COMMERCE RESOURCES CORP.

Financial Statements

October 31, 2012 and 2011

Management's Responsibility for Financial Reporting

The accompanying financial statements of Commerce Resources Corp. ("the Company") were prepared by management in accordance with International Financial Reporting Standards. 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)

David Hodge
President and director

(signed)

Jody Bellefleur
CFO

MNP LLP

Independent Auditors' Report

To the Shareholders of Commerce Resources Corp.:

We have audited the accompanying financial statements of Commerce Resources Corp., which comprise the statements of financial positions as at October 31, 2012, October 31, 2011 and November 1, 2010 and the statements of operations and comprehensive income (loss), changes in equity and cash flows for the years ended October 31, 2012 and 2011, and notes comprising 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 International Financial Reporting Standards, 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 audits. We conducted our audits in accordance with Canadian 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, 2012, October 31, 2011 and November 1, 2010, and the results of its operations and its cash flows for the years ended October 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

MNP LLP

Vancouver, Canada
February 25, 2013

Chartered Accountants

Commerce Resources Corp.

Statements of Financial Position
As expressed in Canadian dollars

As at		**October 31, 2012**		October 31, 2011		November 1, 2010
				(Note 19)		(Note 19)
Assets						
Current						
Cash and cash equivalents	$	**309,661**	$	3,693,630	$	7,128,737
Marketable securities (Note 5)		**348,774**		457,743		481,037
Short term investment		**34,500**		34,500		34,500
Amounts receivable		**34,392**		2,867		-
Mining tax receivable (Note 7)		**5,529,544**		6,612,745		4,290,267
GST/HST receivable		**227,270**		525,975		411,206
Due from related parties (Note 14)		**17,811**		70,964		34,651
Prepaid expenses (Note 6)		**134,642**		123,088		124,595
		6,636,594		11,521,512		12,504,993
Prepaid expenses – non-current (Note 6)		**237,886**		342,550		135,000
Investment - asset-backed commercial paper (Note 8)		**248,446**		4,872,289		4,243,319
Equipment (Note 8)		**644,570**		450,260		522,067
Exploration and evaluation assets (Note 10 and Schedule I)		**44,034,212**		37,209,779		26,748,208
Reclamation bonds		**82,000**		82,000		82,000
	$	**51,883,708**	$	54,478,390	$	44,235,587
Liabilities						
Current						
Accounts payable and accrued liabilities	$	**909,434**	$	2,239,346	$	621,789
Due to related parties (Note 14)		**612,340**		981,187		566,316
Liability for flow through shares (Note 17)		**3,889**		-		-
		1,525,663		3,220,233		1,188,105
Shareholders' Equity						
Share capital (Note 11)		**67,951,764**		66,835,835		56,642,515
Reserves		**7,182,303**		6,990,460		5,009,203
Accumulated other comprehensive income (loss)		**(976,301)**		1,031,503		771,378
Deficit		**(23,799,721)**		(23,599,641)		(19,375,614)
		50,358,045		51,258,157		43,047,482
	$	**51,883,708**	$	54,478,390	$	44,235,587

Approved and authorized by the Board of Directors on February 25, 2013:

"David Hodge" — Director

"Sven Olsson" — Director

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

Commerce Resources Corp.

Statements of Operations and Comprehensive Income (Loss)
For the years ended October 31,
As expressed in Canadian dollars

	2012	2011
Expenses		
Administration fees and rent – Note 14	$ **1,080,000**	$ 1,080,000
Advertising and website	**222,458**	420,179
Bank charges and interest	**22,081**	2,507
Consulting fees – Note 13	**246,875**	473,341
Filing and transfer agent fees	**45,330**	65,441
Insurance	**14,083**	14,710
Investor relations	**66,408**	193,234
Office, telephone and miscellaneous – Note 14	**31,605**	26,569
Professional fees	**434,777**	74,738
Share based payments – Note 12	**-**	2,113,133
Travel and promotion	**215,776**	211,849
Loss before other items	**(2,379,393)**	(4,675,701)
Other items:		
Interest income	**40,210**	123,655
Foreign exchange gain (loss)	**-**	(295)
Impairment of mineral properties	**-**	(39,896)
Write-off asset-backed commercial paper	**-**	(634)
Other income – Note 10	**760,000**	276,369
Gain on disposition of asset backed commercial paper	**1,315,445**	53,904
Gain on disposition of marketable securities	**-**	9,032
	2,115,655	422,135
Loss before income taxes	**(263,738)**	(4,253,566)
Deferred income tax recovery	**63,658**	29,539
Net loss for the year	**(200,080)**	(4,224,027)
Other comprehensive income (loss) for the year		
Change in fair value of available-for-sale financial assets – Note 5 and 8	**(2,007,804)**	260,125
Comprehensive income (loss) for the year	**(2,007,804)**	260,125
Net loss and comprehensive loss for the year	$ **(2,207,884)**	$ (3,963,902)
Basic and diluted loss per share	$ **(0.00)**	$ (0.03)
Weighted average number of common shares outstanding – basic and diluted	**149,177,203**	139,658,459

