Consolidated Financial Statements of

COPPER FOX METALS INC.

October 31, 2012

KPMG LLP
205 – 5th Avenue SW
Suite 2700, Bow Valley Square 2
Calgary AB T2P 4B9

Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

To the Shareholders of Copper Fox Metals Inc.

We have audited the accompanying consolidated financial statements of Copper Fox Metals Inc., which comprise the consolidated statements of financial position as at October 31, 2012, October 31, 2011 and November 1, 2010, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended October 31, 2012 and October 31, 2011, and notes, comprising 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, 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 about whether the consolidated financial statements are free from 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 our 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, we consider 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 in our audits 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 consolidated financial position of Copper Fox Metals Inc. as at October 31, 2012, October 31, 2011 and November 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended October 31, 2012 and October 31, 2011 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Calgary, Canada
February 13, 2013

COPPER FOX METALS INC.

Consolidated Statements of Financial Position

As at October 31, 2012, October 31, 2011 and November 1, 2010

	31-Oct-12	31-Oct-11	01-Nov-10
Assets		(note 14)	(note 14)
Current assets:			
Cash and cash equivalents	$ 1,457,148	$ 1,271,025	$ 464,572
Trade and other receivables (note 5)	4,489,291	821,891	485,256
Prepaid expenses and deposits	1,754,508	1,194,635	826,801
Total current assets	7,700,947	3,287,551	1,776,629
Non-current assets			
Investment	759,305	759,305	-
Exploration & evaluation assets (note 5)	80,893,642	71,184,436	51,734,385
Property and equipment (note 4)	914,026	1,068,806	1,038,688
Total non-current assets	82,566,973	73,012,547	52,773,073
Total assets	$ 90,267,920	$ 76,300,098	$ 54,549,702
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables	$ 561,689	$ 3,698,943	$ 2,613,384
Shareholder loan (note 9)	2,000,000	1,400,000	-
Total current liabilities	2,561,689	5,098,943	2,613,384
Non-current liabilities			
Decommissioning liabilities (note 6)	696,165	700,544	612,272
Deferred tax liabilities (note 10)	8,506,133	8,535,407	6,460,944
Total non-current liabilities	9,202,298	9,235,951	7,073,216
Shareholders' equity			
Share capital (note 7)	79,484,847	65,046,827	45,821,953
Share purchase warrants (note 7)	4,771,977	1,019,607	-
Contributed surplus (note 7)	11,469,644	9,912,109	8,423,336
Deficit	(17,222,535)	(14,013,339)	(9,382,187)
Total shareholders' equity	78,503,933	61,965,204	44,863,102
Total liabilities and shareholders' equity	$ 90,267,920	$ 76,300,098	$ 54,549,702
Subsequent events (note 11)			
Commitments (note 12)			

See accompanying notes to financial statements.

On behalf of the Board:

(Signed)
Elmer Stewart, Director

(Signed)
J. Michael Smith, Director

COPPER FOX METALS INC.

Consolidated Statements of Comprehensive Loss
Year ended October 31, 2012 and October 31, 2011

	Years Ended	
	October 31, 2012	October 31, 2011
		(note 14)
Expenses:		
Administration	$ 1,485,192	$ 1,385,036
Amortization and accretion	164,816	164,451
Professional fees	995,210	568,494
Share based compensation	593,254	1,780,708
Net loss before income tax	3,238,472	3,898,689
Deferred income tax expense (recovery)	(29,274)	732,463
Net loss and comprehensive loss	$ 3,209,198	$ 4,631,152
Loss per share - basic and diluted	$ 0.01	$ 0.01
Weighted average number of shares (note 8)	388,148,045	371,626,823

See accompanying notes to financial statements.

COPPER FOX METALS INC.

Statements of Changes in Equity
Years ended October 31, 2012 and October 31, 2011

	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholder Equity
Balance as at October 31, 2011 (note 14)	$ 65,046,827	$ 1,019,607	$ 9,912,109	$ (14,013,337)	$ 61,965,206
Non flow through private placement (note 7)	18,605,000				18,605,000
Warrants issued	(4,771,977)	4,771,977			-
Common shares issued in connection with warrants exercised	155,137	(60,013)			95,124
Common shares issued in connection with options exercised	449,860		(201,857)		248,003
Warrants expired		(959,594)	959,594		-
Share based compensation			799,798		799,798
Net loss for the year				(3,209,198)	(3,209,198)
Balance as at October 31, 2012	$ 79,484,847	$ 4,771,977	$ 11,469,644	$ (17,222,535)	$ 78,503,933

	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholder Equity
Balance as at November 1, 2010 (note 14)	$ 45,821,953	$ -	$ 8,423,336	$ (9,382,187)	$ 44,863,102
Flow through private placement	6,413,000				6,413,000
Non flow through private placement	9,783,046				9,783,046
Warrants issued	(1,964,275)	1,964,275			-
Share issue costs	(478,050)				(478,050)
Common shares issued in connection with warrants exercised	3,538,543	(944,668)			2,593,875
Common shares issued in connection with options exercised	1,932,610		(897,180)		1,053,750
Share based compensation			2,385,953		2,367,633
Net loss for the year				(4,631,152)	(4,631,152)
Balance as at October 31, 2011	$ 65,046,827	$ 1,019,607	$ 9,912,109	$ (14,013,339)	$ 61,965,204

See accompanying notes to financial statements.

COPPER FOX METALS INC.

