NEVADA CLEAN MAGNESIUM INC.

(formerly Molycor Gold Corporation)

Consolidated Financial Statements

For the Years Ended October 31, 2012 and 2011

(Expressed in Canadian dollars)

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
t 604.687.5447
f 604.687.6737

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Nevada Clean Magnesium Inc. (formerly Molycor Gold Corporation)

We have audited the accompanying consolidated financial statements of Nevada Clean Magnesium Inc. (formerly Molycor Gold Corporation) and its subsidiary, which comprise the consolidated statements of financial position as at October 31, 2012, October 31, 2011 and November 1, 2010 and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years ended October 31, 2012 and October 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nevada Clean Magnesium Inc. (formerly Molycor Gold Corporation) and its subsidiary as at October 31, 2012, October 31, 2011 and November 1, 2010 and their financial performance and their cash flows for the years ended October 31, 2012 and October 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has limited working capital, no current sources of revenue and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

CHARTERED ACCOUNTANTS

Vancouver, Canada
February 28, 2013

NEVADA CLEAN MAGNESIUM INC.

(formerly Molycor Gold Corporation)

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	October 31, 2012	October 31, 2011 (Note 17)	November 1, 2010 (Note 17)
	$	$	$
ASSETS			
Current Assets			
Cash and cash equivalents	3,656	173,750	362,555
Amounts receivable (Note 6)	6,241	56,681	14,594
Marketable securities (Note 8)	7,974	34,285	19,086
Receivable from related parties	-	516	-
Prepaid expenses	-	27,708	34,767
	17,871	292,940	431,002
Reclamation deposits	16,000	26,155	22,655
Exploration and evaluation assets (Note 9)	3,697,776	4,221,707	3,503,349
	3,731,647	4,540,802	3,957,006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	51,639	73,806	64,016
Payable to related parties (Note 7)	379,701	152,237	9,351
	431,340	226,043	73,367
Shareholders' Equity			
Share capital (Note 10)	14,872,543	14,845,043	13,883,977
Reserves (Note 10)	1,299,075	1,299,075	1,283,063
Accumulated other comprehensive income	2,953	8,586	12,017
Deficit	(12,874,264)	(11,837,945)	(11,295,418)
	3,300,307	4,314,759	3,883,639
	3,731,647	4,540,802	3,957,006

Nature and continuance of operations (Note 1)
Event after the reporting date (Note 16)

Approved by the Board of Directors and authorized for issue on February 28, 2013

"Edward Lee" Director   *"James Sever"* Director

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

NEVADA CLEAN MAGNESIUM INC.

(formerly Molycor Gold Corporation)

Consolidated Statements of Changes in Equity
For the years ended October 31, 2012 and 2011
(Expressed in Canadian dollars)

	Share capital		Reserves		
	Number of shares (Note 10)	Share capital (Note 10, 17)	Options (Note 10)	Warrants (Note 10)	Deficit (Note 17)
	#	$	$	$	$
Balance, November 1, 2010	96,255,950	13,883,977	1,237,226	45,837	(11,295,418)
Issued pursuant to private placements	14,937,500	1,115,500	-	-	-
Cash share issuance costs	-	(60,726)	-	-	-
Issued pursuant to exercise of warrants	50,000	6,000	-	-	-
Deferred income tax impact of flow through shares	-	(83,696)	-	-	-
Fair value of agents warrants issued	-	(16,012)	-	16,012	-
Total comprehensive loss for the year	-	-	-	-	(542,527)
Balance, October 31, 2011	111,243,450	14,845,043	1,237,226	61,849	(11,837,945)
Issued pursuant to private placements	550,000	27,500	-	-	-
Total comprehensive loss for the year	-	-	-	-	(1,036,319)
Balance, October 31, 2012	111,793,450	14,872,543	1,237,226	61,849	(12,874,264)

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

NEVADA CLEAN MAGNESIUM INC.

(formerly Molycor Gold Corporation)

Consolidated Statements of Comprehensive Loss
For the years ended October 31, 2012 and 2011
(Expressed in Canadian dollars)

	2012	2011 (Note 17)
	$	$
Expenses		
Administration (Note 11)	506,527	544,741
Research and development	-	51,370
Loss from operations	(506,527)	(596,111)
Finance income	264	91
Write down of exploration and evaluation assets	(529,466)	-
Gain (loss) on foreign exchange	(590)	993
Loss before income taxes	(1,036,319)	(595,027)
Deferred income tax recovery	-	52,500
Net loss for the year	(1,036,319)	(542,527)
Other comprehensive loss		
Foreign currency gain (loss) on translation of subsidiary	30,678	(18,630)
Unrealized gain (loss) on marketable securities	(36,311)	15,199
Other comprehensive loss for the year	(5,633)	(3,431)
Total comprehensive loss for the year	(1,041,952)	(545,958)
Basic and diluted loss per share	(0.01)	(0.01)
Weighted-average number of common shares outstanding	111,341,128	105,443,587

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

NEVADA CLEAN MAGNESIUM INC.

(formerly Molycor Gold Corporation)

Consolidated Statements of Cash Flows
For the years ended October 31, 2012 and 2011
(Expressed in Canadian dollars)

	2012	2011
	$	$
Cash Provided By (Used For):		
Operating Activities		
Net loss for the year	(1,036,319)	(542,527)
Adjustment for items not involving cash:		
Write-down of exploration and evaluation assets	529,466	-
Deferred income tax recovery	-	(52,500)
	(506,853)	(595,027)
Net changes in non-cash working capital components:		
Amounts receivable	50,440	(42,087)
Accounts payable and accrued liabilities	(22,167)	(36,769)
Due from/to related parties – net	203,980	110,778
Prepaids	27,708	7,059
	(246,892)	(556,046)
Investing Activities		
Reclamation bonding refunded (paid)	10,155	(3,500)
Exploration and evaluation expenditures	(71,942)	(721,831)
Exploration and evaluation option payments received	59,636	-
BC Mineral Exploration Tax Credits received	27,449	-
	25,298	(725,331)
Financing Activities		
Shares issued for cash, net of issue costs	27,500	1,060,980
Advances to related parties	(41,000)	(85,194)
Advances from related parties	65,000	116,786
	51,500	1,092,572
Decrease in cash and cash equivalents	(170,094)	(188,805)
Cash and cash equivalents – beginning of year	173,750	362,555
Cash and cash equivalents – end of year	3,656	173,750

