Condensed Consolidated Interim Financial Statements of

SILVER SPRUCE RESOURCES INC.

For the three months ended January 31, 2012 and 2011

(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by the Company's auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

Halifax, Nova Scotia
April 26, 2012

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SILVER SPRUCE RESOURCES INC.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

	As at January 31, 2012	As at October 31, 2011	As at November 1, 2010
	$	$	$
		(Note 17)	(Note 17)
ASSETS			
Current			
Cash	**535,023**	874,290	216,287
HST and other receivables	**36,945**	48,691	47,188
Refundable staking deposits	**92,450**	95,600	59,800
Prepaid expenses	**63,624**	83,252	16,490
	728,042	1,101,833	339,765
Mineral properties (Notes 7 and 16)	**4,162,723**	4,024,812	2,857,318
Property and equipment (Note 8)	**118,998**	128,016	109,201
Mexican VAT receivable	**-**	-	182,655
Non-current refundable staking deposits	**8,700**	8,970	70,783
Investments	**2,988**	3,463	10,013
	5,021,451	5,267,094	3,569,735
LIABILITIES			
Current			
Trade payable and accrued liabilities (Note 13)	**114,012**	171,113	374,385
Current portion of long-term debt (Note 9)	**-**	-	5,976
	114,012	171,113	380,361
SHAREHOLDERS' EQUITY			
Share capital (Note 10)	**26,341,861**	26,341,861	23,144,409
Warrants (Note 11)	**811,185**	878,542	739,925
Contributed surplus	**7,050,847**	6,983,490	6,372,250
Accumulated deficit	**(29,296,454)**	(29,107,912)	(27,067,210)
	4,907,439	5,095,981	3,189,374
	5,021,451	5,267,094	3,569,735

See accompanying notes to the condensed consolidated interim financial statements

BASIS OF PREPARATION AND GOING CONCERN (Note 2)
Description of business (Note 1)
Commitments and contingencies (Notes 7 and 15)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by Rob Gillis, Director

Original signed by Gordon Barnhill, CFO, Director

SILVER SPRUCE RESOURCES INC.
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars except earnings per share - Unaudited)

	For the three months ended January 31, 2012	For the three months ended January 31, 2011
	$	$
		(Note 17)
Revenue		
Unrealized gain on market value of investments	-	237
Interest income	-	-
	-	237
Expenses		
Impairment of mineral properties (Note 7)	**-**	7,020
Write-off of receivable	**-**	12,814
Stock-based compensation	**-**	402,024
Office and general	**21,311**	60,539
Accounting, audit and legal	**79,971**	38,817
Wages and benefits	**5,773**	34,510
Unrealized loss on market value of investments	**475**	-
Consulting fees	**35,127**	61,566
Corporate relations	**29,906**	7,174
Travel	**2,819**	13,060
Amortization	**8,137**	7,740
Listing and filing fees	**2,965**	4,319
Loss on sale of property and equipment (net)	**341**	-
Foreign exchange loss	**1,717**	-
	188,542	649,583
Loss before income taxes	**188,542**	649,346
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**188,542**	649,346
LOSS PER SHARE - BASIC AND DILUTED	**0.00**	0.01
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED	**106,565,305**	83,102,991

See accompanying notes to the condensed consolidated interim financial statements

SILVER SPRUCE RESOURCES INC.
Condensed Consolidated Interim Statements of Change in Shareholders' Equity
(Expressed in Canadian Dollars - Unaudited)

		Share capital	Warrants	Contributed surplus	Accumulated deficit	Total equity
	Number of shares	$	$	$	$	$
Balance, November 1, 2010	79,073,442	23,144,409	739,925	6,372,250	(27,067,210)	3,189,374
Total comprehensive loss to January 31, 2011	-	-	-	-	(649,346)	(649,346)
Shares issued for private placements	11,226,481	1,345,744	-	-	-	1,345,744
Share issuance costs	-	(191,251)	-	-	-	(191,251)
Share-based payment issued	-	-	-	402,024	-	402,024
Share-based payment exercised	1,269,230	122,447	-	(12,398)	-	110,049
Warrants issued for private placement	-	-	565,147	-	-	565,147
Warrants expired	-	-	(96,426)	96,426	-	-
Warrants exercised	14,496,152	1,817,352	(332,736)	-	-	1,484,616
Balance January 31, 2011	106,065,305	26,238,701	875,910	6,858,302	(27,716,556)	6,256,357
Total comprehensive loss to October 31, 2011	-	-	-	-	(1,391,356)	(1,391,356)
Shares issue for property acquisition	500,000	56,000	-	-	-	56,000
Flow-through offering fees	-	-	-	-	-	-
Share issuance costs	-	(12,840)	-	-	-	(12,840)
Share-based payment issued	-	-	-	185,188	-	185,188
Share-based payment exercised	-	60,000	-	(60,000)	-	-
Warrants issued for private placements	-	-	2,632	-	-	2,632
Balance October 31, 2011	106,565,305	26,341,861	878,542	6,983,490	(29,107,912)	5,095,981
Total comprehensive loss for the period	-	-	-	-	(188,542)	-
Warrants expired	-	-	(67,357)	67,357	-	-
Balance January 31, 2012	**106,565,305**	**26,341,861**	**811,185**	**7,050,847**	**(29,296,454)**	**4,907,439**

See accompanying notes to the condensed consolidated interim financial statements

