COMMERCE RESOURCES CORP.

Condensed Interim Financial Statements

For The Three Months Ended January 31, 2012

The accompanying unaudited condensed interim financial statements of Commerce Resources Corp. for the three months ended January 31, 2012, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditors

(Unaudited - Expressed in Canadian Dollars)

Commerce Resources Corp.

Condensed Interim Statements of Financial Position
As expressed in Canadian dollars
(Unaudited – prepared by management)

	January 31, 2012	October 31, 2011	November 1, 2010
		(Note 19)	(Note 19)
Assets			
Current			
Cash and cash equivalents	$ **322,858**	$ 3,693,630	$ 7,128,737
Marketable Securities (Note 5)	**893,175**	457,743	481,037
Short term investment	**34,500**	34,500	34,500
Amounts receivable	**1,812**	2,867	-
Mining tax receivable (Note 7)	**6,612,745**	6,612,745	4,290,267
GST/HST receivable	**304,043**	525,975	411,206
Due from related parties (Note 14)	**61,636**	70,964	34,651
Prepaid expenses (Note 6)	**120,181**	123,088	124,595
	8,350,950	11,521,512	12,504,993
Prepaid expenses – non-current (Note 6)	**164,093**	342,550	135,000
Investment - asset-backed commercial paper (Note 8)	**2,999,972**	4,872,289	4,243,319
Equipment (Note 8)	**626,589**	450,260	522,067
Mineral exploration and evaluation assets (Note 10)	**40,160,739**	37,209,779	26,748,208
Reclamation bonds	**82,000**	82,000	82,000
	$ **52,384,343**	$ 54,478,390	$ 44,235,587
Liabilities			
Current			
Accounts payable and accrued liabilities	$ **770,375**	$ 2,258,489	$ 621,789
Due to a related party (Note 14)	**224,404**	961,744	566,316
	994,779	3,220,233	1,188,105
Shareholders' Equity			
Share capital (Note 11)	**66,835,835**	66,835,835	56,642,515
Contributed surplus	**6,990,460**	6,990,460	5,009,203
Accumulated other comprehensive income	**985,617**	1,031,503	771,378
Deficit	**(23,422,348)**	(23,599,641)	(19,375,614)
	51,389,564	51,258,157	43,047,482
	$ **52,384,343**	$ 54,478,390	$ 44,235,587

Nature of operations and continuance of operations (Note 1)
Commitments (Note 13)
Subsequent events (Note 18)

Approval on behalf of the Board of Directors:

"David Hodge" — Director

"Sven Olsson" — Director

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

Commerce Resources Corp.

Condensed Interim Statements of Operations and Comprehensive Loss
As expressed in Canadian dollars
(Unaudited – prepared by management)

	Three months ended January 31, 2012	2011
Expenses		
Administration fees and rent – Note 14	$ **270,000**	$ 270,000
Advertising and website	**74,337**	113,214
Bank charges and interest	**1,320**	732
Consulting fees – Note 13	**64,258**	97,461
Filing and transfer agent fees	**4,055**	18,250
Insurance	**3,806**	3,655
Investor relations	**16,873**	41,008
Office, telephone and miscellaneous – Note 14	**9,172**	2,999
Professional fees	**1,646**	7,275
Stock-based compensation – Note 12	**-**	740,295
Travel and promotion	**61,147**	67,611
Income (Loss) before other items	**(489,708)**	(1,362,500)
Other income (expenses)		
Interest income	**16,907**	24,731
Other income	**760,000**	-
Loss on disposition of asset backed commercial paper	**(93,000)**	-
Loss on disposition of marketable securities	**-**	(23,501)
	683,907	1,230
Net income (loss) for the period	**177,293**	(1,361,270)
Other comprehensive income for the period		
Write off of asset backed commercial paper	**-**	(101,402)
Unrealized gain (loss) on asset backed commercial paper	**278,682**	-
Unrealized gain (loss) on marketable securities	**(324,568)**	386,975
Comprehensive income (loss) for the period	**(45,886)**	285,573
Net income (loss) and comprehensive income (loss) for the period	$ **131,407**	$ (1,075,697)
Basic and diluted loss per share	$ **(0.00)**	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	**143,758,720**	130,991,144

