CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Revolution Resources Corp.

We have audited the accompanying consolidated financial statements of Revolution Resources Corp. (the "Company"), which comprise the consolidated balance sheets as at October 31, 2011 and 2010, and the consolidated statements of operations and deficit, and cash flows for the years then ended, 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 Canadian generally accepted accounting principles, 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 the auditors' 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Revolution Resources Corp. as at October 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Revolution Resources Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

January 26, 2012

REVOLUTION RESOURCES CORP.
CONSOLIDATED BALANCE SHEETS
AS AT OCTOBER 31

	2011	2010
ASSETS		
Current		
Cash and equivalents	$ 8,101,059	$ 4,384,055
Short-term investments	138,000	-
Receivables	98,570	80,936
Prepaids	73,966	-
	8,411,595	4,464,991
Loans receivable (Note 3)	-	300,000
Equipment (Note 4)	14,409	6,324
Mineral property interests (Note 5)	7,784,032	5,851,489
	$ 16,210,036	$ 10,622,804
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 410,853	$ 307,779
Shareholders' equity		
Capital stock (Note 7)	26,268,900	12,659,871
Contributed surplus (Note 7)	3,094,151	1,516,529
Deficit	(13,563,868)	(3,861,375)
	15,799,183	10,315,025
	$ 16,210,036	$ 10,622,804

Nature and continuance of operations (Note 1)
Subsequent event (Note 14)

On behalf of the Board:

"Aaron Keay" Director *"Michael Williams"* Director

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

REVOLUTION RESOURCES CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED OCTOBER 31

	2011	2010
ADMINISTRATION EXPENSES		
Amortization (Note 4)	$ 2,896	$ 746
Consulting fees	252,265	211,910
Financing fee (Note 6)	-	40,000
Interest expense (Note 6)	-	27,329
Investor relations and shareholder communications	1,319,556	369,764
Management fees	345,000	97,500
Office and miscellaneous	287,447	233,933
Professional fees	276,223	160,562
Property investigation costs	192,492	50,166
Stock-based compensation (Note 7)	933,066	1,221,909
Transfer agent and filing fees	52,120	26,874
Travel	436,309	151,280
Loss before other items	(4,097,374)	(2,591,973)
OTHER ITEMS		
Foreign exchange	16,901	-
Interest income	62,242	14,267
Write-off of mineral property (Note 5)	(5,684,262)	-
	(5,605,119)	14,267
Loss and comprehensive loss for the year	(9,702,493)	(2,577,706)
Deficit beginning of year	(3,861,375)	(1,283,669)
Deficit end of year	$ (13,563,868)	$ (3,861,375)
Basic and diluted loss per share	$ (0.18)	$ (0.08)
Weighted average number of common shares outstanding	53,306,182	30,586,753

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

REVOLUTION RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31

		2011		2010
CASH FROM OPERATING ACTIVITIES				
Loss for the year	$	(9,702,493)	$	(2,577,706)
Items not affecting cash:				
Amortization		2,896		746
Financing fee		-		40,000
Stock-based compensation		933,066		1,221,909
Write-off of mineral property		5,684,262		-
Changes in non-cash working capital items:				
Receivables		(17,634)		(79,722)
Prepaids		(73,966)		-
Accounts payable and accrued liabilities		79,985		140,435
Net cash used in operating activities		(3,093,884)		(1,254,338)
CASH FROM INVESTING ACTIVITIES				
Expenditures on mineral property interests		(6,145,441)		(3,454,691)
Short-term investments		(138,000)		-
Loans receivable		-		(300,000)
Equipment		(10,981)		(7,070)
Net cash used in investing activities		(6,294,422)		(3,761,761)
CASH FROM FINANCING ACTIVITIES				
Proceeds on issuance of capital stock		13,831,025		9,440,000
Share issuance costs		(725,715)		(875,509)
Deferred finance costs		-		-
Loans payable		-		750,000
Loans payable repayment		-		(750,000)
Net cash provided by financing activities		13,105,310		8,564,491
Increase in cash and equivalents during the year		3,717,004		3,548,392
Cash and equivalents, beginning of year		4,384,055		835,663
Cash and equivalents, end of year	$	8,101,059	$	4,384,055
Cash paid for interest during the year	$	-	$	27,329
Cash paid for income taxes during the year	$	-	$	-
Cash and equivalents				
Cash	$	5,101,059	$	884,055
Guaranteed investment certificates		3,000,000		3,500,000
Total cash and equivalents	$	8,101,059	$	4,384,055

