COMMERCE RESOURCES CORP.

FINANCIAL STATEMENTS

October 31, 2011 and 2010

Management's Responsibility for Financial Reporting

The accompanying financial statements of Commerce Resources Corp. ("the Company") were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date and for the periods presented by the audited financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists that Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)	(signed)
David Hodge President and director	Jody Bellefleur CFO

Independent Auditors' Report

To the Shareholders of Commerce Resources Corp.:

We have audited the accompanying financial statements of Commerce Resources Corp., which comprise the balance sheet as at October 31, 2011 and the statements of operations and comprehensive loss, shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Commerce Resources Corp. as at October 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter
The financial statements as at and for the year ended October 31, 2010 were audited by Chang Lee LLP of Vancouver, Canada, prior to its merger with MNP LLP. Chang Lee LLP expressed an unmodified opinion on these statements in their report dated February 10, 2011.

MNP LLP

Vancouver, British Columbia
February 27, 2012

Chartered Accountants

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COMMERCE RESOURCES CORP.
BALANCE SHEETS
AS AT OCTOBER 31, 2011 AND 2010

ASSETS	2011	2010
Current		
Cash and cash equivalents	$ 3,693,630	$ 7,128,737
Marketable securities – Note 3	457,743	481,037
Short term investment	34,500	34,500
Amounts receivable	2,867	-
Mining tax credits receivable – Note 4	6,612,745	4,290,267
GST/HST recoverable	525,975	411,206
Due from related parties – Note 9	70,964	34,651
Prepaid expenses	123,088	259,595
	11,521,512	12,639,993
Prepaid expenses – non-current	342,550	-
Investments in asset-backed commercial paper – Note 5	4,872,289	4,243,319
Reclamation bonds	82,000	82,000
Equipment – Note 6	450,260	522,067
Resource properties – Notes 7, 8, 9 and Schedule I	37,209,779	26,748,208
	$ 54,478,390	$ 44,235,587
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 2,258,489	$ 621,789
Due to related parties – Note 9	961,744	566,316
	3,220,233	1,188,105
SHAREHOLDERS' EQUITY		
Share capital – Note 8	66,835,835	56,642,515
Contributed surplus – Note 8	6,990,460	5,009,203
Accumulated other comprehensive income	1,031,503	771,378
Deficit	(23,599,641)	(19,375,614)
	51,258,157	43,047,482
	$ 54,478,390	$ 44,235,587

Commitments – Notes 7 and 8
Subsequent Events – Notes 5, 7 and 14

APPROVED BY THE DIRECTORS:

"Dave Hodge" Director — Dave Hodge

"Sven Olsson" Director — Sven Olsson

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the years ended October 31, 2011 and 2010

	2011	2010
Administrative expenses		
Administration fees and rent – Note 9	$ 1,080,000	$ 1,080,000
Advertising and website – Note 9	420,179	368,996
Bank charges and interest	2,507	19,637
Consulting fees – Note 9	473,341	374,771
Filing and transfer agent fees	65,441	36,538
Insurance	14,710	14,500
Investor relations	193,234	157,192
Office, telephone and miscellaneous – Note 9	26,569	30,486
Professional fees	74,738	58,996
Stock-based compensation – Note 8	2,113,133	288,262
Travel and promotion – Note 9	211,849	211,657
Loss before other items	(4,675,701)	(2,641,035)
Other items:		
Foreign exchange gain (loss)	(295)	-
Interest income	123,655	190,143
Write-off mineral properties	(39,896)	(32,232)
Interest and penalties	-	(6,982)
Write-off asset-backed commercial paper	(634)	-
Gain on sale of asset-backed commercial paper	53,904	-
Other income (Note 7)	276,369	-
Gain on disposition of marketable securities	9,032	-
	422,135	150,929
Loss before income taxes	(4,253,566)	(2,490,106)
Future income tax recovery	29,539	117,818
Net loss for the year	(4,224,027)	(2,372,288)
Other comprehensive income		
Unrealized gain on marketable securities and asset-backed commercial paper, net of FIT recovery – Note 3 and 5	260,125	218,144
Net loss and comprehensive loss for the year	$ (3,963,902)	$ (2,154,144)
Basic and diluted loss per share	$ (0.03)	$ (0.02)
Weighted average number of shares outstanding	139,658,459	130,385,195

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended October 31, 2011 and 2010

	Share Capital Number	Share Capital Amounts	Share Subscriptions Receivable	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, October 31, 2009	130,517,140	$ 56,504,666	$ (150,000)	$ 4,809,815	$ 553,234	$ (17,003,326)	44,714,389
Exercise of stock options	145,000	126,574	-	(88,874)	-	-	37,700
Exercise of warrants	37,500	20,250	-	-	-	-	20,250
Share Issue costs – Note 8	-	(8,975)	-	-	-	-	(8,975)
Subscription received	-	-	150,000	-	-	-	150,000
Stock-based compensation – Note 8	-	-	-	288,262	-	-	288,262
Net loss	-	-	-	-	-	(2,372,288)	(2,372,288)
Unrealized gain on available-for-sale financial assets	-	-	-	-	218,144	-	218,144
Balance, October 31, 2010	130,699,640	56,642,515	-	5,009,203	771,378	(19,375,614)	43,047,482
Private placement	10,388,834	7,583,849	-	-	-	-	7,583,849
Exercise of stock options	2,184,017	1,345,753	-	(805,009)	-	-	540,744
Exercise of warrants	3,878,125	2,094,188	-	-	-	-	2,094,188
Exercise of broker warrants	523,720	364,641	-	(155,153)	-	-	209,488
Exercise of broker unit warrants	107,086	57,798	-	-	-	-	57,798
Share issue costs	-	(1,252,909)	-	538,335	-	-	(714,574)
Stock-based compensation – Note 8	-	-	-	2,403,084	-	-	2,403,084
Net loss	-	-	-	-	-	(4,224,027)	(4,224,027)
Unrealized gain on available-for-sale financial assets	-	-	-	-	260,125	-	260,125
Balance, October 31, 2011	147,781,422	$ 66,835,835	$ -	$ 6,990,460	$ 1,031,503	$ (23,599,641)	$ 51,258,157

