fees (note 7)	24,000	24,000
Transfer agent regulatory and filing fees	929	2,635
General and administrative	-	1,783
Consulting fees (note 7)	29,500	4,500
Interest and bank charges	170	40
	69,226	32,958
OTHER INCOME		
Interest income	-	(617)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ 69,226	$ 32,341
Basic and diluted loss per share (note 3)	$ 0.003	$ 0.002
Weighted average number of shares outstanding	21,373,888	15,643,236

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

SHIELD GOLD INC.
(An Exploration Stage Company)

INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

	Common stock		Reserves for				
	Shares	Amount	Warrants	Share based payments	Contributed surplus	Deficit	Total
Balance, November 1, 2011	20,928,236	$ 1,200,326	$ 132,673	$ 18,123	$ 74,295	($ 797,945)	$ 627,472
Issued for cash under private placement	1,000,000	100,000	-	-	-	-	100,000
Fair value ascribed to warrants issued in private placement	-	(17,699)	17,699	-	-	-	-
Premium on flow-through shares	-	(34,601)	-	-	-	-	(34,601)
Fair value of warrants expired during the period	-	-	(35,244)	-	35,244	-	-
Net loss	-	-	-	-	-	(69,226)	(69,226)
Balance, January 31, 2012	21,928,236	$ 1,248,026	$ 115,128	$ 18,123	$ 109,539	($ 867,171)	$ 623,645
Balance, November 1, 2010	15,643,236	$ 873,578	$ 37,972	$ 18,123	$ 74,295	($ 599,079)	$ 404,889
Net loss	-	-	-	-		(32,341)	(32,341)
Balance, January 31, 2011	15,643,236	$ 873,578	$ 37,972	$ 18,123	$ 74,295	($ 631,420)	$ 372,548
Balance, November 1, 2010	15,643,236	$ 873,578	$ 37,972	$ 18,123	$ 74,295	($ 599,079)	$ 404,889
Issued for cash under private placement	5,285,000	528,500	-	-	-	-	528,500
Fair value ascribed to warrants issued in private placement	-	(92,951)	92,951	-	-	-	-
Share issue costs - cash	-	(34,040)	-	-	-	-	(34,040)
Share issue costs – broker's warrants	-	(1,750)	1,750	-	-	-	-
Premium on flow-through shares	-	(73,011)	-	-	-	-	(73,011)
Net loss	-	-	-	-	-	(198,866)	(198,866)
Balance, October 31, 2011	20,928,236	$ 1,200,326	$ 132,673	$ 18,123	$ 74,295	($ 797,945)	$ 627,472

SHIELD GOLD INC.
(An Exploration Stage Company)

INTERIM CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the three month ended	
	January 31, 2012	January 31, 2011
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss and comprehensive loss for the period	($ 69,226)	($ 32,341)
Net changes in non-cash working capital balances:		
Increase in HST recoverable	(8,397)	(4,721)
Increase in prepaid expenses	(10,000)	-
Decrease in accounts payable and accrued liabilities	(182,099)	(15,297)
Cash used in operating activities	(269,722)	(52,359)
CASH USED IN INVESTING ACTIVITIES:		
Mineral property acquisition costs	(30,000)	-
Cash used in investing activities	(30,000)	-
CASH PROVIDED BY FINANCING ACTIVITIES:		
Issuance of common shares, net of issue costs	100,000	-
Cash provided by financing activities	100,000	-
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(199,722)	(52,359)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	262,883	223,502
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	63,161	$ 171,143
SUPPLEMENTARY CASH FLOW INFORMATION		
Income taxes paid	$ -	$ -
Income taxes received	$ -	$ -
Interest paid	$ -	$ -
Interest received	$ -	$ 617
Non-cash activities:		
Fair value of warrants issued in private placement	$ 17,699	$ -

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

SHIELD GOLD INC.
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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE MONTH PERIODS ENDED JANUARY 31, 2012 AND 2011

1. NATURE OF BUSINESS AND GOING CONCERN CONSIDERATIONS:

Shield Gold Inc. (the "Company") was incorporated under the laws of the Province of Ontario, by Articles of Incorporation dated February 4, 2004. The Company is in the business of mineral exploration and is actively engaged in the acquisition and exploration of mineral properties in Canada. Substantially all of the efforts of the Company are devoted to these business activities. To date the Company has not earned significant revenue and is considered to be in the exploration stage. Shield Gold Inc. is a TSX Venture Tier 2 Company listed under the symbol "SHG". The Company's registered office is at 2 Queen St. East, Suite 1500, Toronto, Ontario, M5C 3G5.

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

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, as explained in the following paragraph.

The Company had a working capital deficiency of $178,925 (October 31, 2011 – $145,098; November 1, 2010 – working capital of $127,250), including $63,161 (October 31, 2011 – $262,883; November 1, 2010 – $223,502) in cash and cash equivalents as at January 31, 2012. At the same time, as at January 31, 2012, the Company has an accumulated deficit of $867,171 (October 31, 2011 – $797,945; November 1, 2010 – $599,079).

The Company anticipates having sufficient cash to meet its planned exploration work on its mineral property interests and meet its corporate administrative expenses for several months. However, the Company will require additional financing, through various means including but not limited to equity financing, to continue the exploration program and to meet its future option payment obligations and all of its general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds.

The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing capital, the Company's assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material

2. BASIS OF PRESENTATION:

In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS").

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION (continued):

Publicly accountable enterprises are required to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim condensed financial statements. In these interim condensed financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. Canadian GAAP differs in some areas from IFRS. The disclosures concerning the transition from Canadian GAAP to IFRS are included in note 4.

Statement of Compliance

The interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These are the Company's first IFRS interim condensed financial statements. Since these unaudited interim condensed financial statements are for part of the period covered by the Company's first IFRS financial statements for the year ended October 31, 2012, they are covered by IFRS 1 *First-time adoption of IFRS*. The IAS 34 interim financial statements do not include all of the information required for full annual financial statements.