Supplemental disclosure with respect to cash flows (Note 8)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Revolution Resources Corp. (the "Company") is an exploration company incorporated on July 14, 2009 under the laws of the Province of British Columbia, Canada. The Company completed its Initial Public Offering ("IPO") during the year ended October 31, 2010 and is listed on the Toronto Stock Exchange ("TSX").

The Company is in the business of acquiring, exploring and developing economically viable mineral resource deposits on its mineral properties. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception, does not currently have the financial resources to satisfy the terms of all its mineral property agreements and will require additional financing in the future. While the Company has been successful in obtaining the required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Storgold Resources Ltd., Revolution Resources (NC) LLC and Minera Revolution, S.A. de C.V. Significant inter-company transactions and balances have been eliminated on consolidation.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant accounts that require estimates relate to the impairment of mineral property interests, estimated useful lives for equipment, valuation of finder's fees on private placements, valuation allowance applied against future income tax assets and stock-based compensation.

Cash and equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Short-term investments

Short-term investments consist of highly liquid investments held as collateral on other short-term obligations included in accounts payable and accrued liabilities.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at the following annual rates:

Computer equipment	30%

Finance costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred finance costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

Financing charges that reflect the cost to obtain new debt financing are expensed as incurred.

Mineral property interests

All costs related to the acquisition, exploration and development of mineral property interests are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. Liabilities include those liabilities related to environmental protection and rehabilitation due to environmental law or contracts. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. The Company does not have any significant asset retirement obligations.

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs over the vesting period for the granting of all stock options and direct awards of stock. The Company estimates the fair value of stock options and compensatory warrants using the Black-Scholes option pricing model. Any consideration paid by the option holders to purchase shares is credited to capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Loss per share is calculated using the weighted average number of common shares outstanding during the year.

Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Financial instruments

Financial instruments are required to be classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value and changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired. There were no transitional adjustments as a result of the application of the financial instrument accounting policies. The Company has implemented the following classifications for its financial instruments:

a) Cash and equivalents has been classified as held-for-trading.

b) Receivables and loans receivable have been classified as loans and receivables and measured at amortized cost.

c) Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New accounting standards

Business combinations, non-controlling interest and consolidated financial statements

In October 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after October 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning November 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of November 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011. The Company is in the process of assessing the adoption of IFRS for 2011 and making accounting policy choices available under IFRS.

3. LOANS RECEIVABLE

During the year ended October 31, 2010 the Company granted loans to certain Directors totaling $300,000. The loans were solely used for acquiring shares of the Company and were repayable on August 12, 2014. The loans did not bear interest, unless in default, at which time the loans bore interest at 6% per annum. The loans are secured by the 2,000,000 common shares of the Company acquired by the loan.

On October 25, 2011, the Company entered into an agreement with the Directors to offset the loans receivable with amounts payable under the Champion Hills purchase and sale agreement (Note 5).