SILVER SPRUCE RESOURCES INC.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	For the three months ended January 31, 2012	For the three months ended January 31, 2011
	$	$
		(Note 17)
Operating activities		
Net loss	**(188,542)**	(649,346)
Items not affecting cash:		
Stock-based compensation	**-**	402,024
Amortization	**8,137**	7,740
Loss on disposal of property and equipment	**341**	-
Unrealized loss (gain) in market value of investments	**475**	(237)
Write-off of receivable	**-**	12,814
Impairment of mineral properties	**-**	7,020
	(179,589)	(219,985)
Changes in non-cash working capital		
(Increase) decrease in prepaid expenses	**19,629**	5,661
Decrease (increase) in HST and other receivables	**11,746**	(8,392)
(Decrease) increase in accounts payable and accrued liabilities	**(57,102)**	(245,099)
Change in non-cash operating working capital	**(25,727)**	(247,830)
	(205,316)	(467,815)
Financing activities		
Proceeds from exercise of warrants and options	**-**	1,611,498
Proceeds from issuance of share capital and warrants	**-**	1,879,255
Share issue costs	**-**	(159,616)
Repayments of long-term debt	**-**	(2,241)
	-	3,328,896
Investing activities		
Mineral properties expenditures	**(137,911)**	(148,794)
Proceeds from sale of equipment	**540**	-
Refund of refundable staking deposits	**5,420**	-
Purchase of refundable staking deposits	**(2,000)**	(19,792)
	(133,951)	(168,586)
(DECREASE) INCREASE IN CASH	**(339,267)**	2,692,495
CASH, BEGINNING OF PERIOD	**874,290**	216,287
CASH, END OF PERIOD	**535,023**	2,908,782

See accompanying notes to the condensed consolidated interim financial statements

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 14)

1. DESCRIPTION OF BUSINESS

Silver Spruce Resources Inc. (the "Company") was incorporated in Alberta on May 8, 1996 under the name First Labrador Acquisitions Inc. The Company changed its name to Silver Spruce Resources Inc. on October 22, 2004. The Company's operations consist of the exploration for precious and base minerals. The registered office of the Company is Suite 312, 197 Dufferin Street, Bridgewater, Nova Scotia, B4V 2G9.

2. BASIS OF PREPARATION AND GOING CONCERN

Statement of compliance

The condensed consolidated interim financial statements (the "financial statements") of the Company are unaudited and have been prepared in accordance with IAS 34, *Interim Financial Reporting* and IFRS 1. *First-time Adoption of International Financing Reporting Standards* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These are the Company's first IFRS condensed consolidated interim financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending October 31, 2012. Previously, the Company prepared its consolidated annual and interim consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). As these condensed consolidated interim financial statements are the Company's first financial statements prepared in accordance with IFRS, disclosure of the Company's elected transition exemptions and reconciliation and explanation of accounting policy differences compared to Canadian GAAP have been provided in Note 17 to these financial statements.

These condensed consolidated interim statements should be read in conjunction with the Company's consolidated annual financial statements for the year ended October 31, 2011. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent consolidated annual financial statements prepared in accordance with Canadian GAAP have been included in these condensed consolidated interim financial statements.

Basis of presentation

The financial statements of the Company have been prepared in accordance with IFRS on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Several adverse conditions, however, cast substantial doubt on the validity of this assumption. The Company does not have any proven economically recoverable reserves on the Company's interest in mineral properties held for exploration and to date; the Company has earned no direct mining related revenues. The Company's assets are subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

Basis of presentation (continued)

The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production. It is not possible to predict whether financing efforts will be successful. The amounts shown as mineral properties represent net costs to date and do not necessarily represent present or future values.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers, First Nations claims, non-compliance with regulatory and environmental requirements and may be affected by undetected defects.

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions such as ongoing operational losses cast doubt on the validity of this assumption. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, First Labrador Resources Ltd, Silver Spruce Resources (Nova Scotia) Inc. and Silver Spruce Resources Mexico S.A. de C.V. and a joint venture with Crosshair Exploration Mining, and Universal Uranium Ltd., which is accounted for using the proportionate consolidation method. Both First Labrador Resources Ltd. and Silver Spruce Resources (Nova Scotia) Inc. are inactive and have no assets or liabilities. All inter-company transactions have been eliminated upon consolidation.

Refundable staking deposits

The Company makes staking deposits on its various exploration claims which are refundable when and if the Company incurs sufficient exploration expenditures within a specified time frame and files a related exploration report with the appropriate government authorities. Should the Company not incur the applicable exploration expenditures or post a bond in lieu thereof or fail to submit the related exploration report within the applicable timeframe, the staking fee becomes non-refundable and is added to mineral properties.

Mineral properties

Exploration and development expenses relating to properties in which the Company has an interest are deferred until the properties are brought into commercial production, sold or abandoned, at which time they are amortized on a unit of production basis. Other general exploration expenses are charged to operations as incurred. The cost of properties abandoned or sold and their related deferred exploration costs are expensed to operations in the year of abandonment or sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral properties (continued)

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of properties net of expense recoveries, government assistance and option payments received. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment.

The Company reviews capitalized costs on its properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the properties or from sale of the properties. Management's assessment of the properties' estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the properties under review.

The Company tests capitalized exploration costs for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. These events may include the following:

- the period for which the Company has exploration rights has expired or will shortly
- there is no further exploration planned for a property
- continued unfavorable exploration results

If a property's recoverable amount is less than the assets carrying amount, an impairment loss is recognized. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Management's estimates of recoverability of the Company's investment in its various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values. Costs incurred before the Company has obtained the legal rights to explore are recognized in profit or loss in the consolidated statements of comprehensive loss.

Mineral properties assets are reclassified to "property, plant and equipment, construction in progress" when the technical feasibility and commercial viability of extracting a mineral reserve are demonstrable. Mineral properties assets are assessed for impairment, and the impairment loss, if any, is recognized before reclassification to "property, plant and equipment, construction in progress." Exploration and evaluation assets associated with projects which prove to be economically unviable are written off.