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

Commerce Resources Corp.
Statements of Changes in Equity
As expressed in Canadian dollars

	Number of Shares		Share Capital		Reserves		Accumulated Other Comprehensive Loss		Deficit		Total
Balance, November 1, 2010	**130,699,640**	**$**	**56,642,515**	**$**	**5,009,203**	**$**	**771,378**	**$**	**(19,375,614)**	**$**	**43,047,482**
Private placement	10,388,834		7,583,849		-		-		-		7,583,849
Exercise of stock options	2,184,017		1,345,753		(805,009)		-		-		540,744
Exercise of warrants	3,878,125		2,094,188		-		-		-		2,094,188
Exercise of broker warrants	523,720		364,641		(155,153)		-		-		209,488
Exercise of broker unit warrants	107,086		57,798		-		-		-		57,798
Share issue costs	-		(1,252,909)		538,335		-		-		(714,574)
Share based payments – Note 12	-		-		2,403,084		-		-		2,403,084
Unrealized loss on available-for-sale financial assets	-		-		-		260,125		-		260,125
Net loss for the year	-		-		-		-		(4,224,027)		(4,224,027)
Balance, October 31, 2011	**147,781,422**		**66,835,835**		**6,990,460**		**1,031,503**		**(23,599,641)**		**51,258,157**
Flow-through private placements	5,601,666		1,288,383		177,212		-		-		1,465,595
Exercise of stock options	25,000		26,381		(19,881)		-		-		6,500
Share issue costs	-		(198,835)		34,512		-		-		(164,323)
Change in fair value of available-for-sale financial assets	-		-		-		(2,007,804)		-		(2,007,804)
Net loss for the year	-		-		-		-		(200,080)		(200,080)
Balance, October 31, 2012	**153,408,088**	**$**	**67,951,764**	**$**	**7,182,303**	**$**	**(976,301)**	**$**	**(23,799,721)**	**$**	**50,358,045**

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

Commerce Resources Corp.

Statements of Cash Flows
For the years ended October 31,
As expressed in Canadian dollars

		2012		2011
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:				
Net income (loss) for the year	$	**(200,080)**	$	(4,224,027)
Add (deduct) items not affecting cash:				
Gain on disposition of marketable securities		**-**		(9,032)
Deferred income tax recovery		**(63,658)**		(29,539)
Gain on disposition of asset-backed commercial paper		**(1,315,445)**		(53,904)
Write-off mineral properties		**-**		39,896
Write-off of asset-backed commercial paper		**-**		634
Other income		**(760,000)**		(276,369)
Share-based payments		**-**		2,113,133
		(2,339,183)		(2,439,208)
Changes in non-cash working capital items related to operations:				
Amounts receivable		**(31,525)**		(2,867)
Mining tax credits receivable		**2,720,941**		2,407,720
GST/HST receivable		**298,705**		(114,769)
Prepaid expenses		**93,110**		(206,043)
Due to (from) related parties		**90,453**		(91,165)
Accounts payable and accrued liabilities		**(359,352)**		418,689
Net cash flows provided by (used in) operating activities		**473,149**		(27,643)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issue of share capital, net of share issuance costs		**1,522,677**		9,771,493
Net cash flows provided by financing activities		**1,522,677**		9,771,493
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:				
Acquisition of equipment		**(145,569)**		(22,779)
Proceeds from sale of equipment		**-**		4,464
Redemption of Asset-backed commercial paper		**4,653,094**		218,824
Proceeds from property option agreements		**-**		10,000
Purchase of marketable securities		**-**		(300,000)
Proceeds from sale of marketable securities		**-**		82,466
Exploration and evaluation costs, net of tax credits received		**(9,887,320)**		(13,171,932)
Net cash flows used in investing activities		**(5,379,795)**		(13,178,957)
Increase (decrease) in cash and cash equivalents		**(3,383,969)**		3,435,107
Cash and cash equivalents, beginning of year		**3,693,630**		7,128,737
Cash and cash equivalents, end of year	**$**	**309,661**	$	3,693,630

Cash and cash equivalents consists of the following:				
Cash	**$**	**53,909**	$	812,296
Money market funds	**$**	**255,752**	$	2,881,334
Cash paid during the year for:				
Interest expense	**$**	**Nil**	$	Nil
Income taxes	**$**	**Nil**	$	Nil

Supplemental disclosure with respect to cash flows – Note 16

The accompanying notes are an integral part of these 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.

These financial statements were authorized for issue by the Audit Committee and Board of Directors on February 25, 2013.