4. EQUIPMENT

	October 31, 2011			October 31, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computers	$ 18,051	$ 3,642	$ 14,409	$ 7,070	$ 746	$ 6,324

5. MINERAL PROPERTY INTERESTS

	October 31, 2011		
	Nuukfjord	Champion Hills	Total
Exploration costs			
Balance, beginning of year	$ 3,931,986	$ 172,987	$ 4,104,973
Assays	-	486,204	486,204
Drilling	-	2,487,657	2,487,657
Equipment rental and maintenance	-	342,382	342,382
Fees & licenses	1,650	1,082	2,732
Field work, field personnel and geological consulting	6,419	1,425,968	1,432,387
Lease payments	-	140,773	140,773
Project management fees	13,750	13,750	27,500
Project administration and report preparation	3,068	-	3,068
Travel and transportation	-	301,235	301,235
	24,887	5,199,051	5,223,938
Balance, end of year	3,956,873	5,372,038	9,328,911
Acquisition costs			
Balance, beginning of year	1,727,389	19,127	1,746,516
Acquisition costs	-	2,392,867	2,392,867
Balance, end of year	1,727,389	2,411,994	4,139,383
Write-off of mineral property	(5,684,262)	-	(5,684,262)
Balance, October 31, 2011	$ -	$ 7,784,032	$ 7,784,032

5. MINERAL PROPERTY INTERESTS (cont'd…)

	October 31, 2010		
	Nuukfjord	Champion Hills	Total
Exploration costs			
Balance, beginning of year	$ 1,589,080	$ -	$ 1,589,080
Assays	151,820	1,091	152,911
Drilling	433,241	29,930	463,171
Equipment rental and maintenance	186,288	6,776	193,064
Field work, field personnel and geological consulting	777,831	127,204	905,035
Project management fees	30,000	2,500	32,500
Project administration and report preparation	101,235	-	101,235
Travel and transportation	662,491	5,486	667,977
	2,342,906	172,987	2,515,893
Balance, end of year	3,931,986	172,987	4,104,973
Acquisition costs			
Balance, beginning of year	1,727,389	-	1,727,389
Other acquisition costs	-	19,127	19,127
Balance, end of year	1,727,389	19,127	1,746,516
Balance, October 31, 2010	$ 5,659,375	$ 192,114	$ 5,851,489

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all its properties and, to the best of its knowledge, title to all of its properties is in good standing.

Champion Hills Properties (USA)

During fiscal 2010 the Company entered into a purchase and sale agreement with a non-arm's length private company. Under the terms of the purchase and sale agreement, the Company can acquire a 90% interest in two option and lease agreements for total consideration of 2,000,000 common shares and US$375,000 payable over a 9 month period. The Company has the right of first refusal on the remaining 10% after incurring US$1,000,000 in exploration expenditures. During the year ended October 31, 2011, the Company received TSX approval, issued 2,000,000 common shares valued at $930,000 and paid $375,312 (US$375,000)(Note 3). Pursuant to the terms of the agreement, the Company has been assigned 90% of the rights and obligations under the option and lease agreements on the two mineral properties.

5. MINERAL PROPERTY INTERESTS (cont'd…)

Champion Hills Properties (USA) (cont'd…)

The Company entered into various additional option and purchase agreements directly with the property owners which entitle the Company to acquire 100% of the properties. During fiscal 2011, the Company paid $901,280 (2010 - $19,127) upon entering into the agreements.

As at October 31, 2011 the various option and purchase agreements cover approximately 1,817 acres (2010 - 278 acres), require annual lease payments of US$200 per acre over a five year term and US$1 per foot drilled. The Company has the option to purchase each land package for the greater of 150% of the appraised value or a certain fixed price. Upon commencement of commercial production the properties are subject to a 2% Net Smelter Return Royalty ("NSR").

Silver Hill and Silver Valley

During fiscal 2011 the Company entered into two separate letter agreements with a private company, Carolina Mineral Resources Inc. ("CMRI"), on properties known as the Silver Hill mine and the Silver Valley Mine, North Carolina.

Under the terms of the Silver Hill property agreement the Company can earn 100% of CMRI's rights to a mineral lease agreement for consideration of US$220,000 and exploration expenditures totalling US$2,500,000 paid in stages to March 2015 and the issuance 300,000 common shares in stages to March 2014. The Company is also required to issue 500,000 common shares upon completion of a positive, bankable feasibility study and an additional 500,000 common shares upon commencement of commercial production. The property is subject to a 4% NSR. During the year ended October 31, 2011, the Company issued 75,000 common shares valued at $44,250 and paid $59,146 (US$60,000).

