

RT MINERALS CORP.

(A Development Stage Company)

INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED AUGUST 31, 2011 AND 2010

UNAUDITED

RT MINERALS CORP.

INTERIM FINANCIAL STATEMENTS AUGUST 31, 2011 AND 2010 (UNAUDITED – SEE “NOTICE TO READER” BELOW)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited financial statements for the periods ended August 31, 2011 and 2010 in accordance with Section 7050 or the CICA Handbook.

NOTICE TO READER OF THE INTERIM FINANCIAL STATEMENTS

The financial statements of RT Minerals Corp. and the accompanying interim balance sheet as at August 31, 2011 and the interim statements of operations, comprehensive loss and shareholder's equity and cash flows for the nine months ended August 31, 2011 and 2010 are the responsibility of the Company's management. These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, BDO Canada LLP.

The 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 Canadian generally accepted accounting principles. The Audit Committee of the Board of Directors, consisting of three members, has reviewed the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

“Donald (Dan) M. Clark”

“Sandra Wong”

Donald (Dan) M. Clark
Chief Executive Officer

Sandra Wong
Chief Financial Officer

October 28, 2011

October 28, 2011

RT MINERALS CORP.
(A Development Stage Company)
BALANCE SHEETS
August 31, 2011 and November 30, 2010
(Unaudited)

<u>ASSETS</u>	August 31, <u>2011</u>	November 30, <u>2010</u>
Current		
Cash and cash equivalents	\$ 1,872,111	\$ 134,778
Short term investments – Notes 3 and 5	250,000	144,000
Amounts receivable	203,362	133,939
Prepaid expenses – Note 8	<u>27,572</u>	<u>17,295</u>
	2,353,045	430,012
Equipment – Note 4	10,716	-
Resource property costs – Notes 3, 5 and 8	<u>3,415,513</u>	<u>3,562,786</u>
	<u>\$ 5,779,274</u>	<u>\$ 3,992,798</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 349,056	\$ 111,186
Due to related parties – Notes 6 and 8	<u>401,248</u>	<u>339,617</u>
	750,304	450,803
Future income tax liability – Note 7	<u>90,837</u>	<u>48,000</u>
	841,141	498,803

SHAREHOLDERS' EQUITY

Share capital – Notes 5 and 7	8,473,490	4,291,027
Contributed surplus – Note 7	1,083,925	692,403
Deficit	<u>(4,619,282)</u>	<u>(1,489,435)</u>
	<u>4,938,133</u>	<u>3,493,995</u>
	<u>\$ 5,779,274</u>	<u>\$ 3,992,798</u>

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitments – Notes 5, 7 and 10

APPROVED BY THE DIRECTORS:

<i>“Donald (Dan) M. Clark”</i> Donald (Dan) M. Clark	Director	<i>“Paul Antoniazzi”</i> Paul Antoniazzi	Director
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SEE ACCOMPANYING NOTES

RT MINERALS CORP.
(A Development Stage Company)
INTERIM STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
for the nine months ended August 31, 2011 and 2010
(Unaudited)

	Three Months Ended August 31,		Nine Months Ended August 31,	
	<u>2011</u>	<u>2010</u> (Restated – Note 14)	<u>2011</u>	<u>2010</u> (Restated – Note 14)
General and administration expenses				
Accounting and audit fees	\$ 1,260	\$ 20,475	\$ 43,486	\$ 31,620
Administrative and consulting fees – Note 8	33,000	12,000	86,000	52,451
Amortization	574	-	765	-
Filing fees	38,479	5,900	46,944	149,486
Investor communications	10,719	12,866	39,088	77,136
Legal fees	12,290	24,608	64,899	76,912
Management salaries – Note 8	17,950	31,275	83,321	109,025
Office Expenses	20,622	12,404	59,232	43,785
Part XII.6 Tax	3,507	724	11,327	6,072
Stock-based compensation	-	-	300,000	437,000
Transfer agent	1,235	2,301	8,921	9,661
Travel and automobile	<u>16,926</u>	<u>7,659</u>	<u>42,182</u>	<u>31,908</u>
Loss before other items	(156,562)	(130,212)	(786,165)	(1,025,056)
Other items:				
Write-off of mineral properties – Note 5	-	-	(4,802)	(307,481)
Interest income	4,913	1,298	17,941	2,910
Office expense recovery	2,664	-	2,664	-
Unrealized gain on short term investments	<u>(20,000)</u>	<u>(25,000)</u>	<u>6,000</u>	<u>(35,000)</u>
Loss before income tax provision	(168,985)	(153,914)	(764,362)	(1,364,627)
Recovery of future income tax asset – Note 14	<u>231,385</u>	<u>32,000</u>	<u>974,117</u>	<u>320,000</u>
Net income (loss) and comprehensive income (loss) for the period	<u>\$ 62,400</u>	<u>\$ (121,914)</u>	<u>\$ 209,755</u>	<u>\$ (1,044,627)</u>
Basic and diluted income (loss) per share	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.03)</u>
Weighted average number of shares outstanding	<u>69,815,750</u>	<u>39,171,196</u>	<u>66,603,259</u>	<u>31,841,423</u>
Deficit, beginning of the period	\$ (3,924,037)	\$ (1,501,104)	\$ (1,489,435)	\$ (578,391)
Net income (loss) and comprehensive income (loss) for the period	62,400	(121,914)	209,755	(1,044,627)
Mineral property acquisition – Note 5	<u>(757,644)</u>	<u>-</u>	<u>(3,339,601)</u>	<u>-</u>
Deficit, end of the period	<u>\$ (4,619,282)</u>	<u>\$ (1,623,018)</u>	<u>\$ (4,619,282)</u>	<u>\$ (1,623,018)</u>

SEE ACCOMPANYING NOTES

RT MINERALS CORP.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
for the nine months ended August 31, 2011 and 2010
(Unaudited)