Property and equipment

Property and equipment are recorded at cost. Amortization is calculated on a declining balance basis at rates which will reduce original cost to estimated residual value over the estimated useful lives of the assets. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

The rates applicable to each category of property, plant, and equipment are as follows:

Class of property, plant, and equipment	Depreciation rate
Equipment	20%
Computer	55%
Vehicles	30%

Joint ventures

The Company has agreements with other companies whereby the Company either owns a project jointly with a partner and shares in the costs and ownership of the project, or allows the other company to earn a right to a certain percentage ownership in one of the Company's projects, by spending an agreed upon amount in exploration costs over an agreed upon period of time. The Company also has arrangements with others whereby the Company may earn an interest in a property by spending an agreed upon amount for exploration. In all cases the property is jointly controlled by the Company and its partners, and each accounts for its own expenditures.

Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to holders of the flow-through shares. To recognize the forgone tax benefits to the Company, any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") and included in trade payables and accrued liabilities.

Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

The Company indemnifies the subscribers of flow-through shares from any tax consequences arising from the failure of the Company to meet its commitments under the flow- through subscription agreements.

Share-based payments

The Company uses the fair value method to measure compensation expense at the date of grant of stock options to employees and each tranche is recognized on a graded vesting basis over the period in which the options vest. The fair value of options is determined using the Black-Scholes pricing model and is charged to earnings over the vesting period with an offset to contributed surplus, on a straight-line basis over the vesting period. When options are exercised, the corresponding share based payment reserves and the proceeds received by the Company are credited to share capital. Forfeitures are estimated at the time of the grant. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate with a corresponding adjustment to contributed surplus.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax expense comprises current and deferred income tax. Current tax and deferred tax are recognized in earnings or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax expenses comprises the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on either the same taxable entity, or on different taxable entities, which intend to settle current tax liabilities and assets on a net basis or realize their tax assets and liabilities simultaneously. A deferred tax asset is recognized for unused tax losses, unused tax credits and temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

Revenue recognition

The Company is entitled to refundable mining rights credits on exploration expenses incurred in Canada. These credits are applied to the capitalized expenses to which they relate, unless these expenses have been written off, upon which they will be recorded as income when received.

Interest income is recognized when earned and collection is reasonably assured.

Loss per share

The Company presents basic and diluted loss per share (LPS) data for its common shares. Basic LPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning and restoration provision

The company recognizes the fair value of the liability for asset decommissioning and restoration in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows associated with legal obligations or constructive obligations relating to the reclamation and closure of its mineral exploration and development properties at the Company's risk-free interest rate. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of loss and comprehensive loss. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized on the same basis as mineral properties. In management's estimation, there is no liability at this time.

Financial instruments

All financial instruments are classified into one of the following five categories: fair value through profit or loss ("FVTPL"), held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Fair value through profit or loss financial instruments are measured at fair value and all changes in those fair values recognized in net loss. Available-for-sale financial instruments are measured at fair value, with changes in those fair values recognized in Other Comprehensive Income ("OCI"). Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

Cash	Loans and receivables
Other receivables	Loans and receivables
Refundable staking deposits	Loans and receivables
Investments	Held-for-trading
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

Transaction costs directly attributable to the acquisition or issue of financial instruments are recognized in net income (loss) in the period incurred.

The company has determined that it does not have derivatives or embedded derivatives.

Impairment of financial assists

Financial assets are assessed for indicators of impairment at each financial position reporting date. 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. For unlisted shares classified as held-for-trading, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assists (continued)

For certain categories of financial assets, such as other receivables and other financial assets, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated, discounted future cash flows. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount 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 and changes in the carrying amount of the allowance account are recognized in profit or loss.

Impairment of non-financial assets

At each statement of financial position reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Foreign currency translation

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenue and expenses are translated at the average exchange rates prevailing during the period except for amortization, which is translated at historical exchange rates. Gains and losses on translation are included in the determination of net loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and 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.

The company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Mineral properties

The company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration assets. These assumptions are changed when conditions exist that indicates that the carrying value may be impaired, at which time an impairment loss is recorded. By their nature these estimates are subject to measurement uncertainty and the effects of changes in such estimates on the consolidated financial statements could be significant.

Property and equipment

The company reviews the estimated useful lives of property and equipment at the end of each reporting period to ensure assumptions are still valid.

Share-based payments

The company makes certain estimates and assumptions when calculating fair values of stock options and warrants granted. The significant assumptions used include estimate of expected volatility, expected life and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and warrants.

Deferred income taxes

The provision for income taxes is based on judgments in applying income tax law and estimates on the timing, likelihood and reversal of temporary differences between the accounting and tax basis of assets and liabilities.

4. FUTURE ACCOUNTING CHANGES

IFRS 9 *Financial Instruments* ("IFRS 9") introduces new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments*: *Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Also, the IASB has issued an amendment to IFRS 9 *Financial Instruments* ("IFRS 9"), which changes the effective date of IFRS 9 (2009) and IFRS 9 (2010), so that IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2015 with early application permitted. This amendment was released in connection with IFRS 7 *Financial Instruments: Disclosures – Transition Disclosures* which outlines that with the amendments to IFRS 9 entities applying IFRS 9 do not need to restate prior periods but are required to apply modified disclosures. The Company is currently assessing the impact of applying the amendments of IFRS 9 and IFRS 7 on the consolidated financial statements.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* ("IAS 27") and SIC-12 *Consolidation — Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 Joint Arrangements ("IFRS 11") introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. IFRS 11 removes the option to apply the proportional consolidation method when accounting for jointly controlled entities and eliminates the concept of jointly controlled assets. IFRS 11 now only differentiates between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to provide financial statement users with information to evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvement with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

The requirements relating to separate financial statements in IAS 27 are unchanged in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10. IAS 28 Investments in Associates and Joint Ventures ("IAS 28") is amended to conform with changes in IFRS 10, IFRS 11 and IFRS 12. Each of these five standards have an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other standards noted above are also early applied. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without technically early applying the provisions of IFRS 12 (and thereby each of the other four standards). The Company is currently assessing the impact of these new standards on the Company's consolidated financial statements.