2. BASIS OF PRESENTATION

a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The impact of the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS is explained in note 19. IFRS 1, *First-Time Adoption of IFRS* has been applied.

b) Basis of Measurement

These financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, this financial statement has been prepared using the accrual basis of accounting.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these 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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS – continued

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

- The recoverability of mining tax receivable;
- 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;
- The useful lives and related depreciation of plant and equipment;
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that have existed during the periods;
- The inputs used in accounting for share-based payments in the statements of operations and comprehensive loss; and
- 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.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing an opening IFRS statement of financial position at November 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1. The impact of the transition from previous GAAP to IFRS is explained in note 19.

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 $255,752 as at October 31, 2012 (October 31, 2011: $2,881,334; November 1, 2010: $5,629,113) which were held as investments in money market funds.

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 but less than one year. As at October 31, 2012, the Company has one short-term investment totalling $34,500 (October 31, 2011: $34,500; November 1, 2010: $34,500) of principal due on October 10, 2013 with an annual yield of prime minus 2.05%.

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 statement of financial position date. Subsequent revaluation resulting in unrealized gains or losses is recorded in the statements of operations and 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 following rates:

Field equipment	3 year straight-line
Field office building	5% declining balance
Leasehold improvements	12 year straight-line

g. Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds or “premium” are recorded as a deferred premium liability. When expenditures are incurred, a deferred tax liability is recognized and the deferred premium liability is reversed. The net amount is recognized as deferred income tax recovery.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

g. Flow-through shares - continued

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. Mining tax credits and mining duties

Mining tax credits and mining duties 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 and mining duties. These refundable mining tax credits and mining duties 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.

i. 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 investment 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.

- 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.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

j. Financial instruments - continued

i. Financial assets – continued

- 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 related parties.

- 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.

j. 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

k. 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 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.

l. 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.

m. 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.

n. 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

o. 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.

p. 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.

q. Accounting standards 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, 2015 with earlier application permitted.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

r. Accounting standards 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 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.

s. New accounting standards adopted

Amendments to IAS 24 – Related Party Disclosures

The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarify the definition of a related party. This amendment is effective for annual periods beginning on or after January 1, 2011. The adoption of this issuance did not have a significant impact on the Company's financial statements.

IAS 12 - Income Taxes

Amendments to IAS 12 clarify how an entity should measure the deferred tax consequences related to accounting recoveries of previously-impaired assets and liabilities underlying deferred tax assets and liabilities. These amendments are effective for annual periods beginning after January 1, 2012 and are not expected to have a significant impact on the Company's disclosures in its financial statements.

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES - continued

t. *Accounting standards amended but not yet effective*

Amendments to IFRS 7 – Financial Instruments: Disclosures

The amendments to IFRS 7 require the disclosure of information that will enable users of an entity's financial statements to evaluate the effect, or potential effect, of offsetting financial assets and financial liabilities, to the entity's financial position. Amendments to IFRS 7 are applicable to annual periods beginning on or after January 1, 2013, with retrospective application required.

Amendments to IAS 1 – Presentation of Financial Statements

The amendments to IAS 1 enhance the presentation of other comprehensive income in the financial statements, primarily by requiring the components of other comprehensive income to be presented separately for items that may be reclassified to the statement of profit or loss from those that would remain in equity. This amendment is effective July 1, 2012 with earlier application permitted.

5. MARKETABLE SECURITIES

	Number Of Shares	Cost	Unrealized Gain (loss)	Fair Value October 31, 2012
Continental Gold Limited ("CGL")	12	$ 31	$ 82	$ 113
Canadian International Minerals ("CIN")	11,500,000	1,385,000	(1,097,500)	287,500
Zimtu Capital Corp. ("ZC")	122,320	159,385	(98,224)	61,161
Total	11,622,332	$ 1,544,416	$ (1,195,642)	$ 348,774

	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

Expressed in Canadian Dollars

5. MARKETABLE SECURITIES - continued

During the year ended October 31, 2012, the Company received 8,000,000 shares of CIN valued at $760,000 in accordance with the amended agreement for the Carbo Property (see Note 10). The Company recorded an unrealized holding loss on these shares at October 31, 2012 of $868,969 to other comprehensive income.