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF CASH FLOWS
For the years ended October 31, 2011 and 2010

	2011	2010
Operating Activities		
Net loss for the year	$ (4,224,027)	$ (2,372,288)
Add (deduct) items not affecting cash:		
Future income tax recovery	(29,539)	(117,818)
Write-off mineral properties	39,896	-
Other income	(276,369)	-
Gain on sale of asset-backed commercial paper	(53,904)	-
Gain on disposition of marketable securities	(9,032)	-
Write-off of asset-backed commercial paper	634	-
Stock-based compensation	2,113,133	288,262
	(2,439,208)	(2,201,844)
Changes in non-cash working capital items related to operations:		
Amounts receivable	(2,867)	21,766
Mining tax credits receivable	2,407,720	-
GST/HST recoverable	(114,769)	(209,785)
Prepaid expenses	(206,043)	(53,909)
Due to (from) related parties	(91,165)	23,437
Accounts payable and accrued liabilities	418,689	17,426
Cash used in operating activities	(27,643)	(2,402,909)
Financing Activities		
Issue of share capital for cash, net of issue costs	9,771,493	48,975
Share subscriptions receivable	-	150,000
Cash provided by financing activities	9,771,493	198,975
Investing Activities		
Short term investment	-	(34,500)
Reclamation bonds	-	(25,000)
Acquisition of equipment	(22,779)	(72,253)
Proceeds from sale of equipment	4,464	-
Redemption of Asset-backed commercial paper	218,824	7,152
Proceeds from property option agreements	10,000	10,000
Purchase of marketable securities	(300,000)	(83,156)
Proceeds from sale of marketable securities	82,466	-
Deferred exploration and development costs, net of tax credits received	(13,171,932)	(6,379,359)
Cash used in investing activities	(13,178,957)	(6,577,116)
Decrease in cash and cash equivalents during the year	(3,435,107)	(8,781,050)
Cash and cash equivalents, beginning of year	7,128,737	15,909,787
Cash and cash equivalents, end of year	$ 3,693,630	$ 7,128,737
Cash and cash equivalents consists of the following:		
Cash	$ 812,296	$ 1,499,624
Money market funds	$ 2,881,334	$ 5,629,113
Cash paid during the year for:		
Interest expense	$ Nil	$ Nil
Income taxes	$ Nil	$ Nil

SEE ACCOMPANYING NOTES

Note 1 Nature of Operations

Commerce Resources Corp. (the "Company") is a public company listed on Tier 1 of the TSX Venture Exchange in Canada, the OTCQX in the United States of America, and on the Frankfurt Stock Exchange in Germany.

The Company was incorporated on May 19, 1999, under the Company Act of British Columbia and is in the business of acquiring, exploring, developing and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company is in the exploration stage and has interests in properties located in British Columbia ("BC") and Quebec, Canada.

The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof. Although the Company has been successful in the past in obtaining financing there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results could vary from these estimates.

The financial statements have in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments that are redeemable within 90 days or less when purchased. There were cash equivalents of $2,881,334 as at October 31, 2011 (2010: $5,629,113) of which were investments in money market funds.

b) Marketable Securities

Marketable securities consist of common shares of publicly-traded companies listed on the TSX Venture Exchange. Marketable securities are classified as available-for-sale and are recorded at their fair values using quoted market prices at the balance sheet date. Subsequent revaluation resulting in unrealized gains or losses is recorded in the statements of comprehensive income (loss).

Note 2 Summary of Significant Accounting Policies – (cont'd)

c) Short-term investment

Short-term investment, which is fixed term deposit held at the bank with a maturity of more than three months and less than twelve months at the time of issuance, is recorded at fair value. As at October 31, 2011, the Company has one short-term investment totalling $34,500 of principal due on October 11, 2012 with an annual yield of prime minus 2.05% (2010: $34,500).

d) Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

e) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated over the estimated useful lives using the declining balance method at the following rates:

Field equipment	3 year straight-line
Field office	5% declining balance

Additions during the year other than field equipment and office are amortized at one-half the annual rates.

Note 2 Summary of Significant Accounting Policies – (cont'd)

f) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities are exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully dilutive amounts are not presented when the effect of the computations is anti-dilutive due to the losses incurred. Common equivalent shares, consisting of shares issuable on exercise of stock options and warrants, totalling 13,043,192 (2010: 45,303,162) were not included in the computation of diluted loss per share because the effect would have been anti-dilutive.

g) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from these estimates. Areas requiring significant management estimates include assumptions and estimates include but not limited to:

i) the recoverability of mining tax receivable;
ii) the economic recoverability of exploration costs incurred and the probability of future economic benefits from development costs incurred;
iii) the proven and probable mineral reserves and resources associated with mining properties, the expected economic lives of mining properties, the future operating results and net cash flows from mining properties and the recoverability of mining properties;
iv) the useful lives and related depreciation of plant and equipment;
v) the inputs used in accounting for stock based compensation expense;
vi) the provision for income and mining taxes including expected periods of reversals of timing differences and composition of future income and mining tax assets and liabilities; and
vii) the determination of fair value of asset-backed commercial paper based on numerous assumptions, including interest and market risk rates, and factors that are beyond the Company's control such as the ultimate settlement amounts, timing of settlement and changes in the credit ratings. The fair value of the asset-backed commercial paper is subject to uncertainty and it is reasonably possible that the recognized amount could change by a material amount in the near term.

Note 2 Summary of Significant Accounting Policies – (cont'd)

h) Financial Instruments

The Company has classified its financial instruments as follows:

- Cash and cash equivalents and short term investments are classified as held-for-trading and are measured at fair value.

- Marketable securities and asset-backed commercial paper ("ABCP") are classified as available for sale. They are recorded at fair value at initial recognition and measured at fair value at each period and subsequent revaluation resulting in gains or losses is recorded in the statements of comprehensive income (loss).