4. FUTURE ACCOUNTING CHANGES (continued)

IFRS 13 Fair Value Measurement ("IFRS 13") replaces existing IFRS guidance on fair value with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with early application permitted. The Company is currently assessing the impact of this new standard on the Company's financial assets and financial liabilities.

The IASB issued amendments to IAS 1 Presentation of Financial Statements ("IAS 1") that require an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company does not anticipate the application of the amendments to IAS 1 to have a material impact on its consolidated financial statements.

The IASB issued amendments to IAS 19 Employee Benefits ("IAS 19") that introduced changes to the accounting for defined benefit plans and other employee benefits. The amendments to other employee benefits include modification of the accounting for termination benefits and classification of other employee benefits. The Company does not anticipate the application of the amended IAS 19 to have a material impact on its consolidated financial statements.

Amendments were issued by the IASB to IAS 32 Financial Instruments: Recognitions and Measurement ("IAS 32"), which address inconsistencies in current practice when applying the offsetting criteria. These amendments are part of the IASB's offsetting project. These amendments must be applied starting January 1, 2014 with early adoption permitted. The IASB also issued amendments to IFRS 7 Financial Instruments Disclosures as part of the offsetting project. This includes specific disclosures related to offsetting financial assets and liabilities that will enable users of an entities financial statements to evaluate the effect of potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and liabilities, on the entity's financial position. These amendments must be applied starting January 1, 2013 with early adoption permitted. The Company is currently assessing the impact of adopting the IAS 23 and IFRS 7 amendments on the consolidated financial statements.

5. CAPITAL MANAGEMENT

The capital structure of the Company currently consists of share capital, warrants and contributed surplus. The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, exploration and development of mineral properties. The Company manages its capital structure in a manner that provides sufficient funding for operational activities.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major Canadian financial institutions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period.

6. FINANCIAL RISK FACTORS

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

a) Credit risk

The Company's credit risk is primarily attributable to cash, HST and other receivables. The Company's cash is held with highly rated financial institutions.

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2012, the Company had a cash balance of $535,023 (October 31, 2011 - $874,290; November 1, 2010 - $216,287) to settle current liabilities of $114,012 (October 31, 2011 - $171,117; November 1, 2010 - $374,395). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

c) Market risk

Interest rate risk

The Company does not have any interest-bearing debt. The Company invests any cash surplus to its operational needs in investment-grade short-term deposit certificates issued by highly rated Canadian banks. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank and the investment grade of its short-term deposit certificates.

6. FINANCIAL RISK FACTORS (continued)

c) Market risk (continued)

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

There were no significant changes to credit risk, liquidity risk and market risk during the period.

d) Fair value

The carrying amounts for cash, other receivables, refundable staking deposits, trade payable and accrued liabilities, and current portion of long-term debt on the statements of financial position approximate fair value due to their short-term maturity. The fair value of investments in entities listed on the TSX Venture Exchange (Bayswater Uranium Corporation and Forest Gate Resources Inc.) is based on quoted market prices in active markets and are classified as a level 1 in the fair value hierarchy.

e) Sensitivity analysis

The Company is exposed to foreign exchange fluctuations as a result of transactions with its subsidiary, Silver Spruce Resources Mexico S.A. de C.V. The Company does not use derivatives to mitigate its foreign currency risk.

The balance sheet includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in the following currencies.

6. FINANCIAL RISK FACTORS (continued)

e) Sensitivity analysis (continued)

	January 31, 2012	October 31, 2011	November 1, 2010
	$	$	$
Mexican pesos:			
Cash	**4,868**	2,846	5,006
VAT receivable	**-**	-	182,655
Accounts payable	**7,260**	1,973	3,785

A plus or minus 10% change in the value of the Canadian dollar with respect to Mexican Pesos would affect the Company’s net loss by approximately $250 (October 31, 2011 - $100; November 1, 2010 - $18,500) based on balances denominated in Mexican Pesos on January 31, 2012.

A plus or minus 10% change in the market price of the Bayswater and Forest Gate shares would affect the Company’s net loss by $299 ($2,988 x 10%).

7. MINERAL PROPERTIES

	Novermber 1, 2011	Additions	Refund of expenditures	Impairment and abandonments	**January 31, 2012**
	$	$	$	$	**$**
Uranium					
Central Mineral Belt	2,084,358	-	-	-	**2,084,358**
Double Mer	22,034	-	-	-	**22,034**
Mount Benedict	110,508	251	-	-	**110,759**
Snegamook	19,604	251	-	-	**19,855**
	2,236,504	502	-	-	**2,237,006**
Gold and Base Metals					
Big Easy	572,036	9,065	-	-	**581,101**
Rare Earth Elements					
MRT Property	66,093	27,151	-	-	**93,244**
Pope's Hill Joint Venture	119,490	-	(5,309)	-	**114,181**
Straits	49,542	41,604	-	-	**91,146**
Pope's Hill	970,054	62,438	-	-	**1,032,492**
Red Wine Mountains	11,093	2,460	-	-	**13,553**
	1,216,272	133,653	(5,309)	-	**1,344,616**
	4,024,812	143,220	(5,309)	-	**4,162,723**

7. MINERAL PROPERTIES (continued)

	November 1, 2010	Additions	Refund of staking deposits	Impairment and Abandonments	October 31, 2011
	$	$	$	$	$
Uranium					
Central Mineral Belt	2,084,358	-	-	-	2,084,358
Double Mer	13,558	8,476	-	-	22,034
Jeanette Bay	3,600	-	-	(3,600)	-
Lake Michael	3,420	-	-	(3,420)	-
Mount Benedict	95,252	15,256	-	-	110,508
Snegamook	13,441	6,163	-	-	19,604
Tukialuk	14,820	-	-	(14,820)	-
	2,228,449	29,895	-	(21,840)	2,236,504
Gold and Base Metals					
Big Easy	164,965	407,071	-	-	572,036
Rambler South	404,944	167,639	-	(572,583)	-
	569,909	574,710	-	(572,583)	572,036
Rare Earth Elements					
MRT Property	-	66,093	-	-	66,093
Pope's Hill Joint Venture	-	119,490	-	-	119,490
Pope's Hill	24,892	945,162	-	-	970,054
Red Wine Mountains	1,313	9,780	-	-	11,093
Straits	32,755	16,787	-	-	49,542
	58,960	1,157,312	-	-	1,216,272
	2,857,318	1,761,917	-	(594,423)	4,024,812