	Three Months Ended August 31,		Nine Months Ended August 31,	
	<u>2011</u>	<u>2010</u> (Restated – Note 14)	<u>2011</u>	<u>2010</u> (Restated – Note 14)
Operating Activities				
Net income (loss) for the period	\$ 62,400	\$ (879,126)	\$ 209,755	\$ (1,044,627)
Items not involving cash:				
Amortization	574	-	765	-
Write-off of mineral properties	-	307,481	4,802	307,481
Stock-based compensation	-	437,000	300,000	437,000
Unrealized gain on temporary investments	20,000	35,000	(6,000)	35,000
Recovery of future income tax asset	(231,385)	(32,000)	(974,117)	(320,000)
Filing fees	-	-	-	135,000
	<u>(148,411)</u>	<u>(131,645)</u>	<u>(464,795)</u>	<u>(450,146)</u>
Changes in non-cash working capital items related to operations:				
Amounts receivable	11,756	(26,203)	(69,423)	(133)
Prepaid expenses	(16,343)	5,457	(10,277)	52,601
Accounts payable and accrued liabilities	<u>(30,798)</u>	<u>(8,433)</u>	<u>(54,367)</u>	<u>(80,829)</u>
	<u>(183,796)</u>	<u>(160,824)</u>	<u>(598,862)</u>	<u>(478,507)</u>
Investing Activities				
Resource property costs, net of tax credit recovery – Note 5	(480,217)	(1,339,497)	(1,498,004)	(1,819,683)
Acquisition of short-term investments	-	(200,000)	(100,000)	(200,000)
Acquisition of equipment	-	-	(11,481)	-
Proceeds from sale of mineral interests	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
	<u>19,783</u>	<u>(1,539,497)</u>	<u>(1,109,485)</u>	<u>(2,019,683)</u>
Financing Activities				
Common shares issued for cash	-	1,237,500	4,081,370	2,971,250
Share issue costs	-	(105,011)	(298,431)	(115,443)
Due to related parties	<u>(6,471)</u>	<u>(4,638)</u>	<u>(337,259)</u>	<u>(41,433)</u>
	<u>(6,471)</u>	<u>1,127,851</u>	<u>3,445,680</u>	<u>2,814,374</u>
Increase in cash during period	(170,484)	(572,470)	1,737,333	316,184
Cash, beginning of the period	<u>2,042,595</u>	<u>919,743</u>	<u>134,778</u>	<u>31,089</u>
Cash, end of the period	<u>\$ 1,872,111</u>	<u>\$ 347,273</u>	<u>\$ 1,872,111</u>	<u>\$ 347,273</u>
Cash and cash equivalents consist of:				
Cash	\$ 522,111	\$ 57,273	\$ 522,111	\$ 57,273
Term deposits	<u>1,350,000</u>	<u>290,000</u>	<u>1,350,000</u>	<u>290,000</u>
	<u>\$ 1,872,111</u>	<u>\$ 347,273</u>	<u>\$ 1,872,111</u>	<u>\$ 347,273</u>

SEE ACCOMPANYING NOTES

Supplemental disclosure of cash flow information:

Cash paid for:

Interest	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Income taxes	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -

Non-cash Transactions – Note 9

RT MINERALS CORP.
(A Development Stage Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
August 31, 2011 and 2010
(Unaudited)

Note 1 Nature of Operations and Ability to Continue as a Going Concern

RT Minerals Corp. (the "Company") was incorporated on March 9, 2007 under the Business Corporations Act of British Columbia. The Company is in the business of acquiring, exploring and evaluating mineral resource properties, and either joint venturing or developing these properties further. At August 31, 2011, the Company held under option a 100% interest in two resource properties located near Rouyn-Noranda, Quebec; and a 12.5% interest in a second resource property located near Timmins, Ontario with an option to acquire a further 12.5% interest in the property (Note 5).

The Company is in the exploration stage and is in the process of exploring and developing its resource property and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource property costs is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying resource property, as well as the ability of the Company to obtain the necessary financing to complete exploration and development of the property and upon future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At August 31, 2011, the Company had not yet achieved profitable operations, has accumulated losses of \$4,619,282 since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about 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 and generate future profitable operations.

Note 2 Basis of Presentation

The accompanying unaudited interim financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly do not include all disclosures required for annual financial statements.

These unaudited interim financial statements follow the same significant accounting policies and methods of application as the Company's financial statements for the year ended November 30, 2010. The interim financial statements should be read in conjunction with the November 30, 2010 financial statements.

Note 2 Basis of Presentation – (cont'd)

In the opinion of management, all adjustments considered necessary for fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the full fiscal year ending November 30, 2011.

Note 3 Short Term Investments – Note 5

- a) Pursuant to a property option agreement described in Note 5(b) below, the Company participated in a \$400,000 financing of Adventure Gold Inc. (TSX.V: “AGE”) and subscribed for 1,000,000 units at a price of \$0.20 per unit for gross investment of \$200,000. Each unit consists of one common share of AGE and one-half warrant, each whole warrant entitling the Company to purchase an additional share of AGE for \$0.27 per share for a two year period – Nil value was assigned to these warrants on acquisition and at November 30, 2010. During the 2010 fiscal year, the Company sold 1,000,000 common shares of AGE.
- b) Pursuant to the same property option agreement, the Company was issued 500,000 compensation warrants entitling the Company to purchase 500,000 common shares of AGE at a price of \$0.20 per share until May 27, 2011. The fair value of these warrants was determined to be \$45,000 at acquisition. The Company exercised the warrants in March 2011 and purchased 500,000 common shares for \$100,000. The fair market value of the investment at August 31, 2011 was \$250,000 based on the closing share price of \$0.50 on August 31, 2011. The fair value of these warrants was calculated to be \$243,000 at November 30, 2010 using the Black-Scholes pricing model with the following assumptions:

	August 31, <u>2011</u>	November 30, <u>2010</u>
Common shares held for trading	\$ 145,000	\$ -
Compensation warrants	\$ -	\$ 144,000
Unrealized gain on short term investments	\$ 105,000	\$ 99,000
	August 31, <u>2011</u>	November 30, <u>2010</u>
Stock price volatility	n/a	114%
Risk-free interest rate	n/a	1.60%
Dividend yield	-	-
Expected life of warrants	n/a	0.5 year
Fair value of warrants granted	n/a	\$0.29

Short-term investments are classified as held-for-trading, with gains and losses recognized in net income.

