FAIRMONT RESOURCES INC.
FINANCIAL STATEMENTS
AT OCTOBER 31, 2010 AND 2009

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Fairmont Resources Inc.

We have audited the balance sheets of Fairmont Resources Inc. as at October 31, 2010 and 2009, and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

February 24, 2011

FAIRMONT RESOURCES INC.

BALANCE SHEETS

AS AT OCTOBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT		
Cash and cash equivalents (Note 4)	$ 975,901	$ 163,783
Amounts receivable	11,795	3,802
Prepaid expenses	10,000	1,750
	997,696	169,335
DEFERRED FINANCING CHARGES	–	31,450
MINERAL PROPERTY (Note 5)	187,636	132,536
	$ 1,185,332	$ 333,321
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 103,282	$ 126,467
Due to related parties (Note 6)	6,720	–
	110,002	126,467
FUTURE INCOME TAXES (Note 8)	–	16,128
	110,002	142,595
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 7)	1,297,464	302,320
CONTRIBUTED SURPLUS (Note 7)	127,833	–
DEFICIT	(349,967)	(111,594)
	1,075,330	190,726
	$ 1,185,332	$ 333,321

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)
COMMITMENTS (Note 9)
SUBSEQUENT EVENTS (Note 12)

Approved on behalf of the Board:

"Bernard Dewonck"	*"Jerry Minni"*
Director	Director

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

FAIRMONT RESOURCES INC.

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE YEARS ENDED OCTOBER 31, 2010 AND 2009

	2010	**2009**
EXPENSES		
Advertising and promotion	$ 40,838	$ –
Consulting	1,760	–
Management and administration fees	60,500	21,000
Office and miscellaneous	2,615	325
Professional fees	52,285	11,161
Rent	9,500	3,000
Stock-based compensation (Note 7)	65,514	90,060
Transfer fees	18,856	–
Travel	3,204	–
	255,072	125,546
LOSS BEFORE OTHER ITEMS AND INCOME TAXES	(255,072)	(125,546)
INTEREST INCOME	571	–
LOSS BEFORE INCOME TAXES	(254,501)	(125,546)
FUTURE INCOME TAX RECOVERY (Note 8)	16,128	13,952
NET LOSS AND COMPREHENSIVE LOSS	(238,373)	(111,594)
DEFICIT, BEGINNING OF YEAR	(111,594)	–
DEFICIT, END OF YEAR	$ (349,967)	$ (111,594)
LOSS PER SHARE, basic and diluted	$ (0.04)	$ (0.20)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	6,499,482	559,480

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

FAIRMONT RESOURCES INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED OCTOBER 31, 2010 AND 2009

	2010	**2009**
OPERATING ACTIVITIES		
Net loss	$ (238,373)	$ (111,594)
Items not affecting cash		
Future income tax recovery	(16,128)	(13,952)
Stock-based compensation	65,514	90,060
	(188,987)	(35,486)
Changes in non-cash working capital items:		
Amounts receivable	(7,993)	(3,802)
Prepaid expenses	(8,250)	(1,750)
Accounts payable and accrued liabilities	(69,585)	7,135
Due to related parties	6,720	–
	(268,095)	(33,903)
FINANCING ACTIVITIES		
Issuance of shares	1,100,313	242,340
Deferred financing costs	–	(16,250)
	1,100,313	226,090
INVESTING ACTIVITY		
Mineral property acquisition and exploration costs	(20,100)	(28,404)
INCREASE IN CASH	812,118	163,783
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	163,783	–
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 975,901	$ 163,783
SUPPLEMENTAL INFORMATION		
Interest paid	$ –	$ –
Income taxes paid	$ –	$ –
NON CASH TRANSACTIONS		
Shares issued for mineral property (Note 5)	35,000	–
Shares issued for agent's commission (Note 7)	15,000	–
Agent's warrants issued for initial public offering (Note 7)	32,473	–
Finders' warrants issued for private placement (Note 7)	33,906	–

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

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

Fairmont Resources Inc. (the "Company") was incorporated on May 25, 2007 under the British Columbia Business Corporations Act as Strike Explorations Corp. On April 23, 2009, the Company changed its name to Fairmont Resources Inc. The Company is primarily engaged in the acquisition, exploration and development of mineral properties. At October 31, 2010, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production from the mineral properties or proceeds from the disposition of the mineral property.