Consolidated Statements of Cash Flow
Years ended October 31, 2012 and October 31, 2011

	Year ended	
	October 31, 2012	October 31, 2011
Cash provided by (used in):		(note 14)
Operations:		
Net loss for the year	$ (3,209,198)	$ (4,631,152)
Depreciation, amortization and accretion	164,816	164,451
Deferred income tax	(29,274)	732,463
Share based compensation	593,254	1,780,708
Change in non-cash working capital		
Prepaid expenses	(559,873)	(367,834)
Other receivables	557,667	(336,636)
Other payables	(155,423)	114,656
Net cash used in operating activities	(2,638,031)	(2,543,344)
Financing:		
Shareholder loan	2,000,000	1,400,000
Proceeds from issue of shares and warrants	17,548,127	17,924,575
Net cash from financing activities	19,548,127	19,324,575
Investing:		
Mineral property expenditures	(12,657,921)	(15,919,339)
Mineral property acquisitions	(1,069,808)	(620,000)
Investment	-	(300,047)
Acquisition of property and equipment	(14,416)	(106,295)
Change in non-cash working capital		
Mineral property payables	(2,981,829)	970,903
Net cash used in investing activities	(16,723,974)	(15,974,778)
Increase in cash and cash equivalents during year	186,122	806,453
Cash and cash equivalents, beginning of year	1,271,025	464,572
Cash and cash equivalents, end of year	$ 1,457,147	$ 1,271,025

See accompanying notes to financial statements.

1. Reporting entity and nature of operations

Copper Fox Metals Inc. ("Copper Fox" or the "Company") was incorporated under the Business Corporations Act of Alberta. On July 14, 2010 the Company transferred its registration from Alberta and became incorporated under the Business Corporations Act of British Columbia. The Company is engaged in the exploration for and development of porphyry copper mineral properties. Copper Fox's shares trade on the TSX Venture (TSXV) under the trading symbol CUU. Since inception, the efforts of the Company have been devoted to verifying the historical exploration information and completion of a feasibility study of the Schaft Creek copper-molybdenum-gold-silver porphyry deposit located in northwest British Columbia. To date, the Company has not earned any revenue from these operations and is considered to be in the exploration and development stage. The Company's mineral license is in the advanced exploration stage.

The consolidated financial statements as at and for the year ended October 31, 2012 comprise the accounts of the Company and its wholly owned subsidiaries.

Future operations
These financial statements have been prepared by management in accordance with accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

At October 31, 2012, the Company had working capital of $5,139,258 and a deficit of $17,222,535 and had incurred a net loss of $3,209,198 for the year ended October 31, 2012. Although during the year ended October 31, 2012 the Company received $17,548,125 in proceeds on private placements and the exercise of warrants and options additional funds will be required to complete the current planned activities.

2. Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance and in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective as of October 31, 2012.

These are the Company's first annual consolidated financial statements prepared in accordance with IFRS and IFRS 1, First Time Adoption of International Reporting ("IFRS 1") has been applied. Previously, the Company prepared its consolidated annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

An explanation of the impact of the transition from Canadian GAAP to IFRS on the Company's statement of financial position as of November 1, 2010 and October 31, 2011 and the statement of comprehensive loss for the year ended October 31, 2011 is disclosed in Note 14.

All financial information in these consolidated financial statements is presented in Canadian dollars ("CAD"), unless otherwise stated, which is the Company's functional currency.

These consolidated financial statements were approved for issue by the Board of Directors ("BoD") on February 13, 2013.

(b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis.

Certain prior period balances have been reclassified to conform to the current period's presentation.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions, and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements, along with reported amounts of income and expenses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

(d) Significant judgements in applying accounting policies

Critical judgements required in applying the Company's accounting policies that would have the most significant impact on the Company's financial statements include: commencement of commercial production, determination of control and significant influences, determination of functional currency, accounting for acquisitions, capitalization of exploration and evaluation costs, determination of economic viability of a project, recognition of deferred taxes and evaluation of contingencies.

The following are areas where significant estimations or where measurements are uncertain:

i. Mineral property and exploration and evaluation assets

The measurement and impairment of mineral properties are based on various judgments. These include the technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves and/or resources, future mineral prices and operating and capital expenditures for the properties.

The Company's assets are aggregated into cash-generating units for the purpose of calculating impairment. Cash generating units ("CGU" or "CGUs") are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs was based on management's judgement in regards to shared infrastructure, geographical proximity, similar exposure to market risk and materiality.

(e) Key sources of estimation uncertainty

Significant accounts that require estimates as the basis for determining the stated amounts include, but are not limited to, accounting for share-based payment, calculation of amortization, provision for income taxes, exploration credits, anticipated costs of asset retirement obligations and the valuation of deferred income tax assets, mining interests and deferred expenditures.

i. Taxation

Tax provisions are recognized to the extent that it is probable that there will be future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported to or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

Deferred tax assets are recognized to the extent that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred assets, as well as the expected future tax rates that will apply to these assets.

Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the recognition of deferred tax assets.

ii. Share-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and share purchase warrants granted. This model requires management to estimate the volatility of the Company's future share price, risk-free interest rates, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the share-based compensation expense reported.

iii. Decommissioning liabilities

Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal cost, and the estimate of the liability specific discount rates to determine the present value of these cash flows.