As these are the Company's first set of interim financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2011 annual financial statements prepared in accordance with Canadian GAAP. In 2013 and beyond, the Company may not provide the same amount of disclosure in the Company's interim financial statements under IFRS as the reader will be able to rely on the annual financial statements which will be prepared in accordance with IFRS. The disclosures that accompany these interim financial statements do not include all of the information required for the full annual financial statements and are limited to the significant accounting policies applied and the significant judgments and estimates applicable to the preparation of the financial statements, and the other disclosure requirements of IFRS 1 *First-Time Adoption of IFRS* relevant to the financial statements (see note 4).

These interim condensed financial statements should be read in conjunction with the Company's 2011 annual financial statements and the explanations of how the transition to IFRS has affected the reported financial position and financial performance of the Company provided in note 4.

The policies applied in these interim condensed financial statements are based on IFRS issued and outstanding as of April 30, 2012, the date the Board of Directors approved the interim condensed financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending October 31, 2012 could result in restatement of these interim condensed financial statements.

Basis of Measurement

The interim condensed financial statements have been prepared on a historical cost basis.

Presentation Currency

These interim condensed financial statements are presented in Canadian dollars, which is the presentation currency of the Company.

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
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FOR THE THREE MONTH PERIODS ENDED JANUARY 31, 2012 AND 2011

2. BASIS OF PRESENTATION (continued):

Use of Estimates and Judgments

The preparation of interim condensed financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the interim condensed financial statements and related notes to the interim condensed financial statements. Actual results may differ from those estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

Significant estimates used in the preparation of these interim condensed financial statements include, but are not limited to, the recoverability of mineral properties, valuation of warrants, options and non-cash share issue costs, title to mineral property interests, deferred income tax valuation reserves, the recoverability of accounts receivable, the amounts recorded for related party transactions, estimate for accrued liabilities, the recording of liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, management going concern assessment, and the reported amounts of income and expenditures during the reporting period. Actual results could differ from management's best estimates.

3. SIGNIFICANT ACCOUNTING POLICIES:

MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

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

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

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)

Once technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'.

Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

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

CURRENT AND DEFERRED 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 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 for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the 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 against current tax 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, tax credits 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. Additional income taxes that arise from the distribution of dividends by the Company are recognized at the same time as the liability to pay the related dividend is recognized.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include liquid investments that can be converted into a known cash amount and which mature within less than three months from the date of acquisition. Balance also includes unspent cash committed to be expended on prescribed resource expenditures pursuant to flow-through common share agreements.

SHARE-BASED PAYMENTS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Upon exercise of the options, consideration paid by the option holder together with the fair value amount previously recognized in the reserve for stock based compensation account is recorded as an increase to share capital. For those options that expire after vesting, the recorded fair value is transferred to contributed surplus.

WARRANTS

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The fair value of the warrant is determined using the Black-Scholes option pricing model, while fair value of the share is based on the market value at the date of issuance. The relative value of the share component is credited to share capital and the relative value of the warrant component is credited to reserve for warrants account. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the reserve for warrants account is recorded as an increase to share capital. For those warrants that expire, the recorded value is transferred from reserve for warrants to contributed surplus.

BROKER WARRANTS:

The Company uses the fair value method based on the Black-Scholes pricing model to determine the fair value of the warrants issued to brokers and records a debit to share issue costs with a corresponding credit to reserve for warrants.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

SHARE CAPITAL

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the price per share paid in the most recent prior sale of shares for cash. Costs incurred to issue common shares are deducted from share capital.

LOSS PER SHARE

Basic loss per share is computed by dividing the net loss for the year available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. Diluted earnings per share are calculated giving effect to the potential dilution that could occur if securities or other contracts to common shares were exercised or converted to such shares at the later of the beginning of the year or the issuance date. The computation of diluted loss per share assumes the conversion or the exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. All options and warrants described below have been excluded from the calculation of diluted loss per share since they have an anti-dilutive effect and therefore basic and diluted loss per share is the same as of January 31, 2012, October 31, 2011 and November 1, 2010.

Shares held in escrow (refer to note 6(e)), other than where their release is subject only to the passage of time, have not been included in the calculation of the weighted average number of common shares outstanding for basic or diluted earnings per share

FLOW-THROUGH SHARES

Upon the issuance of flow through shares, the Company records the initial proceeds to capital stock, net of any tax liability, if any. The liability on the statement of financial position represents the premium of the financing price in excess of the market share price on the date of the flow through share financing. The financial liability pertaining to the premium is recognized in the statement of operations consistent with expenditure renunciations. As the Company incurs expenditures to meet flow through requirements, corresponding tax expenditure is recognized, reflecting tax renunciations.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. In addition, capitalized exploration and evaluation assets are assessed for impairment upon demonstrating the technical feasibility and commercial viability of the project.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into cash generating units ("CGU") for impairment purposes. Impairment exists when the carrying amount of the asset, or group of assets, exceeds its recoverable amount. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the statement of comprehensive loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized such that the recoverable amount has increased.

RECLAMATION OBLIGATIONS

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of an exploration and evaluation interest. The Company's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive.

The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value.

FINANCIAL ASSETS AND LIABILITIES

a) Recognition

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 initially recognized at fair value plus any directly attributable transactions costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Fair value through profit or loss

Financial assets and liabilities classified as fair value through profit or loss are initially recorded at fair value. Subsequent to initial recognition, they are measured at fair value and changes are recognized in profit or loss.

Other financial liabilities

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL ASSETS AND LIABILITIES (continued)

b) Classification

Financial asset/liability	Classification
Cash and cash equivalents	Fair value through profit and loss
Accounts payable and accrued liabilities	Other financial liabilities

c) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

d) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

e) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

f) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL ASSETS AND LIABILITIES (continued)

f) Fair value measurement (continued)

If a market for a financial instrument is not active, the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Company believes a third-party market participant would take them into account in pricing a transaction.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

FINANCIAL ASSETS AND LIABILITIES (continued)

f) Fair value measurement (continued)

- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and cash equivalents are considered Level 1 in the hierarchy.

g) Identification and measurement of impairment

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired.