Supplementary Cash Flow Information	$	$
Interest and penalties paid	27,105	-

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

1. Nature and continuance of operations

Nevada Clean Magnesium Inc. (the "Company") was incorporated under the laws of British Columbia on March 24, 1966, and is a publicly traded company with its shares listed on the TSX Venture Exchange. The name of the Company was changed from Molycor Gold Corp. to Nevada Clean Magnesium Inc. on April 16, 2012. The Company is principally engaged in the acquisition, exploration and development of interests in mineral resource projects in British Columbia, Canada and Nevada, USA. To date, the Company has not generated any revenues and is considered to be in the exploration stage.

The address of the Company's corporate office and principal place of business is 2A – 15782 Marine Drive, White Rock, British Columbia, Canada, V4B 1E6.

These consolidated financial statements comprise the financial statements of Nevada Clean Magnesium Inc. and its wholly owned subsidiary, Nevada Moray Inc., incorporated in the state of Nevada, USA.

The business of exploring and developing mineral resource properties involves a high degree of risk, and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for capitalized exploration and development costs is dependent on the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such properties at a profit. Changes in future conditions could require material write-downs of the carrying values of exploration and evaluation interests.

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 and may be affected by undetected defects.

As at October 31, 2012, the Company had working capital deficiency of $413,469 and has not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended October 31, 2012, the Company reported a comprehensive loss of $1,041,952 (2011 – $545,958) and as at October 31, 2012 had an accumulated deficit of $12,874,264 (2011 – $11,837,945).

The Company has financed its exploration activities and operations through equity issuances and expects to continue to do so to the extent such instruments are issuable under terms acceptable to the Company until such time as its operations provide positive cash flows. Accordingly, the Company's financial statements are presented on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. Management believes that the going concern assumption is appropriate for these financial statements based on their continuing ability to raise financing through share issuances. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable value of its assets may decline materially from current estimates. If the going concern assumption was not appropriate for these financial statements, then potentially material adjustments may be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used.

2. Basis of Presentation

a) Statement of compliance

These consolidated financial statements are audited and represent the first annual consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company adopted IFRS in accordance with IFRS 1, First-Time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was November 1, 2010. In accordance with IFRS, the Company has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied all effective IFRS standards as of November 1, 2010 as required; and,
- applied certain optional exemptions and certain mandatory exceptions as applicable for first-time IFRS adopters.

The Company's consolidated annual financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing these consolidated financial statements, management has amended certain accounting and measurement methods previously applied in the Canadian GAAP consolidated financial statements to comply with IFRS. Note 17 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity and comprehensive loss along with line by line reconciliations of the consolidated statements of financial position as at November 1, 2010, and October 31, 2011, and the consolidated statements of loss and comprehensive loss for the year ended October 31, 2012.

These consolidated financial statements were authorized by the Company's Board of Directors on February 28, 2013.

These consolidated financial statements are stated in Canadian dollars and were prepared under the historical cost convention, except for share-based payment transactions (Note 10).

b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of the Company's subsidiary is the United States dollar ("USD"). The accounts of the subsidiary have been translated to the Canadian dollar in accordance with Note 3(b).

c) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amount of

revenues and expenses during the reporting period. Estimates and judgments 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. Actual results may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

(i) Exploration and evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicate the carrying value may be impaired, at which time an impairment loss is recorded.

(ii) Share-based payments

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of the grant, excluding the impact of any non-market vesting conditions. The fair value of share options are estimated by using the Black-Scholes model on the date of the grant based on certain assumptions. Those assumptions are described in Note 10 and include, among others, expected volatility, expected life of the options and number of options expected to vest. Where vesting conditions exist for share options, the Board reviews progress against those vesting conditions annually.

(iii) Taxes

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax planning strategies.

(iv) Decommissioning liabilities

The Company recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the exploration or development of its properties. The Company assesses its provision for site reclamation at each reporting date. Significant estimates and assumptions are made in determining the provision for site reclamation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future reclamation costs required. As at October 31, 2012, the Company has not recognized any decommissioning liabilities.

(v) Payables to related parties

The Company shares its office premises with Goldrea Resources Corp. and American Manganese Inc., companies which share common directors with the Company. In addition, certain personnel are shared between the three companies. Expenses related to the common office facilities are shared among the companies and are allocated according to the relative amount of office space used by each of the companies. The salary and related costs of common personnel are allocated according to the relative time expended on each company. Significant management estimation is required regarding the allocation of costs between these companies.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently, to all periods presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiary.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiary as described in Note 1 above. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchanges gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of comprehensive income.

Assets and liabilities of the subsidiary with a functional currency in US dollars are translated at the period end rates of exchange, and the results of its operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income as shareholders’ equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive income.

c) Cash and cash equivalents

Cash and cash equivalents include short-term investments that are readily convertible into cash with original maturities of three months or less.

d) Reclamation deposit

The Company maintains cash deposits, as required by regulatory bodies, as assurance for the funding of decommissioning costs. These funds are restricted to that purpose and are not available to the Company until the reclamation obligations have been fulfilled, and are therefore classified as long term assets.

e) Research and development

Expenditures on research activities undertaken for preliminary research relating to extraction of magnesium from dolomite are expensed as incurred. Development expenditures are expensed in the period incurred unless the project meets certain strict accounting criteria for deferral and amortization. No development expenditures have met the criteria for deferral to date.

f) Exploration and evaluation assets

General exploration and evaluation expenditures incurred prior to acquiring the legal right to explore are charged to the statement of comprehensive loss as incurred.

The Company's exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are at the exploration / pre-development stage, which are incurred subsequent to the acquisition of the legal right to explore.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development when they are determined to meet certain technical feasibility and commercial viability thresholds as determined by management.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Drilling and related costs;
- Professional / technical fees;
- Surveying, geological and geotechnical;
- Land maintenance;
- Sampling and storage; and
- Mineral claims and permits.