At October 31, 2010, the Company had an accumulated deficit of $349,967 (2009: $111,594) which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral property and deferred exploration costs, and future income tax valuation allowance. Actual results could differ from those reported.

b) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less when purchased, or which are redeemable at the option of the Company, to be cash equivalents.

c) Mineral Properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units of production method over estimated recoverable reserves. Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. If management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed in the period that this determination is made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Mineral Properties (continued)

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

d) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences which arise between the accounting basis and the tax basis of various assets and liabilities, and are measured using substantively enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is provided for any future income tax assets if it is more likely than not that the asset will not be realized.

e) Long-lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of mineral properties and deferred exploration costs may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

f) Asset Retirement Obligations

The Company follows Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3110, “Asset Retirement Obligations”, which establishes standards for asset retirement obligations and associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at October 31, 2010, the Company has not incurred any asset retirement obligation related to the exploration and development of its mineral property.

g) Stock-based Compensation

The Company applies the fair value method to stock-based payments and all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are credited to share capital.

h) Comprehensive Loss

Comprehensive loss reflects net loss and other comprehensive income (loss) for the period. Other comprehensive income (loss) includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Loss Per Share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

j) Flow-through Shares

The Company has adopted EIC-146, which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized for the net tax effect of the deductions renounced, and share capital is reduced.

If the Company has sufficient unrecognized tax losses carried forward or other unrecognized future income tax assets to offset all or part of this future income tax liability, a portion of such unrecognized future income tax assets is recorded as a future income tax recovery up to the amount of the future income tax liability that would otherwise be recognized.

k) Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

l) Financial Instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are initially recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the CICA Handbook Section 3840, "Related Party Transactions". Subsequently, financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company classified its cash and cash equivalents as held-for-trading, its accounts payable and due to related parties as other financial liabilities.

m) Capital Disclosure

The Company discloses its objective, policies and processes for managing its capital, and compliance with externally imposed capital requirements, if any.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, Section 3855 has been amended to clarify the application of the effective interest method after a debt instrument has been impaired, and when an embedded prepayment option is separated from its host debt instrument for accounting purposes. These amendments apply to the Company's interim and annual financial statements beginning on or after November 1, 2011. The Company does not expect any significant impact on its financial position, operating results or disclosure on adopting the amended Section 3855.

In January 2009, the AcSB issued CICA Handbook Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The AcSB also issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", which replace Section 1600, "Consolidated Financial Statements". These new sections are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard 3, "Business Combinations". These new standards replace the existing guidance on business combinations and consolidated financial statements. These new standards require that most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. These new standards also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests. The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards. The Non-Controlling Interests standard should be applied retrospectively except for certain items. The Company does not expect that the adoption of these standards will have a material impact on the Company's financial statements.

In February 2008, the AcSB adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of November 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011. In July 2008 AcSB announced that early adoption will be allowed in 2009 subject to seeking exemptive relief. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include redeemable guaranteed investment certificates ("GICs") with an interest rate of prime minus 1.8% per annum and expiring on June 16, 2011. At October 31, 2010, the fair value of the GICs was $330,000 (2009 - $Nil).

5. MINERAL PROPERTY

October 31, 2010:

	Nicoamen River	Powell and Clay	Total
Acquisition costs			
Balance, beginning of year	$ 14,224	$ –	$ 14,224
Cash paid	15,000	–	15,000
Shares issued	–	35,000	35,000
Balance, end of year	29,224	35,000	64,224
Exploration costs			
Balance, beginning of year	118,312	–	118,312
Consulting	5,100	–	5,100
Balance, end of year	123,412	–	123,412
	$ 152,636	$ 35,000	$ 187,636

October 31, 2009:

	Nicoamen River
Acquisition costs	
Balance, beginning of year	$ –
Cash paid	10,000
Maintenance fees	4,224
Balance, end of year	14,224
Exploration costs	
Balance, beginning of year	–
Surveying and line cutting	90,098
Consulting	17,600
Assays	1,516
Other	9,098
Balance, end of year	118,312
	$ 132,536

Nicoamen River Claims, British Columbia

On July 30, 2009, the Company entered into an option agreement to acquire an initial 51% interest in the Nicoamen River Claims located in the Kamloops Mining Division, British Columbia. In order to earn its interest the Company agreed to make $25,000 cash payments to the optionor and incur $300,000 exploration expenditures as follows:

	Cash	Minimum Expenditures
(i) On execution of the Agreement (paid)	$ 10,000	$ –
(ii) By December 31, 2009 (completed)	–	100,000
(iii) Before April 15, 2011 (cash paid)	15,000	200,000
	$ 25,000	$ 300,000

5. MINERAL PROPERTY (continued)

Nicoamen River Claims, British Columbia (continued)

The Company may acquire an additional 9% interest in the Nicoamen River Claims by issuing 300,000 common shares to the optionor and incurring $1,700,000 exploration expenditures as follows:

	Number of Common Shares	Minimum Expenditures
(i) By April 15, 2012	–	$ 300,000
(ii) By April 15, 2013	50,000	500,000
(iii) By April 15, 2014	100,000	–
(iv) By April 15, 2015	150,000	900,000
	300,000	$ 1,700,000

Powell Property and Clay Property, Ontario

On September 14, 2010, the Company entered into a Letter of Intent with Rainy Mountain Royalty Corp. and Mega Uranium Ltd. (the "Optionors") for an option to purchase a 70% undivided interest in 11 mineral tenures comprising the Powell property and 10 mineral tenures comprising the Clay property (the "Properties") located near Thunder Bay, Ontario.

The Company may exercise the option by the issuance to the Optionors of 400,000 common shares in the capital stock of the Company, and by incurring a total of $1,000,000 in exploration and development expenditures on the properties as below:

Date of Completion	Number of Common Shares	Minimum Expenditures
Within 10 days of October 15, 2010 (issued)	100,000	$ –
Before October 15, 2011	100,000	250,000
Before October 15, 2012	100,000	250,000
Before October 15, 2013	100,000	500,000
	400,000	$ 1,000,000

In the event that the Company decides to abandon the Option and the Properties, the Company will provide thirty days prior written notice and will provide the payment of rental fees for a period of at least six months from the effective date of such abandonment.

Pursuant to the Letter of Intent, the Powell and Clay properties are subject to a 2% net smelter return ("NSR") of which 1% can be purchased for $1,000,000 and $500,000 respectively, and the Company and the Optionors will pay the amount in proportion to their respective interest in the Properties.

6. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Company incurred the following related party transactions which were measured at the exchange amounts, which were the amounts agreed upon by the transacting parties and are on terms and conditions similar to those for arms length transactions:

a) The Company paid management and administration fees totalling $40,000 (2009 - $21,000) to companies controlled by directors of the Company.

b) Management fee of $15,000 (2009 - $Nil) and accounting fee of $10,625 (2009 - $2,750) were incurred from a firm in which a partner is a director of the Company.

c) The Company paid rental fees of $9,500 (2009 - $3,000) for the year to a company controlled by a director of the Company.

At October 31, 2010, amounts due to related parties include $3,360 management fee payable to companies controlled by directors of the Company and $3,360 accounting fees payable to a firm in which a partner is a director. These amounts are non-interest bearing, unsecured and with no stated payment date.

7. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and fully paid

	Number of Shares	Amount
Balance, October 31, 2008	1	$ –
Issued for cash pursuant to subscription agreements		
At $0.001 per share	1,139,999	1,140
Fair value adjustment on 1,139,999 shares issued	–	90,060
At $0.08 per non-flow through share	1,765,000	141,200
At $0.08 per flow through share	1,250,000	100,000
Reduction from renunciation of flow-through expenditures	–	(30,080)
Balance, October 31, 2009	4,155,000	$ 302,320
Initial public offering at $0.15 per share	4,000,000	600,000
Shares issued to agent as corporate finance fee	100,000	15,000
Share issue costs	–	(231,909)
Non-brokered private placement at $0.25 per share	2,642,000	660,500
Share issue costs	–	(95,506)
Shared issued for mineral property	100,000	35,000
Exercise of warrants at $0.20 per share	40,000	8,000
Transfer from contributed surplus on exercise of warrants	–	4,059
Balance, October 31, 2010	11,037,000	$1,297,464

Year ended October 31, 2010

On April 14, 2010, the Company completed its initial public offering of 4,000,000 common shares at a price of $0.15 per common share for gross proceeds of $600,000. The Company paid to the agent a commission of $48,000, administration fee of $12,500 and legal and other expenses of $14,973. In addition, the Company issued to the agent 100,000 common shares as a corporate finance fee and granted agent warrants exercisable to purchase 320,000 common shares at a price of $0.20 per share until April 13, 2012. Of these warrants, 40,000 were exercised prior to October 31, 2010. The fair value of the common shares and the warrants were $15,000 and $32,472 respectively. The Company also incurred legal and other issue costs of $108,964.

7. SHARE CAPITAL (continued)

Year ended October 31, 2010 (continued)

On October 28, 2010, the Company completed a non-brokered private placement of 2,642,000 units of the Company at a price of $0.25 per unit for gross proceeds of $660,500. Each unit consisted of one common share and one-half of one transferable share purchase warrant. One whole share purchase warrant entitles the holder to purchase one additional common share at an exercise price of $0.33 per share until October 28, 2011. The Company paid finders' fees in the amount of $61,600 and issued 246,400 finders' warrants at a fair value of $33,906. Each finders' warrant entitles the holder to purchase one additional common share at an exercise price of $0.30 per share until October 28, 2011.

Year ended October 31, 2009

The Company issued 1,139,999 common shares to directors at $0.001 per share for gross proceeds of $1,140. The fair value of the 1,139,999 common shares was $91,200. The Company recorded stock-based compensation of $90,060 and a corresponding increase in share capital.

Escrow shares

At October 31, 2010, pursuant to an escrow agreement dated December 10, 2009, 1,689,378 of the common shares shares issued and outstanding were held in escrow and 337,875 are to be released every six months from April 15, 2011 to April 15, 2012.

Stock Options

	Number	Weighted Average Exercise Price
Granted	1,100,000	$0.15
Exercised	–	–
Cancelled	(700,000)	$0.15
Balance, October 31, 2010	400,000	$0.15

On December 9, 2009, the Company granted incentive stock options to purchase 1,100,000 common shares at $0.15 per share exercisable for a period of five years. These options vested on grant.

The following table provides information about stock options outstanding and exercisable as at October 31, 2010:

Exercise Price	Number of Options	Weighted Average Remaining Contractual Life	Expiry Date
$0.15	400,000	4.11 years	December 9, 2014

The Company recorded stock based compensation of $65,514 on the options granted to directors and officers. The Company uses the Black-Scholes option pricing model to value stock options which requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted average assumptions were used:

	2010
Volatility	118%
Risk-free Interest Rate	2.46%
Divided yield	-
Expected life of options	4.75 years

The grant date fair value of the options was $0.06.

7. SHARE CAPITAL (continued)

Warrants

The following table summarizes warrants activity for the year ended October 31, 2010 and 2009:

	Number	Weighted Average Exercise Price
Balance, October 31, 2009	–-	
Private placement warrants	1,321,000	$0.33
Agent's warrants	320,000	$0.20
Finders' warrants	246,400	$0.30
Exercised	(40,000)	$0.20
Balance, October 31, 2010	1,847,400	

As at October 31, 2010, the following warrants were outstanding:

Exercise Price	Number of Warrants	Expiry Date
$0.20	280,000	April 13, 2012 (Note 12 (c))
$0.30	246,400	October 28, 2011
$0.33	1,321,000	October 28, 2011
	1,847,400	October 28, 2011