A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or receivable by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets 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.

The Company writes off certain loans and receivable when they are determined to be uncollectible.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

PROVISIONS

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

NEW ACCOUNTING PRONOUNCEMENTS

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.

- IAS 1 *Presentation of financial statements* was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss. This standard is effective for annual periods beginning on or after July 1, 2012.

- IFRS 7 *Financial instrument – disclosure* was amended to require additional disclosure in respect of risk exposures arising from transferred financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. Additional amendment also provides guideline on the eligibility criteria for offsetting assets and liabilities as a single net amount in the statement of financial position. This amendment is effective for annual periods beginning on or after January 1, 2013.

- IAS 32 *Financial instrument – presentation* was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of set-off" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014.

- IFRS 13 *Fair Value Measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is 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. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

NEW ACCOUNTING PRONOUNCEMENTS

- IFRS 9 *Financial instruments* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial instruments – Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognize in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value change due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for all annual periods beginning on or after January 1, 2015.

4. TRANSITION TO IFRS:

The Company's financial statements for the year ending October 31, 2012 will be the first annual financial statements that comply with IFRS and these condensed interim financial statements were prepared as described in note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements, prepared under IFRS, by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2012 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was November 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be October 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Mandatory Exceptions:

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

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4. TRANSITION TO IFRS (continued):

IFRS Exemption Options:

Share-based payments - IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

Mineral property – IFRS 6 - Upon transition to IFRS, the Company retained its accounting policies and practices it has applied previously under Canadian GAAP, relating to the recognition of mineral property. The Company elected to use the cost model for its mineral property which is consistent with its policy under Canadian GAAP. The Company did not elect to measure mineral property at its deemed cost equivalent to fair value as at November 1, 2010 or revalue amounts previously determined under Canadian GAAP. Accordingly, the Company used the carrying values of its mineral properties and deferred exploration costs as the IFRS balances as at November 1, 2010.

Changes in accounting policies:

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

a) Share-based compensation

IFRS 2 is effective for the Company as of November 1, 2010 and is applicable to stock options and grants that are unvested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Stock options and share grants prior to November 7, 2002 are not taken into account for IFRS 2;
- Stock options and share grants subsequent to November 7, 2002 are only taken into account if they have not vested as at November 1, 2010; and,
- From November 1, 2010, all stock options, share grants and other share-based payments will be expensed in accordance with the policy stated in note 3.

Forfeitures

Canadian GAAP - Forfeitures of awards are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. No material difference was determined and consequently no adjustment was made.

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4. TRANSITION TO IFRS (continued):

Changes in accounting policies (continued)**:**

a) Share-based compensation (continued)

Expiration of share-based compensation

Canadian GAAP **–** Under Canadian GAAP, the Company's policy was to leave the value recorded for expired, unexercised stock options to contributed surplus.

IFRS **–** The Company has changed its policy regarding expired share-based compensation whereby amounts recorded for expired, unexercised stock options transferred from reserve for share-based payments to contributed surplus on expiry. There is no impact on the unaudited condensed interim financial statements upon adoption of the change in the accounting policy.

b) Reserves

Canadian GAAP **–** Under Canadian GAAP – Prior to 2011, the Company recorded the value of share based payments and warrants issued to contributed surplus.

IFRS **–** IFRS requires an entity to present for each component of equity, reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for warrants", "Reserves for share based payments" and any other component of equity.

c) Impairment of non-financial assets

Canadian GAAP – a write-down of the asset to estimated value is required only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS – a write-down of assets is required if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the unaudited condensed interim financial statements.

d) Flow-though shares

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

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4. TRANSITION TO IFRS (continued):

Changes in accounting policies (continued)**:**

d) Flow-though shares (continued)

IFRS – the obligation to renounce tax deductions at the time of issuance of flow-through shares is recorded as a liability in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* measured using a residual or a relative fair value method. This obligation is released into the statement of operations as a gain as and when the Company incurs qualifying expenditures (i.e. fulfilling its obligation to renounce tax attributes). A deferred tax liability is recognized (with a debit to the statement of operations), in accordance with IAS 12 *Income Taxes* in respect of the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position on its tax base.

There was no impact on the statement of financial position as at the Transition Date, November 1, 2010. As at October 31, 2011, $36,611 was debited to share capital, $36,400 was debited to future income tax recovery and $73,011 was credit to other liabilities.

e) Decommissioning liabilities

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. IFRS also requires that the discount rate used should reflect the risks specific to the decommissioning liability, while Canadian GAAP requires the use of a discount rate that reflects the Company's credit adjusted risk free rate.

The Company's accounting policies related to decommissioning liabilities has been changed to reflect these differences. However, to date, the Company does not have any decommissioning liabilities and therefore there is no impact on the unaudited condensed interim financial statements.

f) Warrants

Canadian GAAP – the Company was determining fair value of warrants issued as part of private placement using residual value method.

IFRS – the Company has adopted relative fair value method of warrant valuation using the Black-Scholes option pricing model. This resulted in the retrospective adjustment to the reserve for warrants of $3,244 as at November 1, 2010 and $43,345 as at October 31, 2011, with corresponding amounts being debited to share capital.

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4. TRANSITION TO IFRS (continued):

g) Presentation

The presentation in accordance with IFRS differs from the presentation in accordance with Canadian GAAP. Please refer to the interim statements of financial position and interim statements of comprehensive loss, and changes in equity for the impact of the specific IFRS changes noted above.