Exploration and evaluation expenditures related to an area of interest where the Company has tenure are capitalized as intangible assets and are recorded at cost less impairment.

Exploration and evaluation expenditures also include the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operations activities in the relevant area of interest.

All capitalized exploration and evaluation expenditures are assessed for impairment if facts and circumstances indicate that impairment may exist. In circumstances where a property is abandoned, the cumulative capitalized costs relating to that property are written off in the period.

g) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use. 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 to the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU 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 CGU in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

h) Income taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in income except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amount of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit or loss, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investme nts in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on i nitial recognition of assets and liabilities acquired other than in a business combination.

i) Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing profit or loss attributable to ordinary equity holders (numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period. The denominator is calculated by adjusting the shares issue d at the beginning of the period by the number of shares bought back during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Company is in a loss position.

j) Segmented reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's President and CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company manages its business on the basis of one reportable segment under two geographic regions, being Canada and the United States ("USA").

k) Share-based payments

The Company has an equity settled share purchase stock option plan that is described in Note 10. Share-based payments to employees are measured at the fair value of the instruments issued at the grant date using the Black-Scholes pricing model, and are expensed over the vesting period, which is the period over which all of the specific vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

Share-based payments to non-employees are measured at the fair value of goods or services received, or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services

cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

The share-based compensation fair value is determined using an estimated forfeiture rate. Compensation ultimately recognized is revised in subsequent periods to reflect final grant amounts.

l) Share capital

The Company records proceeds from share issuances net of issuance costs. Shares issued for consideration other than cash are valued at the quoted price on the date the agreement to issue the shares was reached.

m) Financial instruments

(i) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through the statement of comprehensive loss. Cash and cash equivalents are included in this category of financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale and that are not classified in any of the other categories. Subsequent to initial recognition at fair value, they are measured at fair value and changes therein are recognized in accumulated other comprehensive income and presented within equity in accumulated other comprehensive income (loss). When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Marketable securities are included in this category of financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date, and are carried at amortized cost, using the effective interest method, less any impairment. Loans and receivables are comprised of amounts receivable, receivable from related parties, prepaid deposits, and reclamation deposits.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, held with the intention of holding these investments to maturity and subsequently measured at amortized cost. These investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity investments.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence indicating that one or more events have had a negative impact on the estimated future cash flows of that asset. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

An impairment loss in respect of a financial assets measured at amortized cost is calculated as the difference between its carrying amount and the net present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale asset is calculated by reference to its fair value and any amounts in other comprehensive income are transferred to earnings.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Gains or losses related to impairment or de-recognition are recognized in the statement of comprehensive loss in the period in which they occur. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Financial liabilities

The Company classifies its financial liabilities as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other financial liabilities include accounts payable and accruals, and payable to related parties.

(iii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issuance costs.

4. Recent Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

a) IFRS 9 – Financial Instruments

IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company is currently assessing the impact of this standard.

b) IFRS 10 – Consolidated Financial Statements

IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and will supersede the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is currently assessing the impact of this standard.

c) IFRS 11 – Joint Arrangements

IFRS 11, 'Joint Arrangements' was issued in May 2011 and will supersede existing IAS 31, 'Joint Ventures' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The Company does not expect this standard to have a significant impact on the financial statements.

d) IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods

beginning on or after January1, 2013, with earlier application permitted. The Company does not expect this standard to have a significant impact on the financial statements.

e) IFRS 13 – Fair Value Measurement

IFRS 13, 'Fair Value Measurement' was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard.

5. Cash and cash equivalents

Cash is comprised of cash at banks and on hand. Cash at banks earns interest at floating rates based on daily bank deposit rates.

6. Amounts Receivable

Amounts receivable are all current and include the following:

	October 31, 2012	October 31, 2011	November 1, 2010
	$	$	$
HST receivable	6,241	56,681	14,594

7. Related Party Transactions

a) Investment in subsidiary

The wholly owned subsidiary of the Company has been incorporated in the United States and is included in these consolidated financial statements as disclosed in Note 1.

b) Transactions with related parties

The Company shares its office premises with Goldrea Resources Corp. and American Manganese Inc., companies which share common directors with the Company. In addition, certain personnel are shared between the three companies. Expenses related to the common office facilities are shared among the companies and are allocated according to the relative amount of office space used by each of the companies. The salary and related costs of common personnel are allocated according to the relative time expended on each company.

Included in payable to related parties at October 31, 2012 is $340,701 payable to the related companies (2011 - $140,237).

As at October 31, 2012, $39,000 is payable to the Company's CEO and former President and the Company's former CEO for accrued wages (2011 - $12,000). The amount is non-interest bearing, unsecured and has no fixed terms of repayment.

During fiscal year ended October 31, 2012, the Company incurred $42,675 in consulting fees to a private company controlled by a director of the Company (2011 - $77,956).

As at October 31, 2012, the Company held 70,690 common shares of American Manganese Inc. (October 31, 2011 – 70,690; November 1, 2010 - 70,690), as described in Note 8.

c) Compensation of key management personnel

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's Board of Directors and the Company's Executive Leadership Team. The Executive Leadership Team consists of the CEO and President, a Director and Chief Operating Officer.

Total compensation expense for key management personnel and the composition thereof, is as follows:

For the year ended October 31,	2012	2011
	$	$
Short term benefits	95,375	119,937
Share-based compensation	-	-
Total	95,375	119,937

8. Marketable Securities

The Company holds 70,690 shares of American Manganese Inc. acquired during 2007, and holds 100,000 shares of MillenMin Ventures Inc. acquired in 2012 under the terms of an option agreement (Note 9(b)(i)). These marketable securities are classified as available-for-sale financial assets.