(f) Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to also obtain benefits from its activities. In accessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(g) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to the applicable functional currency at the prevailing period end exchange rate. Non-monetary assets and liabilities are translated at transaction date exchange rates. Revenue and expense items in foreign currencies are translated at the rates of exchange in effect at the time of the transactions. Translation gains and losses are included in operations.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less or fully redeemable without penalty when acquired.

(i) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, investment, trade and other payables and shareholder loan. The fair values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity of these instruments.

The Company classifies financial assets and liabilities as fair value through profit and loss, available for sale, held to maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition.

Financial assets and liabilities classified as fair-value-through-profit-and-loss are measured at fair value, with gains and losses recognized in operations. Financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized in other comprehensive income until realized, or if impaired, the unrealized loss is recorded in income.

(j) Investments

Investments in companies over which the Company exercises neither control nor significant influence are recorded at cost. The company evaluates the carrying value of its equity investments at least annually or more frequently should economic events dictate. If there has been a decline the value of an investment, other than a temporary decline, the investment is written down to its market value and the impairment charged to net income.

(k) Exploration and evaluation assets

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized as exploration and evaluation assets and classified as a component of mineral properties. Exploration expenditure relates to the initial search for deposits with economic potential.

The recovery of the carrying amount of exploration and evaluation assets is dependent upon the future commercial success of the mineral properties or from proceeds of disposition. The amounts shown for exploration and evaluation assets represent costs incurred to date and are not intended to reflect present or future values.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified within mineral property, plant and equipment.

(m) Decommissioning liabilities and reclamation costs

The Company recognizes and records the fair value of the liability for a future retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related asset using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time, and the increase in the carrying value of the asset is amortized using the straight line method. The liability is also adjusted for the changes to the current market based discount rate, or the amount or timing of the underlying cash flows needed to settle the obligation.

The operations of the Company may be affected from time to time by changes in environmental regulations, including those for future rehabilitation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company may vary from region to region and are not entirely predictable. The Company's policy is to meet standards set by relevant legislation, by application of technically proven and economically feasible measures. Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against the statements of operations as incurred or capitalized and amortized depending upon their future economic benefits.

(n) Property and equipment

Property and equipment are stated at cost which includes the acquisition price and any direct costs to bring the asset into productive use at its intended location.

Amortization of property and equipment is calculated using the declining balance method to write off the cost, net of any estimated residual value, over their estimated useful lives as follows:

Building	useful life
Furniture and equipment	5 years
Heavy equipment	3 years
Computer equipment	3 years

(o) Impairment of long-lived assets:

At each reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such 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, which is the present value of future cash flows expected to be derived from 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. Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of an asset in an arm's length transaction between knowledgeable and willing parties.

Value in use is determined as the net present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and can only take into account approved future development costs. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices and expected production volumes. The latter takes into account assessments of mineral resources and includes expectations about proved and unproved volumes, which are risk-weighted utilizing geological, production, recovery and economic projections.

(p) Income taxes

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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 the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they 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 the related tax benefit will be realized.

(q) Share-based payments

The Company applies the fair value method to share-based payments for all grants of options. The fair value is measured at grant date and each vesting tranche is recognized as a separate award. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds, together with the related contributed surplus amounts are credited to share capital.

(r) Loss per share

Basic loss per share is calculated by dividing net loss available to the shareholders by the weighted average number of common shares outstanding for the year. Diluted earnings per share is calculated to reflect the dilutive effect of exercising outstanding stock options and warrants by application of the treasury stock method. Outstanding stock options and share purchase warrants that would potentially dilute basic loss per share have not been included in the computation of diluted loss per share because to do so would be anti-dilutive.

(s) Segmented information

The Company conducts its business in a single segment, being the acquisition and exploration of mineral properties. All mineral properties are located in North America.

(t) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Cash and cash equivalents, trade and other receivables, trade and other payables:

The fair value of cash and cash equivalents, trade and other receivables and trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At October 31, 2012 and October 31, 2011, the fair value of these balances approximated their carrying value due to their short term to maturity.

(ii) Stock options:
The fair value of employee stock options is measured using a Black Scholes option pricing model. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

3. Recent accounting pronouncements

The IASB issued a number of new and revised accounting standards that are effective for annual periods beginning on or after January 1, 2013. These standards include the following:

i. IFRS 10, Consolidated Financial Statements;
ii. IFRS 11, Joint Arrangements;
iii. IFRS 12, Disclosure of Interests in Other Entities;
iv. IFRS 13, Fair Value Measurement;
v. Amended IAS 27, Separate Financial Statements;
vi. Amended IAS 28, Investments in Associates and Joint Ventures; and

vii. IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine.

In December 2011, the IASB amended IFRS 9, Financial Instruments, which is effective for periods beginning on or after January 1, 2015. In May 2012, the IASB amended IAS 1, Presentation of Financial Statements, which is effective for annual periods beginning on or after January 1, 2013.

These new and revised accounting standards have not yet been adopted by Copper Fox, and the Company has not yet completed the process of assessing the impact they will have on its financial statements, or whether to early adopt any of the new requirements.