Reconciliations of Canadian GAAP to IFRS

The reconciliations between the previously reported financial results under Canadian GAAP and the current reported financial results under IFRS are provided as follows:

- Reconciliation of the statement of financial position as at November 1, 2010;
- Reconciliation of the statement of financial position as at January 31, 2011;
- Reconciliation of the statement of financial position as at October 31, 2011;
- Reconciliation of the statement of comprehensive loss for the three months ended January 31, 2011; and
- Reconciliation of the statement of comprehensive loss for the year ended October 31, 2011.

No reconciliation is required for the statement of cash flows as there are no significant adjustments to the net cash flows.

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4. TRANSITION TO IFRS (continued):

Reconciliation of the statement of financial position as at November 1, 2010:

	Canadian GAAP	IFRS adjustment	Reference	IFRS
ASSETS				
CURRENT				
Cash and cash equivalents	$ 223,502	$ -		$ 223,502
HST recoverable	16,038	-		16,038
	239,540	-		239,540
MINERAL PROPERTIES	277,639	-		277,639
	$ 517,179	$ -		$ 517,179
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$ 112,290	$ -		$ 112,290
SHAREHOLDERS' EQUITY				
SHARE CAPITAL	876,822	(3,244)	(f)	873,578
RESERVE FOR WARRANTS	34,728	3,244	(f)	37,972
RESERVE FOR SHARE-BASED PAYMENTS	18,123	-		18,123
CONTRIBUTED SURPLUS	74,295	-		74,295
DEFICIT	(599,079)	-		(599,079)
	404,889	-		404,889
	$ 517,179	$ -		$ 517,179

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4. TRANSITION TO IFRS (continued):

Reconciliation of the statement of financial position as at January 31, 2011:

	Canadian GAAP	IFRS adjustment	Reference	IFRS
ASSETS				
CURRENT				
Cash and cash equivalents	$ 171,143	$ -		$ 171,143
HST recoverable	20,759	-		20,759
	191,902	-		191,902
MINERAL PROPERTIES	277,639	-		277,639
	$ 469,541	$ -		$ 469,541
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$ 96,993	$ -		$ 96,993
SHAREHOLDERS' EQUITY				
SHARE CAPITAL	876,822	(3,244)	(f)	873,578
RESERVE FOR WARRANTS	34,728	3,244	(f)	37,972
RESERVE FOR SHARE-BASED PAYMENTS	18,123	-		18,123
CONTRIBUTED SURPLUS	74,295	-		74,295
DEFICIT	(631,420)	-		(631,420)
	372,548	-		372,548
	$ 469,541	$ -		$ 469,541

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4. TRANSITION TO IFRS (continued):

Reconciliation of the statement of financial position as at October 31, 2011:

	Canadian GAAP	IFRS adjustment	Reference	IFRS
ASSETS				
CURRENT				
Cash and cash equivalents	$ 262,883	$ -		$ 262,883
HST recoverable	22,415	-		22,415
	285,298	-		285,298
MINERAL PROPERTIES	772,570	-		772,570
	$ 1,057,868	$ -		$ 1,057,868
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$ 357,385	-		$ 357,385
Other liabilities	-	73,011		73,011
	357,385	73,011	(d)	430,396
SHAREHOLDERS' EQUITY				
SHARE CAPITAL	1,280,282	(79,956)	(d), (f)	1,200,326
RESERVE FOR WARRANTS	89,328	43,345	(f)	132,673
RESERVE FOR SHARE-BASED PAYMENTS	18,123	-		18,123
CONTRIBUTED SURPLUS	74,295	-		74,295
DEFICIT	(761,545)	(36,400)	(d)	(797,945)
	700,483	(73,011)		627,472
	$ 1,057,868	$ -		$ 1,057,868

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4. TRANSITION TO IFRS (continued):

Reconciliation of the statement of comprehensive loss for the three months ended January 31, 2011:

	Canadian GAAP	IFRS adjustment	Reference	IFRS
EXPENSES				
Professional fees	$ -	$ -		$ -
Management fees	24,000	-		24,000
Transfer agent regulatory and filing fees	2,635	-		2,635
General and administrative	1,783	-		1,783
Consulting fees	4,500	-		4,500
Interest and bank charges	40	-		40
	32,958	-		32,958
OTHER INCOME				
Interest income	(617)	-		(617)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ 32,341	$ -		$ 32,341
Basic and diluted loss per share	$ 0.002			$ 0.002
Weighted average number of shares outstanding	15,643,236			15,643,236

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4. TRANSITION TO IFRS (continued):

Reconciliation of the statement of comprehensive loss for the year ended October 31, 2011:

	Canadian GAAP	IFRS adjustment	Reference	IFRS
EXPENSES				
Professional fees	$ 55,434	$ -		$ 55,434
Management fees	96,000	-		96,000
Transfer agent regulatory and filing fees	17,479	-		17,479
General and administrative	10,992	-		10,992
Consulting fees	19,000	-		19,000
Interest and bank charges	578	-		578
	199,483	-		199,483
OTHER INCOME				
Interest income	(617)	-		(617)
LOSS BEFORE INCOME TAXES	198,866	-		198,866
Future income tax recovery	(36,400)	36,400	(d)	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ 162,466	$ 36,400		$ 198,866
Basic and diluted loss per share	$ 0.008			$ 0.011
Weighted average number of shares outstanding	18,756,318			18,756,318

5. MINERAL PROPERTIES AND COMMITMENTS:

Accumulated mineral property costs have been incurred as follows:

Period ended January 31, 2012

	Balance, beginning of period	Acquisition	Exploration	Write-downs/ reclassification	Balance, end of period
Quebec					
Summit-Gaber (a)	$ 718,821	$ 30,000	$ -	($ 53,044)	$ 695,777
La Grande Nord (b)	53,749	-	-	53,044	106,793
	$ 772,570	$ 30,000	$ -	$ -	$ 802,570

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5. MINERAL PROPERTIES AND COMMITMENTS (continued):

Period ended January 31, 2012

During the period ended January 31, 2012, the Company reviewed its exploration data and it was determined that La Grande Nord expenditures of $53,044 were allocated to Summit-Gaber. A reclassification was made accordingly.