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 share purchase warrants of CIN (see Note 10). 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	October 31, 2012	October 31, 2011	November 1, 2010
Current			
Insurance	23,279	29,722	22,990
Held in trust	71,820	71,110	32,103
Deposits and advances	39,543	22,256	69,502
Total prepaid expenses – current	**134,642**	**123,088**	**124,595**
Non-current			
Deposits held for exploration	237,886	342,550	135,000
Total prepaid expenses – non-current	**237,886**	**342,550**	**135,000**

7. MINING TAX RECEIVABLE

During the year ended October 31, 2012, the Company received a refund of $1,305,862 for BC mining tax credits for the year ended October 31, 2011 and $1,396,670 for Quebec mining tax credits for the year ended October 31, 2010. An adjustment was made to mining tax credits to reflect the approved amounts. The Company also accrued BC mining tax credits of $797,018 and Quebec mining tax credits of $989,638 for the year ended October 31, 2012. Subsequent to the year ended October 31, 2012, the Company received its refund for the 2011 Quebec mining tax credits of $3,761,528, including interest on refund of $18,640.

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.

8. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER

As at October 31, 2012, the Company held asset-backed commercial paper (“ABCP”) issued by a number of trusts with an original cost of $1,172,074 (October 31, 2011: $7,666,741; November 1, 2010: $8,074,267). At the dates the Company acquired these investments they were rated R1 (High) by Dominion Bond Rating Services (“DBRS”).

The Canadian market for ABCP suffered a liquidity disruption in mid-August 2007 following which a group of financial institutions and other parties agreed, pursuant to the Montreal Proposal, to the conversion of the ABCP into longer-term financial instruments (floating rate notes) with maturities corresponding to the underlying assets. On December 24, 2008, the Pan-Canadian Investors Committee, established to oversee the orderly restructuring of these instruments, announced that it had reached an agreement with all key stakeholders. Shortly thereafter, on January 21, 2009, the restructuring plan affecting the $32 billing of third-party ABCP was fully implemented.

Expressed in Canadian Dollars

8. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER - continued

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.

The valuation technique used by the Company to estimate the fair value of its investment in ABCP at October 31, 2012, October 31, 2011, and November 1, 2010, 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, 2012	October 31, 2011	November 1, 2010
Probability weighted average interest	38.22%	10.98%	15.60%
Weighted average discount rate	15.95%	8.72%	12.44%
Maturity of long-term floating rate notes	4 years to 26 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. In 2007 and 2008, the Company recorded an additional provision for impairment of ABCP of $2,902,046 bringing the total impairment charge to $4,541,957 due to a decline to fair value that is other than temporary.

During the year ended October 31, 2012, the Company received payments from settlement of $4,653,094 (October 31, 2011: $218,824) and recognized a gain on sale of ABCP of $1,315,445 (October 31, 2011: $53,904). As at October 31, 2012, the fair value of the ABCP as determined above was $248,446 (October 31, 2011: $4,872,289; November 1, 2010: $4,243,319) and the Company recorded an unrealized gain of $28,670 (October 31, 2011: $794,524) from this instrument. During the year ended October 31, 2012, $nil (October 31, 2011 - $634) of the Class 9 notes were written off, of which was deemed uncollectible by an independent financial institute.

Expressed in Canadian Dollars

8. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER – continued

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
Settlements		(4,652,513)
Unrealized gains in other comprehensive income		28,670
Closing balance, October 31, 2012	$	248,446

See also Note 20 (b).

9. EQUIPMENT

		Field Equipment		Field Office Building		Leasehold Improvements		Land		Total
Cost										
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		22,590		10,360		255,796		-		288,746
Write-off		-		(22,779)		-		-		(22,779)
October 31, 2012	**$**	**316,931**	**$**	**303,748**	**$**	**255,796**	**$**	**120,282**	**$**	**996,757**
Accumulated Amortization										
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		35,500		14,379		22,917		-		72,796
Write-off		-		(1,139)		-		-		(1,139)
October 31, 2012	**$**	**284,860**	**$**	**44,410**	**$**	**22,917**	**$**	**-**	**$**	**352,187**
Net Book Value										
November 1, 2010	$	125,766	$	276,019	$	-	$	120,282	$	522,067
October 31, 2011		44,981		284,997		-		120,282		450,260
October 31, 2012	**$**	**32,071**	**$**	**259,338**	**$**	**232,879**	**$**	**120,282**	**$**	**644,570**

10. EXPLORATION AND EVALUATION ASSETS

The following is a description of the Company's most significant property interests and related spending commitments (see Schedule I for detail breakdown):

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. No stock options were granted to geologists conducting mining activities during the year ended October 31, 2012.

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.

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 share based payments as resources properties pursuant to the option grants. During the year ended October 31, 2012, there is no stock option granted to geologists in the same nature as in fiscal 2011.

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 Minerals 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.

10. EXPLORATION AND EVALUATION ASSETS - continued

Other Claims – continued

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 year ended October 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:

During the year ended October 31, 2012:

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 are 153,208,088 as at October 31, 2012 (October 31, 2011: 147,581,422; November 1, 2010: 130,499,640).