8. PROPERTY AND EQUIPMENT

	January 31, 2012			
	Equipment	**Computers**	**Vehicles**	**Total**
	$	**$**	**$**	**$**
Cost:				
At October 31, 2011	**179,036**	**63,483**	**104,508**	**347,027**
Additions	**-**	**-**	**-**	**-**
Disposals	**1,224**	**-**	**-**	**1,224**
At January 31, 2012	**177,812**	**63,483**	**104,508**	**345,803**
Depreciation:				
At October 31, 2011	**102,409**	**50,557**	**66,045**	**219,011**
Additions	**3,627**	**1,697**	**2,813**	**8,137**
Disposals	**343**	**-**	**-**	**343**
At January 31, 2012	**105,693**	**52,254**	**68,858**	**226,805**
Carrying Value:				
At October 31, 2011	**76,627**	**12,926**	**38,463**	**128,016**
At January 31, 2012	**72,119**	**11,229**	**35,650**	**118,998**

	October 31, 2011			
	Equipment	Computers	Vehicles	Total
	$	$	$	$
Cost:				
At November 1, 2010	151,006	60,702	107,819	319,527
Additions	28,030	2,781	19,189	50,000
Disposals	-	-	22,500	22,500
At October 31, 2011	179,036	63,483	104,508	347,027
Depreciation:				
At November 1, 2010	90,942	42,558	76,826	210,326
Additions	11,467	7,999	8,760	28,226
Disposals	-	-	19,541	19,541
At October 31, 2011	102,409	50,557	66,045	219,011
Carrying Value:				
At November 1, 2010	60,064	18,144	30,993	109,201
At October 31, 2011	76,627	12,926	38,463	128,016

9. LONG-TERM DEBT

	January 31, 2012	October 31, 2011	November 1, 2010
	$	$	$
Chattel loan payments	**-**	-	5,976
Less: due in 12 months	**-**	-	5,976
Long-term portion	**-**	-	-

Repayable at $747 monthly, principle plus 0% interest, in 60 equal installments secured by 2006 GMC vehicle.

10. SHARE CAPITAL

The share capital is as follows:

	January 31, 2012	October 31, 2011	November 1, 2010
Authorized:	**$**	$	$
An unlimited number of non-voting preference shares			
An unlimited number of common shares			
Issued and outstanding:			
106,065,305 (October 31, 2011 - 106,065,305) (November 1, 2010 - 79,073,422)	**26,341,861**	26,341,861	23,144,409

a) During the year ended October 31, 2011, the Company closed a non-brokered private placement, consisting of 9,764,148 flow-through units at a price of $0.17 per unit consisting one flow through common share and one half of a purchase warrant, with each whole warrant exercisable for one non-flow through common share at a price of $0.20 for the 24 months following the closing and 1,462,333 non-flow through units at a price of $0.15 per unit consisting of one common share and one whole purchase warrant, with each whole warrant exercisable for one common share at a price of $0.20 for the 24 months following the closing. Of the $1,879,255 proceeds, $1,345,744 was allocated to share capital and $533,511 was allocated to warrants. In addition, the Company issued 400,000 shares for acquisition of the Big Easy property at $0.085, and 100,000 shares for the acquisition of the MRT property at $0.22, all based on the quoted market value of the share on the date of issue. Officers and directors of the Company subscribed for 990,000 units for gross proceeds of $168,300.

10. SHARE CAPITAL (continued)

b) During the year ended October 31, 2010, the Company closed a non-brokered private placement, consisting of 7,066,667 flow-through units and 2,500,000 non-flow-through units at a price of $0.06 per unit consisting of one common share and common share purchase warrant entitling the holder to purchase common shares at a price of $0.12 for the flow-through units and $0.10 for the non-flow-through units for the 24 months following the closing. The Company also closed a brokered private placement on December 24, 2009 consisting of 11,234,614 flow-through units and 4,846,154 non-flow-through units at a price of $0.06 per unit consisting of one common share and common share purchase warrant entitling the holder to purchase common shares at a price of $0.10 for the first 12 months and $0.15 for the second 12 months following the closing. Of the $1,565,000 proceeds, $999,789 was allocated to share capital and $565,211 was allocated to warrants. In addition, the Company issued 200,000 shares for the acquisition of Lobstick property at $0.065, 350,000 shares for the acquisition of Big Easy property at $0.085, and 350,000 shares for the acquisition of Rambler South Property at $0.04, all based on the quoted market value of the shares on the date of issue.

11. WARRANTS

The following is a summary of warrants activity for the periods ended January 31, 2012 and October 31, 2011:

	January 31, 2012		October 31, 2011	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Balance, beginning of year	**19,900,526**	**0.14**	30,233,333	0.12
Granted in connection with private placements	-	-	6,613,345	0.20
Exercised	-	-	(14,496,152)	0.10
Expired during the year	**(3,053,847)**	**0.14**	(2,450,000)	0.15
Balance, end of year	**16,846,679**	**0.15**	19,900,526	0.14

a) The grant date fair value of the warrants granted during the year ended October 31, 2011 were estimated using the Black-Scholes option pricing model based on the following assumptions: For the December 23, 2010 private placement, expected life of 2.0 years, expected dividend rate at 0%, expected volatility of 160% and risk-free interest rate of 1.894%. These warrants can be exercised at a price of $0.20 and the finder's fees warrants can be exercised at a price of $0.20 until December 23, 2012. For the December 24, 2010 private placement, expected life of 2.0 years, expected dividend rate at 0%, expected volatility of 160% and risk-free interest rate of 1.894%. These warrants can be exercised at a price of $0.20 and the finder's fees warrants can be exercised at a price of $0.20 until December 24, 2012. For the December 31, 2010 private placement, expected life of 2.0 years, expected dividend rate at 0%, expected volatility of 160% and risk-free interest rate of 1.894%. These warrants can be exercised at a price of $0.20 and the finder's fees warrants can be exercised at a price of $0.20 until December 31, 2012. The weighted average fair value of the warrants granted in 2011 was $0.09.