- Amounts receivable and due from related parties are classified as loans and receivables. They are recorded at cost, which on initial recognition represents their fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

- Accounts payable and accrued liabilities and due from related parties are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

Handbook Section 3862, Financial Instruments – Disclosures establishes revised standards for the disclosure of financial instruments. This standard establishes a three-tier hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

Changes in valuation methods may result in transfers into or out of an investment's assigned level. During the years ended October 31, 2011 and 2010, there were no significant transfers between level 1 and 2.

The required disclosures are included in notes 5 and 10.

Note 2 Summary of Significant Accounting Policies – (cont'd)

i) Income Taxes

Income taxes are accounted for using the asset and liability method. Future income tax assets and liabilities relate to the expected future tax consequences of temporary differences between the carrying value of balance sheet items and their corresponding tax values. Future income tax assets and liabilities are calculated using tax rates anticipated to apply in periods that the temporary differences are expected to reverse and are adjusted for the effects of changes in tax law and rates on the date of enactment or substantive enactment. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the net future income tax assets will be realized.

j) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset. As at October 31, 2011 and 2010, the Company has no asset retirement obligations.

k) Mining Tax Credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These refundable mining tax credits are earned in respect to exploration costs incurred in B.C. and Quebec, Canada and are recorded as a reduction of the related deferred exploration expenditures.

l) Stock-based Compensation

The Company uses Black-Scholes option valuation model to estimate the fair value of share purchase options at the date of grant. The fair value of stock options granted to non-employees is re-measured on each balance sheet date. Compensation expense for employees is generally amortized using the straight line method over the period from the grant date to the date the options vest. Compensation expense for non-employees is recognized immediately for past services and pro-rata for future services over the service provision period.

Note 2 Summary of Significant Accounting Policies – (cont'd)

m) Flow-through Shares

Effective March 19, 2004, CICA issued additional guidance on the accounting treatment of Canadian flow-through shares through its Emerging Issues Committee Abstract ("EIC") No. 146. All flow-through shares issued by the Company, on or after March 19, 2004, are accounted for in accordance with this Abstract. The Abstract recommends that upon renunciation to the shareholders, the Company will reduce share capital and recognize a temporary future income tax liability for the amount of tax reduction renounced to the shareholders. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deduction is more likely-than-not able to utilize these tax losses before expiring, the realization of the deductible temporary differences will be credited to income in the period of renunciation.

n) Future Canadian Accounting Standards

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

IFRS will be required for the Company's interim and annual financial statements for fiscal year beginning in November 1, 2011. The transition date of November 1, 2010 will require the statement of the amounts reported by the Company for the year ended October 31, 2011. The Company has determined the impact of IFRS on its financial statements and will be filing its first set of financial statements under IFRS commencing January 31, 2012, being the first quarter of fiscal 2012.

Note 3 Marketable Securities

	Cost	Unrealized Gain/(Loss)	Fair Value October 31, 2011
Continental Gold Limited ("CGL")	$ 31	$ 71	$ 102
Canadian International Minerals ("CIN")	625,000	(275,000)	350,000
Zimtu Capital Corp. ("Zimtu")	159,385	(51,744)	107,641
Total	$ 784,416	$ (326,673)	$ 457,743

Note 3 Marketable Securities – (cont'd)

	Cost	Unrealized Gain/(Loss)	Fair Value October 31, 2010
Continental Gold Limited ("CGL")	$ 18,799	$ 29,089	$ 47,888
Victory Resources Corp. ("VRC")	54,666	(18,666)	36,000
Canadian International Minerals ("CIN")	70,000	140,000	210,000
Zimtu Capital Corp. ("Zimtu")	159,385	27,764	187,149
Total	$ 302,850	$ 178,187	$ 481,037

During the year ended October 31, 2011, the Company received 500,000 common shares of CIN valued at $255,000 as described in Note 7 and purchased 2,000,000 units for $300,000 through a private placement. This resulted in the Company holding a total of 3,500,000 common shares and 1,000,000 warrants of CIN. Also during the year ended October 31, 2011, the Company sold the whole 150,000 shares of VRC for a loss of $23,502 and 7,200 shares of CGL for a gain of $32,534. The Company recorded an unrealized holding loss on these shares at October 31, 2011 of $504,860 to other comprehensive income.

During the year ended October 31, 2010, the Company received 500,000 common shares of CIN valued at $32,500 as described in Note 7. This results in the Company holding a total of 1,000,000 common shares of CIN. The Company recorded an unrealized holding gain on these shares at October 31, 2010 of $140,000 to other comprehensive income.

During the year ended October 31, 2010, the Company purchased 61,400 common shares of Zimtu valued at $83,156, bringing its holding of Zimtu shares to 122,320 common shares. The Company recorded an unrealized holding gain on these shares at October 31, 2010 of $27,764 to other comprehensive income.

Note 4 Mining Tax Receivable

During the year ended October 31, 2011, the Company received a refund of $1,121,583 and $1,286,137 for the mining tax credits related to the year ended October 31, 2009 and October 31, 2010, respectively. An adjustment was made to mining tax credits and income tax receivable to reflect the approved amounts. The Company also accrued BC mining tax credit of $1,326,670 and the Quebec mining tax credit of $3,742,888 for the year ended October 31, 2011. $1,543,187 of Quebec mining tax credit accrued for 2010 remains outstanding as the Company is waiting for Revenue Quebec to approve the refund.

During the year ended October 31, 2010, Canada Revenue Agency approved refundable BC mining tax credits for the years ended October 31, 2006, 2007 and 2008 totaling $1,825,576. The Company received the refund plus interest on April 12, 2010. The Company also accrued BC mining tax credits totaling $2,747,080 for the 2009 and 2010 fiscal years and the Quebec mining tax credit of $1,543,187 as at October 31, 2010.

Note 5 Investments in Asset-Backed Commercial Paper

As at October 31, 2011, the Company held asset-backed commercial paper ("ABCP") issued by a number of trusts with an original cost of $7,666,741 (2010: $8,074,267). At the dates the Company acquired these investments they were rated R1 (High) by Dominion Bond Rating Services ("DBRS"). These investments matured during the year ended October 31, 2007, but, as a result of liquidity issues in the ABCP market, did not settle on maturity. The Company has classified its ABCP as long-term investments.