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

Commerce Resources Corp.
Condensed Interim Statements of Changes in Equity
As expressed in Canadian dollars
(Unaudited – prepared by management)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, November 1, 2010	**130,699,640**	**56,642,515**	**5,009,203**	**771,378**	**(19,375,614)**	**43,047,482**
Exercise of stock options	849,017	429,828	(243,434)	-	-	186,394
Exercise of warrants	2,128,750	1,149,525	-	-	-	1,149,525
Exercise of broker warrants	363,895	246,284	(100,726)	-	-	145,558
Exercise of broker unit warrants	98,687	53,264	-	-	-	53,264
Stock based compensation – Note 12	-	-	740,295	-	-	740,295
Unrealized loss on available-for-sale financial assets	-	-	-	285,573	-	285,573
Net loss for period	-	-	-	-	(1,361,270)	(1,361,270)
Balance, January 31, 2011	**134,139,989**	**58,521,416**	**5,405,338**	**1,056,951**	**(20,736,884)**	**44,246,821**
Private placement	10,388,834	7,583,849	-	-	-	7,583,849
Exercise of stock options	1,335,000	915,926	(561,575)	-	-	354,351
Exercise of warrants	1,749,375	944,663	-	-	-	944,663
Exercise of broker warrants	159,825	118,357	(54,427)	-	-	63,930
Exercise of broker unit warrants	8,399	4,534	-	-	-	4,534
Share issue costs	-	(1,252,910)	538,335	-	-	(714,575)
Stock based compensation – Note 12	-	-	1,662,789	-	-	1,662,789
Unrealized loss on available-for-sale financial assets	-	-	-	(25,448)	-	(25,448)
Net loss for period	-	-	-	-	(2,862,757)	(2,862,757)
Balance, October 31, 2011	**147,781,422**	**66,835,835**	**6,990,460**	**1,031,503**	**(23,599,641**	**51,258,157**
Unrealized loss on available-for-sale financial assets	-	-	-	(45,886)	-	(45,886)
Net income (loss) for period	-	-	-	-	177,293	177,293
Balance, January 31, 2012	**147,781,422**	**66,835,835**	**6,990,460**	**985,617**	**(23,422,348)**	**51,389,564**

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

Commerce Resources Corp.

Condensed Interim Statements of Cash Flows
As expressed in Canadian dollars
(Unaudited – prepared by management)

	Three Months Ended January 31, 2012	2011
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income (loss) for the period	$ 177,293	$ (1,361,270)
Add (deduct) items not affecting cash:		
Loss on sale of marketable securities	-	23,501
Loss on sale of asset backed commercial paper	93,000	-
Other income	(760,000)	-
Stock-based compensation	-	740,295
	(489,707)	(597,474)
Changes in non-cash working capital items related to operations:		
Amounts receivable	1,055	(15,478)
GST/HST receivable	221,932	189,442
Prepaid expenses	181,364	(45,616)
Due to related parties	(277,732)	(618,687)
Accounts payable and accrued liabilities	1,946,507	539,539
Net cash flows used in operating activities	1,583,419	(548,274)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Issue of share capital for cash, net of issue costs	-	1,534,741
Net cash flows provided by financing activities	-	1,534,741
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of equipment	190,717	-
Redemption of Asset-backed commercial paper	2,057,999	399
Proceeds from property option agreements	-	10,000
Sale (purchase) of marketable securities	-	31,165
Deferred exploration and development costs, net of tax credits received	(6,821,473)	(2,385,948)
Net cash flows used in investing activities	(4,954,191)	(2,344,384)
Increase (decrease) in cash and cash equivalents	(3,370,772)	(1,357,917)
Cash and cash equivalents, beginning of period	5,770,820	7,128,737
Cash and cash equivalents, end of period	$ 322,858	$ 5,770,820
Cash and cash equivalents consists of the following:		
Cash	$ 67,768	$ 537,365
Money market funds	$ 255,090	$ 5,233,455
Cash paid during the year for:		
Interest expense	$ Nil	$ Nil
Income taxes	$ Nil	$ Nil

Supplemental disclosure with respect to cash flows – Note 17

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Commerce Resources Corp. ("Commerce" or 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.

Commerce 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 head office, principal address and registered and records office of the Company are located at 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

The condensed interim financial statements are authorized for issue by the board of directors on April 27, 2012.