Year ended October 31, 2011

	Balance, beginning of year	Acquisition	Exploration	Write-downs (reclassification)	Balance, end of year
Quebec					
Summit-Gaber (a)	$ 267,639	$ -	$ 482,015	($ 30,833)	$ 718,821
La Grande Nord (b)	10,000	10,000	2,916	30,833	53,749
	$ 277,639	$ 10,000	$ 484,931	$ -	$ 772,570

During the year ended October 31, 2011, the Company reviewed its exploration data and it was determined that La Grande Nord expenditures of $30,833 were allocated to Summit-Gaber. A reclassification was made accordingly.

Year ended October 31, 2010

	Balance, beginning of year	Acquisition	Exploration	Write-downs (reclassification)	Balance, end of year
Quebec					
Summit-Gaber (a)	$ -	$ 55,000	$ 212,639	$ -	$ 267,639
La Grande Nord (b)		10,000	-	-	10,000
	$ -	$ 65,000	$ 212,639	$ -	$ 277,639

a) Summit-Gaber Property

On September 29, 2010, the Company entered into an Option and Joint Venture Agreement (the "Agreement") with Eloro Resources Ltd. to acquire a 50% interest over a three year period in certain mineral claims referred to as the Summit-Gaber Property in La Grande Greenstone Belt, Quebec. The property is subject to a 1% net smelter royalty. In order to earn a 50% interest in the Summit-Gaber Property the Company is required to fulfil the following commitments:

Due Date	Cash Payment	Shares	Exploration Expenditures
November 30, 2009	$ 25,000 (fulfilled)	-	$ -
September 29, 2010	25,000 (fulfilled)	100,000 (fulfilled)	-
September 29, 2011	30,000 (fulfilled)	-	250,000 (fulfilled)
September 29, 2012	-	200,000	450,000
September 29, 2013	-	300,000	800,000
	$ 80,000	600,000	$ 1,500,000

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5. MINERAL PROPERTIES AND COMMITMENTS (continued):

a) Summit-Gaber Property (continued)

Upon the satisfaction of the above mentioned commitments, the Company will have exercised the option and acquired an undivided 50% interest in the Summit-Gaber Property. Once the option has been exercised, the Company and Eloro Resources Ltd. intend on forming a joint venture for the purposes of further exploration and development of the Summit-Gaber Property.

Eloro Resources Ltd. and the Company have common directors.

b) La Grande Nord Property

On September 10, 2010, the Company entered into an Option and Joint Venture Agreement (the "Agreement") with Virginia Mines Inc. to earn a 50% interest over a five year period in certain mineral claims referred to as the La Grande Nord Property located in the La Grande Greenstone Belt, Quebec.

The property is subject to a 1.5% net smelter royalty.

In order to earn a 50% interest in the La Grande Nord Property the Company is required to fulfil the following commitments:

Due Date	Cash or Shares Payment (see below)	Exploration Expenditures
October 10, 2010	$ 10,000 (fulfilled in cash)	$ -
September 10, 2011	10,000 (fulfilled in cash)	50,000 (fulfilled)
September 10, 2012	10,000	200,000
September 10, 2013	-	200,000
September 10, 2014	-	250,000
September 29, 2015	-	300,000
	$ 30,000	$ 1,000,000

The above mentioned option payments can be made in cash or shares at the discretion of the Company. The number of common shares to be issued by the Company and the price of issuance will be determined by dividing the cash payment owed to Virginia Mines Inc. by the weighted average closing price of the Company's shares on the Exchange for the 3 trading days immediately preceding the date of payment pursuant to the Agreement, subject to regulatory approval.

Upon the satisfaction of the above mentioned commitments, the Company will have exercised the option and acquired an undivided 50% interest in the La Grande Nord Property. Once the option has been exercised, the Company and Virginia Mines Inc. intend on forming a joint venture for the purposes of further exploration and development of the La Grande Nord Property.

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6. SHARE CAPITAL:

a) Common shares

Authorized:

Unlimited number of common shares

Unlimited number of preferred shares issuable in series and classes as may be determined by the Directors of the Company

Unlimited number of special non-voting shares issuable in series and classes as may be determined by the Directors of the Company

Issued and outstanding:

	January 31, 2012		October 31, 2011		October 31, 2010	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance, beginning of the period	20,928,236	$ 1,200,326	15,643,236	$ 873,578	12,343,236	$ 775,080
Issued pursuant to flow-through private placement at $0.10 (2011 - $0.10; 2010 - $0.05) per unit (i)	1,000,000	100,000	4,650,000	465,000	2,600,000	130,000
Issued pursuant to private placement at $nil (2011 - $0.10; 2010 - $0.05) per unit (i)	-	-	635,000	63,500	600,000	30,000
Fair market value of warrants issued concurrently with above private placements (i)	-	(17,699)	-	(92,951)	-	(35,244)
Fair value of broker's warrants issued as finders' fees (i)	-	-	-	(1,750)	-	(2,728)
Issued pursuant to the Summit-Gaber Option and Joint Venture Agreement at $0.05 per share (ii)	-	-	-	-	100,000	5,000
Premium on flow-through shares (iii)	-	(34,601)	-	(73,011)	-	-
Share issue costs	-	-	-	(34,040)	-	(28,530)
Balance, end of the period	21,928,236	$ 1,248,026	20,928,236	$ 1,200,326	15,643,236	$ 873,578

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6. SHARE CAPITAL (continued):

a) Common shares (continued)

Issued and outstanding (continued):

i) Share issued in private placements

Period ended January 31, 2012

On December 22, 2011, the Company has completed a private placement and issued 1,000,000 flow-through units at a price of $0.10 per unit for gross proceeds of $100,000. Each unit is composed of one flow-through common share of the Company and one-half of one common share purchase warrant. Each full common share purchase warrant will entitle the holder to acquire one additional common share at an exercise price of $0.15 per share for a period of 18 months from the date of issuance. The fair value of the warrants issued in connection with the above private placement was $17,699. The fair value of aforementioned warrants was calculated using relative fair value method with the use of Black-Scholes option pricing model.