On March 17, 2008, the Pan-Canadian Investors Committee (the "Committee") for ABCP filed proceedings for a plan of compromise and arrangement (the "Plan") under the Companies' Creditors Arrangement Act (Canada) ("CCAA") with the Ontario Superior Court (the "Court"). At the meeting of ABCP noteholders on April 25, 2008, noteholders approved the Plan by the required majorities. On June 5, 2008, the Court issued a sanction order and reasons for the decision approving the Plan as amended. On August 18, 2008, that decision was upheld by the Ontario Court of Appeal and, on September 19, 2008, the Supreme Court of Canada denied leave to appeal. On December 24, 2008, the Committee announced that an agreement had been reached with all key stakeholders, including the governments of Canada, Quebec, Ontario and Alberta, to provide additional margin facilities to support the Plan and finalized certain enhancements to the Plan.

On January 12, 2009, the Ontario Superior Court issued the final implementation order in the ABCP restructuring process. The restructuring closed on January 21, 2009. The exchange of restructured ABCP notes was completed on January 21, 2009. A first instalment of interest (to August 31, 2008) was also paid on the same day. The balance of the interest is to be paid in subsequent instalments, and the amounts and timing are still to be determined. Restructuring fees already incurred and a reserve for additional restructuring fees were deducted from this first interest payment. The Company received upon completion of the restructuring in January 2009 the following:

- $7,350,000 of senior Master Asset Vehicle MAV II Class A-1 and A-2 Notes and subordinated Class B and Class C Notes as follows:
  - $4,830,000 of Class A-1 Notes
  - $1,950,000 of Class A-2 Notes
  - $350,000 of Class B Notes
  - $220,000 of Class C Notes

Class A-1, Class A-2 and Class B Notes will bear interest at the Bankers' Acceptance ("BA") rate less 0.50% and Class C Notes will bear interest at the BA rate plus 20%. These notes have legal maturity dates in 2056 but the expected repayment date of the Class A-1 and A-2 notes is January 22, 2017. The senior notes (Class A-1 and Class A-2) have been rated "A" by DBRS while the subordinated notes (Class B and C) are unrated.

- $780,000 of MAV II Ineligible Asset ("IA") Notes

The IA Tracking Notes will bear interest at a rate based on the net rate of return generated by the underlying tracking assets. The maturities of the notes are based on the maturities of the underlying assets. These notes will not be rated.

Note 5 Investments in Asset-Backed Commercial Paper – (cont'd)

The valuation technique used by the Company to estimate the fair value of its investment in ABCP at October 31, 2011, incorporates probability weighted discounted cash flows considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments. The assumptions used in determining the estimated fair value reflect the details included in the Information Statement issued by the pan-Canadian restructuring committee and the risks associated with the long-term floating rate notes. The interest rates and maturities of the various long-term floating rate notes, discount rates and credit losses modeled are:

	October 31, 2011	**October 31, 2010**
Probability weighted average interest	10.95%	10.95%
Weighted average discount rate	8.65%	8.92%
Maturity of long-term floating rate notes	5 years to 27 years	6 years to 28 years
Credit losses	Rated notes: Nil to 30% Unrated notes: 20% to 100%	Rated notes: Nil to 30% Unrated notes: 20% to 100%

If these assumptions were to change, the fair value of ABCP could change significantly. The Company recorded a fair value adjustment of $1,639,911 during the year ended October 31, 2007 to other comprehensive income as it perceived that the decline in fair value was not long-term and concluded that ABCP was not impaired. In accordance with CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" the Company concluded that the decline in fair value to October 31, 2008 is other than temporary and reclassified an impairment charge of $1,639,911, previously recorded in other comprehensive loss during the year ended October 31, 2007, to net loss during the year ended October 31, 2008. The valuation model was updated at October 31, 2008 with revised assumptions based on current market conditions and, as a result, the Company recorded an additional provision for impairment of ABCP of $2,902,046 bringing the total impairment charge to $4,541,957.

During the year ended October 31, 2011, the Company received payments from settlement of $218,824 (2010: $7,152) and recognized a gain on sale of ABCP of $53,904. As at October 31, 2011, the fair value of the ABCP as determined above was $4,872,289 (2010: $4,243,319) and the Company recorded an unrealized gain of $794,524 (2010: $119,117) from this instrument. During the year ended October 31, 2011, $634 (2010 - $nil) of the Class 9 notes were written off, of which was deemed uncollectible by an independent financial institute.

Subsequent to October 31, 2011, the Company received total proceeds of $1,056,000 and $1,000,049 from the sale of 1,500,000 and 1,390,000 units of MAV II Class A-1Notes, respectively. Accrued interest paid associated with the redemption is respectively $2,436 and $713.

Note 5 Investments in Asset-Backed Commercial Paper – (cont'd)

Reconciliation of level 3 fair value measurements of ABCP is as follows:

Opening balance, October 31, 2009	$ 4,131,354
Unrealized gains in other comprehensive income	119,117
Settlements	(7,152)
Closing balance, October 31, 2010	$ 4,243,319
Unrealized gains in other comprehensive income	794,524
Write off of Class 9 notes	(634)
Settlements	(164,920)
Closing balance, October 31, 2011	$ 4,872,289

Note 6 Equipment

	Cost	Accumulated Amortization	Net Book Value 2011
Field equipment	$ 294,341	$ 249,360	$ 44,981
Field office	316,167	31,170	284,997
Land	120,282	-	120,282
Balance, end of year	$ 730,790	$ 280,530	$ 450,260

	Cost	Accumulated Amortization	Net Book Value 2010
Field equipment	$ 298,806	$ 173,040	$ 125,766
Field office	293,388	17,369	276,019
Land	120,282	-	120,282
Balance, end of year	$ 712,476	$ 190,409	$ 522,067

Note 7 Resource Properties

Blue River Claims – (formerly known as the Upper Fir, Verity and Fir Claims)

The Company has a 100% interest in its Upper Fir, Verity, and Fir claims, located in the Blue River region of the Kamloops Mining District of B.C., Canada, all of which were acquired by staking.