The Company has not generated any revenues and has incurred accumulated losses of $23,422,348 since inception. The ability of the Company to continue as a going concern depends upon the injection of a successful project, achieving a profitable level of operations and also on the ability of the Company to obtain necessary financing to fund ongoing operations. The Company's ability to achieve these objectives cannot be determined at this time.

2. BASIS OF PRESENTATION

The financial statements of the Company for the year ending October 31, 2012, will be prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). These condensed interim financial statements for the three months ended January 31, 2012, have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

As these condensed consolidated interim financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company's October 31, 2011 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 19.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the condensed financial statements includes:

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- The inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that have existed during the periods; and
- The inputs used in accounting for share-based payments in the condensed interim statement of comprehensive loss.

4. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the condensed interim financial statements in accordance with IAS 34 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below are expected to be adopted for the year ended October 31, 2012, and have been applied consistently to all periods presented in these condensed interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at November 1, 2010, for the purposes of the transition to IFRS, unless otherwise indicated. The condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

a. *Foreign Currency Translation*

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

b. *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand; deposits in banks and highly liquid investments with an original maturity of three months or less. There were cash equivalents of $255,090 as at January 31, 2012 (October 31, 2011: $2,881,334; November 1, 2010: $5,629,113) of which were investments in money market funds.

(Unaudited – Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES – continued

c. Short-term investments

Short-term investments are investments which are transitional or current in nature, with an original maturity greater than three months. As at January 31, 2012, 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% (October 31, 2011: $34,500; November 1, 2010: $34,500).

d. 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).

e. Exploration and Evaluation costs

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to "Mines under construction". No amortization during the exploration and evaluation phase.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

f. 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.

g. Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. The Company adopted a policy whereby the premium paid for flow through shares in excess of the market value of the shares without the flow through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

g. Flow-through shares - continued

A deferred tax liability is recognized in respect of the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax basis. A portion of the future income tax assets that were not previously recognized are recognized as a recovery of future income taxes in the statements of comprehensive loss up to the amount of the deferred tax liability upon renunciation.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

h. Asset retirement obligation

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 January 31, 2012, October 31, 2011, and November 1, 2010 the Company has no asset retirement obligations.

i. 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.

j. Financial instruments

i. Financial assets

The Company classifies its financial assets in the following categories: Fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

- Financial assets at fair value through profit or loss ("FVTPL")
  Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash and cash equivalents and short term investments are included in this category of financial assets.

- Held-to-maturity investments ("HTM")
  HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

- Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment. Amounts receivable and due from related parties are included in this category of financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

j. Financial instruments - continued

i. Financial assets - continued

- Available-for-sale financial assets
  Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in equities of other entities. Marketable securities and asset-backed commercial paper ("ABCP") are included in this category of financial assets.

  Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

- Effective interest method
  The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

  Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

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

  Objective evidence of impairment could include the following:

  •Significant financial difficulty of the issuer or counterparty;
  •Default or delinquency in interest or principal payments; or
  •It has become probable that the borrower will enter bankruptcy or financial reorganization.

  For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

  With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

j. Financial instruments - continued

ii. Financial liabilities

The Company classifies its financial liabilities in the following categories: Borrowings and other financial liabilities and derivative financial liabilities.

- Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and due to a related party.

- Derivative Financial liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency.

k. Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and are priced at the previous day's closing price.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

l. Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries, and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

m. Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the common shares are issued.

n. Earnings (loss) per share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

o. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

p. Impairment of non-current assets

Non-current assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

In calculating recoverable amount the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

q. Decommissioning Liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of loss over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of loss. The liability is assessed at each reporting date for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

r. Accounting policies not yet adopted

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

IFRS 9 – Financial Instruments

IFRS 9 establishes the requirements for recognizing and measuring financial assets and financial liabilities. This new standard is effective January 1, 2013 with earlier application permitted.

(Unaudited – Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES - continued

r. Accounting policies not yet adopted - continued

IFRS 10 - Consolidated Financial Statements

IFRS 10 supersedes IAS 27: Consolidated and Separate Financial Statements and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This new standard is effective January 1, 2013 with earlier application permitted.

IFRS 11 - Joint Arrangements

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement and supersedes IAS 31: Interests in Joint Ventures and SIC 13: Jointly Controlled Entities - Non- Monetary Contributions by Venturers. This new standard is effective January 1, 2013 with earlier application permitted.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. This new standard is effective January 1, 2013 with earlier application permitted.