	October 31, 2012	October 31, 2011	November 1, 2010
	$	$	$
American Manganese Inc. (at cost)	7,069	7,069	7,069
MillenMin Ventures Inc. (at cost)	10,000	-	-
Cumulative increase (decrease) in fair value	(9,095)	27,216	12,017
Balance	7,974	34,285	19,086

9. Exploration and Evaluation Assets

a) Reconciliation of exploration and evaluation assets balances

British Columbia, Canada	Windpass Sweethome	Crowrea Empress	Flap	Beaverdell	Total
	$	$	$	$	$
Balance, November 1, 2010	634,142	447,162	132,621	6,737	1,220,662
2011:					
Acquisition costs	5,610	1,610	-	3,608	10,828
Exploration costs	2,175	5,264	-	320,312	327,751
Balance, October 31, 2011	641,927	454,036	132,621	330,657	1,559,241
2012:					
Acquisition costs	2,302	-	-	-	2,302
Exploration costs	-	-	-	5,482	5,482
BC Mineral Exploration Tax Credits	(4,357)	(2,313)	(19,774)	(1,005)	(27,449)
Option payments received	(30,000)	-	-	-	(30,000)
Write-downs	-	-	(112,847)	-	(112,847)
Balance, October 31, 2012	609,872	451,723	-	335,134	1,396,729

Nevada, USA	Griffon	Silverado	TKO, Hot Dog Ridge, and Ridge Top	Tami-Mosi	BCS Davis	Total
	$	$	$	$	$	$
Balance, November 1, 2010	208,030	314,510	419,977	755,585	584,585	2,282,687
2011:						
Acquisition costs	5,440	1,275	2,635	57,590	-	66,940
Exploration costs	(7,332)	81,226	800	261,435	26,166	362,295
Translation adjustments	(4,100)	(7,053)	(8,351)	(18,114)	(11,838)	(49,456)
Balance, October 31, 2011	202,038	389,958	415,061	1,056,496	598,913	2,662,466
2012:						
Acquisition costs	3,676	(1,275)	-	24,073	1,013	27,487
Exploration costs	7,915	28,262	(2,635)	21,791	(16,442)	38,891
Option payments received	(39,636)	-	-	-	-	(39,636)
Write-downs	-	-	(416,619)	-	-	(416,619)
Translation adjustments	2,194	4,216	4,193	11,410	6,445	28,458
Balance, October 31, 2012	176,187	421,161	-	1,113,770	589,929	2,301,047

Exploration and evaluation assets - Total	
Balance, November 1, 2010	3,503,349
Balance, October 31, 2011	4,221,707
Balance, October 31, 2012	3,697,776

b) British Columbia, Canada

i) Windpass Sweethome Property, Kamloops Mining Division

The Windpass Sweethome property is located 50 kilometres northeast of Barriere in the Thompson Plateau area of Central British Columbia, consists of 8 contiguous mineral leases totalling 737 hectares in size, and is owned 100% by the Company.

In March 2012, the Company entered into an option agreement whereby MillenMin Ventures Inc. ("MillenMin") may earn up to 70% of the Company's interest in the Windpass Sweethome property by paying $120,000 to the Company, incurring $750,000 in aggregate exploration expenditures, and issuing 400,000 common shares over a period of four years. Upon MillenMin earning the 70% interest, MillenMin and the Company will form a joint venture to further explore and develop the property. The original vendors of the property will retain a 3% net smelter returns royalty.

ii) Crowrea Empress Property, Osoyoos and Similkameen Mining Division

The Crowrea Empress property is located near Summerland, British Columbia and is a jointly controlled venture with Goldrea Resources Corp. This property originally consisted of 27 claims totalling approximately 10,494 hectares, with 2 claims dropped during 2012 and another claim dropped subsequent to year end, reducing the property to 24 claims totalling approximately 9,720 hectares.

iii) Flap Property, Nicola and Vernon Mining Divisions

The Flap property is located in the Tadpole Lake area about 45 kilometres west of Kelowna, British Columbia, consists of 9 claims totalling approximately 706 hectares in size, and is a jointly controlled venture with Goldrea Resources Corp. During the year ended October 31, 2012, an impairment loss was recorded on the property in the amount of $132,621, bringing the carrying value to nil.

iv) Beaverdell Property, Greenwood Mining Division

The Beaverdell property is located 3 kilometres southeast of Beaverdell, British Columbia, consists of 27 claims totally approximately 706 hectares in size, and is owned 100% by the Company.

c) Nevada, United States

i) Griffon Property

The Griffon property is located in White Pine County, Nevada, 45 miles southeast of Eureka, and 13 miles southeast of Mount Hamilton. The property originally consisted of 64 unpatented mining claim totalling 535 hectares in size, but following the optioning of the property in February 2012, the optionee (noted below) elected to stake an additional 149 unpatented mining claims in the name of the Company's 100% owned US subsidiary, later dropping 27 of these claims to reduce the number of current claims staked by the optionee to 122. The claims are 100% owned by the Company and are subject to a 2% net smelter royalty in favor of the originating vendors.

In February 2012, the Company entered into an option agreement with Pilot Gold Inc. ("Pilot Gold"). Under the terms of the agreement, to acquire a 60% interest in the property over the subsequent four years Pilot Gold Inc. must:

i) pay the Company $119,636 USD;
ii) issue 120,000 common shares to the Company; and
iii) expend $750,000 USD on exploration of the property or pay an additional $750,000 USD to the Company.

Pilot Gold Inc. may earn an additional 10% interest in the property by expending an additional $2,500,000 US on exploration during the five year period following the initial four years.

ii) Silverado Property

The Silverado property is located in the Pinto mining district of Nevada, consists of 3 patented mining claims totalling 6.24 hectares, and is 100% owned by the Company.

iii) Tami-Mosi Property

The Tami-Mosi property is located approximately 8 miles southeast of Ely, Nevada in the -Nevada mining district and consists of 81 unpatented mining claims totalling approximately 677 hectares and 4

quartz unpatented claims totalling approximately 33 hectares. The project is 100% owned by the Company and subject to a 2.0% net smelter returns royalty in favor of the originating vendors.

iv) BCS Davis Property

The BCS Davis property is located approximately 8 miles south/southeast of Gabbs, Nevada in the Fairplay mining district in Nye County, Nevada, consists of 61 unpatented lode mining claims totalling approximately 510 hectares, is 100% owned by the Company, and is subject to a 2% net smelter return in favor of the originating vendors.