11. WARRANTS (continued)

b) The grant date fair value of the warrants granted during the year ended October 31, 2010 were estimated using the Black-Scholes option pricing model based on the following assumptions (a) For the December 2009 private placement, expected life of 2.0 years, expected dividend rate at 0%, expected volatility of 154% and risk-free interest rate of 1.21%. These warrants can be exercised at a price of $0.10 in the first year and $0.15 in the second year. (b) For the September 2010 private placement, expected life of 2.0 years, expected dividend rate at 0%, expected volatility of 160% and risk-free interest rate of 1.42%. These warrants can be exercised at a price of $0.10 and $0.12. The weighted average fair value of the warrants granted in 2010 was $0.02.

Summary of warrants outstanding and additions as at January 31, 2012:

Warrants	Exercise price	Fair value of warrants	Expiry date
	$	$	
260,721	0.20	24,271	December 31, 2012
18,250	0.17	2,967	December 31, 2012
2,955,882	0.20	267,849	December 24, 2012
185,294	0.17	23,557	December 24, 2012
1,462,333	0.20	91,717	December 23, 2012
65,394	0.17	7,744	December 23, 2012
1,665,471	0.20	149,677	December 23, 2012
2,500,000	0.10	60,558	September 7, 2012
7,733,334	0.12	182,846	September 7, 2012
16,846,679		811,185	

12. SHARE BASED PAYMENTS

The Board of Directors of the Company has adopted a stock option plan for the Company. Pursuant to the plan, the Board of Directors of the Company may allocate common shares to its directors, officers and certain consultants. The aggregate number of stock options to be granted under the plan should not exceed 20% of the issued and outstanding capital of the Company and the aggregate number of shares reserved for issuance to anyone person shall not exceed 5% of the issued and outstanding common shares. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the Board of Directors of the Company at the time of grant, subject to all applicable regulatory requirements. The vesting period for options is set by the Company at the time the options are granted.

12. SHARE BASED PAYMENTS (continued)

Share based payment activity for the periods ended January 31, 2012 and October 31, 2011 are summarized as follows:

	January 31, 2012		October 31, 2011	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Balance, beginning of year	**13,291,667**	**0.27**	10,885,897	0.24
Granted	**-**	**-**	3,675,000	0.30
Exercised	**-**	**-**	(1,269,230)	0.09
Expired	**(485,000)**	**0.52**	-	-
Balance, end of year	**12,806,667**	**0.26**	13,291,667	0.27

At January 31, 2012 outstanding options to acquire common shares of the Company were as follows:

Exercise price	Number of outstanding options	Weighted average remaining contractual life of outstanding options (years)	Grant date weighted average fair value per option	Number of exercisable options
$			$	
0.30	1,450,000	4.38	0.08	1,450,000
0.34	25,000	4.03	0.24	25,000
0.34	200,000	2.03	0.21	200,000
0.30	2,000,000	3.97	0.20	2,000,000
0.06	666,667	0.60	0.04	666,667
0.12	2,425,000	3.24	0.08	2,425,000
0.15	2,680,000	2.03	0.13	2,680,000
0.35	2,920,000	1.26	0.32	2,920,000
0.65	110,000	0.06	0.53	110,000
0.65	50,000	0.08	0.56	50,000
0.83	20,000	1.09	0.67	20,000
1.08	160,000	0.21	1.06	160,000
1.78	100,000	0.49	1.75	100,000
	12,806,667	2.53	0.19	12,806,667

The weighted average fair value per option of options outstanding as at January 31, 2012 is $0.19 (October 31, 2011 - $0.20).

12. SHARE BASED PAYMENTS (continued)

The fair value of options that were granted was estimated on the dates of the grants using the Black Scholes option-pricing model and the follow assumptions:

	January 31, 2012	October 31, 2011
Risk-free interest rate	**N/A**	2.319% - 3.06%
Expected life	**N/A**	3-5 years
Expected volatility	**N/A**	127% - 134%
Expected dividend yield	**N/A**	Nil

13. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at January 31, 2012 is $23,441 (October 31, 2011 - $12,322; November 1, 2010 - $127,705) owing to directors of the Company for consulting related services rendered and $Nil (October 31, 2011 - $21,500; November 1, 2010 - $100,000 owning to directors for their annual stipend. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the three month period ended January 31, 2012, no stock options were granted to directors, officers and employees of the Company (January 31, 2011 – 2,000,000).

Rent and certain building materials required by the Company for its operations are purchased from a hardware store controlled by a former officer and director of the Company. During periods of exploration management and employees of the Company stay at a hotel controlled by a former officer and director of the Company. During the three month period ended January 31, 2012, $70 (January 31, 2011 - $9) was paid to the hardware store and $460 (January 31, 2011 - $24,639) was paid to the hotel and included in mineral properties on the statement of financial position.

These transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties. See Note 10 (a).

14. SUPPLEMENTAL CASH FLOW INFORMATION

	January 31, 2012	January 31, 2011
	$	$
Cash		
Cash	**530,155**	2,908,782
Cash equivalents	-	-
	530,155	2,908,782
Non-cash investing and financing activities:		
Acquisition of mineral properties for share consideration	-	-
Expiry of warrants	**67,357**	96,426
Options issued as finders fee	-	-
Options issued for PR Agreement	-	-
Value of share, warrants and options included in share issue costs	-	-
Effect of future income taxes on share capital upon renouncement of expenditures	-	(1,421)

15. COMMITMENTS AND CONTINGENCIES

The Company has acquired various properties from third party license holders. The terms of these agreements provide for initial cash payments by the Company and the initial issuance of shares in the Company. To retain the interest in these properties the Company is obligated to make additional cash payments and to issue additional shares. The agreements also provide for the payment of a NSR to the third parties in the event that a property reaches the commercial production stage.

