CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

For the three months ended January 31, 2013

(Expressed in Canadian Dollars)

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of management.

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

TOWER RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars - unaudited)

	January 31, 2013	October 31, 2012
	$	$
ASSETS		
Current		
Cash	2,483,067	1,277,454
Receivables (Note 3)	168,031	184,762
Prepaid expenses	22,495	24,932
	2,673,593	1,487,148
Property and equipment (Note 4)	30,636	28,222
Exploration and evaluation assets (Note 5)	2,274,384	2,114,860
Exploration and evaluation assets - oil and gas (Note 6)	1	1
Reclamation bonds (Note 7)	45,000	45,000
	5,023,614	**3,675,231**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	94,102	242,310
Flow-through premium liability (Note 9)	215,013	-
	309,115	242,310
Rehabilitation obligation	13,000	13,000
	322,115	255,310
Shareholders' equity		
Share capital (Note 9)	11,883,687	10,960,603
Reserves (Note 9)	1,248,428	698,449
Deficit	(8,430,616)	(8,239,131)
	4,701,499	3,419,921
	5,023,614	**3,675,231**

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved and authorized on behalf of the Board on April 2, 2013:

“Mark Vanry”
Mark Vanry, Director

“Steve Vanry”
Steve Vanry, Director

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

TOWER RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars - unaudited)

	For the three months ended January 31,	
	2013	**2012**
	$	**$**
Expenses		
Accounting and audit	3,500	8,560
Consulting fees	21,345	17,200
Depreciation	5,256	-
Foreign exchange loss	-	422
Legal fees	1,576	7,900
Management fees	22,500	-
Office and miscellaneous	41,411	36,292
Property examination costs	-	4,903
Share-based compensation (Note 9)	87,206	120,763
Transfer agent and filing fees	2,518	5,080
Travel and promotion	9,660	2,404
Salaries and benefits	7,802	-
	(202,774)	(203,524)
Net oil and gas gain	-	289
Interest income	6,247	365
Reversal of flow-through premium liability (Note 9)	5,042	-
Other income	-	50
	11,289	704
Loss and comprehensive loss for the period	**(191,485)**	**(202,820)**
Basic and diluted loss per share	**(0.01)**	**(0.01)**
Weighted average number of common shares outstanding	**31,273,002**	**23,024,841**

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

TOWER RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars - unaudited)

	For the three months ended January 31,	
	2013	**2012**
	$	**$**
Cash flows used in operating activities		
Net loss for the period	(191,485)	(202,820)
Items not affecting cash:		
Depreciation	5,256	-
Share-based compensation	87,206	120,762
Reversal of flow-through premium liability	(5,042)	-
Changes in non-cash working capital items		
Decrease in receivables	16,731	1,909
Decrease in prepaid expenses	2,437	749
Increase in accounts payable and accrued liabilities	5,735	1,411
	(79,162)	(77,989)
Cash flows used in investing activities		
Acquisition of equipment	(7,670)	(16,623)
Exploration and evaluation assets expenditures	(285,774)	(156,742)
	(293,444)	(173,365)
Cash flows from financing activities		
Proceeds from share issued	1,760,440	1,018,000
Share issuance costs	(182,221)	(16,340)
	1,578,219	1,001,660
Net change in cash	1,205,613	750,306
Cash, beginning of period	1,277,454	2,058,418
Cash, end of period	**2,483,067**	**2,808,724**
Non-cash transactions		
Shares issued for exploration and evaluation assets acquisition	40,500	132,000
Exploration and evaluation assets expenditures in accounts payable at period end	4,776	-
Share issuance costs in accounts payable and accrued liabilities at period end	12,807	-

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

TOWER RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars - unaudited)

	Number of Shares Issued	Capital Stock	Reserves	Deficit	Total Shareholders' Equity
		$	$	$	$
Balance at October 31, 2011	22,961,933	9,392,136	240,524	(7,451,771)	2,180,889
Issuance of shares	2,545,000	763,500	-	-	763,500
Share issuance costs	-	(16,340)	-	-	(16,340)
Shares issued for exploration and evaluation assets acquisition	400,000	132,000	-	-	132,000
Share-based compensation	-	-	120,762	-	120,762
Loss for the period	-	-	-	(202,820)	(202,820)
Balance at January 31, 2012	25,906,933	10,271,296	361,286	(7,654,591)	2,977,991
Issuance of shares	1,825,000	730,000	-	-	730,000
Share issuance costs	-	(57,193)	-	-	(57,193)
Shares issued for exploration and evaluation assets acquisition	25,000	16,500	-	-	16,500
Share-based compensation	-	-	337,163	-	337,163
Loss for the period	-	-	-	(584,540)	(584,540)
Balance at October 31, 2012	27,756,933	10,960,603	698,449	(8,239,131)	3,419,921
Issuance of shares	5,501,375	1,131,880	408,505	-	1,540,385
Share issuance costs	-	(195,028)	-	-	(195,028)
Shares issued for exploration and evaluation assets acquisition	150,000	40,500	-	-	40,500
Agent's warrants issued for private placement	-	(54,268)	54,268	-	-
Share-based compensation	-	-	87,206	-	87,206
Loss for the period	-	-	-	(191,485)	(191,485)
Balance at January 31, 2013	**33,408,308**	**11,883,687**	**1,248,428**	**(8,430,616)**	**4,701,499**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Tower Resources Ltd. ("the Company") is incorporated under the laws of British Columbia, Canada. The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol TWR. The Company's head office, principal address and registered and records office is located at 530 – 510 Burrard Street, Vancouver, BC V6C 3A8.