10. Share Capital, Share-Based Payments and Reserves

a) Authorized capital

The authorized share capital consists of an unlimited number of common voting shares without nominal or par value.

b) Issued shares

Details of the Company's share capital issuances during the year ended October 31, 2012 are as follows:

- In October 2012, the Company completed a non-brokered private placement comprised of 550,000 units at a price of $0.05 per unit, raising gross proceeds of $27,500. Each unit was comprised of one common share of the Company and a two-year share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of $0.10 per share at any time by August 27, 2014.

Details of the Company's share capital issuances during the year ended October 31, 2011 are as follows:

- In November 2010, the Company completed a non-brokered private placement comprised of 5,250,000 units at a price of $0.08 per unit, raising gross proceeds of $420,000. Each unit was comprised of one flow through common share of the Company and one non-flow through share purchase warrant, with each warrant entitling the holder to purchase one non-flow through common share at a price of $0.13 per share for a period of two years. In conjunction with this private placement, the Company paid cash finders' fees totalling $23,000 and issued 350,000 broker warrants valued at $15,750.

- In February 2011, the Company completed a non-brokered private placement comprised of 5,712,500 units at a price of $0.08 per unit, raising gross proceeds of $457,000. Each unit was comprised of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of $0.12 per share for a period of two years. In conjunction with this private placement, the Company paid cash finders' fees totalling $24,860.

- In September 2011, the Company completed a non-brokered private placement comprised of 3,975,000 units at a price of $0.06 per unit, raising gross proceeds of $238,500. Each unit was comprised of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of $0.12 per share for a period of two years. In conjunction with this private placement, the Company paid cash finders' fees totalling $12,660 and issued 8,000 broker warrants valued at $262.

c) Issued warrants

The continuity of share purchase options outstanding for the year ended October 31, 2012 is as follows:

Expiry Date	Exercise Price	Balance October 31, 2011	Issued	Exercised	Expired / Cancelled	Balance October 31, 2012
May 11, 2012	$0.12	5,535,714	-	-	(5,535,714)	-
October 13, 2012	$0.10	16,000	-	-	(16,000)	-
October 13, 2012	$0.10	12,220,000	-	-	(12,220,000)	-
November 30, 2012	$0.13	5,600,000	-	-	-	5,600,000
February 23, 2013	$0.12	5,712,500	-	-	-	5,712,500
September 26, 2013	$0.12	3,983,000	-	-	-	3,983,000
August 27, 2014	$0.10	-	550,000	-	-	550,000
Outstanding and exercisable		33,067,214	550,000	-	(17,771,714)	15,845,500
Weighted-average exercise price		$0.11	$0.10	-	$0.11	$0.12

The continuity of share purchase options outstanding for the year ended October 31, 2011 is as follows:

Expiry Date	Exercise Price	Balance November 1, 2010	Issued	Exercised	Expired / Cancelled	Balance October 31, 2011
August 24, 2011	$0.12	2,802,250	-	-	(2,802,250)	-
September 8, 2011	$0.12	6,097,000	-	-	(6,097,000)	-
September 9, 2011	$0.08	265,000	-	-	(265,000)	-
May 11, 2012	$0.12	5,585,714	-	(50,000)	-	5,535,714
October 13, 2012	$0.10	16,000	-	-	-	16,000
October 13, 2012	$0.10	12,220,000	-	-	-	12,220,000
November 30, 2012	$0.13	-	5,600,000	-	-	5,600,000
February 23, 2013	$0.12	-	5,712,500	-	-	5,712,500
September 26, 2013	$0.12	-	3,983,000	-	-	3,983,000
Outstanding and exercisable		26,985,964	15,295,500	(50,000)	(9,164,250)	33,067,214
Weighted-average exercise price		$0.11	$0.12	$0.12	$0.12	$0.11

d) Share-based payments

The Company has adopted an incentive stock option plan, as amended, under the rules of the TSX-V pursuant to which it is authorized to grant stock options to executive officers, directors, employees and

consultants, enabling them to acquire up to 21,750,100 of the Company. Under the stock option plan, the option exercise price of any option granted shall not be less than the discounted market price of the Company's common shares. If options are granted within 90 days of a distribution by prospectus, the minimum exercise price per share is the greater of the discounted market price and the share price paid by investors pursuant to the distribution. For the purposes of the stock option plan, the discounted market price is calculated in accordance with the policies of the TSX-V at the time of the grant of the options. The options may be granted for a maximum term of 5 years and vest 25% on the date of grant and 25% every 6 months thereafter for 18 months. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding. Pursuant to the policies of the TSX-V, shares issued upon the exercise of options are restricted from trading during the 4 month period subsequent to the exercise of options.

The continuity of share purchase options outstanding for the year ended October 31, 2012 is as follows:

Expiry Date	Exercise Price	Balance October 31, 2011	Granted	Exercised	Expired / Cancelled	Balance October 31, 2012
March 21, 2012	$0.20	470,000	-	-	(470,000)	-
April 10, 2012	$0.29	440,000	-	-	(440,000)	-
May 9, 2013	$0.14	2,830,000	-	-	-	2,830,000
Outstanding and exercisable		3,740,000	-	-	(910,000)	2,830,000
Weighted-average exercise price		$0.17	-	-	$0.24	$0.14

The continuity of share purchase options outstanding for the year ended October 31, 2011 is as follows:

Expiry Date	Exercise Price	Balance November 1, 2010	Granted	Exercised	Expired / Cancelled	Balance October 31, 2011
January 17, 2011	$0.12	760,000	-	-	(760,000)	-
March 19, 2011	$0.30	200,000	-	-	(200,000)	-
May 1, 2011	$0.31	375,000	-	-	(375,000)	-
March 21, 2012	$0.20	570,000	-	-	(100,000)	470,000
April 10, 2012	$0.29	440,000	-	-	-	440,000
May 9, 2013	$0.14	2,880,000	-	-	(50,000)	2,830,000
Outstanding and exercisable		5,225,000	-	-	(1,485,000)	3,740,000
Weighted-average exercise price		$0.17	-	-	$0.20	$0.17