4. Property and equipment

	Rate	Cost	Accumulated Amortization	Net Book Value October 31, 2012	Net Book Value October 31, 2011	Net Book Value November 1, 2010
Computer equipment	30%	$ 68,600	$ 46,069	$ 22,531	$ 17,739	$ 14,819
Furniture & equipment	20%	46,887	30,659	16,228	18,800	20,242
Leasehold improvements	20%	1,197	1,197	-	-	293
Buildings	10%	549,000	244,768	304,232	342,261	380,290
Heavy equipment	30%	661,231	536,691	124,540	177,914	133,840
Asset retirement obligation		608,852	162,357	446,495	512,092	489,204
		$ 1,935,767	$ 1,021,741	$ 914,026	$ 1,068,806	$ 1,038,688

5. Exploration and evaluation assets

	Balance October 31, 2011	Additions	Balance October 31, 2012
Arizona properties			
Acquisition of property rights	$ -	$ 977,808	$ 977,808
Technical analysis	-	22,808	22,808
Licenses and permits	-	30,119	30,119
	-	1,030,735	1,030,735
ES, GS and South Zone			
Acquisition of property rights	2,943,788	92,000	3,035,788
Technical analysis	116,133	55,080	171,213
	3,059,921	147,080	3,207,001
SC Zone			
Acquisition of property rights	100	-	100
Technical analysis	68,017,792	12,756,458	80,774,250
Licenses and permits	106,623	-	106,623
	68,124,515	12,756,458	80,880,973
Exploration tax credit	-	(4,225,067)	(4,225,067)
Total mineral properties	$ 71,184,436	$ 9,709,206	$ 80,893,642

	Balance November 1, 2010	Additions	Balance October 31, 2011
ES, GS and South Zone			
Acquisition of property rights	$ -	$ 2,943,788	$ 2,943,788
Technical analysis	-	116,133	116,133
	-	3,059,921	3,059,921
SC Zone			
Acquisition of property rights	100	-	100
Technical analysis	51,627,662	16,390,130	68,017,792
Licenses and permits	106,623	-	106,623
	51,734,385	16,390,130	68,124,515
Total mineral properties	$ 51,734,385	$ 19,450,051	$ 71,184,436

Copper Fox holds title and a 100% working interest in the Schaft Creek project. Included in this total are the "Schedule A" mineral tenures originally conveyed to Copper Fox pursuant to the option agreement dated January 1, 2002 between Teck Resources Limited ("Teck") and Copper Fox (the "Teck Option Agreement"). The "Schedule A" mineral tenures are subject to a 3.5% Net Profits Interest held by Royal Gold, Inc., a 30% carried Net Proceeds Interest held by Liard Copper Mines Limited ("Liard") and, together with the additional mineral tenures obtained by Copper Fox within the "Area of Interest" provided for in the Teck Option Agreement, an earn back option held by Teck. On completion of the Feasibility Study, Copper Fox will earn Teck's 78% interest in Liard. Teck's earn back option to acquire either, 20%, 40% or 75%, of Copper Fox's interest in the Schaft Creek property is triggered upon delivery of a positive feasibility study to Teck. Should Teck elect to exercise its option for 75%, Teck is required to fund subsequent property expenditures up to a total of 400% of those incurred by Copper Fox (approximately $84.3 million to October 31, 2012) and arrange for project financing, including the Copper Fox portion.

Groups of mineral tenures in British Columbia acquired by the company, during the year ended October 31, 2012, included areas within or contiguous to the Schaft Creek project and were acquired in total for $92,000 cash plus a net smelter return royalty between 0 and 2%.

The remainder of Copper Fox's registered interests in mineral tenures in British Columbia have been acquired by Copper Fox through mineral tenure acquisitions and mineral tenure purchase agreements subsequent to Copper Fox entering into the Teck Option Agreement. Certain portions of these registered mineral tenures are subject to inclusion within the Schaft Creek project pursuant to the terms of the "Area of Interest" provisions of the Teck Option Agreement.

For the year ended October 31, 2012 the Company has capitalized $616,981 (2011 - $425,250 of management and technical services provided by its officers and directors (see note 9). In addition, $206,544 (2011 - $586,925 of share based compensation has been capitalized.

At October 31, 2012, the Company has recorded $4,225,067 (October 31, 2011 – Nil) for Mineral Exploration Tax Credit claims which have been recorded as a reduction of exploration and evaluation expenditures. This credit is paid in cash and is recorded as a current receivable on the Company's statement of financial position.

6. Decommissioning liabilities

The Company's decommissioning liabilities relate to reclamation and closures costs of the Schaft Creek Property. The total decommissioning liability is based on the Company's estimated costs to reclaim and abandon the property and facilities and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning liabilities to be $696,165 at October 31, 2012 (October 31, 2011 - $700,544) based on an undiscounted and inflated future liability of $815,970 (October 31, 2011 - $883,718). These payments are expected to be made in the next 10 years.

The Company's estimated risk free rate of 1.78% (October 31, 2011 – 2.35%) and an inflation rate of 1.40% (October 31, 2011 – 2.07%) were used to calculate the present value of the decommissioning liabilities.

Balance, November 1, 2010	$	612,272
Revisions		71,809
Accretion		16,463
Balance, October 31, 2011	$	700,544
Revisions		(18,008)
Accretion		13,629
Balance, October 31, 2012	$	696,165

7. **Share capital**

(a) Authorized

Authorized share capital consists of an unlimited number of common shares and an unlimited number of first and second preferred shares, of which none have been issued. Issued and outstanding shares are as follows:

Common Shares	Number	Amount
Balance, November 1, 2010	362,337,553	$ 45,821,953
Flow through shares issued	7,450,000	6,413,000
Non Flow through shares issued	6,719,777	9,783,046
Value ascribed to warrants issued		(1,964,275)
Options exercised	2,235,000	1,053,750
Transfer from contributed surplus on option exercise		878,860
Warrants exercised	1,828,500	2,593,875
Transfer from contributed surplus on warrant exercise		944,668
Share issue costs		(478,050)
Balance, October 31, 2011	380,570,830	65,046,827
Non Flow through shares issued	16,225,329	18,605,000
Value ascribed to warrants issued		(4,771,977)
Options exercised	725,000	248,003
Transfer from contributed surplus on option exercise		201,857
Warrants exercised	126,833	95,124
Transfer from contributed surplus on warrant exercise		60,013
Balance, October 31, 2012	397,647,992	$ 79,484,847

During the year ended October 31, 2012, the Company issued the following:

(a) 3,278,689 units at a purchase price of $1.22 per unit, for aggregate net proceeds of $4,000,000. Each unit consists of one common share of Copper Fox and one common share purchase warrant of Copper Fox. Each warrant entitles the holder thereof to acquire one common share of Copper Fox at an exercise price of $1.35 prior to December 13, 2012. This transaction was completed with an insider of the Company and no finder’s fees or commissions were paid.

(b) 2,000,000 units at a purchase price of $1.10 per unit, for aggregate net proceeds of $2,200,000. Each unit consisted of one common share of Copper Fox and one common share purchase warrant of Copper Fox. Each warrant entitles the holder thereof to acquire one common share of Copper Fox at an exercise price of $1.25 prior to January 30, 2013. This transaction was completed with an insider of the Company and no finder’s fees or commissions were paid.

(c) 4,000,000 units at a purchase price of $1.12 per unit, for aggregate net proceeds of $4,480,000. Each unit consists of one common share of Copper Fox and one common share purchase warrant of Copper Fox. Each warrant entitles the holder thereof to acquire one common share of Copper Fox at an exercise price of $1.25

prior to July 20, 2013. This transaction was completed with an insider of the Company and no finder's fees or commissions were paid.

(d) 3,500,000 units at a purchase price of $1.15 per unit, for aggregate net proceeds of $4,025,000. Each unit consists of one common share of Copper Fox and one common share purchase warrant of Copper Fox. Each warrant entitles the holder thereof to acquire one common share of Copper Fox at an exercise price of $1.25 prior to September 10, 2013. This transaction was completed with an insider of the Company and no finder's fees or commissions were paid.

(e) 2,173,913 units at a purchase price of $1.15 per unit, for aggregate net proceeds of $2,500,000. Each unit consists of one common share of Copper Fox and one common share purchase warrant of Copper Fox. Each warrant entitles the holder thereof to acquire one common share of Copper Fox at an exercise price of $1.25 prior to October 24, 2013. This transaction was completed with an insider of the Company and no finder's fees or commissions were paid.

The Company also issued 1,272,727 common shares at an issue price of $1.10 to settle the debt in the amount of $1,400,000 previously advanced to the Company by a Director of the Company and has from time to time made advances to the Company, as required, interest free and with no set terms of repayment.

(b) Warrants

Share Purchase Warrants	Number	Amount
Balance, November 1, 2010	-	$ -
Issued	5,288,667	1,964,275
Exercised	(1,828,500)	(944,668)
Balance, October 31, 2011	3,460,167	1,019,607
Issued	14,952,602	4,771,977
Exercised	(126,833)	(60,013)
Expired	(3,333,334)	(959,594)
Balance, October 31, 2012	14,952,602	$ 4,771,977

As of October 31, 2012, the Company has warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Fair Value	Number of Warrants	Fair Value Amount	Exercise Amount
1.35	13-Dec-12	0.31	3,278,689	1,002,988	4,426,230
1.25	30-Jan-13	0.42	2,000,000	845,919	2,500,000
1.25	20-Jul-13	0.34	4,000,000	1,364,199	5,000,000
1.25	10-Sep-13	0.32	3,500,000	1,113,251	4,375,000
1.25	24-Oct-13	0.20	2,173,913	445,620	2,717,391
			14,952,602	$ 4,771,977	$ 19,018,621

The fair value of the warrants issued during the years ending October 31, 2012 and 2011 were determined using the Black-Scholes valuation model using the following assumptions:

	31-Oct-12	31-Oct-11
Dividend yield	0.00%	0.00%
Expected volatility	61% to 94%	87% to 128%
Risk-free interest rate	0.95% to 1.16%	0.95% to 1.70%
Expected life	1 year	0.75 to 2 years

(c) Stock option plan

The number of shares reserved for issuance under the Company's stock option plan is limited to 10% of the number of shares which are issued and outstanding on the date of a particular grant of options. Under the plan, the Board of Directors determines the term of a stock option to a maximum of 10 years, the period of time during which the options may vest and become exercisable as well as the option exercise price which shall not be less than the closing price of the Company's share on the Toronto Stock Exchange immediately preceding the date of grant. The Compensation Committee determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

A summary of changes in the Company's outstanding stock options is presented below:

Balance, November 1, 2010	11,095,000
Issued	1,700,000
Exercised	(2,235,000)
Balance, October 31, 2011	10,560,000
Issued	950,000
Exercised	(725,000)
Balance, October 31, 2012	10,785,000

Options outstanding are as follows:

Exercise Price	Issue Date	Expiry Date	Balance Outstanding and Vested
$0.78	Feb-07	Feb-12 (1)	650,000
$0.97	Feb-07	Feb-12 (1)	635,000
$0.78	Sep-07	Sep-12 (1)	350,000
$0.85	Nov-07	Nov-12	200,000
$0.45	Jun-08	Jun-13	1,675,000
$0.10	Jul-09	Jul-14	1,000,000
$0.15	Oct-09	Sep-14	3,150,000
$0.15	Nov-09	Sep-14	500,000
$1.69	Mar-11	Mar-16	1,675,000
$1.04	May-12	Apr-17	950,000
			10,785,000

(1) The term of these options have been extended to 10 days after a blackout period which is defined as the interval of time during which the Company has determined one or more participants may not trade any securities of the Company. The Company was in the Blackout period at October 31, 2012.