RT Minerals Corp.
(A Development Stage Company)
Notes to the Interim Financial Statements
August 31, 2011 and 2010 (Unaudited) – Page 3

Note 4 Equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>August 31, 2011 Net Book Value</u>	<u>Nov 30, 2010 Net Book Value</u>
Office furniture and equipment	<u>\$ 11,481</u>	<u>\$ 765</u>	<u>\$ 10,716</u>	<u>\$ -</u>

Note 5 Resource Property Costs – Notes 3 and 7

	<u>Baie Comeau</u>	<u>Bazooka</u>	<u>Golden (Note 5c)</u>	<u>McWatters</u>	<u>Meunier-144</u>	<u>Total</u>
Balance, November 30, 2009	<u>\$ 318,063</u>	<u>\$ -</u>	<u>\$ 458,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 776,715</u>
Acquisition costs						
Cash	-	-	120,000	-	357,500	477,500
Shares	-	-	-	-	493,000	493,000
	<u>-</u>	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>850,500</u>	<u>970,500</u>
Deferred exploration costs						
Administration	-	371	12,314	212	26,062	38,959
Assaying and development	-	-	52,807	-	-	52,807
Core logging, cutting, sampling	-	-	51,226	-	-	51,226
Data entry, drafting reporting	-	12,324	38,695	-	-	51,019
Drilling	-	-	630,707	-	572,749	1,203,456
Facility rental	-	-	11,650	-	-	11,650
Field crew expenses	-	117	5,286	-	-	5,404
General geology	-	5,134	39,308	-	-	44,442
Geophysics	-	-	296,590	-	-	296,590
Project management – Note 8	3,600	7,760	228,453	4,844	42,583	287,240
Site meals, lodging and travel	-	1,180	50,092	640	438	52,350
Stripping / trenching	-	-	42,092	-	-	42,092
	<u>3,600</u>	<u>26,886</u>	<u>1,459,220</u>	<u>5,696</u>	<u>641,832</u>	<u>2,137,234</u>
Less: tax credit recovery	(14,182)	-	-	-	-	(14,182)
Mineral properties written-off	<u>(307,481)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(307,481)</u>
	<u>(318,063)</u>	<u>26,886</u>	<u>1,459,220</u>	<u>5,696</u>	<u>641,832</u>	<u>1,815,571</u>
Balance, November 30, 2010	<u>\$ -</u>	<u>\$ 26,886</u>	<u>\$ 2,037,872</u>	<u>\$ 5,696</u>	<u>\$ 1,492,332</u>	<u>\$ 3,562,786</u>

Note 5 Resource Property Costs – Notes 3 and 7 – (cont'd)

	<u>Bazooka</u>	<u>Golden</u> (Note 5c)	<u>McWatters</u>	<u>Meunier-144</u>	<u>Total</u>
Balance, November 30, 2010	\$ 26,886	\$2,037,872	\$ 5,696	\$ 1,492,332	\$ 3,562,786
Acquisition costs					
Shares	406,070	-	6,365	-	412,435
Non-cash	<u>550,930</u>	<u>-</u>	<u>8,635</u>	<u>-</u>	<u>559,565</u>
	<u>957,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>972,000</u>
Deferred exploration costs					
Administration	5,688	250	2,150	58,046	66,134
Assaying and development	51,713	-	-	-	51,713
Core logging, cutting, sampling	56,294	-	-	-	56,294
Data entry, drafting, reporting	35,920	5,137	2,912	660	44,629
Drilling	505,609	-	-	1,099,776	1,605,385
Facility rental	11,235	1,300	-	-	12,535
Field crew expenses	4,510	-	9	4,096	8,615
General geology	9,552	-	8,993	-	18,545
Geophysics	32,615	-	9,320	-	41,935
Mineral Claims	-	-	506	-	506
Permitting	4,919	-	1,178	-	6,097
Project management – Note 8	99,901	6,200	43,355	70,765	220,221
Site meals, lodging and travel	15,723	-	2,766	428	18,917
Surface Sampling Reconnaissance	<u>10,768</u>	<u>-</u>	<u>26,836</u>	<u>-</u>	<u>37,604</u>
	844,447	12,887	98,025	1,233,771	2,189,130
Less: properties sold	-	(2,045,957)	-	(1,257,644)	(3,303,601)
Mineral properties written off	<u>-</u>	<u>(4,802)</u>	<u>-</u>	<u>-</u>	<u>(4,802)</u>
	<u>844,447</u>	<u>(2,037,872)</u>	<u>98,025</u>	<u>(23,873)</u>	<u>(1,119,273)</u>
Balance, August 31, 2011	\$1,828,333	\$ -	\$ 118,721	\$ 1,468,459	\$ 3,415,513

a) Bazooka and McWatters Properties (Rouyn Noranda, Quebec)

By an agreement dated December 10, 2010, the Company acquired a 100% interest in the Bazooka and McWatters gold properties in Quebec from Lake Shore Gold Corp. (“Lake Shore Gold”), the Company’s largest shareholder. Pursuant to the transaction, which was approved by the shareholders of the Company at a meeting held on December 30, 2010, the Company has issued to Lake Shore Gold 10,000,000 common shares, and transferred its interest in the Golden Property near Timmins, Ontario and up to 50% of the Company’s earned interest in the Meunier JV property to Lake Shore Gold in consideration for the transfer to the Company by Lake Shore Gold of a 100% interest in the advanced stage Bazooka gold property in Quebec and the McWatters gold property in Quebec, as well as a \$500,000 cash payment to the Company by Lake Shore Gold upon the Company’s exercise of the First Option to earn an initial 25% interest on the Meunier JV property adjacent to Lake Shore Gold’s Timmins Mine property, Ontario.

Note 5 Resource Property Costs – Notes 3 and 7 – (cont'd)

a) Bazooka and McWatters Properties (Rouyn Noranda, Quebec) – (cont'd)

This related party transaction was measured at the carrying amount. Prior to the sale, the total mineral interests recorded in the properties by Lake Shore Gold was \$957,000 for Bazooka and \$15,000 for McWatters at December 30, 2010. The Golden property had a book value of \$2,045,957 at December 30, 2010 and the 10,000,000 common shares of the Company were valued at \$0.1508 per share, based on the closing stock price of \$0.25 per share, less a Black Scholes calculated put value of \$0.0992 to reflect the functional hold period of the shares (see Note 7(b)). The acquisition cost of the properties was recorded at their carrying amounts with the difference in consideration paid of \$2,581,957 debited to retained earnings.

b) Meunier-144 Property (Timmins, Ontario)

By an option agreement dated May 5, 2010, further subject to an agreement with Lake Shore Gold dated December 10, 2010 described below, the Company has been granted an option to acquire up to a 50% interest in a gold property (“the Meunier-144 Property”) located in the district of Timmins, Ontario from Adventure Gold Inc., and Lake Shore Gold has been granted an option to acquire up to a 10% interest in the Property, pursuant to the completion of the following transactions and subject to regulatory approval.