As at October 31, 2012, the weighted-average remaining contractual life of options outstanding was 0.52 years (2011 - 1.25 years). No options were granted or exercised in 2011 and 2012.

e) Share-based payments reserve

The share-based payments reserve is used to recognize the fair value of share options granted to employees, including key management personnel, as part of their remuneration. When options are

subsequent exercised, the fair value of such options in share-based payments reserve is credited to share capital.

f) Warrants reserve

The warrants reserve is used to recognize the fair value of warrants issued. When warrants are subsequently exercised, the fair value of such warrants in warrants reserve is credited to share capital.

g) Dilutive common shares

For the year ended October 31, 2012, potentially dilutive common shares (relating to share purchase options and warrants outstanding) totalling 18,675,550 (October 31, 2011 – 36,807,214) were not included in the computation of loss per share as the effect would be anti-dilutive.

11. Expenses by Nature

General and administration expenses for fiscal years ended October 31, 2012 and 2011 consist of the following:

	2012	2011
	$	$
Bank charges	748	1,680
Consulting fees	6,450	32,464
Management fees	18,150	19,490
Interest and penalties	27,105	-
Office and miscellaneous	37,198	65,696
Professional fees	51,527	55,842
Rent and property taxes	15,809	16,661
Shareholder communications	100,087	104,691
Trust and filing fees	30,132	33,675
Travel	31,018	33,118
Wages and benefits	188,303	181,424
Total	506,527	544,741

12. Income Taxes

Reconciliation of income taxes at statutory rates is as follows:

	2012	2011
	$	$
Loss for the year before income taxes	(1,036,319)	(542,527)
Effective statutory rate	28.85%	25.59%
Expected income tax recovery	(298,967)	(138,822)
Net adjustment for deductible and non-deductible amounts	152,851	(31,609)
Recognized benefit of deferred income tax assets	-	(52,500)
Valuation allowance	146,116	170,431
Income tax recovery	-	(52,500)

The Company's deferred income tax assets are as follows:

	2012	2011
Deferred income tax assets:		
Non-capital loss carry forwards and net operating losses	1,510,700	1,369,500
Share issue costs	20,640	38,120
Exploration and evaluation assets	230,788	327,179
Equipment	11,687	11,687
Valuation allowance	(1,773,815)	(1,746,486)
	-	-

The Company has non-capital losses of approximately $5,912,000 (2011 - $5,364,000), which may be available to reduce future taxable income in Canada as follows:

Year of Origin	Year of Expiry	Non Capital Losses
		$
2004	2024	154,000
2005	2025	340,000
2006	2026	527,000
2007	2027	974,000
2008	2028	959,000
2009	2029	715,000
2010	2030	1,166,000
2011	2031	529,000
2012	2032	548,000
		5,912,000

13. Financial Instruments and Financial Risk Management

a) Financial assets and liabilities by category

The Company has designated cash and cash equivalents as fair value through profit or loss, measured at fair value. Changes in the fair values are recorded in net earnings. Marketable securities are designated as available-for-sale financial assets, which are initially measured at fair value with subsequent changes to other comprehensive income. Amounts receivable, prepaid deposits, reclamation deposits, and receivable from related parties are designated as loans and receivables, and are measured at amortized cost using the effective interest method. Accounts payable and accruals and payable to related parties are designated as other financial liabilities and are measured initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement. The Company had no held-to-maturity financial instruments during the years ended October 31, 2012 and 2011.

b) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature or bear interest at market rates.

c) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Cash and cash equivalents and marketable securities are valued using a market approach based upon unadjusted quoted prices for identical assets in an active market obtained from securities exchanges.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels 1 and 2 during the fiscal years ended October 31, 2012 or 2011.

d) Financial risk management

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Company's activities. Management regularly monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

In the normal course of operations, the Company is exposed to various risks such interest rate, foreign exchange, credit and liquidity risks. To manage these risks, management determines what activities must be undertaken to minimize potential exposure to risks. The objectives of the Company in managing risks are as follows:

- Maintaining sound financial condition:
- Financing operations; and
- Ensuring liquidity to all operations.

In order to satisfy these objectives, the Company has adopted the following policies:

- Prepare budget documents at prevailing market rates to ensure clear, corporate alignment to performance management and achievement of targets;
- Recognize and observe the extent of operating risk within the business; and
- Identify the magnitude of the impact of market risk factors on the overall risk of the business and take advantage of natural risk reductions that arise from these relationships.

There have been no changes in risks that have arisen or how the Company manages those risks from the prior year or during any period in the year ended October 31, 2012 or for the year ended October 31, 2011.

(i) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash and cash equivalents, which is invested on a short term basis to enable adequate liquidity for payment of operational and capital expenditures.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, reclamation deposits and accounts payable and accruals that are denominated in US dollars.

(iii) Commodity price risk

The value of the Company's exploration and evaluation assets are dependent on the price of magnesium and the outlook for this mineral. Market prices for these metals historically have fluctuated widely and are

affected by numerous factors outside the Company's control, including but not limited to, levels of worldwide production short term changes in supply and demand, industrial and retail demand, as well as certain other factors related specifically to manganese. If manganese prices decline for a prolonged period below the cost of production, it may not be economically feasible to continue towards production.

(iv) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from trade receivables. The Company's credit risk is primarily attributable to cash and cash equivalents, and amounts receivable. The Company limits its exposure to credit risk on cash and cash equivalents as these financial instruments are held with major Canadian and international banks, from which management believes the risk of loss to be remote. Amounts receivable consist primarily of harmonized sales tax due from the Federal Government of Canada. Management believes the credit risk concentration with respect to amounts receivable is remote. The carrying amount of financial assets recorded in the financial statements, net of any allowances, represents the Company's maximum exposure to credit risk.