Under the terms of the Silver Valley mine agreement the Company can earn 100% of CMRI's rights to a mineral lease agreement for consideration of US$200,000 and exploration expenditures totalling US$2,500,000 paid in stages to March 2015 and the issuance of 300,000 common shares in stages to March 2014. The Company is also required to issue 500,000 common shares upon completion of a positive, bankable feasibility study, and an additional 500,000 common shares upon commencement of commercial production. The property is subject to a 4% NSR. During the year ended October 31, 2011, the Company issued 75,000 common shares valued at $44,250 and paid $39,430 (US$40,000).

Virgilina

During fiscal 2011 the Company entered into an option agreement on the Virgilina copper property, North Carolina. The Company can earn a 100% interest in the property for consideration of US$600,000 and exploration expenditures totalling US$1,500,000 paid in stages to March 2015 and the issuance of 400,000 common shares in stages to March 2014. The Company is also required to issue 500,000 common shares upon completion of a positive, bankable feasibility study and an additional 500,000 common shares upon commencement of commercial production. During the year ended October 31, 2011, the Company issued 100,000 common shares valued at $59,000 and paid $118,291 (US$120,000).

5. MINERAL PROPERTY INTERESTS (cont'd…)

Champion Hills Properties (USA) (cont'd…)

Hoover Hill

During fiscal 2011 the Company entered into an option and purchase agreement on the Hoover Hill mine property, North Carolina. The Company has a four year option to purchase each land package for the greater of 150% of the appraised value or a certain fixed price. The Company paid $295,680 (US$300,000) on signing and issued 100,000 share purchase warrants with a fair value of $38,775. The option can be extended for an additional year for US$100,000. Each warrant entitles the holder to one common share at an exercise price of $0.75 for a period of four years. The fair value of these warrants was estimated using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.87%; dividend yield 0%; volatility of 100%; and an expected life of 3 years. The Company paid other acquisition costs of $104,548. The property is subject to a 2% NSR, of which one-half (1%) may be purchased for US$1,000,000.

Nuukfjord (Greenland)

By agreement dated July 17, 2009, as amended July 18, 2009, December 21, 2009 and February 25, 2010 (the "Acquisition Agreement") the Company acquired all of the issued and outstanding shares of Storgold Resources Ltd. ("Storgold"). Storgold's material asset at that time was a property option agreement (the "Option Agreement") with NunaMinerals A/S (a public Danish company) on certain mineral licenses in Greenland (the "Property"). Pursuant to the Acquisition Agreement, the Company issued 6,650,000 common shares valued at $1,662,500, granted a 0.5% NSR and reimbursed the vendors' prior expenditures incurred in negotiating the Option Agreement of $64,889, which were recorded as other acquisition costs, and $13,967 recorded as exploration costs.

The Option Agreement entitled the Company to earn up to a 65% interest in the Property, in incremental phases. To earn the full 65% interest the Company is required to pay $23,000,000 towards exploration expenditures over four years. The payments toward exploration expenditures and the interest earned are as follows:

> Phase A – In earning its initial 15% interest the Company advanced $3,500,000 in exploration expenditures.
>
> Phase B – The Company is required to advance an additional $3,500,000 towards exploration expenditures by September 30, 2011 for an additional 15% interest (not completed),
>
> Phase C – The Company is required to advance an additional $4,500,000 towards exploration expenditures by September 30, 2012 for an additional 19% interest,
>
> Phase D – The Company is required to advance an additional $11,500,000 towards exploration expenditures by September 30, 2013 for an additional 16% interest.

Pursuant to the Option Agreement, NunaMinerals A/S is the operator, and will conduct all work on the Property. NunaMinerals A/S may, at its election, incur exploration expenses in advance of the option payment dates, which will be subsequently reimbursed by the Company.