Year ended October 31, 2011

In April 2011, the Company closed a $528,500 non-brokered private placement equity financing. The Company issued 4,650,000 flow-through units (“FT units”) and 635,000 non-flow-through units (“NFT units”), at a price of $0.10 per FT unit and NFT unit, for gross proceeds of $465,000 and $63,500 respectively (the “Financing”). Each FT unit consisted of one flow-through common share and one half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.15 for a period of 24 months from the closing of the Financing. In addition, each NFT unit consisted of one common share and one common share purchase warrant which entitled the holder to purchase one common share at a price of $0.15 for a period of 24 months from the closing of the Financing. In connection with private placements, the Company issued 98,000 broker’s warrants with a fair value of $1,750 (see note 6(c) for warrant valuation information). Each broker’s warrant is exercisable for a two year period into one NFT unit at an exercise price of $0.10 per unit. In addition, finder’s fees of $31,370 were paid in connection with the above mentioned private placements. The fair value of the warrants and broker’s warrants issued in connection with the above private placements was $92,951 and $1,750, respectively. The fair value of the aforementioned securities was calculated as described in the Company’s accounting policies (note 3).

Year ended October 31, 2010

On July 16, 2010, the Company closed a $160,000 non-brokered private placement equity financing. The Company issued 2,600,000 flow-through units (“FT units”) and 600,000 non-flow-through units (“NFT units”), at a price of $0.05 per FT unit and NFT unit, for gross proceeds of $130,000 and $30,000 respectively (the “Financing”).

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6. SHARE CAPITAL (continued):

a) Common shares (continued)

Issued and outstanding (continued):

i) Share issued in private placements (continued)

Year ended October 31, 2010 (continued)

Each FT unit consists of one flow-through common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.10 for a period of 18 months from the closing of the financing. In addition, each NFT unit consists of one common shares and one common share purchase warrant entitling the holder to purchase one common shares at a price of $0.10 for a period of 18 months from the closing of the financing.

In connection with the above mentioned financings, the Company paid finders' fees of $9,200 in cash and issued 220,000 broker's warrants with respect to the above noted private placements. Each broker's warrant is exercisable until July 16, 2012 into one unit at an exercise price of $0.10 per unit. Each unit is comprised of one common share and one-half of one common shares purchase warrant (each whole warrant, a "warrant"). Each warrant entitles the holder to acquire one common share for a purchase price of $0.10 up to July 16, 2012.

The fair value of the warrants and broker's warrants issued in connection with the above private placement was $35,244 and $2,728, respectively. The fair value of the aforementioned securities was calculated as described in the Company's accounting policies (note 3).

ii) Shares issued for property

During the year ended October 31, 2010, the Company issued 100,000 common shares at a deemed price of $0.05 per share pursuant to the Option and Joint Venture Agreement with Eloro Resources Ltd.

iii) Premium on flow-through shares

During fiscal 2011, exploration expenditures relating to proceeds of issuance of flow-through shares totalling $130,000 were renounced and as a result the Company no longer has the ability to use these expenditures for tax purposes. During the year ended October 31, 2011 and period ended January 31, 2012, the Company has issued flow-through shares for gross proceeds of $465,000 and $100,000 respectively. This resulted in a combined liability of $107,612 being recorded on the statement of financial position, which represent premium paid by investors for flow-through shares. Once appropriate filings are made with tax authorities, exploration expenditures for the gross amount of the aforementioned proceeds in the amount of $565,000 would be renounced for the benefit investors and balance of premium would be recorded as other income.

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6. SHARE CAPITAL (continued):

b) Stock options and stock-based compensation

The shareholders have approved a Stock Option Plan (the "Plan") that provides for the issue of up to 10% (the "Threshold) of the number of issued and outstanding common shares of the Company to eligible employees, directors, officers and consultants of the Company ("Participants"). The issuance of stock options may exceed the Threshold if the Company receives the permission of the stock exchange.

The Plan authorizes the granting of options to purchase common shares of the Company at a price that is not less than that permitted under the rules of any stock exchange or exchanges on which the Company's shares are then listed. The vesting of options is determined by the board of directors, but cannot exceed a maximum term of 10 years.

The number of options granted to any one consultant in a twelve month period shall not exceed 2% of the total number of issued and outstanding common shares.

The aggregate number of common shares reserved for issuance to any one Participant of the Plan shall not exceed 5% of the total number of issued and outstanding common shares of the Company in any twelve month period unless the Company receives the permission of the stock exchange.

The aggregate number of options granted to persons employed to provide investor relations activities shall not exceed 2% of the total number of issued and outstanding Shares in any twelve month period.

The following summarizes the stock options that have been granted, exercised, forfeited or cancelled during the period ended January 31, 2012 and years ended October 31, 2011 and 2010:

	January 31, 2012		October 31, 2011		October 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the period	965,454	$ 0.10	965,454	$ 0.10	1,665,454	$ 0.10
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited or cancelled	-	-	-	-	(700,000)	0.10
Balance, end of the period	965,454	$ 0.10	965,454	$ 0.10	965,454	$ 0.10

During the year ended October 31, 2010, 700,000 agents' options to Global Securities Corporation and Integral Wealth Securities Limited issued upon the completion of the Company's initial public offering were forfeited without exercise. As a result, the fair value of $31,348 relating to these stock options has been reallocated to the contributed surplus.