(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining cash and cash equivalent. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long term obligations. As disclosed in Note 1, the ability of the Company to continue as a going concern is dependent on many factors. The Company's cash is primarily invested in bank accounts and guaranteed investment certificates which are cashable on demand. The Company expects that its cash on hand at October 31, 2012 does not provide sufficient financial resources to carry out its operations through the 2013 fiscal year. The Company plans to raise funds by way of private placement to allow the Company to continue its exploration and evaluation program.

14. Capital Management

The Company classifies its share capital, share-based payments reserve and warrants reserve as capital, which at October 31, 2012 totalled $16,171,618 (2011 - $16,144,118). When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish qualitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon 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. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the years ended October 31,

2012 and 2011. The Company is not subject to any externally imposed capital requirements.

15. Segmented Information

The Company operates in one segment – the exploration for and development of mineral property interests. Geographic information for the Company is as follows:

	October 31, 2012		October 31, 2011	
	Canada	USA	Canada	USA
	$	$	$	$
Current assets	17,859	12	288,889	4,051
Non-current assets	1,408,229	2,305,547	1,570,741	2,677,121
Total assets	1,426,088	2,305,559	1,859,630	2,681,172
Current liabilities	431,290	50	217,175	8,868
Total liabilities	431,290	50	217,175	8,868

16. Events After the Reporting Date

- Subsequent to the year ended October 31, 2012, 11,312,500 share purchase warrants expired unexercised.

- In December 2012, the Company accepted the resignations of William Pfaffenberger, David Madill, Larry Reaugh, and Bob Brown as directors and of Larry Reaugh as Chief Executive Officer. The Company announced the appointment of Edward Lee as Chief Executive Officer, James Sever as President and director, Robert Bailey as Chief Operating Officer and director, and Peter Stuntz as a director. The Company also announced the appointment of Larry Reaugh, Neal Neelameggham, Ralph Carter, Gavin Treanor, David Wakefield, Rob Bailey, William Pfaffenberger, and David Madill, and Marlyn Ballain to its Technical Advisory Committee.

- In December 2012, the Company announced a non-brokered private placement of up to $311,550 through the issuance of up to 31,155,000 units at a price of $0.01 per unit. Each Unit is comprised of one common share in the capital of the Company plus a three year share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.05 for the first year and $0.10 for the second and third years from the date of issuance. As at February 28, 2013, the Company had closed the first portion of this private placement, issuing 5,200,000 units for gross proceeds of $52,000.

17. Transition to IFRS

For all periods up to October 31, 2011, the Company prepared its consolidated financial statements in accordance with Canadian GAAP. These consolidated financial statements for the year ended July 31, 2012 are the first annual consolidated financial statements that comply with IFRS as described in Note 3. In preparing these consolidated financial statements, the Company's opening consolidated statement of financial position was prepared as at November 1, 2010, the Company's date of transition to IFRS.
This note explains the principal adjustments made by the Company in restating its Canadian GAAP consolidated statements of financial position as at November 1, 2010, and its previously published Canadian GAAP consolidated financial statements for the year ended October 31, 2011.
The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company.

a) Optional exemptions

The Company has elected to apply the following optional exemptions from full retrospective application:

(i) Share-based payments

IFRS 1 allows that full retrospective application may be avoided for certain share-based payments, depending on the grant date, vesting terms and settlement of any real liabilities. A first-time adopter can elect to not apply IFRS 2 to share-based payments granted after November 7, 2002 that vested before the later of a) the date of transition to IFRS and b) January 1, 2005. The Company has elected this exemption and will apply IFRS 2 to only unvested stock options as at November 1, 2010.

(ii) Cumulative translation differences

IFRS 1 allows that a first-time adopter may elect to deem all cumulative translation differences to be zero at the date of transition. The Company has elected to utilize this exemption and as such the cumulative translation amount at November 1, 2010 previously included in other comprehensive loss has been reallocated to deficit.

b) Adjustments on transition to IFRS

The following is a summary of the significant accounting differences considered as part of the transition to IFRS:

(i) Functional currency and foreign exchange translation

Canadian GAAP requires an entity to determine whether a subsidiary is an integrated or self-sustaining entity based on the functional currency of the parent company. This determination dictates the method of foreign exchange translation for the consolidated financial statements. Under IFRS an entity is required to assess its functional currency independently for each entity within a consolidated group. As a result, the Company's subsidiary was determined to have a functional currency in US dollars. The results of the change in translation methods have been recorded as IFRS adjustments.

(ii) Income taxes

Under Canadian GAAP, an entity recorded the proceeds received in a unit offering involving flow through shares to share capital, and then capitalized the related resource expenditures to mineral properties. The entity then renounced the tax benefits of the resource expenditures in accordance with income tax legislation, and recorded a future income tax liability in respect of the temporary taxable differences created by the renouncement as a reduction of share capital on the date on which the Company filed the renouncement. Under IFRS, at the time of issuing flow through shares, an entity allocates the proceeds of issuance to share capital and as a liability based on the estimated premium, if any, an investor pays for the flow through common shares over the fair value of non-flow through shares issued as indicated by the quoted market price for common shares of the entity. When qualifying exploration expenditures are made and renounced, the entity records a related deferred tax expense and liability net of the share issue premium.

c) Estimates under IFRS

Under IFRS 1, a company's estimates under IFRS at the date of transition must be consistent with estimates made for the same date under Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as at November 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

17.1 Reconciliation of Consolidated Statement of Financial Position as at November 1, 2010

	Canadian GAAP	Effect of Transition to IFRS	IFRS
	$	$	$
ASSETS			
Current Assets			
Cash and cash equivalents	362,555	-	362,555
Amounts receivable	14,594	-	14,594
Marketable securities	19,086	-	19,086
Prepaid expenses	34,767	-	34,767
	431,002		431,002
Reclamation deposits	22,655	-	22,655
Exploration and evaluation assets	3,509,180	(5,831)	3,503,349
	3,962,837	(5,831)	3,957,006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	64,016	-	64,016
Payable to related parties	9,351	-	9,351
	73,367	-	73,367
Shareholders' Equity			
Share capital	13,967,673	(83,696)	13,883,977
Share-based payments reserve	1,283,063	-	1,283,063
Accumulated other comprehensive income	12,017	-	12,017
Deficit	(11,373,283)	77,865	(11,295,418)
	3,889,470	(5,831)	3,883,639
	3,962,837	(5,831)	3,957,006