5. MINERAL PROPERTY INTERESTS (cont'd…)

Nuukfjord (Greenland) (cont'd…)

The Company's completion of Phase A was mandatory, whereas advancement of funds required to exercise the option in respect of Phase B, C and D are entirely at the Company's option. Upon the completion of any of Phases A, B or C, the Company has the option to form a joint venture partnership with NunaMinerals A/S or to complete the next phase. The Company elected not to complete Phase B; therefore, a joint venture partnership is deemed to have formed. When a joint venture is formed a new Danish company will be formed to hold title to the Property, which will be owned by Storgold and NunaMinerals A/S as to their respective interests. Contributions will be made based on each company's interest.

If subsequent to joining the joint venture the Company elects not to contribute its proportionate share of costs, the Company's interest is subject to dilution. If the Company's interest dilutes to less than 10%, its interest will automatically convert to a 1% NSR.

Given the Company's passive interest and election to not participate in Phase B, the Company has written-off the capitalized costs of $5,684,262.

Exploration expenditures payable

As at October 31, 2010, NunaMinerals A/S had incurred additional expenditures of $6,065 included in accounts payable and accrued liabilities.

6. LOANS PAYABLE

During the year ended October 31, 2010, the Company entered into loan agreements for proceeds of $500,000 of which $100,000 was owed to a company owned by an officer of the Company. The loans bear interest at 15% per annum and were repayable at the earliest of (i) within five days following the Company's first day of trading on the TSX, (ii) July 31, 2010, or (iii) at the election of the lender in the event of default. The Company also issued 100,000 special warrants to the lenders (of which 20,000 special warrants were issued to a company owned by an officer of the Company) as a financing fee valued at $40,000, which were converted to common shares of the Company upon the closing of the IPO. On commencement of the Company trading on the TSX the Company repaid the loans and interest totaling $527,329.

In addition, the Company entered into a loan agreement for a $250,000 non-interest bearing loan due the earlier of (i) 30 days of receipt or (ii) the first day of trading on the TSX. The loan was repaid in full during the year ended October 31, 2010.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Capital Stock		
	Number of Shares	Amount	Contributed Surplus
Authorized:			
Unlimited common shares without par value			
Issued and outstanding:			
As at October 31, 2009	20,370,000	$ 4,415,000	$ -
Private placement	1,012,500	405,000	-
Initial public offering	18,000,000	9,000,000	-
Finders' and corporate finance fees	120,000	(675,000)	-
Brokers' warrants	-	(294,620)	294,620
Other share issuance costs	-	(230,509)	-
Conversion of special warrants	100,000	40,000	-
Stock-based compensation	-	-	1,221,909
As at October 31, 2010	39,602,500	12,659,871	1,516,529
Private placement	24,000,000	12,780,000	720,000
Share issuance costs	-	(921,307)	180,592
Stock options and brokers' warrants	662,050	493,836	(162,811)
For mineral property interests	2,250,000	1,077,500	38,775
Stock-based compensation	300,000	179,000	801,066
As at October 31, 2011	66,814,550	$ 26,268,900	$ 3,094,151

Private placements

During the year ended October 31, 2011, the Company:

a) Completed a brokered private placement and issued 15,000,000 common shares at a price of $0.60 per common share for proceeds of $9,000,000. The Company paid $540,000 and issued 900,000 broker warrants as finder's fees. Each broker warrant entitles the holder to acquire one common share at a price of $0.80 for a period of one year. An estimated fair value of $162,976 was assigned to the brokers' warrants. The fair value of these broker warrants was estimated using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate of 1.74%; dividend yield 0%; volatility of 100%; and an expected life of 1 year. The Company paid other share issuance costs of $107,432.

b) Completed a non-brokered private placement and issued 9,000,000 units at a price of $0.50 per unit for proceeds of $4,500,000. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of $0.75 per share for a period of four years. The warrants were assigned a residual value of $720,000.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Private placements (cont'd…)

The Company paid $60,000, issued 120,000 brokers' warrants as finder's fees valued at $17,616 and paid other share issue costs of $33,283. Each warrant entitles the holder to acquire one common share at a price of $0.60 per share for a period of one year. The fair value of these broker warrants was estimated using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate of 1.01%; dividend yield of 0%; volatility of 100%; and an expected life of 1 year.