Note 7 Resource Properties (cont'd)

Blue River Claims (cont'd)

During the year ended October 31, 2011, 20,000 stock options with exercise price of $0.55 per share and 235,000 stock options with exercise price of $0.81 were granted to geologists conducting mining activities of Blue River Claims and with expiry in 5 years. The Company capitalized a total of $158,824 stock based compensation as resources properties pursuant to the option grants.

Eldor Claims

The Company acquired, by staking and a purchase agreement, a 100% interest in the Eldor Carbonatite Complex, located in the Labrador Trough area of Quebec, Canada. During the year ended October 31, 2007, the Company purchased 8 mineral claims from Virginia Mines Inc. ("Virginia Mines"), which cover a portion of the Eldor Carbonatite. These claims are adjacent to the approximately 88 claims staked by the Company.

Under the terms of the purchase agreement with Virginia Mines, the Company issued 710,000 common shares and 290,000 share purchase warrants. The share purchase warrants were exercisable at $1.12 per share until June 19, 2009. The Company also issued 25,000 common shares as a finder's fee. The total of 735,000 common shares issued for this transaction was valued at $1,014,300 which was determined by the closing price of the Company's shares on the date of the execution of the option agreement. A charge of $176,602 had been recorded in resource properties acquisition costs in respect to the share purchase warrants. The fair value of these warrants was determined using the Black-Scholes option pricing model with the following assumptions:

	2007
Weighted average fair value of warrants issued	$0.61
Expected dividend yield	0.0%
Expected volatility	62.1%
Risk-free interest rate	4.50%
Expected term in years	2 years

Virginia Mines retains a 1% net smelter royalty on the 8 claims purchased from them. As well, 5 of the 8 claims are subject to an underlying 5% net profit royalty, which can be purchased for $500,000.

During the year ended October 31, 2011, 155,000 stock options with exercise price of $0.55 per share and 125,000 stock options with exercise price of $0.81 were granted to geologists conducting mining activities of Eldor Claims and with expiry in 5 years. The Company capitalized a total of $131,127 stock based compensation as resources properties pursuant to the option grants.

Note 7 Resource Properties (cont'd)

Other Claims

Other claims consist of mineral claims located in B.C., Canada known as the Cable Creek, Mud Lake, Alan Parson, Lac. Nach and Carbo claims. On January 15, 2009, the Company entered into a Mineral Acquisition Agreement with Canadian International Menerals Inc. ("CIN") whereby CIN can acquire a 75% interest in the Carbo Property. In consideration for the interest, CIN must pay the Company $30,000 ($10,000 received at October 31, 2009, $10,000 at January 31, 2010, and $10,000 received January 19, 2011), issue 1,500,000 common shares (500,000 received at October 31, 2009, 500,000 received at January 31, 2010, and 500,000 received at January 12, 2011) to the Company and incur total exploration expenditures of $198,000 (incurred) on the Carbo Property over a three year period. As at October 31, 2011, the Company determined that the value of several mineral claims was impaired, and accordingly wrote off capitalized costs in the amount of $39,896.

On September 23, 2011, the Company entered into an amending agreement with CIN whereby CIN will immediately acquire 100% interest in the Carbo Property by issuing an additional 8,000,000 common shares to the Company. The Company will retain its 2% NSR royalty on the property. Pursuant to the amending agreement, the Company shall subscribe for $300,000 worth of Units (the "Units", at $0.15 per unit , totalling 2,000,000 units) into CIN's recently announced private placement, with each Unit consisting of one common share and one-half of one transferable share purchase warrant entitling the Company to purchase one additional share of CIN for a period of 24 months from the closing date at a price of $0.25 per share in the first year and $0.30 per share in the second year. As of October 31, 2011, the Company recognized other income of $276,369 as the option payment received from the $30,000 cash received and CIN 1,500,000 shares issued over the capitalized costs invested on Carbo Property.

Subsequently to October 31, 2011, CIN issued the 8,000,000 common shares at $0.095 per share to the Company.

Note 8 Share Capital

Authorized:

Unlimited common shares without par value

Issued:

	Number	Share Price	Amount
Balance, October 31, 2009	130,517,140		$56,504,666
Exercise of options	145,000	$0.26	37,700
Warrants exercised	37,500	$0.54	20,250
Fair value of options exercised	-		88,874
Share issue costs related to prior year issued shares	-		(8,975)
Balance, October 31, 2010	130,699,640		$56,642,515
Issuance of share capital	10,388,834	$0.73	7,583,849
Share issue costs	-		(1,252,909)
Exercise of options			
	250,000	$0.15	37,500
	20,000	$0.18	3,600
	100,000	$0.21	21,000
	25,000	$0.25	6,250
	1,764,017	$0.26	458,644
	25,000	$0.55	13,750
Fair value of options exercised	-		805,009
Total Options	2,184,017		1,345,753
Exercise of warrants	3,878,125	$0.54	2,094,188
Exercise of broker warrants	523,720	$0.40	209,488
Fair value of broker warrants exercised	-		155,153
	523,720		364,641
Exercise of broker unit warrants			
	687	$0.50	343
	106,399	$0.54	57,455
Total Broker Unit Warrants	107,086		57,798
Balance, October 31, 2011	147,781,422		$66,835,835

Note 8 Share Capital – (cont'd)

Issued and outstanding:

Historically, the Company repurchased 200,000 common shares of its own at nominal value, which has been deemed as common shares returned to treasury. As a result, the total issued and outstanding shares of the Company is 147,581,422 as at October 31, 2011 (2010: 130,499,640).