IAS 12 - Income Taxes

IAS 12 addresses the recovery of underlying assets. This amendment is effective January 1, 2012 with earlier application permitted.

IAS 27 - Separate Financial Statements

IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9. This new standard is effective January 1, 2013 with earlier application permitted.

IAS 28 - Investments in Associates and Joint Ventures

IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This amendment is effective January 1, 2013 with earlier application permitted.

5. MARKETABLE SECURITIES

	Number Of Shares	Cost	Unrealized Gain (loss)	Fair Value January 31, 2012
Continental Gold Limited ("CGL")	12	$ 31	$ 73	$ 104
Canadian International Minerals ("CIN")	11,500,000	1,385,000	(580,000)	805,000
Zimtu Capital Corp. ("ZC")	122,320	159,385	(71,314)	88,071
Total	11,622,332	$ 1,544,416	$ (651,241)	$ 893,175

(Unaudited – Expressed in Canadian Dollars)

5. MARKETABLE SECURITIES - continued

	Number Of Shares	Cost	Unrealized Gain (loss)	Fair Value October 31, 2011
Continental Gold Limited ("CGL")	12	$ 31	$ 71	$ 102
Canadian International Minerals ("CIN")	3,500,000	625,000	(275,000)	350,000
Zimtu Capital Corp. ("ZC")	122,320	159,385	(51,744)	107,641
Total	3,622,332	$ 784,416	$ (326,673)	$ 457,743

	Number Of Shares	Cost	Unrealized Gain (loss)	Fair Value November 1, 2010
Continental Gold Limited ("CGL")	7,212	$ 18,799	$ 29,089	$ 47,888
Victory Resources Corp. ("VRC")	150,000	54,666	(18,666)	$ 36,000
Canadian International Minerals ("CIN")	1,000,000	70,000	140,000	$ 210,000
Zimtu Capital Corp. ("ZC")	122,320	159,385	27,764	$ 187,149
Total	1,279,532	$ 302,850	$ 178,187	$ 481,037

During the three months ended January 31, 2012, the Company received 8,000,000 shares of CIN in accordance with the amended agreement for the Carbo Property (see Note 10).

During the year ended October 31, 2011, the Company received 500,000 common shares of CIN valued at $255,000 as described in Note 10 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.

6. PREPAID EXPENSES

Prepaid Expenses	**January 31, 2012**	**October 31, 2011**	**November 1, 2010**
Current			
Insurance	20,024	29,722	22,990
Held in trust	71,110	71,110	32,103
Deposits and advances	29,047	22,256	
Total prepaids – current	120,181	123,088	135,000
Non-current			22,990
Deposits held for exploration	164,093	342,550	32,103
Total prepaids – non-current	164,093	342,550	69,502

7. 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 was received subsequent to the three months ended January 31, 2012.

8. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER

As at January 31, 2012, the Company held asset-backed commercial paper ("ABCP") issued by a number of trusts with an original cost of $4,774,791 (2011: $7,666,741). 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.

(Unaudited – Expressed in Canadian Dollars)

8. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER - continued

The valuation technique used by the Company to estimate the fair value of its investment in ABCP at January 31, 2012 and 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:

	January 31, 2012	October 31, 2011	November 1, 2010
Probability weighted average interest	10.95%	10.95%	10.95%
Weighted average discount rate	8.65%	8.65%	8.92%
Maturity of long-term floating rate notes	5 years to 27 years	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%	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 three months ended January 31, 2012, the Company received payments from settlement of $2,150,999 (2011: $218,824) and recognized a loss on sale of ABCP of $93,000 (2011: $53,904 gain). As at January 31, 2012, the fair value of the ABCP as determined above was $2,999,972 (2011: $4,872,289) and the Company recorded an unrealized gain of $278,682 (2011: $794,524) from this instrument. During the three months ended January 31, 2012, $nil (2011 - $634) of the Class 9 notes were written off, of which was deemed uncollectible by an independent financial institute.