A summary of the additional cash and additional shares to be issued by the Company, assuming that an interest in all of the properties is to be maintained, is as follows:

	Cash	Shares
2012	$55,000	650,000
2013	$70,000	600,000

The Company leases its head office in Bridgewater under an operating lease. Future lease payments aggregate $10,725 and include the following amounts payable over the next two years:

	$
2012	7,425
2013	825
	8,250

The Company's mining and exploration activities are subject to various law and regulations governing the protection of the environment. These law and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

15. COMMITMENTS AND CONTINGENCIES (continued)

Pursuant to the issuance of 9,764,148 flow-through units on December 24, 2010, the Company renounced $1,650,141 on qualified exploration expenditures with an effective date of December 31, 2010. The effect of this renunciation was recorded as the expenditures were incurred. The Company expended the required renounced expenditures by December 31, 2011 as required by the Canada Revenue Agency.

16. INTEREST IN JOINT VENTURES

The Company proportionately consolidates its 60% interest in the joint venture with Crosshair Exploration Mining, and Universal Uranium Ltd. This joint venture is connected with the Companies claims in the Central Mineral Belt ("CMB") and Seal Lake areas of Labrador and the Pope's Hill areas as described in Note 7.

The Companies interest in joint venture is summarized below:

	January 31, 2012	October 31, 2011
	$	$
Balance Sheet		
Mineral properties	**2,198,539**	2,203,848
Statement of Operations	**-**	-
Statement of Cash Flow		
Cash provided by operating activities		
Receipt of amounts due from JV partner	**-**	-
Cash used for investing activities	**-**	(119,420)
Cash provided by financing activities	**-**	-

17. TRANSITION TO IFRS

The Company's consolidated financial statements for the year ending October 31, 2012 will be the Company's first set of annual financial statements that comply with IFRS, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its October 31, 2012 annual financial statements. For the current interim period, the Company has only complied with the requirements of IAS 34.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was November 1, 2010. IFRS requires first-time adopters to retrospectively apply all IFRS's that will be in effect at its October 31, 2012 reporting date. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time adopters. The Company has applied certain of these exemptions to its opening Statements of Financial Position dated November 1, 2010, as described below.

17. TRANSITION TO IFRS (continued)

First time adoption mandatory exceptions and optional exemptions to retrospective application of IFRS

In preparing these consolidated interim financial statements in accordance with IFRS 1, the Company has applied certain mandatory exceptions and certain optional exemptions from full retrospective application of IFRS as described below.

Mandatory exceptions

Estimates

Hindsight was not used to create or revise estimates. The estimates made under IFRS at the date of transition are consistent with those previously made under Canadian GAAP.

Optional exemptions

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries that occurred before November 1, 2010.

- IFRS 2 "Share-based payments" has not been applied 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 November 1, 2010. The Company has elected not to apply IFRS 2 to awards that vested prior to November 1, 2010, which has been accounted for in accordance with Canadian GAAP.

Explanation of differences impacting the Company's financial statements including IFRS 1 First-Time Adoption of International financial Reporting Standards

IFRS 1 requires the Company to reconcile equity, comprehensive income and cash flows for prior periods. In preparing its opening IFRS consolidated statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the additional notes that accompany the tables. The tables are unaudited.

a) Share-based payments

IFRS 2 requires awards to non-employees to be measured based on the fair value of the goods and services received, except in the "rare cases" where this cannot be measured, when the fair value of the equity instruments granted is used. As a result, the Company was required to restate the value of certain share-based payments issued to third parties for services rendered.

17. TRANSITION TO IFRS (continued)

b) Flow-through shares

Flow-through shares are a unique Canadian tax incentive, which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP the Company accounted for the issue of flow through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146 "Flow-through Shares". At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a future income tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP the Company recorded any deferred tax recovery eligible to be recognized to offset the deferred tax charge to equity as a tax recovery in the statement of operations.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through tax liability and included in trade payables and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery. The adjustment of $1,622,175 to the November 1, 2010 balance sheet represents a reduction of share capital of $1,621,990 from prior year's premiums and an increase in share capital of $3,244,651 to reverse the prior year's recording of the flow-through tax benefit under Canadian GAAP. The October 31, 2011 balance sheet includes the $1,622,175 adjustment plus an amount of $630,579 as a reversal of the 2010 recording of a flow-through tax benefit from a September and December 2010 flow through share issue, for a total adjustment of $2,252,754.

17. TRANSITION TO IFRS (continued)

Reconciliation from Canadian GAAP to IFRS

Reconciliation of assets, liabilities and shareholder's equity as at November 1, 2010:

	Notes	Canadian GAAP	Effect of IFRS transition	IFRS
		$	$	$
ASSETS				
Current				
Cash		216,287	-	216,287
HST and other receivables		47,188	-	47,188
Refundable staking deposits		59,800	-	59,800
Prepaid expenses		16,490	-	16,490
		339,765	-	339,765
Mineral properties		2,857,318	-	2,857,318
Property and equipment		109,201	-	109,201
Mexican VAT receivable		182,655	-	182,655
Non-current refundable staking deposits		70,783	-	70,783
Investments		10,013	-	10,013
		3,569,735	-	3,569,735
LIABILITIES				
Current				
Trade payables and accrued liabilities		374,385	-	374,385
Current portion of long-term debt		5,976	-	5,976
		380,361	-	380,361
SHAREHOLDERS' EQUITY				
Share capital	b	21,522,234	1,622,175	23,144,409
Warrants		739,925	-	739,925
Contributed surplus		6,372,250	-	6,372,250
Deficit	b	(25,445,035)	(1,622,175)	(27,067,210)
		3,189,374	-	3,189,374
		3,569,735	-	3,569,735