During the year ended October 31, 2011:

On June 3, 2011, the Company completed a non-brokered private placement of 10,388,834 common shares of the Company at a price of $0.73 per share for gross proceeds of $7.58 million. In connection with the completion of the private placement, the Company has paid a finder's fee in the amount of $682,547 cash and 2,004,709 finder's share purchase warrants exercisable at $0.90 per share for two years collectively. The finder's warrants were valued at fair value of $538,335. The fair value of these warrants was $0.27 per share where the exercise price is greater than the market price at the date of grant and the fair value of each warrant granted is calculated using the Black-Scholes pricing model assuming a risk-free interest rate of 1.44%, a dividend yield of nil, an expected volatility of 80% and an average expected life of 2 years. The residual $32,027 of share issuance costs constitutes of legal and filing expenses related directly to the private placement.

During the year ended October 31, 2011, 250,000 stock options were exercised at $0.15 per share for total proceeds of $37,500, 20,000 stock options were exercised at $0.18 per share for total proceeds of $3,600, 100,000 stock options were exercised at $0.21 per share for total proceeds of $21,000, 25,000 stock options were exercised at $0.25 per share for total proceeds of $6,250, 1,764,017 stock options were exercised at $0.26 per share for total proceeds of $458,644 and 25,000 stock options were exercised at $0.55 per share for total proceeds of $13,750.

During the year ended October 31, 2011, 3,878,125 warrants were exercised at $0.54 per share for total proceeds of $2,094,188, 523,720 broker warrants were exercised at $0.40 per share for total proceeds of $209,488, 687 broker unit warrants were exercised at $0.50 per share for total proceeds of $343 and 106,399 broker unit warrants were exercised at $0.54 per share for total proceeds of $57,455.

During the year ended October 31, 2010:

During the year ended October 31, 2010, 145,000 stock options were exercised at $0.26 per share for total proceeds of $37,700 and 37,500 share purchase warrants were exercised at $0.54 per share for total proceeds of $20,250.

Note 8 Share Capital – (cont'd)

Stock Options

The Company has a stock option plan for officers, directors, employees and consultants. Options are granted with an exercise price determined by the Board of Directors, which may not be less than 25% of the Company's stock price on the date of the grant. All stock options vest immediately, except for those granted to employees and/or consultants engaged in investor relations activities, of which no more than one-quarter of the options granted may vest in any three month period.

A summary of the stock options, as of October 31, 2011, is presented below:

	2011		2010	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance, beginning of year	8,420,000	$0.35	7,540,000	$0.33
Granted	5,302,500	$0.72	1,110,000	$0.45
Exercised	(2,184,017)	$0.25	(145,000)	$0.26
Expired/forfeited/cancelled	(500,000)	$0.35	(85,000)	$0.26
Outstanding, end of year	11,038,483	$0.54	8,420,000	$0.35
Exercisable, end of year	10,742,233	$0.52	8,395,000	$0.35

As at October 31, 2011, 500,000 options priced at $0.35 expired.

On February 23, 2010 and October 18, 2010, 50,000 and 35,000 options both priced at $0.26 were cancelled respectively.

Note 8 Share Capital – (cont'd)

Stock Options – (cont'd)

At October 31, 2011, the Company had 11,038,483 (2010: 8,420,000) stock options outstanding entitling the holders thereof the right to purchase one common share as follows:

Number 2011	Number 2010	Original Exercise Price	Revised Exercise Price	Expiry Date
-	250,000	$0.15	-	February 6, 2011
-	20,000	$0.18	-	February 20, 2011
-	100,000	$0.21	-	February 20, 2011
-	500,000	$0.30	$0.26	March 15, 2011
-	500,000	$0.35	-	September 27, 2011
1,000,000	1,400,000	$0.67	$0.26	March 16, 2012
-	425,000	$1.15	$0.26	April 16, 2012
50,000	50,000	$1.15	-	April 16, 2012
25,000	60,000	$1.25	$0.26	April 17, 2012
200,000	200,000	$1.12	-	June 6, 2012
-	30,000	$1.12	$0.26	June 6, 2012
1,000,000	1,000,000	$1.00	$0.26	September 20, 2012
70,983	100,000	$1.15	$0.26	October 3, 2012
592,500	-	$0.90	-	June 15, 2013
1,430,000	1,775,000	$0.26	-	April 13, 2014
200,000	200,000	$0.68	-	September 29, 2014
350,000	350,000	$0.55	-	October 15, 2014
350,000	350,000	$0.60	-	October 15, 2014
200,000	200,000	$0.45	-	November 6, 2014
285,000	285,000	$0.66	-	November 20, 2014
600,000	600,000	$0.35	-	April 20, 2015
-	25,000	$0.25	-	August 17, 2015
1,980,000	-	$0.55	-	November 17, 2015
2,705,000	-	$0.81	-	February 28, 2016
11,038,483	8,420,000			

At October 31, 2011, the stock options outstanding had a weighted average remaining contractual life of 2.87 years (2010: 2.42 years).

During the year ended October 31, 2011, the Company granted a total of 5,302,500 (2010: 1,110,000) stock options to its officers, directors, employees and consultants of the Company. Options granted to directors, employees and consultants other than consultants engaged in investor relations activities will vest immediately. However for options granted to employees and consultants engaged in investors relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three month period. At the date of grant, the exercise prices are above or equal to the market price. The Company recorded stock-based compensation expense of $2,403,084 ($289,951 was capitalized as cost to resource property.) (2010: $288,262) (See Note 7) and the amount was determined using Black-Scholes option pricing model with the following assumptions:

Note 8 Share Capital – (cont'd)

Stock Options – (cont'd)

	2011	2010
Expected dividend yield	Nil	Nil
Expected volatility	80% - 97%	92% - 97%
Risk free rate	1.00 – 2.77%	1.48% - 2.56%
Expected terms in years	2 - 5	3

Share Purchase Warrants

A summary of the share purchase warrants as of October 31, 2011 and 2010 is presented below:

	2011			2010		
	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, beginning of year	36,261,442	$1.26	0.76	36,298,942	$1.26	1.76
Issued	2,058,252	$0.89	1.55	-	-	-
Exercised	(3,878,125)	$0.54	-	(37,500)	$0.54	-
Expired	(32,436,860)	$1.34	-	-	-	-
Balance, end of year	2,004,709	$0.90	1.59	36,261,442	$1.26	0.76