On August 2, 2012, the Company closed a private placement of 5,436,666 units at a price of $0.30 per unit, for gross proceeds of $1,680,500. Each unit consists of one flow-through common share and one-half of one non flow-through common share purchase warrant. Each whole share purchase warrant is exercisable into one common share of the Company for a period of two years at a price of $0.40 per share in the first year and $0.48 per share in the second year. The securities issued are subject to a four-month hold period expiring December 3, 2012. The fair value of the share at the date of issuance is $0.23 where the exercise price is greater than the market price. The share purchase warrants were fair valued at $171,996 based on the Black-Scholes pricing model which utilizes the following assumptions: expected dividend yield of nil, expected stock price volatility of 86.66% and risk free interest rate of 1.06%. As a result, the Company allocated $171,996 to reserves and $208,571 to liability for flow through shares. The Company paid NCP Northland Capital Partners Inc. (the "Agent") a commission of $114,170, being 7% of the gross sales of units, and issued to the Agent 380,567 Compensation Options, being 7% of the number of units sold in the private placement. Each Compensation Option is exercisable into one common share for two years at a price of $0.30. The Agent's Compensation Options were valued at fair value of $34,512. The fair value of these Compensation Options was $0.09 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 1.08%, a dividend yield of nil, an expected volatility of 86.66% and an average expected life of 2 years. The residual $50,153 of share issuance costs constitutes of legal and filing expenses related directly to the private placement.

11. SHARE CAPITAL - continued

b) Issued and outstanding – continued:

During the year ended October 31, 2012 – continued:

On August 3, 2012, the Company also closed a non-brokered private placement of 165,000 flow-through commons shares with units having the same terms and conditions as the brokered portion described above for gross proceeds of $49,500. The fair value of the share at the date of issuance is $0.23 where the exercise price is greater than the market price. The share purchase warrants were fair valued at $5,216 based on the Black-Scholes pricing model which utilizes the following assumptions: expected dividend yield of nil, expected stock price volatility of 86.62% and risk free interest rate of 1.06%. As a result, the Company allocated $5,216 to reserves and $6,334 to liability for flow through shares.

During the year ended October 31, 2012, 25,000 stock options were exercised at $0.26 per share for total proceeds of $6,500. A total of $19,881 was reversed out of reserves and credited to share capital in relation to the option exercise.

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.

Expressed in Canadian Dollars

11. SHARE CAPITAL - continued

d) Share purchase warrants:

Transactions and the number of warrants outstanding are summarized as follows:

	2012		2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	2,004,709	$ 0.90	36,261,442	$ 1.26
Issued	2,800,833	0.40 / 0.48	2,058,252	0.89
Exercised	-	-	(3,878,125)	0.54
Expired	-	-	(32,436,860)	1.34
Balance, end of year	4,805,542	$ 0.63	2,004,709	$ 0.90

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

Expiry Date	Weighted Average Contractual Life (Years)	Exercise Price (Year 1/ Year 2)	**2012** Number of Warrants	**2011** Number of Warrants
June 3, 2013	0.59	$0.90	2,004,709	2,004,709
August 2, 2014	1.75	$0.40/0.48	2,718,333	-
August 3, 2014	1.76	$0.40/0.48	82,500	-
Total	1.27	$0.63	4,805,542	2,004,709

e) Broker warrants and units:

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

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

Expressed in Canadian Dollars

11. SHARE CAPITAL - continued

e) Broker warrants and units – continued:

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

	Number of Broker Units	Weighted Average Exercise Price	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	-	-	-

There were no broker warrants or units outstanding at October 31, 2012 or 2011.

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 years ended October 31, 2012 and 2011:

	2012		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	380,567	0.30	5,302,500	0.72
Exercised	(25,000)	0.26	(2,184,017)	0.25
Expired/Cancelled	(2,320,983)	0.33	(500,000)	0.35
Balance, end of year	9,073,067	$ 0.59	11,038,483	$ 0.54

Expressed in Canadian Dollars

12. SHARE-BASED PAYMENTS - continued

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

Expiry Date	Original Exercise Price	Number of Shares	Weighted Average Remaining Contractual Life (Years)
June 15, 2013	$0.90	592,500	0.62
April 13, 2014	$0.26	1,430,000	1.45
August 2, 2014	$0.30	380,567	1.75
September 29, 2014	$0.68	200,000	1.91
October 15, 2014	$0.55	350,000	1.96
October 15, 2014	$0.60	350,000	1.96
November 6, 2014	$0.45	200,000	2.02
November 20, 2014	$0.66	285,000	2.05
April 20, 2015	$0.35	600,000	2.47
November 17, 2015	$0.55	1,980,000	3.05
February 28, 2016	$0.81	2,705,000	3.31
		9,073,067	2.46

The Company applies the fair value method in accounting for its stock options using the Black-Scholes pricing model. During the year ended October 31, 2012, the Company recorded $nil (October 31, 2011 - $2,403,084) 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:

	2011
Expected dividend yield	Nil
Expected volatility	80% - 97%
Risk free rate	1.00 – 2.77%
Expected terms in years	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. The agreement was extended on May 1, 2012, for a term of one year.