During the year ended October 31, 2012 the Company approved an incentive stock option grant to officers and directors of the Company for the purchase of a total of 950,000 shares of Copper Fox at an exercise price of $1.04 per share (2011 – 1,700,000 at $1.69 per share), vesting equally over a period of 6 months and expiring on April 24, 2017. During the year ended October 31, 2012 share based compensation expense of $799,798 (2011 – $1,780,708), including $206,544 (2011 – $586,925) being capitalized to the mineral properties, was recorded. This amount is recorded to contributed surplus and upon exercise will be recorded as an increase to share capital.

The fair value of the options issued has been determined using the Black-Scholes valuation model using the following assumptions:

	31-Oct-12	31-Oct-11
Dividend yield	0.00%	0.00%
Expected volatility	111%	116%
Risk-free interest rate	1.47%	2.31%
Expected life	5 Years	5 Years
Fair value	$0.83	$1.38

8. Weighted average number of shares

Loss per share is computed by dividing net loss for the period by the weighted average number of shares outstanding. In computing loss per share the weighted average number of shares outstanding during the year ended October 31, 2012 was 388,148,045 (2011 – 371,626,823) common shares. Stock options and warrants granted by the Company during this period have not been included in the computation of loss per share as they are anti-dilutive.

9. Related party transactions

During the year ended October 31, 2012 directors and officers of the Company incurred $902,981 (2011 - $745,858) for management and technical services on behalf of the Company. At October 31, 2012 $43,199 (2011 – $22,000) is included in accounts payable. Share based compensation issued to related parties during the year ended October 31, 2012 was 500,000 options for a total fair market value of $413,078 (2011 – 800,000 options, $1,104,800).

Also, during the year ended October 31, 2012 a Company controlled by a Director's family member loaned the Company $2,000,000. The loan bears no interest and has no fixed terms of repayment. These transactions were recorded at the exchange amount agreed to by the related parties.

Key management personnel compensation: The remuneration of the chief executive officer, chief financial officer, and directors, those persons having authority and responsibility for planning, directing, and controlling activities of the Company are as follows:

	October-31-12	October-31-11
Salaries and consulting compensation	$ 899,275	$ 745,858
Share based compensation	784,848	2,244,125
	$ 1,684,123	$ 2,989,983

10. Income Taxes

Reconciliation of the Effective Tax Rate

	October-31-12	October-31-11
Net income before tax	$ (3,238,472)	$ (3,898,689)
Tax rate	25.25%	26.75%
Expected tax	(817,715)	(1,042,899)
Non-deductible share based compensation	149,797	476,339
Rate and other	32,415	57,166
Change in valuation allowance	606,229	1,241,857
Deferred income tax expense (recovery)	$ (29,274)	$ 732,463

For the year ended October 31, 2012 the deferred income tax recovery was $29,274 with an effective tax rate of 0.90% compared to the year ended October 31, 2011 where the deferred income tax expense was $732,463 with an effective tax rate of 18.79%. The effective tax rate decreased due to a decrease in the federal tax rates from 2011 to 2012 as well as changes in the realization of temporary differences pertaining to the exploration and evaluation assets.

Deferred Tax Assets and Liabilities

a) Unrecognized deferred tax assets and liabilities have not been recognized in respect of the following items:

	October-31-12	October-31-11
Deductible temporary differences	$ 406,733	$ 503,053
Tax losses	3,714,703	3,012,153
	$ 4,121,436	$ 3,515,206

b) The Company has net operating losses for Canadian tax purposes of $14,848,810 available to reduce future taxable income in Canada, which expire as follows:

Year	Amount
2012	$ -
2013	15,043
2014	267,234
2015	264,756
2026 and beyond	14,311,777
Future income tax recovery	$ 14,858,810

c) The components of the new deferred tax asset/(liability) recognized are as follows:

Property and equipment	October-31-12	October-31-11
Assets	$ -	$ -
Liabilities	(8,506,133)	(8,535,407)
Net	$ (8,506,133)	$ (8,535,407)

d) Movements in the temporary differences during the year are as follows:

Property and equipment	
Balance, November 1, 2010	$ (6,460,944)
Recognized in Statement of comprehensive loss	(732,463)
Flow through share premium	(1,342,000)
Balance, October 31, 2011	(8,535,407)
Recognized in Statement of comprehensive loss	29,274
Flow through share premium	-
Balance, October 31, 2012	$ (8,506,133)

11. Subsequent events

In December 2012, the Company released results of its positive feasibility study on its Schaft Creek deposit using open pit mining and processing a nominal rate of 130,000 tonnes per day with a 21 year mine life producing 4.88 billion pounds of copper, 4.21 million ounces of gold, 25.10 million ounces of silver and 214.92 million pounds of molybdenum.

In December 2012, the Company extended the expiry dates of two sets of warrants. The warrants to purchase 3,278,689 common shares issued pursuant to the December 2011 Private Placement were extended to December 13, 2013. The warrants to purchase 2,000,000 common shares issued pursuant to the January 2012 Private Placement were extended to January 30, 2014.