The following share purchase warrants are outstanding entitling the holder the right to purchase one common share for each warrant held:

Number 2011	Number 2010	Exercise Price	Expiry Date
-	3,761,003	$1.50	June 26, 2011
-	14,674,600	$1.50	July 24, 2011
-	8,856,214	$1.50	August 1, 2011
-	8,300,875	$0.54	September 15, 2011
-	668,750	$0.54	October 2, 2011
2,004,709	-	$0.90	June 3, 2013
2,004,709	36,261,442		

Note 8 Share Capital – (cont'd)

Brokers Warrants and Units

A summary of the broker warrants as of October 31, 2011 and 2010 is presented below:

	2011 Number of Warrants	2011 Weighted Average Exercise Price	2011 Weighted Average Life (Years)	2010 Number of Warrants	2010 Weighted Average Exercise Price	2010 Weighted Average Life (Years)
Balance, beginning of year	621,720	$0.40	0.88	621,720	$0.40	1.88
Broker warrant exercised	(523,720)	$0.40		-	-	
Broker warrant expired	(98,000)	$0.40		-	-	
Balance, end of year	-	-	-	621,720	$0.40	0.88

A summary of the broker units as of October 31, 2011 is presented below:

	2011 Number of Broker Units	2011 Weighted Average Exercise Price	2011 Weighted Average Life (Years)
Balance, beginning of year	-	-	-
Broker Unit issued	261,859	$0.54	
Broker Unit exercised	(107,086)	$0.54	
Broker Unit expired	(154,773)	$0.54	
Balance, end of year	-	-	-

The following Brokers Warrants are outstanding. Each Broker Warrant entitles the holder thereof the right to purchase one Broker Unit at a price of $0.40 per Broker Unit. Each Broker Unit consists of one common share and one half of one share purchase warrant. Two one half of one share purchase warrants will entitle the holder to purchase one common share of the Company at an exercise price of $0.54 with the same expiry date as per below.

2010 Number of Broker Warrants	Description	Exercise Price	Expiry Date
561,720	Broker Warrant	$0.40	September 15, 2011
60,000	Broker Warrant	$0.40	October 2, 2011
621,720			

Note 9 Related Party Transactions

Except as disclosed elsewhere in these financial statements, the Company had the following transactions with directors of the Company and companies with a common director:

	2011	2010
Administration fees and rent	$ 1,080,000	$ 1,080,000
Consulting fees	411,622	104,402
Deferred exploration and development costs	5,318,923	3,625,623
Advertising, promotion and travel	40,872	8,684
Office expenses	-	878
	$ 6,851,417	$ 4,819,587

These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties. Administrative fees and rent include management fees, rental expenses and accounting services received during the year.

At October 31, 2011, $926,898 (2010: $535,426) was due to a company with a common director of the Company for fees and expenses related to geological consulting, $34,846 (2010: $8,390) was due to directors for consulting fees, $53,031 (2010: $22,500, was due to) was due from a company with a common director, and $17,933 (2010: $34,651) was due from another company with a common director. The payables and receivables are non-interest bearing and due on demand.

At October 31, 2011, $107,641 included in marketable securities (2010: $187,149) is with a public company having directors in common.

Note 10 Financial Instruments

Fair Values

Financial instruments classified as level 1 – quoted prices in active markets include cash and cash equivalents, short term investment and marketable securities. Financial estimates classified as level 3 – significant unobservable inputs include asset-backed commercial paper.

Financial Risk Management

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.

Note 10 Financial instruments – (cont'd)

Financial Risk Management – (cont'd)

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's cash and cash equivalents, amounts receivable, due from related parties and investments in asset-backed commercial paper are subject to credit risk for a maximum of the amounts shown on the balance sheet. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At October 31, 2011, cash and cash equivalents of $3,694,630 (2010 - $7,100,000) consisted of cash balances of $812,296 (2010 - $1,400,000) on deposit with Canadian chartered banks and $2,881,334 (2010 - $5,700,000) in money market funds.

The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits.

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.

The Company currently has adequate liquidity to fund its financial liabilities which are comprised of accounts payable and accrued liabilities and due to related parties.

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. The Company's marketable securities and investment in asset-backed commercial paper are subject to market risk.

Note 10 Financial instruments – (cont'd)

Financial Risk Management – (cont'd)

c) Market Risk – (cont'd)

i) 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 exploration 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.

ii) 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.

iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents and investments in asset-backed commercial paper. The sensitivity in interest rates of decrease by 10% would result in an approximate decrease of $10,000 (2010: $13,000) in net annual earnings. The sensitivity analysis on ABCP providing the effect on other comprehensive income if interest rates were to increase by 1% for the year ended October 31, 2011 is $222,000 (2010: $276,000).

Note 11 Capital Disclosures

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.

Note 11 Capital Disclosures – (cont'd)

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 years ended October 31, 2011 and 2010.

Note 12 Corporation Income Taxes

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2011	2010
Statutory tax rate	26.83%	28.75%
Loss before income taxes	$ (4,253,566)	$ (2,490,106)
Expected income tax recovery on net loss, before income tax	1,141,232	715,905
Differences due to recognition of items for tax purposes:		
Effect of reduction in statutory rate	(51,042)	(34,133)
Expiry of loss carryforward	-	(73,313)
Share Issuance Costs	192,614	176,301
Stock-based compensation and other	(583,767)	(96,938)
Gain on disposal of assets	16,886	-
Increase in valuation allowance	(686,384)	(570,004)
Future income tax recovery	$ 29,539	$ 117,818

Subject to certain restrictions, the Company has accumulated $32,906,753 (2010: $23,953,548) of Canadian development and exploration expenditures available to reduce taxable income of future years. In addition, the Company has non-capital losses totalling $15,272,000 (2010: $12,668,000) that are available to reduce taxable income of future years. The non-capital losses expire as follows:

Note 12 Corporation Income Taxes – (cont'd)

2014	296,000
2015	336,000
2026	730,000
2027	1,989,000
2028	2,664,000
2029	2,688,000
2030	3,710,000
2031	2,859,000
	$ 15,272,000

The significant components of the Company's future income tax assets (liabilities) are as follows:

	2011	2010
Non-capital losses carry forward	$ 3,818,000	$ 2,761,000
Canadian development and exploration expenditures	(1,076,000)	(741,000)
Share issue costs	208,000	222,000
Marketable securities and asset-backed commercial paper	402,000	484,000
	3,352,000	2,726,000
Less: valuation allowance	(3,352,000)	(2,726,000)
	$ -	$ -

The Company has recorded a valuation allowance against its net future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward period to utilize all the net future tax assets.