During the year ended October 31, 2010, the Company issued 1,012,500 shares at $0.40 per share for proceeds of $405,000.

Initial public offering

The Company issued for its IPO 18,000,000 shares at $0.50 per share for gross proceeds of $9,000,000. The Company paid $630,000 and issued 100,000 common shares valued at $50,000 as finders' fees and paid $45,000 and issued 20,000 common shares valued at $10,000 as a corporate finance fee. The Company also paid $230,509 as other share issuance costs, of which, $42,250 was deferred as at October 31, 2009. The brokers were also given 1,260,000 brokers' warrants. Each warrant is exercisable at $0.50 for one share for a period of two years. The warrants were valued at $294,620 using the Black-Scholes option pricing model with a weighted average expected volatility of 100%, risk free interest rate of 1.97%, expected life of one and one-half year and dividend yield of 0%.

Special warrants

During fiscal, 2010, the Company issued 100,000 special warrants which were converted to common shares of the Company upon the closing of the IPO (Note 6).

Bonus Shares

During fiscal 2011, the Company issued 200,000 bonus shares valued at $132,000 to a service provider of the Company for performance, which are recorded in stock based compensation.

Stock option plan

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock options and warrants

Stock option and warrant transactions are summarized as follows:

	Warrants		Stock options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, October 31, 2009	-	$ -	-	$ -
Granted	1,260,000	0.50	3,950,000	0.50
Cancelled	-	-	(175,000)	0.50
Outstanding, October 31, 2010	1,260,000	0.50	3,775,000	0.50
Granted	5,620,000	0.75	2,180,000	0.71
Exercised	(562,050)	0.50	(100,000)	0.50
Cancelled	-	-	(175,000)	0.50
Outstanding, October 31, 2011	6,317,950	$ 0.73	5,680,000	$ 0.58
Number currently exercisable	6,317,950	$ 0.73	5,121,250	$ 0.57

The following incentive stock options and warrants were outstanding at October 31, 2011:

Number	Exercise price	Expiry date
Stock options		
100,000	$ 0.80	April 12, 2013
225,000	0.80	May 15, 2014
3,500,000	0.50	April 27, 2015
1,225,000	0.70	February 15, 2016
150,000	0.80	May 11, 2016
330,000	0.70	June 15, 2016
150,000	0.50	October 25, 2016
Warrants		
4,500,000	$ 0.75	October 18, 2015
Brokers Warrants		
900,000	$ 0.80	February 4, 2012
697,950	0.50	April 27, 2012
120,000	0.60	October 18, 2012
Special Warrants		
100,000	$ 0.75	March 15, 2015

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock-based compensation

During the year ended October 31, 2011, the Company granted 2,180,000 (2010 – 3,950,000) options with a weighted-average fair value of $0.40 per option (2010 - $0.31) to directors, officers and consultants. Total stock-based compensation recognized in the statement of operations during the year ended October 31, 2011 was $801,066 (2010 - $1,221,909) for incentive options granted and vested. This amount was also recorded as contributed surplus on the balance sheet.

The following weighted average assumptions were used for the valuation of stock options:

	2011	2010
Risk-free interest rate	2.28%	2.48%
Expected life of options	3 years	3 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended October 31, 2011 include the Company:

a) Incurring mineral property expenditures of $151,687 through accounts payable.

b) Issuing 2,250,000 shares for the acquisition of mineral properties valued at $1,077,500.

c) Issuing 100,000 shares as compensation for geological services valued at $47,000.

d) Granting 100,000 special warrants valued at $38,775 for the acquisition of mineral properties.

e) Incurring share issuance costs of $15,000 through accounts payable.

f) Settling accounts payable of $300,000 by offsetting against loans receivable of the same amount (Note 3).

g) Granting 1,020,000 brokers' warrants valued at $180,592 as finders' fees in relation to the private placements.