17.1 Explanation of the Effect of the Transition to IFRS

The following explains the material adjustments to the statement of financial position of the Company as at November 1, 2010:

a) Deficit

Reclassification of cumulative translation adjustment		
Net increase in deficit	$	5,831
Future income tax impact of flow through shares		
Net decrease in deficit		(83,696)
Cumulative decrease in deficit	$	(77,865)

b) Exploration and evaluation assets

Translation of US subsidiary		
Net decrease in exploration and evaluation assets	$	(5,831)

c) Share capital

Future income tax impact of flow through shares		
Net decrease in share capital	$	(83,696)

17.2 Reconciliation of Consolidated Statement of Financial Position as at October 31, 2011

	Canadian GAAP	Effect of Transition to IFRS	IFRS
	$	$	$
ASSETS			
Current Assets			
Cash and cash equivalents	173,750	-	173,750
Amounts receivable	56,681	-	56,681
Marketable securities	34,285	-	34,285
Receivable from related parties	516	-	516
Prepaid expenses	27,708	-	27,708
	292,940	-	292,940
Non-current Assets			
Reclamation deposits	26,155	-	26,155
Exploration and evaluation assets	4,270,683	(48,976)	4,221,707
	4,589,778	(48,976)	4,540,802
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	73,806	-	73,806
Payable to related parties	152,237	-	152,237
	226,043	-	226,043
Shareholders' Equity			
Share capital	14,907,641	(62,598)	14,845,043
Share-based payments reserve	1,299,075	-	1,299,075
Accumulated other comprehensive income	27,216	(18,630)	8,586
Deficit	(11,870,197)	32,252	(11,837,945)
	4,363,735	(48,976)	4,314,759
	4,589,778	(48,976)	4,540,802

17.2 Explanation of the Effect of the Transition to IFRS

The following explains the material adjustments to the statement of financial position of the Company as at October 31, 2011:

a) Deficit

Reclassification of cumulative translation adjustment		
Net increase in deficit	$	5,831
Deferred income tax impact of flow through shares		
Net increase in deficit		(31,196)
Translation of US subsidiary		
Net decrease in deficit		(6,887)
Cumulative decrease in deficit	$	(32,252)

b) Exploration and evaluation assets

Translation of US subsidiary		
Net decrease in exploration and evaluation assets	$	(48,976)

c) Share capital

Deferred income tax impact of flow through shares		
Net decrease in share capital	$	(62,598)

d) Accumulated other comprehensive loss

Translation of US subsidiary		
Net decrease in accumulated other comprehensive loss	$	(18,630)

17.3 Reconciliation of Consolidated Statement of Comprehensive Loss for the Year ended October 31, 2011

	Canadian GAAP	Effect of Transition to IFRS	IFRS
	$	$	$
Expenses			
Administration	544,741	-	544,741
Research and development	51,370	-	51,370
Loss from operations	(596,111)	-	(596,111)
Finance income	91	-	91
Gain (loss) on foreign exchange	(5,894)	6,887	993
Loss before income taxes	(601,914)	6,887	(595,027)
Deferred income tax recovery	105,000	(52,500)	52,500
Net loss for the year	(496,914)	(45,613)	(542,527)
Other comprehensive loss			
Foreign currency gain (loss) on translation of subsidiary	-	(18,630)	(18,630)
Unrealized gain (loss) on marketable securities	15,199	-	15,199
Other comprehensive (income) loss for the year	15,199	(18,630)	(3,431)
Total comprehensive loss for the year	(481,715)	(64,243)	(545,958)

17.3 Explanation of the Effect of the Transition to IFRS

The following explains the material adjustments to the statement of loss and comprehensive loss of the Company for the year ended October 31, 2011:

a) Loss for the year

Translation of US subsidiary		
Net increase in loss for the year	$	6,887
Deferred income tax impact of flow through shares		
Net decrease in loss for the year		(52,500)
Cumulative decrease in loss for the year	$	(45,613)

b) Other comprehensive loss

Translation of US subsidiary		
Net increase in other comprehensive loss	$	18,630

17.4 Reconciliation of Consolidated Statements of Cash Flows for the Year ended October 31, 2011

	Canadian GAAP	Effect of Transition to IFRS	IFRS
	$	$	$
Cash Provided By (Used For):			
Operating Activities			
Net loss for the year	(496,914)	(45,613)	(542,527)
Adjustment for items not involving cash			
Deferred income tax recovery	(105,000)	52,500	(52,500)
	(601,914)	6,887	(595,027)
Net changes in non-cash working capital components:			
Amounts receivable	(42,087)	-	(42,087)
Accounts payable and accrued liabilities	(36,769)	-	(36,769)
Due from/to related parties – net	110,778	-	110,778
Prepaids	7,059	-	7,059
	(562,933)	6,887	(556,046)
Investing Activities			
Reclamation bonding refunded (paid)	(3,500)	-	(3,500)
Exploration and evaluation expenditures	(714,944)	(6,887)	(721,831)
	(718,444)	(6,887)	(725,331)
Financing Activities			
Shares issued for cash, net of issue costs	1,060,980	-	1,060,980
Advances to related parties	(85,194)	-	(85,194)
Advances from related parties	116,786	-	116,786
	1,092,572	-	1,092,572
Decrease in cash and cash equivalents	(188,805)	-	(188,805)
Cash and cash equivalents – beginning of year	362,555	-	362,555
Cash and cash equivalents – end of year	173,750	-	173,750

17.4 Explanation of the Effect of the Transition to IFRS

The following explains the material adjustments to the statement of cash flows of the Company for the year ended October 31, 2011:

a) Deferred income tax recovery

Deferred income tax impact of flow through shares		
Net decrease in deferred income tax recovery for the year	$	52,500

b) Exploration and evaluation expenditures

Translation of US subsidiary		
Net increase in exploration and evaluation expenditures paid for the year	$	(6,887)