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

Opening 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
Unrealized gains in other comprehensive income		278,682
Settlements		(2,150,999)
Closing balance, January 31, 2012	$	2,999,972

(Unaudited – Expressed in Canadian Dollars)

9. EQUIPMENT

Cost	Field Equipment	Field Office	Land	Total
November 1, 2010	$ 298,806	$ 293,388	$ 120,282	$ 712,476
Additions	(4,465)	22,779	-	18,314
October 31, 2011	$ 294,341	$ 316,167	$ 120,282	$ 730,790
Additions	4,465	186,252	-	190,717
January 31, 2012	**$ 298,806**	**$ 502,419**	**$ 120,282**	**$ 921,507**
Accumulated depreciation				
November 1, 2010	$ 173,040	$ 17,369	$ -	$ 190,409
Additions	76,320	13,801	-	90,121
October 31, 2011	$ 249,360	$ 31,170	$ -	$ 280,530
Additions	8,497	5,891	-	14,388
January 31, 2012	**$ 257,857**	**$ 37,061**	**$ -**	**$ 294,918**
Net book value				
November 1, 2010	$ 125,766	$ 276,019	$ 120,282	$ 522,067
October 31, 2011	$ 44,984	$ 284,997	$ 120,282	$ 450,260
January 31, 2012	**$ 40,949**	**$ 465,358**	**$ 120,282**	**$ 626,589**

10. MINERAL EXPLORATION AND EVALUATION ASSETS

The following is a description of the Company's most significant property interests and related spending commitments:

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.

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:

(Unaudited – Expressed in Canadian Dollars)

10. MINERAL EXPLORATION AND EVALUATION ASSETS - continued

	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.

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 acquire 100% interest in the Carbo Property by issuing an additional 8,000,000 common shares to the Company (received November 8, 2011). 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. During the three months ended January 31, 2012, the Company recorded a gain of $760,000 for receipt of the 8,000,000 shares for the Carbo Property

11. SHARE CAPITAL

a) Authorized: Unlimited common shares with no par value.

b) 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 January 31, 2012 (October 31, 2011: 147,581,422; November 1, 2010: 130,499,640).

(Unaudited – Expressed in Canadian Dollars)

11. SHARE CAPITAL - continued

During the three months ended January 31, 2012:

None

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.

c) Shares held in escrow:

There are no common shares of the Company in escrow.

d) Warrants:

Warrant transactions and the number of warrants outstanding are summarized as follows:

	January 31, 2012		October 31, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	2,004,709	$ 0.90	36,261,442	$ 1.26
Issued	-	-	2,058,252	0.89
Exercised	-	-	(3,878,125)	0.54
Expired	-	-	(32,436,860	1.34
Balance, end of period	2,004,709	$ 0.90	2,004,709	$ 0.90

(Unaudited – Expressed in Canadian Dollars)

11. SHARE CAPITAL - continued

The following warrants were outstanding and exercisable as at January 31, 2012 and October 31, 2011:

Expiry Date	Weighted Average Contractual Life (Years)	Exercise Price	**January 31, 2012** Number of Shares	**October 31, 2011** Number of Shares
June 3, 2013	1.34	$ 0.90	2,004,709	2,004,709

e) Broker Warrants

Broker warrant transactions and the number of warrants outstanding are summarized as follows:

	January 31, 2012		**October 31, 2011**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	-	-	621,720	$ 0.40
Exercised	-	-	(623,720)	0.40
Expired	-	-	(98,000)	0.40
Balance, end of period	-	-	-	-

12. SHARE-BASED PAYMENTS

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. 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.

The following is a summary of option transactions under the Company's stock option plan for the three months ended January 31, 2012 and the year ended October 31, 2011:

	January 31, 2012		**October 31, 2011**	
	Number of Options	Weighted Average Exercise Price	Number Options	Weighted Average Exercise Price
Balance, beginning of year	11,038,483	$ 0.54	8,420,000	$ 0.35
Granted	-	-	5,302,500	0.72
Exercised	-	-	(2,184,017)	0.25
Expired/Cancelled	-	-	(500,000)	0.35
Balance, end of period	11,038,483	$ 0.54	11,038,483	$ 0.54

(Unaudited – Expressed in Canadian Dollars)

12. SHARE-BASED PAYMENTS - continued

During the three months ended January 31, 2012, the Company granted a total of nil (2011: 5,302,500) stock options to its officers, directors, employees and consultants of the Company.