17. TRANSITION TO IFRS (continued)

Reconciliation of assets, liabilities and shareholder's equity as at October 31, 2011:

	Notes	Canadian GAAP	Effect of IFRS transition	IFRS
		$	$	$
ASSETS				
Current				
Cash		874,290	-	874,290
HST and other receivables		48,691	-	48,691
Refundable staking deposits		95,600	-	95,600
Prepaid expenses		83,252	-	83,252
		1,101,833	-	1,101,833
Mineral properties		4,024,812	-	4,024,812
Property and equipment		128,016	-	128,016
Mexican VAT receivable		-	-	-
Non-current refundable staking deposits		8,970	-	8,970
Investments		3,463	-	3,463
		5,267,094	-	5,267,094
LIABILITIES				
Current				
Trade payables and accrued liabilities		171,113	-	171,113
Current portion of long-term debt		-	-	-
		171,113	-	171,113
SHAREHOLDERS' EQUITY				
Share capital	b	24,089,107	2,252,754	26,341,861
Warrants		878,542	-	878,542
Contributed surplus	a	6,958,213	25,277	6,983,490
Deficit	a, b	(26,829,881)	(2,278,031)	(29,107,912)
		5,095,981	-	5,095,981
		5,267,094	-	5,267,094

17. TRANSITION TO IFRS (continued)

Reconciliation of income (loss) and comprehensive income (loss):

		Year ended October 31, 2011		
	Notes	Canadian GAAP	Effect of IFRS transition	IFRS
		$	$	$
Revenue				
Unrealized gain in market value of investments		-	-	-
Interest income		-	-	-
Other income		109,827	-	109,827
		109,827	-	109,827
Expenses				
Impairment of mineral properties		14,820	-	14,820
Mexican VAT receivable		168,304	-	168,304
Impairment of other impaired property costs		8,014	-	8,014
Abandonment of mineral properties		579,603	-	579,603
Stock-based compensation		519,212	-	519,212
Office and general		147,710	-	147,710
Accounting, audit and legal		136,572	-	136,572
Wages and benefits		161,832	-	161,832
Unrealized loss in market value of investments		6,550	-	6,550
Consulting fees		175,917	-	175,917
Corporate relations	a	106,273	25,277	131,550
Travel		26,307	-	26,307
Amortization		28,226	-	28,226
Listing and filing fees		30,162	-	30,162
Loss on sale of capital assets		759	-	759
Foreign exchange loss		14,991	-	14,991
		2,125,252	25,277	2,150,529
Loss before income taxes		2,015,425	25,277	2,040,702
Future income tax recovery	b	(630,579)	630,579	-
Net and comprehensive loss for the period		1,384,846	655,856	2,040,702
Deficit, beginning of period	b	25,445,035	1,622,175	27,067,210
Deficit, end of period		26,829,881	655,856	29,107,912
Net loss per share - basic and diluted		-	-	-

17 TRANSITION TO IFRS (continued)

Reconciliation of assets, liabilities and shareholder's equity as at January 31, 2011:

		Three months ended January 31, 2011		
	Notes	Canadian GAAP	Effect of IFRS transition	IFRS
		$	$	$
ASSETS				
Current				
Cash		2,908,782	-	2,908,782
HST and other receivables		55,020	-	55,020
Refundable staking deposits		60,592	-	60,592
Prepaid expenses		10,829	-	10,829
		3,035,223	-	3,035,223
Mineral properties		2,969,446	-	2,969,446
Property and equipment		101,461	-	101,461
Mexican VAT receivable		183,215	-	183,215
Non-current refundable staking deposits		89,783	-	89,783
Investments		10,250	-	10,250
		6,389,378	-	6,389,378
LIABILITIES				
Current				
Trade payables and accrued liabilities		129,286	-	129,286
Current portion of long-term debt		3,735	-	3,735
		133,021	-	133,021
SHAREHOLDERS' EQUITY				
Share capital	b	23,984,526	2,254,175	26,238,701
Warrants		875,910	-	875,910
Contributed surplus		6,858,302	-	6,858,302
Deficit	b	25,462,381	(2,254,175)	(27,716,556)
		6,256,357	-	6,256,357
		6,389,378	-	6,389,378

17. TRANSITION TO IFRS (continued)

Reconciliation of income (loss) and comprehensive income (loss):

		Three months ended January 31, 2011		
	Notes	Canadian GAAP	Effect of IFRS transition	IFRS
		$	$	$
Revenue				
Unrealized gain in market value of investments		237	-	237
		237	-	237
Expenses				
Impairment of mineral properties		7,020	-	7,020
Write-off of receivable		12,814	-	12,814
Stock-based compensation		402,024	-	402,024
Office and general		60,539	-	60,539
Accounting, audit and legal		38,817	-	38,817
Wages and benefits		34,510	-	34,510
Consulting fees		61,566	-	61,566
Corporate relations		7,174	-	7,174
Travel		13,060	-	13,060
Amortization		7,740	-	7,740
Listing and filing fees		4,319	-	4,319
		649,583	-	649,583
Loss before income taxes		649,346	-	649,346
Future income tax recovery		(632,000)	632,000	-
Net and comprehensive loss for the period		17,346	632,000	649,346
Deficit, beginning of period	b	25,445,035	1,622,175	27,067,210
Deficit, end of period		25,462,381	2,254,175	27,716,556
Net loss per share - basic and diluted		-	-	-
Weighted average number of shares outstanding - basic and diluted		-	-	-

Reconciliation of cash flows

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the consolidated statements of financial position and consolidated statements of operations have resulted in reclassifications of various amounts on the consolidated statements of cash flows, however as there have been no changes to the net cash flows, no cash flow reconciliations have been presented.