The Company shall have exercised the First Option and shall have acquired a 25% undivided interest in the Property by paying to AGE \$300,000 in cash (paid); issuing 2,500,000 common shares (issued); incurring a minimum of \$1,500,000 in work expenditures on the property on or before October 31, 2011 (incurred); participating in a \$400,000 financing of AGE and subscribing for 1,000,000 units at a price of \$0.20 per unit for gross investment of \$200,000 (completed); completing a private placement of units at \$0.20 per unit so as to raise \$350,000 (completed); and completing a further private placement of flow-through shares at \$0.20 per share so as to raise a minimum of \$800,000 (completed). As consideration for the firm payments and commitments as outlined, AGE issued to the Company 500,000 compensation warrants, each warrant entitling the Company to purchase one common share of AGE at a price of \$0.20 per share for a period of one year (see Note 3(b)). The value of compensation warrants of \$45,000 received is credited to share acquisition costs of the Meunier-144 Property.

Subject to the Company having exercised the First Option in accordance with the agreement, the Company is granted a Second Option to acquire an additional 25% undivided interest in the Property for a period commencing on the Earn-In Date and ending October 31, 2013. The Company shall have exercised the Second Option by issuing an additional 250,000 common shares and by incurring additional work expenditures for a minimum of \$1,500,000.

Note 5 Resource Property Costs – Notes 3 and 7 – (cont'd)

b) Meunier-144 Property (Timmins, Ontario) – (cont'd)

Following the exercise of the Second Option by the Company, Lake Shore Gold shall have the right to acquire from the Company and AGE a 10% undivided interest in the Property by completing a preliminary resource assessment at Lake Shore Gold's cost, within a period of 10 years from the effective date, for the purpose of advancing the Property to commercial production. As additional consideration for the Lake Shore Gold Option, Lake Shore Gold has agreed to participate in the AGE Private Placement and subscribe for units for total gross proceeds of \$200,000 as described above.

The Company shall act as the operator during the First and Second Option Period and as such, shall be responsible for carrying out and administering the work expenditures on the Property. However, AGE and the Company agree to appoint Lake Shore Gold as field supervisor and manager of any approved program to be carried out on the Property for such time as the Option is ongoing and in good standing.

Upon the exercise of the First and/or Second Option, whichever the case may be, the parties agree to form and participate in a Joint Venture for the purpose of further exploration and development work on the Property and if warranted, the operation of a mine thereon. All further work on and with respect to the Property, and the subsequent relationship between AGE and the Company in relation to the Property shall be governed by a Joint Venture Agreement between the Parties. The Joint Venture Agreement shall incorporate the terms and conditions of the Lake Shore Gold Option and shall govern the relationship of the Parties in this regard.

AGE has agreed to pay the Optionors the sum of \$2,000,000 in the event that a pre-feasibility study conducted on the Property indicates the potential for commercial production of at least one million ounces of gold; and a net smelter return royalty of 2.5%, of which 40% can be purchased at any time at the sole discretion of AGE for a price of \$2,000,000. The Parties agree that upon the exercise of the First and/or Second Option by the Company, whichever the case, and upon the exercise of the Lake Shore Gold Option by Lake Shore Gold, as the case may be, the Production Payment and Royalty shall be the responsibility of the Joint Venture and shall be assumed and paid by the Parties in accordance with their respective Joint Venture interest.

Lake Shore Gold will have a first right to all future production financing, debt or equity financing by the Company or AGE regarding the Property for such time that the above option agreement is in good standing or the Company or Lake Shore Gold own an interest in the Property.

A finder's fee of 10% as to \$57,500 cash and 862,500 common shares was paid with respect to this option agreement.

Note 5 Resource Property Costs – Notes 3 and 7 – (cont'd)

b) Meunier-144 Property (Timmins, Ontario) – (cont'd)

By an agreement dated December 10, 2010, the Company sold 50% of its interest in the Meunier-144 Property to Lake Shore Gold, the Company's largest shareholder (Note 5(a)). Pursuant to the transaction, which was approved by the shareholders of the Company at a meeting held on December 30, 2010, the Company has issued to Lake Shore Gold 10,000,000 common shares, and transferred its interest in the Golden Property near Timmins, Ontario and up to 50% of the Company's earned interest in the Meunier JV property to Lake Shore Gold in consideration for the transfer to the Company by Lake Shore Gold of a 100% interest in the advanced stage Bazooka gold property in Quebec and the McWatters gold property in Quebec, as well as a \$500,000 cash payment to the Company by Lake Shore Gold upon the Company's exercise of the First Option to earn an initial 25% interest on the Meunier JV property adjacent to Lake Shore Gold's Timmins Mine property, Ontario.

In connection with the transfer of 50% of the Company's earned interest in the Meunier JV property to Lake Shore Gold, the Company and Lake Shore Gold have formed a 50/50 joint venture and will share the Company's obligations under the Meunier JV with Adventure Gold Inc. The terms of the Company/Lake Shore Gold joint venture provide that, in the event that a party does not contribute its pro-rata share of expenditures on the Meunier JV property and a party's interest in the Meunier JV property falls below 10% then such party will transfer its remaining interest to the non-diluting party being either Lake Shore Gold or the Company.

The Company completed the initial \$1,500,000 in exploration expenditures on the Meunier JV property as at May 31, 2011 and exercised the First Option to earn a 25% interest in the property on June 30, 2011. Lake Shore Gold completed the \$500,000 cash payment to the Company and the Company has assigned 50% of this interest (12.5%) to Lake Shore Gold. This related party transaction was measured at the carrying amount. Prior to the assignment, the Meunier property had a book value of \$2,515,288 at June 30, 2011. The Company recorded receipt of the \$500,000 cash payment and credited 50% of the carrying amount of the Meunier property with the difference in consideration received of \$757,644 debited to retained earnings.

The Company has provided notice to Adventure Gold that it elects to exercise the Second Option to acquire an additional 25% (12.5% to be assigned to Lake Shore Gold) undivided interest in the property.

c) Golden Property (formerly Timmins Property) (Timmins, Ontario)

By an option agreement dated July 31, 2009, the Company acquired a 100% interest in a gold property ("the Golden Property") located in the district of Timmins, Ontario, in consideration for the payment of \$1,030,000, the issuance of 500,000 common shares of the Company, and the expenditure of an aggregate of \$2,100,000 in exploration expenditures over four years as follows:

Note 5 Resource Property Costs – Notes 3 and 7 – (cont'd)

c) Golden Property (formerly Timmins Property) (Timmins, Ontario) – (cont'd)

Cash	\$60,000 upon signing (paid) \$20,000 on or before January 1, 2010 (paid) \$100,000 on or before August 10, 2010 (paid) \$150,000 on or before August 10, 2011 \$200,000 on or before August 10, 2012 \$500,000 on or before August 10, 2013
Shares	500,000 upon signing (issued)
Exploration expenditures	\$250,000 on or before August 10, 2010 (expended) \$350,000 on or before August 10, 2011 (expended) \$500,000 on or before August 10, 2012 (expended) \$1,000,000 on or before August 10, 2013

The Company's interest in the Timmins Property was subject to a 3% net smelter return royalty, one half of which may be repurchased at any time for \$1,000,000.