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6. SHARE CAPITAL (continued):

b) Stock options and stock-based compensation (continued)

The following table summarizes the options outstanding and exercisable at January 31, 2012:

Number of Options	Exercise Price	Expiry Date
965,454	$0.10	May 29, 2014

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

The fair value of stock options are comprised of the following during the period ended January 31, 2012 and years ended October 31, 2011 and 2010:

	January 31 2012	October 31, 2011	October 31, 2010
Balance, beginning of period	$ 18,123	$ 18,123	$ 49,471
Fair value of options granted	-	-	-
Fair value of options cancelled	-	-	-
Fair value of options forfeited	-	-	(31,348)
Balance, end of period	$ 18,123	$ 18,123	$ 18,123

c) Warrants

A summary of the status of the warrants as of January 31, 2012 and October 31, 2011 and 2010 and changes during the periods are presented below:

	January 31, 2012		October 31, 2011		October 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the period	6,478,000	$ 0.12	3,420,000	$ 0.10	-	$ -
Issued pursuant to private placements (note 6 (a)(i))	500,000	0.15	2,960,000	0.15	3,200,000	0.10
Broker's warrants issued (note 6(a)(i))	-	-	98,000	0.10	220,000	0.10
Exercised	-	-	-	-	-	-
Expired	(3,200,000)	0.10	-	-	-	-
Balance, end of the period	3,778,000	$ 0.15	6,478,000	$ 0.12	3,420,000	$ 0.10

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6. SHARE CAPITAL (continued):

c) Warrants (continued)

As of January 31, 2012, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number of Warrants	Weighted average exercise price	Fair value
July 16, 2012	220,000 (i)	$ 0.10	$ 2,728
April 7, 2013	2,960,000 (ii)	$ 0.15	92,951
April 7, 2013	98,000 (iii)	$ 0.10	1,750
May 22, 2013	500,000 (iv)	$ 0.15	17,699
	3,778,000		$ 115,128

i) In connection with private placements during the year ended October 31, 2010, the Company issued 220,000 broker's warrants. Each broker's warrant is exercisable until July 16, 2012 into one unit at an exercise price of $0.10 per unit. Each unit is comprised of one common share and one-half of one common shares purchase warrant (each whole warrant a "warrant"). Each warrant entitles the holder to acquire one common share for a purchase price of $0.10 up to July 16, 2012.

ii) Each warrant entitles the holder to purchase one common shares at a price of $0.15 for a period of two years.

iii) In connection with private placements during the year ended October 31, 2011, the Company issued 98,000 broker's warrants. Each broker's warrant is exercisable for a two year period into one unit at an exercise price of $0.10 per unit. Each unit consists of one common share and one common share purchase warrant which entitled the holder to purchase one common share at a price of $0.15 for a period of 2 years.

iv) Each warrant entitles the holder to purchase one common shares at a price of $0.15 for a period of 18 month.

The fair value of warrants is comprised of the following during the period ended January 31, 2012 and years ended October 31, 2011 and 2010:

	January 31 2012	October 31, 2011	October 31, 2010
Balance, beginning of period	$ 132,673	$ 37,972	$ -
Warrants issued in connection with private placements (note 6(a)(i); see (i) below)	17,699	92,951	35,244
Broker's warrants issued in connection with private placements (note 6(a)(i); see (ii) below)	-	1,750	2,728
Fair value of warrants exercised	-	-	-
Fair value of warrants expired	(35,244)	-	-
Balance, end of period	$ 115,128	$ 132,673	$ 37,972

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6. SHARE CAPITAL (continued):

c) Warrants (continued)

i) The following assumptions were used for the Black-Scholes valuation of warrants issued as part of private placements during the period ended January 31, 2012 and years ended October 31, 2011 and 2010.

	January 31 2012	October 31, 2011	October 31, 2010
Risk-free interest rate	0.90%	1.88%	1.56%
Expected life	1.5 years	2 years	1.5 years
Price volatility	110%	110%	110%
Dividend yield	0.00%	0.00%	0.00%

ii) The following assumptions were used for the Black-Scholes valuation of broker's warrants issued during the period ended January 31, 2012 and years ended October 31, 2011 and 2010:

	January 31 2012	October 31, 2011	October 31, 2010
Risk-free interest rate	Nil	1.78%	1.56%
Expected life	Nil	2 years	2 years
Price volatility	Nil	100%	100%
Dividend yield	Nil	0.00%	0.00%

d) Contributed surplus

	January 31 2012	October 31, 2011	October 31, 2010
Balance, beginning of period	$ 74,295	$ 74,295	$ 42,947
Fair value of warrants cancelled	-	-	-
Fair value of warrants expired	35,244	-	-
Fair value of broker's warrants cancelled	-	-	-
Fair value of broker's warrants expired	-	-	-
Fair value of options cancelled	-	-	-
Fair value of options forfeited	-	-	31,348
Balance, end of period	$ 109,539	$ 74,295	$ 74,295

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6. SHARE CAPITAL (continued):

e) Escrow agreement

Pursuant to the Escrow Agreement, as of January 31, 2012, 3,702,971 (October 31, 2011 – 3,702,971) common shares were held in escrow.

The Escrow Agreement provides for a three-year escrow release mechanism with:

i) 10% of the escrowed securities being releasable upon the issuance of the Final Exchange Bulletin; and
ii) 15% of the escrowed securities being releasable in 6 month intervals from October 31, 2010 on each of 6, 12, 18, 24, 30 and 36.

7. RELATED PARTY TRANSACTIONS:

The following related party transactions occurred and were reflected in the financial statements during the periods January 31, 2012 and 2011 as follows:

		2012		2011
Management fees expense:				
Management fees were charged by a company controlled by the Chief Executive Officer for corporate administrative and investor relations services	$	18,000	$	18,000,
Management fees were charged by the Chief Financial Officer for financial management services	$	6,000	$	6,000
Consulting fees expense:				
Consulting fees were charged by an officer for corporate administrative services	$	18,000	$	4,500

As at January 31, 2012, accounts payable and accrued liabilities include $27,040 (October 31, 2011 - $1,500; November 1, 2010 - $1,500) owing to an officers of the Company.