In January 2013, 635,000 options to purchase common shares of the Company (“Options”) which had previously been extended due to a blackout expired and 1,000,000 Options were extended for one year.

In January 2013, the Company closed a financing for proceeds of $1,500,000. The financing consisted of the issuance of 1,764,706 units at a purchase price of $0.85 per unit, and was 100% subscribed for by an insider and control person of the Company. Each unit consists of one common share of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of CDN $1.00 prior to 5:00 PM January 22, 2014.

In January 2013, the Company granted Options to directors, officers, employees and a consultant of the Company for the purchase of a total of 635,000 shares of the Company at an exercise price of $0.94 per share and an expiry date of January 23, 2014. The Options granted to directors, officers and employees vest in equal tranches at three, six and nine months from the date of grant. In accordance with TSX Venture Exchange policies, the Options granted to the consultant of the Company vest in quarterly installments over a 12 month period.

In February 2013, the Company filed its positive feasibility study on the Schaft Creek project on www.sedar.com, and also delivered a copy of the positive feasibility study to Teck. See the Company’s news release dated February 4, 2013.

12. Commitments

The Company has a commitment with respect to its office leases in Calgary and Vancouver as follows:

Period	Nov 1, 2012 - Oct 31, 2013	Nov 1, 2013 - Jun 30, 2014
Amount	$ 113,818	$ 18,406

The Company is required to pay US $710,000 under an acquisition agreement. The first payment of US $60,000 is due on January 9, 2013 and the balance of US $650,000 is due on January 9, 2014.

The Company is committed to pay $1,000,000 in 2013, $1,000,000 in 2014 and $750,000 in 2015 in connection with an agreement on the Schaft Creek property.

13. Financial instruments

1) Non-derivative instruments
   Non-derivative financial instruments comprise cash and cash equivalents, receivables, deposits and trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has classified cash and cash equivalents as fair value through profit or loss.

Other non-derivative financial instruments, such as trade and other receivables, deposits and trade and other payables are measured at amortized cost using the effective interest method, less any impairment losses. Due to the short-term nature of trade and other receivables and trade and other payables, their carrying values approximate fair value.

2) Derivative financial instruments
The Company has not entered into any financial derivative contracts.

3) Share capital
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, share options and warrants are recognized as a deduction from equity, net if any tax effects.

The Company's financial instruments consist of cash, trade and other receivables, investment, and trade and other payables and shareholder loan.

Fair value of financial assets and liabilities
Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amounts for cash, trade and other receivables, trade and other payables and shareholder loan on the balance sheet approximate their fair value because of the limited term of these instruments.

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – observable inputs such as quoted prices in active markets;
- Level 2 – inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
- Level 3 – unobservable inputs for the asset or liability in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

During the years ended October 31, 2012 and 2011, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

The Company’s activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- Credit risk
- Market risk
- Liquidity risk

The following discussion presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees managements’ establishment and execution of the Company’s risk management framework. The Company’s risk management policies are established to identify and analyze the risks encountered by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company’s activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from partners and the tax office. The maximum exposure to credit risk at October 31, 2012 is $4,489,291 (2011 - $821,891) comprising the Mining exploration tax credit and GST receivable.

Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates will affect the Company’s income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company’s return.

- Foreign currency exchange rate risk:
Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. In the year ended October 31, 2012 the Company began preliminary exploration activities in the United States. As such, the Company is exposed to any fluctuations in the United States dollar to Canadian dollar exchange rate.

- Interest rate risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Except for Cash held in trust at October 31, 2012 $511,400 (2011 – Nil), the Company has no financial instruments that could otherwise be exposed to interest rate risk The outstanding share holder loan at October 31, 2012 of $2,000,000 (2011 - $1,400,000) Bears no interest.

- Commodity price risk:
Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by the relationship between

the Canadian dollar and United States dollar and global economic events that dictate the levels of supply and demand.

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities consist of accounts payable and accruals. Accounts payable consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash flow which is used to finance all operating and capital expenditures.

Capital management:

The Company's capital structure includes working capital and shareholders' equity. The Company is largely reliant on junior resource venture capital markets for additional financing requirements.

14. IFRS

IFRS 1
First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to deficit unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated November 1, 2010.

While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and financial performance. This note sets out how the transition from Canadian GAAP to IFRS has affected the Company's statement of financial position as at November 1, 2010 and October 31, 2011, statement of comprehensive loss for the year ended October 31, 2011 and the statement of cash flows for the year ended October 31, 2011.

Share based compensation
The Company elected an exemption that allowed it to apply IFRS share based payments to any unvested options outstanding as at November 1, 2010. Differences to Canadian GAAP include the fact that each award is treated as a separate award under IFRS and IFRS used a graded vesting method in the calculation instead of each award treated as a single award and calculated using a straight line method as under Canadian GAAP. No difference was identified as a result of applying IFRS 2 to the unvested options as at November 1, 2010.

Mineral properties
During the first quarter of October 31, 2009, the Company wrote down the carrying value of its mineral property by $31 million based on the implied fair value of a proposed board approved transaction which was subsequently terminated. As at November 1, 2010, there were significant increases in the market value of the Company and the implied property value when compared to the first quarter of October 31, 2009. The Company considered this to be an indicator of impairment reversal for its mineral properties. Based on the assessment, the Company determined that $31 million of previous impairment should be reversed.