Pursuant to a strategic alliance agreement dated December 31, 2009 (Note 10), Lake Shore Gold has the right, to take effect one year from the closing of the private placement in Note 7(f), to acquire a 50% interest in the Company's Golden Property by incurring \$5,000,000 of exploration expenditures on the property within a five year period.

By an agreement dated December 10, 2010, the Company sold its interest in the Golden Property to Lake Shore Gold in a transaction that closed on December 30, 2010 (Note 5(a)). Prior to the disposal, the mineral interest recorded in the property was \$2,045,957. A further \$4,802 in expenditures was incurred on the property subsequent to the sale and was written off during the period under review.

d) Baie Comeau Property (Quebec)

By an option agreement dated March 27, 2007 and amended on August 29, 2008, the Company acquired a 100% interest in a property (the "Baie Comeau Property") located in the district of Baie Comeau, Province of Quebec, in consideration for the payment of \$75,000 (paid), the issuance of 500,000 common shares (issued) of the Company and the conclusion of a work program and expenditures consisting solely of a NI 43-101 report on the property and any work related thereto.

The Company's interest in the Baie Comeau Property was subject to a 3% net smelter return royalty, one half of which may be repurchased at any time for \$1,000,000.

No further exploration work was planned on the property and accordingly, the Company abandoned the Baie Comeau Property and \$307,481 in acquisition costs and exploration expenditures relating to the property was written off during the 2010 financial year.

Note 6 Due to Related Parties

Due to related parties represents amounts owing to directors, companies with common directors, and officers for unpaid project management services, expenses and salaries, which are unsecured, non interest bearing and payable on demand. Due to related parties also includes amounts owing to a shareholder who holds greater than a 10% interest in the Company.

Note 7 Share Capital – Notes 5 and 13

Authorized:

Unlimited common shares without par value
Unlimited preferred shares without par value

Issued: common shares

	<u>Number</u>	<u>Amount</u>
Balance, November 30, 2009	18,312,500	1,256,423
For cash:		
Warrant exercise	5,450,000	321,250
Transfer from contributed surplus on exercise of warrants	-	14,398
Pursuant to a private placement – at \$0.20	7,500,000	1,500,000
Pursuant to a private placement – at \$0.20	5,750,000	1,150,000
Pursuant to an agency agreement – at \$0.30	100,000	30,000
Share issue costs	-	(161,044)
Renunciation of flow through share proceeds	-	(358,000)
For Meunier Property option – at \$0.16	<u>3,362,500</u>	<u>538,000</u>
Balance, November 30, 2010	40,475,000	\$ 4,291,027
For cash:		
Warrant exercise	375,000	75,000
Transfer from contributed surplus on exercise of warrants	-	105,000
Pursuant to a private placement – at \$0.16	4,607,000	737,120
Pursuant to a private placement – at \$0.20	9,390,000	1,878,000
Pursuant to an agency agreement – at \$0.28	4,968,750	1,391,250
Share issue costs	-	(494,953)
Renunciation of flow through share proceeds	-	(1,016,954)
For Bazooka and McWatters properties – at \$0.15	<u>10,000,000</u>	<u>1,508,000</u>
Balance, August 31, 2011	<u>69,815,750</u>	<u>\$ 8,473,490</u>

Note 7 Share Capital – Notes 5 and 13 – (cont’d)

Issued: - (cont’d)

- a) In December 2010, the Company raised gross proceeds of \$4,006,370 pursuant to three separate unit private placements (the “Private Placements”) in connection with a property agreement described in Note 5(a). On closing of the Private Placements, the Company issued a total of 4,607,000 units at \$0.16 per unit (the “\$0.16 Units”), a further 9,390,000 flow-through units at \$0.20 per unit (the “\$0.20 Units”) and 4,968,750 structured flow-through units at \$0.28 per unit (the “\$0.28 Units”). Each \$0.16 Unit was comprised of one common share and one half of a warrant, with each whole warrant (a “Warrant”) entitling the holder to acquire a further common share of the Company at a price of \$0.20 for a term of two years, expiring December 30, 2012. The \$0.20 Units and the \$0.28 Units were each comprised of one flow-through share and one half of a Warrant, with each whole warrant (a “Warrant”) entitling the holder to acquire a further common share of the Company at a price of \$0.20 for a term of two years, expiring December 30, 2012. The Company paid finders’ fees totalling \$187,762 and issued 854,445 finders’ warrants in connection with the Private Placements. Each finders’ warrant entitles the holder to acquire one common share of the Company at a price of \$0.20 for a term of two years expiring December 30, 2012.
- b) On December 30, 2010, the Company issued 10,000,000 common shares in connection with the Bazooka and McWatters property agreement described in Note 5(a). These shares were valued at a price of \$0.1508 per share, based on the closing stock price of \$0.25 per share less a Black-Scholes calculated put value of \$0.0992 per share to reflect the functional hold period of the shares. The Black-Scholes pricing model used the following assumptions:

	<u>Aug 31,</u> <u>2011</u>	<u>November 30,</u> <u>2010</u>
Stock price volatility	107.5%	-
Risk-free interest rate	1.71%	-
Dividend yield	-	-
Expected life	1.0 year	-
Fair value of put	\$0.10	-

- c) In May 2010, the Company raised gross proceeds of \$1,150,000 pursuant to two private placements in connection with a property option agreement described in Note 5(b). The Company raised \$350,000 through the issue of 1,750,000 units at \$0.20 per unit, with each unit consisting of one common share and one-half warrant, each whole warrant entitling the holder to purchase a further common share at a price of \$0.25 for a one year term. The Company raised \$800,000 through the issue of 4,000,000 flow-through common shares at \$0.20 per share. Finder’s fees of 8% were paid on these private placements, as to \$91,200 cash and 456,000 broker warrants with each warrant entitling the holder to purchase one common share at a price of \$0.20 per share for a one year term.