The following stock options were outstanding and exercisable as at January 31, 2012:

Expiry Date	Original Exercise Price	Revised Exercise Price	January 31, 2012 Number of Shares	Weighted Average Remaining Contractual Life (Years)
March 16, 2012	$0.67	$0.26	1,000,000	0.12
April 16, 2012	$1.15	-	50,000	0.21
April 17, 2012	$1.25	$0.26	25,000	0.21
June 6, 2012	$1.12	-	200,000	0.35
September 20,	$1.00	$0.26	1,000,000	0.64
October 3, 2012	$1.15	$0.26	70,983	0.67
June 15, 2013	$0.90	-	592,500	1.37
April 13, 2014	$0.26	-	1,430,000	2.20
September 29,	$0.68	-	200,000	2.66
October 15, 2014	$0.55	-	350,000	2.71
October 15, 2014	$0.60	-	350,000	2.71
November 6, 2014	$0.45	-	200,000	2.77
November 20, 2014	$0.66	-	285,000	2.81
April 20, 2015	$0.35	-	600,000	3.22
November 17, 2015	$0.55	-	1,980,000	3.80
February 28, 2016	$0.81	-	2,705,000	4.06
			11,038,483	2.63

The Company applies the fair value method in accounting for its stock options using the Black-Scholes pricing model. During the three months ended January 31, 2012, the Company recorded $nil (January 31, 2011 - $740,295) in share-based payments expense. Of that amount, $nil (October 31, 2011 - $289,951; November 1, 2010 - $nil) was capitalized as a cost to the resource properties. The amount was determined using Black-Scholes option pricing model with the following assumptions:

	2012	2011
Expected dividend yield	N/A	Nil
Expected volatility	N/A	80% - 97%
Risk free rate	N/A	1.00 – 2.77%
Expected terms in years	N/A	2 - 5

13. COMMITMENTS

On May 1, 2008, the Company entered into a Management & Administration Agreement with Zimtu Capital Corp. ("Zimtu"). Under the terms of the agreement, Zimtu will provide the Company with administrative and managerial services, including corporate maintenance, continuous disclosure services, rent, and office space, over a period of 12 months for $90,000 per month. During the year ended October 31, 2011, the agreement was extended until April 30, 2012.

(Unaudited – Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS

The Company incurred the following fees and expenses in the normal course of operations and are measured at the exchange amount.

	Three months ended January 31,	
Related party transactions	**2012**	**2011**
Administration fees and rent	270,000	270,000
Consulting fees	63,588	31,012
Deferred exploration and development costs	880,631	568,720
Office expenses	-	3,809
Total	1,214,219	873,541

Amounts due to (from) related parties	**January 31, 2012**	**October 31, 2011**	**November 1, 2010**
Dahrouge Geological Consulting	198,246	926,898	535,426
nKwazi Resource Management	4,480	34,846	-
Dr. Axel Hoppe	21,678	30,366	8,390
Triple Dragon	(17,933)	(17,933)	(34,651)
Zimtu Capital Corp.	(43,703)	(53,031)	22,500
Net amount payable	162,786	890,780	531,665

Zimtu Capital Corp. (“Zimtu”) is related by way of common directorship with a director of the Company and provides monthly administrative and managerial services (see Note 13). At January 31, 2012, $88,071 (October 31, 2011 - $107,641; November 1, 2010 - $187,149) included in marketable securities is for shares held in Zimtu.

Dahrouge Geological Consulting. (“Dahrouge”) is related by way of common directorship.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

15. 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’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.

15. FINANCIAL INSTRUMENTS - continued

At January 31, 2012, cash and cash equivalents of $322,858 (October 31, 2011 - $3,693,630; November 1, 2010 - $7,128,737) consisted of cash balances of $67,768 (October 31, 2011 - $812,296; November 1, 2010 - $1,499,624) on deposit with Canadian chartered banks and $255,090 (October 31, 2011 - $2,881,334; November 1, 2010 - $5,629,113) 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.

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 a decrease by 10% would result in an approximate decrease of $10,000 (2011: $10,000) 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 three months ended January 31, 2012 is $149,000 (2011: $222,000).

(Unaudited – Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS - continued

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at January 31, 2012, October 31, 2011, and November 1, 2010:

	As at January 31, 2012		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 322,858	$ -	$ -
Short term investments	$ 34,500	$ -	$ -
Marketable securities	$ 893,175	$ -	$ -
Asset-backed commercial paper	$ -	$ -	$ 2,999,972
	$ 1,250,533	$ -	$ 2,999,972

	As at October 31, 2011		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 3,693,630	$ -	$ -
Short term investments	$ 34,500	$ -	$ -
Marketable securities	$ 457,743	$ -	$ -
Asset-backed commercial paper	$ -	$ -	$ 4,872,289
	$ 4,185,873	$ -	$ 4,872,289

	As at November 1, 2010		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 7,128,737	$ -	$ -
Short term investments	$ 34,500	$ -	$ -
Marketable securities	$ 481,037	$ -	$ -
Asset-backed commercial paper	$ -	$ -	$ 4,243,319
	$ 7,644,274	$ -	$ 4,243,319

16. CAPITAL MANAGEMENT

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.