Note 13 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:

During the year ended October 31, 2011:

a) Deferred exploration expenditures of $1,756,520 were included in accounts payable and $961,744 were included in due to related parties at October 31, 2011.

b) 560,000 options valued at $289,951 granted to geologists were included in deferred exploration and development costs.

c) Amortization of $90,122 relating to equipment was included in resources properties account.

d) Deferred exploration and development costs in the investing activities included mining tax credits of $5,071,777 and reassessment of $339,360.

During the year ended October 31, 2010:

a) Deferred exploration expenditures of $538,509 were included in accounts payable and $511,464 were included in due to related parties at October 31, 2010.

b) Option payments received on a resource property include shares of another public company valued at $32,500.

c) Amortization of $97,449 relating to equipment was included in resources properties account.

d) Deferred exploration and development costs in the investing activities included mining tax credits of $2,421,941 and reassessment of $42,750.

e) See also Note 8.

Note 14 Subsequent Events

a) See Note 5 and Note 7.

COMMERCE RESOURCES CORP. Schedule I

SCHEDULE OF RESOURCE PROPERTIES

For the year ended October 31, 2011

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of year	$ 201,602	$ 1,217,889	$ 29,227	$ 1,448,718
Staking	-	13,030	110	13,140
Less: Write-off of mineral properties	-	-	(28,387)	(28,387)
Balance, end of the year	201,602	1,230,919	950	1,433,471
Deferred exploration and development costs – Note 9				
Balance, beginning of year	19,023,966	6,247,528	27,996	25,299,490
Amortization – field equipment and office	59,753	30,369	-	90,122
Archaeological impact analysis	5,039	-	-	5,039
Assays and analytical	638,258	1,173,137	-	1,811,395
Consulting	10,522	60,056	73	70,651
Drilling	941,632	1,840,604	-	2,782,236
Engineering	459,893	45,583	4,738	510,214
Environmental	144,739	3,519	-	148,258
Field equipment rental	294,011	427,596	190	721,797
Community	85,666	-	-	85,666
Field supplies	71,632	493,568	53	565,253
Food and accommodation	157,249	249,546	-	406,795
Fuel	-	421,347	-	421,347
Geology, mapping and drafting	1,519,689	2,215,878	-	3,735,567
Geophysics	67,768	67,477	-	135,245
Metallurgy	152,441	5,727	-	158,168
Other	102,230	3,820	-	106,050
Permitting & regulatory	58,205	-	-	58,205
Physical work	-	38,525	-	38,525
Project insurance	17,033	-	-	17,033
Project management	213,824	-	-	213,824
Research	168,730	-	-	168,730
Road and site preparation	284,960	-	-	284,960
Stock based compensation	158,824	131,127	-	289,951
Travel and transport	55,216	2,621,930	16	2,677,162
	5,667,314	9,829,809	5,070	15,502,193
Less: Mining tax credits	(959,321)	(4,037,925)	(27,989)	(5,025,235)
Option payments in excess of carrying amount of Carbo Property (Note 7)	-	-	276,369	276,369
Write-off of mineral properties	-	-	(11,509)	(11,509)
Option payments received	-	-	(265,000)	(265,000)
Balance, end of year	23,731,959	12,039,412	4,937	35,776,308
Balance, October 31, 2011	$ 23,933,561	$ 13,270,331	$ 5,887	$ 37,209,779

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COMMERCE RESOURCES CORP.
SCHEDULE OF RESOURCE PROPERTIES
For the year ended October 31, 2010

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of the year	$ 201,365	$ 1,217,889	$ 28,927	$ 1,448,181
Staking	237	-	300	537
Balance, end of year	201,602	1,217,889	29,227	1,448,718
Deferred exploration and development costs – Note 9				
Balance, beginning of year	16,319,891	4,198,414	65,329	20,583,634
Amortization – field equipment and office	54,655	42,794	-	97,449
Archaeological impact analysis	15,788	-	-	15,788
Assays and analytical	409,545	201,826	-	611,371
Consulting	7,960	26,548	1,746	36,254
Drilling	1,316,732	326,314	-	1,643,046
Engineering	480,116	-	1,493	481,609
Environmental	121,746	39,355	-	161,101
Field equipment rental	212,257	168,984	40	381,281
Community	64,266	-	-	64,266
Field supplies	92,703	239,112	-	331,815
Food and accommodation	126,516	73,315	-	199,831
Geology, mapping and drafting	1,343,570	1,157,067	-	2,500,637
Geophysics	45,319	2,500	-	47,819
Metallurgy	359,318	-	-	359,318
Other	99,623	18,927	-	118,550
Permitting & regulatory	6,306	-	-	6,306
Physical work	-	147,004	-	147,004
Project insurance	15,592	3,768	-	19,360
Project management	203,645	-	-	203,645
Research	205,899	-	-	205,899
Road and site preparation	269,983	-	-	269,983
Sampling and prospecting	-	-	195	195
Travel and transport	42,366	1,545,467	1,693	1,589,526
	5,493,905	3,992,981	5,167	9,492,053
Less: Mining tax credits	(2,789,830)	(1,943,867)	-	(4,733,697)
Option payments received	-	-	(42,500)	(42,500)
Balance, end of year	19,023,966	6,247,528	27,996	25,299,490
Balance, October 31, 2010	$ 19,225,568	$ 7,465,417	$ 57,223	$ 26,748,208