Refer to notes 5 and 6 for additional related party information.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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8. CASH AND CASH EQUIVALENTS:

The Company is committed to spend $97,234, being the remaining proceeds of a flow-through share issuance resulting from a private placements of 4,650,000 flow-through units in April 2011 and 1,000,000 flow-through units in December 2011 (see note 6 (a)(i). The stock qualified as flow-through shares under the Income Tax Act (Canada) and the corresponding expenditures are to be made by the Company on or before December 31, 2012.

9. CAPITAL MANAGEMENT:

The Company considers its capital to include components of shareholders' equity, which is comprised of share capital, reserve for warrants, reserve for share-based payments, contributed surplus and deficit, which as at January 31, 2012 amounted to $623,645 (October 31, 2011 – $627,472; November 1, 2010 - $404,889).

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

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

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

There were no changes in the Company's approach to capital management during the period ended January 31, 2012. The Company is not subject to externally imposed capital requirements.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

Overview

The Company is engaged primarily in the mineral exploration field and accordingly it may be at risk for environmental issues and fluctuations in commodity pricing relating to the mineral extraction and exploration industry. The Company is subject to provincial and federal environmental regulations. Management has designed procedures and policies to provide for environmental compliance however, due to the diversity of environmental laws and regulations, compliance at all times cannot be assured.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued):

Overview (continued)

Although management has taken steps to verify title on the properties on which it conducts exploration and in which it has an interest, these procedures may not guarantee the Company's title. Property title may be at risk from unregistered prior agreements, unregistered claims, other land claims and noncompliance with regulatory and environmental requirements.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity and funding risk
- Market risk

The Board of Directors approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's exposure to credit risk is on its cash and cash equivalents. Cash and cash equivalents consist primarily of cash bank balances and Guaranteed Investment Certificates ("GIC") issued by the bank. The Company manages the credit exposure related to cash by holding its funds with reputable financial institutions. As of January 31, 2012, the Company's maximum credit exposure for cash and cash equivalents and committed cash is the aggregate carrying value of $63,161 (October 31, 2011 - $262,883; November 1, 2010 - $223,502).

Liquidity risk

Liquidity and funding risk is the risk that the Company will not have sufficient capital to meet short-term operating requirements, after taking into account the Company's holdings of cash and cash equivalents and committed cash.

As at January 31, 2012, the Company's working capital deficiency is $178,925 (October 31, 2011 - $145,098; November 1, 2010 – working capital $127,250). In the case of cash deficits arising from exploration commitments and general operating budgets, the Company will have to seek debt or equity financing. There are no assurances that such financing will be available on terms acceptable to the Company.

The Company determined that it will require additional capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and cash equivalents. The Company is actively looking to raise cash funds from private placements. The Company's cash and cash equivalents balance is invested in business accounts and a GIC and is available on demand.

Market risk

Foreign currency risk – The Company is not exposed to any fluctuation in foreign exchange rates because the Company does not hold any foreign dominated financial assets or liabilities.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued):

Interest rate risk – Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments.

The Company's interest rate risk is limited to the rate of return on its investment in cash and a GIC. The Company's return on its cash deposits and GIC is tied to the Canadian short-term interest rates which have declined during the period ended January 31, 2012. The Company is otherwise not subject to any significant interest rate risk. The effect of a 1% increase or decrease in interest rates on the Company's GIC will cause the interest income to increase or decrease by approximately $nil (October 31, 2011 - $nil; October 31, 2010- $1,500). The analysis assumes all other variables remain constant.

Equity price risk – The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk – The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company. The Company monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period.

- Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of minerals may be produced in the future, a profitable market will exist for them.

- The Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company.

As of January 31, 2012, the Company is not a producer of minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

11. SEGMENTED INFORMATION:

The Company operates in one operating reporting segment, being mineral exploration and development. In addition, all of the Company's assets and expenses are in Canada.

12. COMPARATIVE FIGURES:

Certain figures shown for comparative purposes have been reclassified to conform to the classifications adopted in the current period.

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13. INCOME TAXES:

a) The Company's provision for income taxes differ from the amounts computed by applying the basic current rates to loss for the year before taxes, as shown in the following table:

	For three month period ended January 31, 2012	January 31, 2011
Net loss before income taxes	(69,226)	(32,341)
Expected income tax recovery at the combined Federal and Provincial statutory tax rate of 26% (2011 – 28%)	(17,999)	(9,055)
Difference resulting from:		
Deductable share issue costs	(1,450)	(1,085)
Non-deductable portion of meals and entertainment	-	285
Unrecognized tax losses	19,449	9,855
Future income tax (recovery)	-	-

b) The tax effects of non-capital losses and other temporary differences that give rise to future income tax assets at the enacted income tax rates (January 31, 2012 – 26%; October 31, 2011 – 28%) to which a valuation allowance has been applied at January 31, 2012 and October 31, 2011 are as follows:

	January 31, 2012	October 31, 2011
Future tax assets (liabilities)		
Non-capital loss carryforward	$ 233,263	$ 231,823
Mineral properties	(36,400)	(36,400)
Share issue costs	18,426	25,671
	215,289	221,094
Less: valuation allowance	(215,289)	(221,094)
Net future income tax asset	-	-

The potential tax benefit of these losses has not been recognized in these financial statements. The Company has recorded a valuation allowance in the financial statements since the Company does not consider it more likely than not that the future tax assets will be realized in the foreseeable future.

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13. INCOME TAXES:

c) As of January 31, 2012, the Company has non-capital losses in Canada of approximately $ (October 31, 2011 - $827,941; November 1, 2010 - $610,086) available for deductions against future taxable income, the balances of which will expire as follows:

Year		Amount
2024	$	17,460
2025		14,298
2026		117,829
2027		57,816
2028		99,020
2029		119,232
2030		184,431
2031		217,855
2032		69,226
	$	897,167