16. CAPITAL MANAGEMENT- continued

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 three months ended January 31, 2012, or the years ended October 31, 2011 and 2010.

17. 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 three months ended January 31, 2012:

a) Deferred exploration expenditures of $890,268 were included in accounts payable and $450,280 were included in due to related parties at January 31, 2012,

b) Amortization of $14,388 relating to equipment was included in resources properties account, and

c) Other income of $760,000 is due to the receipt of 8,000,000 shares of CIN received for the Carbo Property.

During the year ended October 31, 2011:

d) 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.

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

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

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

18. SUBSEQUENT EVENTS UP TO APRIL 27, 2012

a) Subsequent to the three months ended January 31, 2012, 150,000 stock options priced at $0.26 and expiring on March 16, 2012, and 25,000 stock options priced at $0.26 and expiring April 17, 2012 were exercised.

b) Subsequent to the three months ended January 31, 2012, 850,000 stock options priced at $0.26 and 50,000 stock options priced at $1.15 expired.

19. FIRST TIME ADOPTION OF IFRS

The Company's financial statements for the year ending October 31, 2012 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was November 1, 2010 (the "Transition Date"). IFRS 1 requires first time adopters to retrospectively apply all the effective IFRS standards as of the reporting date of October 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to the transition to IFRS, the Company prepared its financial statements in accordance with Canadian GAAP.

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

The Company has applied the following exemptions to its opening statement of financial position dated November 1, 2010:

a) Share-based Payments

The Company has elected not to retrospectively apply IFRS 2 to awards that were granted and had vested prior to the Transition Date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated November 1, 2010:

Estimates

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

While IFRS employs a conceptual framework that is similar to Canadian GAAP, some differences exist in certain matters of recognition, measurement and disclosure. The adoption of IFRS has resulted in no reclassifications in the Company's reported financial position as at November 1, 2010 and October 31, 2011.

Commerce Resources Corp.
Schedule of Resource Properties
As expressed in Canadian dollars
For the three months ended January 31, 2012

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of year	$ 201,602	$ 1,230,919	$ 950	$ 1,433,471
Staking	-	-	-	-
Less: Write-off of mineral properties	-	-	-	-
Balance, end of the period	201,602	1,230,919	950	1,433,471
Deferred exploration and development costs – Note 14				
Balance, beginning of year	23,731,959	12,039,412	4,937	35,776,308
Amortization – field equipment and office	11,948	2,440	-	14,388
Archaeological impact analysis	-	-	-	-
Assays and analytical	313,491	568,962	-	882,453
Consulting	2,002	9,100	-	11,102
Drilling	414	468,429	-	468,843
Engineering	75,311	29,457	-	104,768
Environmental	50,381	50,305	-	100,686
Field equipment rental	20,398	86,383	-	106,781
Community	1,453	-	-	1,453
Field supplies	8,455	29,740	-	38,195
Food and accommodation	7,626	20,413	-	28,039
Fuel	-	8,291	-	8,291
Geology, mapping and drafting	267,478	580,761	-	848,239
Geophysics	8,800	-	-	8,800
Metallurgy	1,847	25,550	-	27,397
Other	4,500	1,157	-	5,657
Permitting & regulatory	-	-	-	-
Physical work	-	-	-	38,525
Project insurance	5,892	-	-	5,892
Project management	37,560	-	-	37,560
Research	-	-	-	-
Road and site preparation	3,465	-	-	3,465
Stock based compensation	-	-	-	-
Travel and transport	1,993	246,958	-	248,951
Deferred exploration and development for the period	823,014	2,127,946	-	2,950,960
Total Deferred exploration and development, end of period	24,554,973	14,167,358	4,937	38,727,268
Balance, end of period	24,756,575	15,398,277	5,887	40,160,739

Commerce Resources Corp.
Schedule of Resource Properties
As expressed in Canadian dollars
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 14				
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 10)	-	-	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