Significant non-cash transactions for the year ended October 31, 2010 include the Company:

a) Incurring mineral property expenditures of $137,533 through accounts payable and exploration expenditures payable.

b) Granting 1,260,000 brokers' warrants valued at $294,260 as finders' fees in relation to the IPO.

c) Issuing 120,000 common shares at a value of $60,000 as finders' and corporate finance fees in relation to the IPO.

9. INCOME TAXES

A reconciliation of income tax recoveries at statutory rates with the reported taxes is as follows:

	2011	2010
Loss before income taxes	$ (9,702,493)	$ (2,577,706)
Expected income recovery	$ (2,603,500)	$ (741,100)
Expenses not deductible for income tax purposes	1,775,600	351,300
Other items	(90,800)	(55,300)
Unrecognized benefit of non-capital losses	918,700	445,100
Income tax recovery	$ -	$ -

Amount of future tax assets are as follows:

	2011	2010
Future income tax assets:		
Non-capital loss carry forwards	$ 1,244,000	$ 397,000
Mineral property interests	980,000	-
Other items	293,000	193,200
	2,517,000	590,200
Valuation allowance	(2,517,000)	(590,200)
Net future income tax assets	$ -	$ -

The Company has approximately $4,967,000 (2010 - $1,552,000) in non-capital losses, which may be carried forward and applied against taxable income in future years. These losses, if not utilized, expire through 2031.

The benefits of these losses have not been recorded in these financial statements and have been offset by a valuation allowance.

10. RELATED PARTY TRANSACTIONS

During the year ended October 31, 2011, the Company:

a) Paid or accrued management fees of $345,000 (2010 - $97,500) to officers and directors of the Company.

b) Paid or accrued geological consulting fees of $28,750 (2010 - $32,500) to an officer of the Company.

c) Paid or accrued professional fees of $90,550 (2010 - $50,000) to officers of the Company.

d) Paid or accrued consulting fees of $190,000 (2010 - $80,000) to directors of the Company.

e) Paid or accrued shareholder communications fees of $39,840 (2010 - $58,600) to a Company controlled by a director of the Company.

10. RELATED PARTY TRANSACTIONS (cont'd…)

The transactions were in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accrued liabilities is $117,622 (2010 - $44,058) due to directors of the Company.

The Company operates from the premises of a group of public and private companies with common directors. Certain companies provide geological consulting and office and administrative services to the Company and various other public companies. Included in accounts payable and accrued liabilities is $29,147 (2010 - $59,611) due to a related private company. During the year the Company paid or accrued $547,898 (2010 - $92,382) for geological consulting, and $60,273 (2010 - $26,986) for office and administrative expenditures.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Cash and equivalents is carried at fair value using a level 1 fair value measurement. The carrying value of short-term investments, receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. Loans receivable are long-term and are recorded at amortized cost.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents and short-term investments. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2011, the Company had a cash and equivalents and short-term investments balance of $8,239,059 to settle current liabilities of $410,853.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

Market risk (cont'd…)

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash and equivalents and short-term investments balances. The Company's current policy will be to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at October 31, 2011, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

The majority of the Company's business is conducted in Greenland in Canadian dollars and the Danish Kroner and in the USA in the US dollar. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar, the Danish kroner and the US Dollar. Fluctuations in the exchange rate among the Canadian dollar, the Danish kroner and the US dollar may have a material adverse effect on the Company's business and financial condition. Fluctuations do not have a significant impact on operating results.

c) Price risk

The mining industry is heavily dependent upon the market price of the metals or minerals being mined. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond control of the Company may affect the marketability of any minerals discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the Company's control. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

12. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests. Capital is comprised of the Company's shareholders' equity which is $15,799,183 as at October 31, 2011. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

13. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition, exploration and development of mineral property concessions. Geographic information is as follows:

	2011	2010
Capital assets:		
Canada	$ 14,409	$ 6,324
USA	7,784,032	192,114
Greenland	-	5,659,375
	$ 7,798,441	$ 5,857,813

14. SUBSEQUENT EVENT

Mexico Property Portfolio – Formal Agreement

Prior to year end, the Company entered into a letter agreement with Lake Shore Gold Corp. ("Lake Shore") to acquire up to a 100% interest in the Universo, and Montana de Oro (comprised of Montana de Oro, Lluvia de Oro and La Bufa properties) properties in Mexico. The letter agreement was superseded subsequent to year end by a formal option agreement.

In order to acquire an initial 60% in the Mexican properties, the Company will be required to issue to Lake Shore common shares equal in number to 9.9% of the Company's issued and outstanding common shares within five business days of entering into a formal agreement (for which the Company has issued 5,713,740 common shares representing 9.9% of the issued and outstanding common shares at the date of the letter agreement), incur $35,000,000 in expenditures on the Mexican properties by August 31, 2016, including reimbursing Lake Shore for expenditures incurred with respect to the properties in 2011, and, within 30 days of incurring $15,000,000 in expenditures, issue to Lake Shore $1,000,000 in common shares of the Company, valued at a price per share equal to the volume-weighted average trading price ("VWAP") of the common shares of the Company for the five trading days ending on the trading date that is five trading days prior to the date of issuance of such common shares.

The Company can acquire a 100% interest in either or both of Universo and Montana de Oro properties by completing National Instrument 43-101 compliant technical reports and satisfying certain additional terms, as outlined below, on or before August 31, 2017:

1. With respect to Universo, by producing an NI 43-101 technical report showing a total resource of all categories of at least two million gold-equivalent ounces and paying Lake Shore $20 per ounce of resources defined in such report, in cash or in common shares of the Company at the election of Lake Shore.
2. With respect to the Montana de Oro properties, by producing an NI 43-101 technical report showing a total resource of all categories of at least one million gold-equivalent ounces and paying Lake Shore $20 per ounce of resources defined in such report in cash or in common shares of the Company at the election of Lake Shore.

In the case of both properties, should Lake Shore elect to receive common shares, the shares will be valued at a price per share equal to the five-day VWAP price ending on the trading date that is five trading days prior to the date of issuance of such common shares or, in the event shareholder approval is required for the issuance of such common shares, ending on the trading date that is 60 days prior to the date of issuance of such common shares.

14. SUBSEQUENT EVENT (cont'd…)

Mexico Property Portfolio – Formal Agreement (cont'd…)

The option to acquire a 100% interest with respect to either the Universo or Montana de Oro property may be exercised prior to the exercise of the option to acquire a 60% interest therein, provided that the Company pays to Lake Shore an amount equal to any expenditures under the 60% option not yet incurred by the Company to the date of completion of the applicable technical report.

In the event the Company acquires a 60% interest, but not a 100% interest, in respect of either property, the Company and Lake Shore will enter into a joint venture with respect to such property. The Company and Lake Shore will each have a right of first refusal on the transfer of the other party's interest in the joint venture.

Lake Shore will have the right to have one nominee appointed to the board of directors of the Company following the execution of the formal agreement. The nomination right will continue during the period of the Company's option to acquire a 60% interest described above and subsequently so long as Lake Shore holds at least 5% of the issued and outstanding common shares of the Company.

The Universo and Montana de Oro properties are subject to underlying agreements. Payments related to the maintenance of the underlying agreements qualify as expenditures under the agreement with Lake Shore:

1. Underlying payments on the Universo property total US$4,500,000 over the term of the Lake Shore agreement with US$550,000 payable in the first year of the agreement. There is a royalty of 1.5% payable on certain claims upon commencement of commercial production.
2. Underlying payments on the Montana de Oro property total MXP 1,083,990 in the first year and MXP 1,000,000 every year thereafter.