Expressed in Canadian Dollars

14. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals and entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

During the years ended October 31, 2012 and 2011, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

Related party transactions	**Years ended October 31, 2012 $**	**2011 $**	
Administration fees and rent	1,080,000	1,080,000	(a)
Consulting fees	232,705	411,622	
Deferred exploration and development costs	3,399,297	5,318,923	
Office, promotion, and travel expenses	55,583	40,872	
Total	4,767,585	6,851,417	

Amounts due to (from) related parties	**October 31, 2012 $**	**October 31, 2011 $**	**November 1, 2010 $**	
Dahrouge Geological Consulting	583,276	926,898	535,426	(b)
nKwazi Resource Management	-	4,480	-	(c)
Nimbus Resource Management	23,500	19,443	-	(c)
Dr. Axel Hoppe, director	5,564	30,366	8,390	
Pasinex Resources Limited	-	(17,933)	(34,651)	(b)
Zimtu Capital Corp.	(17,811)	(53,031)	22,500	(b)
Net amount payable	594,529	910,223	531,665	

(a) 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 October 31, 2012, $61,161 (October 31, 2011 - $107,641; November 1, 2010 - $187,149) included in marketable securities is for shares held in Zimtu.

(b) A company with a common director of the Company.

(c) A company owned by a director of the Company.

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. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

At October 31, 2012, $61,161 included in marketable securities (October 31, 2011: $107,641; November 1, 2010: $187,149) is with a public company having directors in common.

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 statements of financial position. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At October 31, 2012, cash and cash equivalents of $309,661 (October 31, 2011 - $3,693,630; November 1, 2010 - $7,128,737) consisted of cash balances of $53,909 (October 31, 2011 - $812,296; November 1, 2010 - $1,499,624) on deposit with Canadian chartered banks and $255,752 (October 31, 2011 - $2,881,334; November 1, 2010 - $5,629,113) in money market funds. As at October 31, 2012, the Company has asset-backed commercial paper fair valued at $248,446 (October 31, 2011 - $4,872,289; November 1, 2010 - $4,243,319).

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.

Expressed in Canadian Dollars

15. FINANCIAL INSTRUMENTS - continued

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 1% would result in an approximate decrease of $12,000 (October 31, 2011: $77,000) 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, 2012 is $10,000 (October 31, 2011: $222,000).

d) Fair Value

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 October 31, 2012, October 31, 2011, and November 1, 2010:

	As at October 31, 2012		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 309,661	$ -	$ -
Short term investments	$ 34,500	$ -	$ -
Marketable securities	$ 348,774	$ -	$ -
Asset-backed commercial paper	$ -	$ -	$ 248,446
	$ 692,935	$ -	$ 248,446

	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

Expressed in Canadian Dollars

15. FINANCIAL INSTRUMENTS - continued

d) Fair Value – continued

Level 3 financial assets consist of the following investments in ABCP including Master Asset Vehicle II ("MAV II") notes and Ineligible Asset Tracking notes as at October 31, 2012, October 31, 2011 and November 1, 2010:

	October 31, 2012			October 31, 2011			November 1, 2010		
	Face value	Fair value variances	Fair value	Face value	Fair value variances	Fair value	Face value	Fair value variances	Fair value
MAV II Notes									
Class A-1	-	-	-	4,503,315	(1,146,861)	3,356,453	4,503,315	(1,478,915)	3,024,399
Class A-2	-	-	-	1,980,871	(684,812)	1,296,059	1,980,871	(940,619)	1,040,252
Class B	353,772	(143,873)	209,899	353,772	(166,572)	187,200	353,772	(201,719)	152,053
Class C	233,913	(222,894)	11,019	233,913	(224,683)	9,230	233,913	(227,266)	6,647
	587,685	(366,767)	220,918	7,071,871	(2,222,928)	4,848,943	7,071,871	(2,848,519)	4,223,352
Ineligible Asset									
Tracking Notes	584,389	(556,860)	27,528	591,626	(568,281)	23,346	702,683	(682,716)	19,967
	1,172,074	(923,628)	248,446	7,663,497	(2,791,209)	4,872,289	7,774,554	(3,531,235)	4,243,319

The MAV II notes received as a result of the restructuring of third party sponsored ABCP by the Pan-Canadian Investors Committee in January 2009 include a pooling of leveraged investments as well as traditional assets and cash. The leveraged investments are subject to a potential requirement post additional collateral based on certain triggers being met (a margin call). Traditional assets are un-levered investments and include residential and commercial mortgage backed securities, corporate credit and cash equivalents. 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 interests at the BA rate plus 20%.