Note 7 Share Capital – Notes 5 and 13 – (cont'd)

Issued: - (cont'd)

- d) In May 2010, the Company issued 2,500,000 common shares in connection with the Meunier-144 property option agreement described in Note 5(b) and 862,500 common shares for related finder's fees. These shares were issued at a deemed price of \$0.16 (fair value on issue date) per share.
- e) In January 2010, the Company issued 100,000 common shares at a deemed price of \$0.30 (fair value on issue date) per share pursuant to an agency and sponsorship agreement (Note 10).
- f) In December 2009 and January 2010, the Company raised gross proceeds of \$1,500,000 pursuant to two non-brokered private placements of 7,500,000 units at \$0.20 per unit. Each unit is comprised of one common share and one share purchase warrant, with each such warrant entitling the holder to acquire a further common share of the Company at \$0.20 for a term of two years. 6,000,000 of the Units were issued on a flow-through basis.

For the units issued in 7(a), (c) and (f) the Company used the residual value method to allocate values to common shares and warrants issued. Proceeds from the private placements and initial public offering have been allocated all to the common shares and none to warrants.

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian (flow-through) qualifying exploration expenditures. The Company has indemnified the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

The Company is committed to spending the flow-through unit proceeds on exploration activities and to renouncing \$5,261,814 of eligible Canadian Exploration Expenditures to the subscribers of the flow-through shares. This amount will not be available to the Company for future deduction from taxable income.

As a result of the \$1,200,000 flow-through unit proceeds raised in December 2009, \$1,194,000 in exploration expenses was renounced in February 2010. The Company recorded a recovery of future income tax assets of \$250,000 with a reduction in share capital of \$298,000 with respect to the renunciation. The Company is required to incur \$1,194,000 (incurred by September 2010) in qualifying exploration expenses before December 31, 2010.

Note 7 Share Capital – Notes 5 and 13 – (cont'd)

Issued: - (cont'd)

As a result of the \$800,000 flow-through share proceeds raised in May 2010, \$800,000 in exploration expenses was renounced in February 2011. The Company recorded a recovery of future income tax assets of \$32,644 with a reduction in share capital of \$200,000 with respect to the renunciation. The Company is required to incur \$800,000 (\$800,000 incurred by December 31, 2010) in qualifying exploration expenses before December 31, 2011.

As a result of the \$1,878,000 flow-through share proceeds raised in December 2010, \$1,877,061 in exploration expenses was renounced in February 2011. The Company recorded a reduction in share capital of \$469,265 with respect to the renunciation. The Company is required to incur \$1,877,061 (\$1,162,000 incurred by August 31, 2011) in qualifying exploration expenses before December 31, 2011.

As a result of the \$1,391,250 flow-through share proceeds raised in December 2010, \$1,390,753 in exploration expenses was renounced in February 2011. The Company recorded a reduction in share capital of \$347,688 with respect to the renunciation. The Company is required to incur \$1,390,753 (\$942,000 incurred by August 31, 2011) in qualifying exploration expenses before December 31, 2011.

Stock-based Compensation Plan:

On March 1, 2010 the Company amended its Stock Option Plan to provide for the issuance of options to acquire shares of the Company equal to 10% of the then issued and outstanding shares of the Company. On March 21, 2011 the Board approved a new Share Option Plan (the “New Plan”) to replace the Existing Plan, which incorporates the new TSXV option plan policies effective December 15, 2008, as well as provisions concerning the new requirements of the Canada Revenue Agency concerning withholding tax payments on exercised options, and provisions to accommodate electronic trading and the issuance of uncertificated shares. The New Plan is also a 10% rolling plan and was approved by the Company’s shareholders on April 29, 2011. The New Plan came into effect on August 5, 2011 upon acceptance by the TSXV of the Company’s listing application and commencement of trading on the TSXV.

As at August 31, 2011, there were 4,025,000 share purchase options outstanding, as per the following table:

	<u>August 31, 2011</u>		<u>November 30, 2010</u>	
		Weighted Average Exercise		Weighted Average Exercise
	<u>Shares</u>	<u>Price</u>	<u>Shares</u>	<u>Price</u>
Outstanding, beginning of period	2,300,000	\$0.25	300,000	\$0.20
Granted	1,875,000	\$0.20	2,300,000	\$0.25
Exercised	-	-	-	-
Expired/Cancelled	<u>(150,000)</u>	\$0.25	<u>(300,000)</u>	\$0.20
Outstanding and exercisable, end of period	<u>4,025,000</u>	\$0.23	<u>2,300,000</u>	\$0.25

Note 7 Share Capital – Notes 5 and 13 – (cont'd)

Stock-based Compensation Plan: – (cont'd)

At August 31, 2011, the Company had the following stock options outstanding:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
2,150,000	\$0.25	March 1, 2012
<u>1,875,000</u>	\$0.20	March 3, 2013
<u>4,025,000</u>		

The weighted average life of options outstanding at August 31, 2011 is 0.97 years.

On May 1, 2011, 150,000 options, at \$0.25 exercise price with March 1, 2012 expiry, were cancelled, 90 days after the service provider's relationship with the Company was terminated.

On March 3, 2011, the Company granted 1,800,000 stock options to insiders and 75,000 stock options to employees and consultants. Each option is exercisable at \$0.20 per share until March 3, 2013.

On March 1, 2010, the Company granted 2,150,000 stock options to insiders and 150,000 stock options to employees and consultants. Each option is exercisable at \$0.25 per share until March 1, 2012.

The fair value of share purchase options granted during the period and included in expenses and contributed surplus was \$300,000. The fair value was determined using the Black-Scholes option-pricing model using the following assumptions:

	<u>2011</u>	<u>2010</u>
Stock price volatility	185%	199%
Risk-free interest rate	1.62%	1.37%
Dividend yield	-	-
Expected life of options	2 years	2 years
Fair value of options granted	\$0.16	\$0.19

Note 7 Share Capital – Notes 5 and 13 – (cont'd)

Share Purchase Warrants:

As at August 31, 2011, 18,562,320 share purchase warrants were outstanding as per the following tables (November 30, 2010: 9,931,000).

<u>Exercise Price</u>	<u>Number of Shares</u>	<u>Expiry Date</u>
\$0.20	6,000,000	December 31, 2011
\$0.20	1,500,000	January 6, 2012
\$0.10	725,000	March 9, 2012
\$0.20	<u>10,337,320</u>	December 30, 2012
	<u>18,562,320</u>	

	<u>August 31, 2011</u>		<u>November 30, 2010</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of period	9,931,000	\$0.20	6,936,850	\$0.08
Issued	10,337,320	\$0.20	9,206,000	\$0.20
Exercised	(375,000)	\$0.20	(5,450,000)	\$0.06
Expired	<u>(1,331,000)</u>	\$0.23	<u>(761,850)</u>	\$0.25
Outstanding, end of period	<u>18,562,320</u>	\$0.20	<u>9,931,000</u>	\$0.20

In May 2011, 875,000 warrants, at \$0.25 exercise price, and 456,000 warrants, at \$0.20 exercise price, with expiry May 25, 2011 expired unexercised.