During the year, the Company issued 320,000 agent's warrants on the initial public offering and 246,000 finders' warrants on a private placement. The Company recorded share issue costs of $32,472 and $33,906 relating to these warrants and credited $66,378 to contributed surplus. The Company uses the Black-Scholes option pricing model to calculate the fair value of these warrants, which requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair value. For purpose of the calculation, the following weighted average assumptions were used:

	2010
Risk-free interest rate	1.19 - 1.91%
Dividend yield	-
Volatility	114 - 151%
Expected life in years	1 - 2 years

The issue date fair value of the agent's and finders' warrants was $0.10 and $0.14 respectively.

Contributed Surplus

	2010	2009
Balance, beginning of year	$ –	$ –
Stock-based compensation	65,514	–
Agent and finders warrants	66,378	–
Warrants exercised	(4,059)	–
Balance, end of year	$ 127,833	$ –

8. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

		2010		2009
Combined statutory tax rate		28.75%		30.08%
Income tax recovery at combined statutory rate	$	(73,169)	$	(37,764)
Non-deductible expenses		18,835		27,090
Reduction in tax rates		7,087		(3,278)
Valuation allowance		31,119		–
Future income tax recovery	$	(16,128)	$	(13,952)

Significant components of the Company's future income tax assets (liabilities) are shown below:

		2010		2009
Non-capital loss carry forwards	$	69,000	$	8,872
Share issuance costs		52,000		–
Mineral properties		(25,000)		(25,000)
Valuation Allowance		(96,000)		–
Net future income tax liabilities	$	–	$	(16,128)

As at October 31, 2010, the Company had approximately $277,000 (2009 - $35,000) in non-capital loss carry forwards available to reduce taxable income for future years. The non-capital loss expire as listed below:

Year Expired		Expired Amount
2029	$	35,000
2030		242,000
	$	277,000

9. COMMITMENTS

The Company is obligated to make certain payments and issue shares as described in Note 5 in connection with the acquisition of its mineral property.

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of mineral properties. The Company does not have any externally imposed capital requirements to which it is subject.

As at October 31, 2010, the Company had capital resources consisting mainly of cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash.

11. FINANCIAL INSTRUMENTS

Fair Values

The Company's financial instruments consist of cash and cash equivalents, accounts payable and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

The following table summarizes the carrying values of the Company's financial instruments:

		October 31, 2010
Held for trading (i)	$	975,901
Other financial liabilities (ii)		110,002

(i) Cash and cash equivalents
(ii) Accounts payable and amounts due to related parties

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

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 (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market date

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total 2010
Cash and cash equivalents	$ 975,901	$ -	$ -	$ 975,901

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (Note 1). The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

The Company does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

12. SUBSEQUENT EVENTS

a) On November 3, 2010, the Company granted incentive stock options to directors, officers, employees and consultants to purchase 1,250,000 common shares of the Company at an exercise price of $0.31 per share expiring November 3, 2015.

b) On January 11, 2011, the Company announced that it had entered into a letter agreement whereby the Company was granted the right to acquire a 100% interest in forty seven mineral claims located in the Thunder Bay Mining Division, Ontario. To acquire the 100% interest, the Company agreed to paid $320,000, issue 750,000 common shares and incur $1,500,000 exploration expenditures as follows:

	Payments	Number of Common Shares	Minimum Expenditures
(i) By January 11, 2011 (paid)	$ 25,000	–	$ –
(ii) On receiving approval from TSXV (issued)	–	100,000	–
(iii) By January 11, 2012	40,000	150,000	150,000
(iv) By January 11, 2013	60,000	150,000	250,000
(v) By January 11, 2014	75,000	150,000	400,000
(vi) By January 11, 2015	120,000	200,000	700,000
	$ 320,000	750,000	$ 1,500,000

The Company paid a finder's fee of $15,000. The property is subject to a 2.5% net smelter return royalty 50% of which can be purchased for $1,000,000.

c) In February 2011, the Company issued 53,100 common shares on exercise of agent's warrants at $0.20 per share for gross proceeds of $10,620.