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.

The Company is aware of a number of trades in the restructured notes that have occurred prior to October 31, 2012, but does not consider them to constitute an active market. Accordingly, the Company has not used these trades to determine the fair value of its notes. As described in Note 8, the Company has used a probability weighted discounted cash flows approach to determine the fair value of these investments, incorporating available information regarding market conditions as at the measurement date, October 31, 2012. These estimates arrived at by the Company are subject to measurement uncertainty and are dependent on market conditions as at the measurement date.

If an active market for the restructured notes were to develop in the future, the Company would change its valuation technique to determine the fair value of its notes using quoted market prices.

15. FINANCIAL INSTRUMENTS - continued

e) Capital Management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at October 31, 2012, the Company's shareholders' equity was $50,358,045 (October 31, 2011 - $51,258,157; November 1, 2010 - $43,047,482). 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.

16. 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, 2012:

a) Exploration and evaluation assets of $766,816 were included in accounts payable and $575,041 included in due to related parties at October 31, 2012.

b) Amortization of $48,741 relating to equipment was included in exploration and evaluation assets.

c) Fair value of $19,881 was transferred from reserves to share capital for options exercised during the year.

d) 380,567 options valued at $34,512 granted to the Agents were included in share issuance costs.

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

f) Exploration and evaluation assets in the investing activities included mining tax credits of $1,786,656 for fiscal 2012 and reassessment adjustments of ($148,917).

During the year ended October 31, 2011:

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

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

c) Amortization of $90,122 relating to equipment was included in exploration and evaluation assets.

d) Exploration and evaluation assets in the investing activities included mining tax credits of $5,071,777 for fiscal 2011 and reassessment adjustments of $339,360.

Expressed in Canadian Dollars

17. LIABILITY AND INCOME TAX EFFECT ON FLOW-THOUGH SHARES

On August 2 and August 3, 2012, respectively, the Company issued 5,436,666 and 165,000 units on a flow-through basis at $0.30 per share (see Note 11 (b)) and recognized a liability on flow-through shares of $214,905. Funds of $1,680,500 raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent. At October 31, 2012, the Company had incurred $1,663,833 (October 31, 2011 and November 30, 2010 - $nil) of qualified expenditures resulting in the reversal of liability on flow-through shares and recorded the related net deferred tax effect of $211,016. As at October 31, 2012, the amount of flow-through proceeds remains to be expended is $16,667 (October 31, 2011 and November 30, 2010 - $nil) and the balance of liability on flow-through shares is $3,889 (October 31, 2011 and November 1, 2010 - $nil)

18. CORPORATE INCOME TAXES

The following table reconciles the expected income taxes recovery at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended October 31, 2012 and 2011:

	2012	2011
Statutory tax rate	25.25%	26.83%
Loss before income taxes	$ (263,738)	$ (4,253,566)
Expected income tax expense (recovery)	66,594	1,141,232
Differences due to recognition of items for tax purposes:		
Change enacted tax rate	2,762	(51,042)
Flow-through shares	(211,016)	-
Change in estimates	3,130,316	192,614
Non-deductible items	(6,532)	(583,767)
Gain on disposal of assets and other income	262,025	16,886
Other comprehensive income item	124,731	-
Non-refundable ITC	231,313	-
Change in deferred tax asset not recognized	(3,536,535)	(686,384)
Deferred income tax recovery	$ 63,658	$ 29,539

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at October 31, 2012, October 31, 2011 and November 1, 2010 are comprised of the following:

	October 31, 2012	October 31, 2011	November 1, 2010
Non-capital losses carry forwards	$ 4,617,181	$ 3,818,043	$ 2,761,000
Exploration and evaluation assets	(1,955,034)	(1,075,757)	(741,000)
Equipment	62,255	-	-
Marketable securities and asset-backed commercial paper	277,579	402,410	484,000
Non refundable ITC	3,437,055	-	-
Capital losses	239,579	-	-
Financing costs	210,906	208,289	222,000
	6,889,521	3,352,985	2,726,000
Deferred tax asset not recognized	(6,889,521)	(3,352,985)	(2,726,000)
Net deferred tax asset (liability)	$ -	$ -	$ -

Expressed in Canadian Dollars

18. CORPORATE INCOME TAXES – continued

The Company has non operating loss carryforwards of approximately $18,468,723 which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2014	$ 296,389
2015	336,430
2026	730,237
2027	1,988,822
2028	2,663,481
2029	2,687,859
2030	3,710,348
2031	3,709,223
2032	2,345,934
	$ 18,468,723

In addition, the Company has capital loss of $1,916,633, which may be carried forward indefinitely and applied to reduce further capital gains.

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that deferred taxable profit will be available against which the Company can utilize such deferred income tax assets.

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.

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

Share-based Payments

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payments to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to November 1, 2010.