In December 2010, pursuant to three separate unit private placements (Note 7 “Issued”), the Company issued 9,482,875 share purchase warrants exercisable at \$0.20 per share until December 30, 2012. As finder’s fees in connection with the three private placements completed in December 2010, the Company also issued 854,445 agent warrants exercisable at \$0.20 per share until December 30, 2012. The Company recorded share issue costs of \$196,522 and credited \$196,522 to contributed surplus.

In December 2010, 375,000 warrants, expiring December 31, 2010, were exercised for proceeds of \$75,000.

In November 2010, 712,500 warrants, at \$0.25 exercise price, and 49,350 warrants, at \$0.20 exercise price, with expiry November 5, 2010 expired unexercised.

Note 7 Share Capital – Notes 5 and 13 – (cont’d)

Share Purchase Warrants: - (cont’d)

In May 2010, pursuant to a unit private placement (Note 7 “Issued”), the Company issued 875,000 share purchase warrants exercisable at \$0.25 per share until May 25, 2011. As finder’s fees in connection with the two private placements completed in May 2010, the Company also issued 456,000 agent warrants exercisable at \$0.20 per share until May 25, 2011. The Company recorded share issue costs of \$45,600 and credited \$45,600 to contributed surplus.

In January 2010, pursuant to a non-brokered unit private placement (Note 7 “Issued”), the Company issued 1,500,000 share purchase warrants exercisable at \$0.20 per share until January 6, 2012.

In December 2009, pursuant to a non-brokered unit private placement (Note 7 “Issued”), the Company issued 6,000,000 share purchase warrants exercisable at \$0.20 per share until December 31, 2011.

In December 2009, pursuant to an agency and sponsorship agreement (Note 10), the Company issued 375,000 share purchase compensation warrants exercisable at \$0.20 per share until December 31, 2010. The Company recorded filing fees of \$105,000 and credited \$105,000 to contributed surplus.

In December 2009, 975,000 warrants, expiring March 9, 2012, were exercised for proceeds of \$97,500. Also, 4,475,000 warrants, expiring August 12, 2010, were exercised for proceeds of \$223,750.

The Company uses the Black-Scholes option pricing model to calculate the fair value of these warrants issued. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair value. For purpose of the calculation, the following assumptions were used:

	<u>2011</u>	<u>2010</u>
Stock price volatility	225%	193-224%
Risk-free interest rate	1.44%	0.75% - 1%
Dividend yield	-	-
Expected life of warrants	2 year	1 year
Fair value of warrants granted	\$0.23	\$0.10-\$0.28

Note 7 Share Capital – Notes 5 and 13 – (cont'd)

Escrow Shares:

On March 9, 2007, the Company issued 5,100,000 seed capital common shares at \$0.05 per share to investors and directors of the Company for gross proceeds of \$255,000. Of these shares, 4,600,000, which are owned by officers and directors of the Company, were held in escrow, subject to National Policy 46-201 and pursuant to an escrow agreement dated January 10, 2008. The escrow shares will be released pro rata to the escrow shareholders as follows:

- i) 10% upon the date the Company's securities are listed on a Canadian exchange (released August 26, 2008);
- ii) 15% six months following the initial release (released);
- iii) 15% twelve months following the initial release (released);
- iv) 15% eighteen months following the initial release (released);
- v) 15% twenty four months following the initial release (released);
- vi) 15% thirty months following the initial release (released); and
- vii) 15% thirty six months following the initial release (released).

As at August 31, 2011, all shares held in escrow have been released.

Contributed Surplus:

Continuity of contributed surplus is as follows:

Balance – November 30, 2009	\$ 119,201
Stock-based compensation	437,000
Warrants exercised	(14,398)
Agent compensation	<u>150,600</u>
Balance – November 30, 2010	<u>\$ 692,403</u>
Stock-based compensation	300,000
Warrants exercised	(105,000)
Agent compensation	<u>196,522</u>
Balance – August 31, 2011	<u>\$ 1,083,925</u>

Note 8 Related Party Transactions – Notes 6 and 11

The Company incurred the following charges with directors of the Company and companies with common directors:

	Nine months ended August 31,	
	<u>2011</u>	<u>2010</u> (Restated)
Administrative and consulting fees	\$ 85,250	\$ 34,500
Management salaries expensed – Note 13	13,000	22,149
Office expenses	<u>3,518</u>	<u>-</u>
	<u>\$ 101,768</u>	<u>\$ 56,649</u>

These expenditures were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

Accounts receivable at August 31, 2011 includes \$2,393 in expenditures incurred on the Golden Property on behalf of Lake Shore Gold. Also included is \$2,984 receivable from a company with common directors for office rent recovery.

Prepaid expenses at August 31, 2011 include \$13,440 in consulting fees paid to a company with a common director.

Resource property costs for the period ended August 31, 2011 include \$152,571 paid to directors of the Company and companies with a common director for project management services. Also included in resource property costs for the period ended August 31, 2011 is \$1,250,683 in exploration expenditures on the Meunier-144 and Bazooka properties incurred by Lake Shore Gold on the Company's behalf.

Due to related party at August 31, 2011 includes amounts owing to directors and companies with common directors for unpaid project management services, expenses and salaries (Note 6). Due to related party also includes \$371,982 payable to Lake Shore Gold for the exploration expenditures described above.

Pursuant to a management agreement dated January 1, 2010 with the President of the Company, a bonus payment of \$75,000 was paid to the President in connection with being instrumental in obtaining to the benefit of the Company the equity funding valued at not less than \$1,000,000 as described in Note 7(a). This payment was charged to share issue costs.

Note 9 Non-Cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows:

- a) Resource property costs of \$292,235 were included in accounts payable and accrued liabilities and \$398,890 were included in due to related parties at August 31, 2011.
- b) The Company issued 10,000,000 common shares at \$0.1508 per share for a total amount of \$1,508,000, for the acquisition of the Bazooka and McWatters properties during the nine months ending August 31, 2011.
- c) The fair value of 375,000 compensation warrants calculated to be \$105,000 and the deemed value of 100,000 compensation shares calculated to be \$30,000 were included in filing fees for the year ended November 30, 2010.
- d) Resource property costs of \$32,288 were included in accounts payable and accrued liabilities and \$330,515 were included in due to related parties at November 30, 2010.
- e) The Company issued 3,362,500 common shares at \$0.16 per share for a total amount of \$538,000, valued by the closing price of the Company's share at the date of issuance, for the acquisition of the Meunier Property during the year ending November 30, 2010.