Decommissioning liability

The asset retirement obligation has been re-measured as per the requirements of IFRIC 1 as at November 1, 2010. The measurement difference between Canadian GAAP and IFRS is primarily related to the use of liability specific discount rate under IFRS which are to be updated each reporting period.

Using a risk free discount rate and an inflation rate, the asset retirement obligation was re-measured at $612,272. The difference compared to Canadian GAAP disclosed amount as at October 31, 2011 has been adjusted to deficit as at November 1, 2010.

Flow through shares

Flow through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP, however, there is no equivalent IFRS guidance. Therefore, the Company intends to adopt a policy whereby the premium paid for flow through shares in excess of the market value of the shares without the flow through features at the time of issue is credited to other liabilities and included in expenses at the time the qualifying expenditures are made.

Income tax

Due to the adjustments to mineral properties and the flow through share premium discussed above, their carrying value in accordance with IFRS are different than under with Canadian GAAP and the resulting deferred income taxes balances reflect this difference.

The November 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

As at November 1, 2010	GAAP as previously recorded	Effect of transition to IFRS	IFRS
Assets			
Current assets:			
Cash and cash equivalents	$ 464,572	$ -	$ 464,572
Trade and other receivables	485,256	-	485,256
Prepaid expenses and deposits	826,801	-	826,801
	1,776,629	-	1,776,629
Exploration and evaluation assets	21,423,389	30,310,996	51,734,385
Property and equipment	549,485	489,203	1,038,688
	$ 23,749,503	$ 30,800,199	$ 54,549,702
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables	$ 2,613,384	$ -	$ 2,613,384
Decommissioning liabilities	423,479	188,793	612,272
Deferred taxes		6,460,944	6,460,944
Shareholders' equity:			
Share capital	49,901,521	(4,079,568)	45,821,953
Contributed surplus	8,423,336	-	8,423,336
Deficit	(37,612,217)	28,230,030	(9,382,187)
	20,712,640	24,150,462	44,863,102
	$ 23,749,503	$ 30,800,199	$ 54,549,702

The October 31, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

As at October 31, 2011	GAAP as previously recorded	Effect of transition to IFRS	IFRS
Assets			
Current assets:			
Cash and cash equivalents	$ 1,271,025		$ 1,271,025
Trade and other receivables	821,891		821,891
Prepaid expenses and deposits	1,194,635		1,194,635
	3,287,551	-	3,287,551
Investment	759,305		759,305
Exploration and evaluation assets	40,873,441	30,310,995	71,184,436
Property and equipment	556,714	512,092	1,068,806
	$ 45,477,011	$ 30,823,087	$ 76,300,098
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables	$ 3,698,943	$ -	$ 3,698,943
Shareholder loan	1,400,000	-	1,400,000
	5,098,943	-	5,098,943
Decommissioning liabilities	472,555	227,989	700,544
Deferred taxes	-	8,535,407	8,535,407
Shareholders' equity:			
Share capital	70,468,395	(5,421,568)	65,046,827
Share purchase warrants	1,019,607	-	1,019,607
Contributed surplus	9,912,109	-	9,912,109
Deficit	(41,494,598)	27,481,259	(14,013,339)
	39,905,513	22,059,691	61,965,204
	$ 45,477,011	$ 30,823,087	$ 76,300,098

The Canadian GAAP statements of comprehensive loss for the year ended October 31, 2011 has been reconciled to IFRS as follows:

For the year ended October 31, 2011	GAAP as previously reported	Effect of transition to IFRS	IFRS
Expenses:			
Administration	$ 969,666	$ -	$ 969,666
Amortization and accretion	148,143	16,308	164,451
Insurance	67,924		67,924
Professional fees	568,494		568,494
Processing fees	168,522		168,522
Rent	27,619		27,619
Share based compensation	1,780,708		1,780,708
Travel	151,530		151,530
Interest income	(225)		(225)
Net loss before income tax	$ 3,882,381	$ 16,308	3,898,689
Deferred income tax	-	732,463	732,463
Net loss and comprehensive loss	$ 3,882,381	$ 748,771	$ 4,631,152

The Canadian GAAP statement of cash flows for the year ended October 31, 2011 has been reconciled to IFRS as follows:

For the year ended October 31, 2011	GAAP as previously reported	Effect of transition to IFRS	IFRS
Cash provided by (used in):			
Operations:			
Net loss for the year	$ (3,882,381)	$ (748,771)	$ (4,631,152)
Items not involving cash:			
Amortization and accretion	148,143	16,308	164,451
Share-based compensation	1,780,708		1,780,708
Deferred income tax	-	732,463	732,463
Change in non-cash working capital	(589,814)		(589,814)
	(2,543,344)	-	(2,543,344)
Financing:			
Shareholder loan	1,400,000		1,400,000
Issue of shares and warrants, net of issue costs	17,924,575		17,924,575
	19,324,575	-	19,324,575
Investing:			
Mineral property expenditures	(15,919,339)		(15,919,339)
Mineral property acquisitions	(620,000)		(620,000)
Investment	(300,047)		(300,047)
Additions to property and equipment	(106,295)		(106,295)
Net change in non-cash working capital	970,903		970,903
	(15,974,778)	-	(15,974,778)
Increase in cash and cash equivalents during the year	806,453	-	806,453
Cash and cash equivalents, beginning of year	464,572		464,572
Cash and cash equivalents, end of year	$ 1,271,025	$ -	$ 1,271,025