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:

19. FIRST TIME ADOPTION OF IFRS – continued

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 statements of financial position, statements of operations and comprehensive income and statements of cash flows as at November 1, 2010 and October 31, 2011.

20. SUBSEQUENT EVENTS

a. On December 12, 2012, the Company completed a brokered private placement with Marquest Capital Markets and Casimir Capital Ltd. (the "Agents") in the amount of 6,438,890 flow-through units (the "FT Units") at a price of $0.18 per flow-through unit for gross proceeds of $1,159,000. The FT Units consist of one flow-through common share (a "FT Share") and one half of one non-transferable share purchase warrant (each, a "Warrant"). One whole Warrant will entitle the holder to purchase one additional common share (a "Warrant Share") of the Company at a price of $0.25 per share until June 11, 2014. The FT Units, FT Shares, Warrants and Warrants Shares are subject to a hold period expiring on April 12, 2013. In addition with the private placement, the Company paid the Agents a cash commission of 8% of the gross proceeds of FT Units and issued 8% of the number of FT Units sold on options (the "Agents' Option") totalling 515,111 Agents' Option to purchase additional common shares (the "Agents' Option Share"), with each Agents' Option being exercisable at a price of $0.25 per Agents' Option Share until June 11, 2013. On December 31, 2012, the Company filed the renouncement of the qualified expenditures in full of $1,159,000.

   The Company also closed a non-brokered private placement of 7,336,664 FT Units for gross proceeds of $1,320,600. The non-brokers FT Units were issued at the same price and on the same terms as the brokered private placement. No finder's fee or commissions were paid. On December 31, 2012, the Company filed the renouncement of the qualified expenditures in full of $1,320,600.

b. Subsequently to October 31, 2012, the Company redeemed its ABCP Class 15 (IA) Notes in full for $403,568 and partial of its ABCP Class 11 (IA) Notes for $1,627 and realized a gain on sale of ABCP of $402,661.

c. On December 31, 2012, the Company filed the renouncement of the qualified expenditures of $1,680,500 in full for the flow-through shares issued respectively on August 2 and August 3, 2012. See Note 11 (b).

d. See also Note 7.

e. On February 8, 2013, the Company granted 4,300,000 incentive stock options, exercisable into one common share of the Company at a price of $0.15 per share for a period of 5 years. The Company also announced, subject to the approval of the Exchange, the re-pricing of 1,985,000 incentive stock options issued to consultants of the Company, to reflect current market conditions. The options were originally granted in 2009, 2010, and 2011 at prices ranging from $0.26 to $0.81. The new exercise price for these options will be $0.15 per share. The modification will have no impact on the fair value of the stock options as they were 100% vested when granted.

Commerce Resources Corp. Schedule I

Schedule of Resource Properties

As expressed in Canadian dollars

For the year ended October 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	-	39,318	-	39,318
Balance, end of the period	201,602	1,270,237	950	1,472,789
Deferred exploration and development costs – Note 10				
Balance, beginning of year	23,731,959	12,039,412	4,937	35,776,308
Amortization – field equipment and office	38,149	10,592	-	48,741
Assays and analytical	739,794	1,157,989	-	1,897,783
Consulting	8,148	39,112	-	47,260
Drilling	1,668	53,680	-	55,348
Engineering	573,725	277,851	-	851,576
Environmental and permitting	169,897	126,104	-	296,001
Field equipment rental	161,135	222,809	-	383,944
Community	37,898	68,815	-	106,713
Field supplies	31,089	125,067	-	156,156
Food and accommodation	54,510	47,017	-	101,527
Fuel	-	126,513	-	126,513
Geology, mapping and drafting	1,099,445	1,349,468	-	2,448,913
Geophysics	22,000	38,464	-	60,464
Metallurgy	249,003	409,672	-	658,675
Other	48,756	3,506	-	52,262
Project insurance	21,251	2,444	-	23,695
Project management	202,371	-	-	202,371
Research	35,000	-	-	35,000
Road and site preparation	224,336	-	-	224,336
Travel and transport	37,498	776,262	-	813,760
	3,755,673	4,835,365	-	8,591,038
Less: Mining tax credits	(776,210)	(1,029,713)	-	(1,805,923)
Option payments in excess of carrying amount Of Carbo Property (Note 10)	-	-	760,000	760,000
Option payments received	-	-	(760,000)	(760,000)
Balance, end of year	26,711,422	15,845,064	4,937	42,561,423
Total balance, end of year	26,913,024	17,115,301	5,887	44,034,212

Commerce Resources Corp.
Schedule of Resource Properties
As expressed in Canadian dollars
For the year ended October 31, 2011

Schedule I
Continued

	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 10				
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
Total balance, end of year	23,933,561	13,270,331	5,887	37,209,779