Note 10 Commitments – Notes 5, 7 and 13

Lake Shore Gold owns 27.2% of the issued and outstanding common shares of the Company as at August 31, 2011. The Company and Lake Shore Gold have entered into a strategic alliance agreement dated December 31, 2009 (the "Strategic Alliance Agreement") whereby Lake Shore Gold has been granted the right to appoint two persons to the board of directors of the Company and the right to participate, on a pro rata basis, in any subsequent equity financings of the Company. Under the terms of the Strategic Alliance Agreement, Lake Shore Gold has also been granted rights of first refusal in connection with any property transactions or project financings to be undertaken by the Company.

In connection with the transfer of 50% of the Company's earned interest in the Meunier JV property to Lake Shore Gold, the Company and Lake Shore Gold have formed a 50/50 joint venture and will share the Company's obligations under the Meunier JV with Adventure Gold Inc. The terms of the Company/Lake Shore Gold joint venture provide that, in the event that a party does not contribute its pro-rata share of expenditures on the Meunier JV property and a party's interest in the Meunier JV property falls below 10% then such party will transfer its remaining interest to the non-diluting party being either Lake Shore Gold or the Company.

Note 10 Commitments – Notes 5, 7 and 13 – (cont'd)

Pursuant to an agreement dated December 30, 2009, the Company engaged an agent to act as the Company's advisor and sponsoring agent for the proposed listing of the Company on the TSX Venture Exchange. As consideration for all of these services, the Company agreed to pay the agent the sum of \$30,000 for legal fees and issued 100,000 shares of the Company and 375,000 compensation warrants entitling them to acquire 375,000 shares of the Company at a price of \$0.20 per share until December 31, 2010. The fair value of 375,000 compensation warrants calculated to be \$105,000 and the deemed value of 100,000 compensation shares calculated to be \$30,000 were included in filing fees for the year ending November 30, 2010.

In May 2011, the Company signed a new Sponsorship Engagement Agreement with the agent of the December 30, 2009 sponsorship agreement, that sets out the terms by which the agent will act as the Company's advisor and sponsoring agent for the proposed listing of the Company on the TSX Venture Exchange. This new agreement provides for the payment of an additional \$10,000 in legal fees incurred by the agent in connection with the sponsorship, as well as reimbursement of reasonable expenses.

Effective January 1, 2011, the Company signed a management agreement to pay the President of the Company a salary of \$4,000 per month for the term of the contract expiring December 31, 2011. This agreement was subsequently cancelled on April 1, 2011 and replaced by a Consulting, Management and Key Personnel Agreement (see below).

Effective January 1, 2011, the Company signed an administrative and consulting services contract to pay \$10,000 per month to a company with a common director for the term of the contract expiring December 31, 2011. This agreement was subsequently cancelled on April 1, 2011 and replaced by a Consulting, Management and Key Personnel Agreement (see below).

Effective April 1, 2011 and as amended on August 17, 2011, the Company signed a Consulting, Management and Key Personnel Agreement to pay \$12,000 per month to a company with a common director for the term of the contract expiring December 31, 2012. This agreement replaces the agreement dated January 1, 2011 to pay the President of the Company a salary of \$4,000 per month; and the agreement dated January 1, 2011 to pay \$10,000 per month to a company with a common director.

The Company is co-tenant to an Office Lease for a three year term commencing May 1, 2011. The base rent is as follows: Year 1 - \$16 per square foot per year (\$36,112 per year); Year 2 - \$16.50 per square foot per year (\$37,240.50 per year); and Year 3 \$17.00 per square foot per year (\$38,369 per year). Under the terms of the Office Lease there are also operating costs which for 2011 the Company estimates to be \$11 per square foot. The operating costs will be adjusted annually. The Company and its Co-Tenant have agreed to each pay for 50% of the rent due and owing.

Note 11 Capital Disclosure

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure which is comprised of working capital and shareholders' equity.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Company's investment policy is to hold excess cash in interest bearing bank accounts.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the period ended August 31, 2011.

Note 12 Financial Instruments

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is not exposed to major credit risk as it has no customers. Additionally, the majority of the Company's cash is held with a high rated Canadian financial institution in Canada.

b) Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

Note 12 Financial Instruments – (cont'd)

b) Liquidity Risk – (cont'd)

As at August 31, 2011, the Company's financial liabilities were comprised of accounts payable and accrued liabilities and due to related parties. As at August 31, 2011, the Company had current assets of \$2,353,045 (November 30, 2010 - \$430,012) and current liabilities of \$750,304 (November 30, 2010 - \$450,803). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms. Current working capital surplus of the Company is \$1,602,741 (November 30, 2010 – working capital deficit \$20,791).

c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

d) Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the development stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. As all of the Company's transactions are denominated in Canadian dollars, the Company is not significantly exposed to foreign currency exchange risk at this time.

e) Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

f) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As the Company has no interest-bearing investments or debt, it is not exposed to interest rate risk at this time.

Note 13 Comparative Figures

Certain comparative figures for the period ended August 31, 2011 have been restated to conform with the current year's presentation.

Note 14 Restatements

The restatement of the Company's financial statements resulted from management's identification of accounting errors in its August 31, 2010 interim financial statements. The corrections relate to the following errors:

Nine months ended August 31, 2010;

- i) The Company previously recorded a recovery of future income tax asset from flow-through shares of \$410,227 for the nine months ended August 31, 2010. The future income tax recovery was subsequently corrected to \$320,000 and a future income tax liability of \$38,350 was recognized as the Company does not have enough non-capital losses to offset the flow-through renunciations.

Three months ended August 31, 2010;

- i) The Company previously recorded a recovery of future income tax asset from flow-through shares of \$nil for the three months ended August 31, 2010. The future income tax recovery was subsequently corrected to \$32,000.

As a result of these corrections, the previously filed results changed to the following:

	<u>As Previously Filed</u>	<u>Adjustment</u>	<u>As Restated</u>
Nine months ended August 31, 2010			
Statement of loss, comprehensive loss and deficit			
Recovery of future income tax asset	\$ 410,227	\$ (90,227)	\$ 320,000
Three months ended August 31, 2010			
Statement of loss, comprehensive loss and deficit			
Recovery of future income tax asset	\$ -	\$ 32,000	\$ 32,000