The condensed interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

Going concern

The Company's principal business activities include the acquisition and exploration of exploration and evaluation assets domiciled in Canada. The Company has not yet determined whether any of these exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is 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. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These condensed interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and/or to achieve profitable operations. These 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 as a going concern.

The continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in exploration and evaluation assets, which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur. Management estimates it has sufficient working capital to continue operations for the next twelve months.

The Company had the following deficits and working capital as at the following dates:

	January 31, 2013	October 31, 2012
	$	$
Deficit	(8,430,616)	(8,239,131)
Working capital	2,364,478	1,244,838

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these condensed interim financial statements.

Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB").

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended October 31, 2012. The accounting policies applied in preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company's financial statements for the year ended October 31, 2012.

These condensed interim financial statements were authorized by the Board of Directors on April 2, 2013.

Basis of presentation

The condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Functional currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The reporting currency of the Company is the Canadian dollar.

Use of estimates

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

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based compensation and income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets
Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Determination of functional currency
The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, and retention of operating cash flows.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

New accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the three months ended January 31, 2013 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending October 31, 2014 or later:

a) IFRS 7 – Financial Instruments: Disclosures applied to offsetting financial assets and financial liabilities in accordance with IAS 32. The amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

b) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The amendments are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

c) IFRS 10 – Consolidation replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The amendments are effective for annual periods beginning on or after January 1, 2013.

(Expressed in Canadian Dollars - unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards not yet adopted (continued)

d) IFRS 11 – Joint Arrangements requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas joint operations, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31 Interests in Joint Ventures, and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers. This amendment is effective for annual periods beginning on or after January 1, 2013. This policy is not expected to have an effect on the Company's reported financial position or results of operations.

e) IFRS 12 – Disclosure of Interest in Other Entities establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces additional disclosures addressing the nature of, and risks associated with, an entity's interests in other entities. This amendment is effective for annual periods beginning on or after January 1, 2013. This policy is not expected to have an effect on the Company's reported financial position or results of operations.

f) IFRS 13 – Fair Value Measurement is a comprehensive standard that defines fair value, requires disclosure about fair value measurement and provides a framework for measuring fair value when it is required or permitted within the IFRS standards. The amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

g) IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after January 1, 2014.

3. RECEIVABLES

	January 31, 2013	**October 31, 2012**
	$	**$**
Harmonized sales tax recoverable	164,267	139,280
BC mineral exploration tax credit	-	12,739
Interest receivable	3,764	9,751
Other receivable	-	22,992
	168,031	**184,762**

(Expressed in Canadian Dollars - unaudited)

4. EQUIPMENT

	Computer hardware	Computer software	Equipment	Total
	$	$	$	$
Cost:				
At October 31, 2012	14,135	23,875	10,701	48,711
Additions	-	7,670	-	7,670
At January 31, 2013	14,135	31,545	10,701	56,381
Depreciation:				
At October 31, 2012	7,480	11,938	1,071	20,489
Charge for the period	832	3,943	481	5,256
At January 31, 2013	8,312	15,881	1,552	25,745
Net book value:				
At October 31, 2012	6,655	11,937	9,630	28,222
At January 31, 2013	**5,823**	**15,664**	**9,149**	**30,636**

	Computer hardware	Computer software	Equipment	Total
	$	$	$	$
Cost:				
At October 31, 2011	7,890	-	-	7,890
Additions	6,245	23,875	10,701	40,821
At October 31, 2012	14,135	23,875	10,701	48,711
Depreciation:				
At October 31, 2011	3,949	-	-	3,949
Charge for the year	3,531	11,938	1,071	16,540
At October 31, 2012	7,480	11,938	1,071	20,489
Net book value:				
At October 31, 2011	3,941	-	-	3,941
At October 31, 2012	**6,655**	**11,937**	**9,630**	**28,222**

(Expressed in Canadian Dollars - unaudited)

5. EXPLORATION AND EVALUATION ASSETS

	Dragon	Dorado	JD	Baez	Sinkut	Straw	Waterloo	Total
	$	$	$	$	$	$	$	$
Balance, October 31, 2011	**78,227**	**38,135**	**61,574**	**1,303**	**-**	**-**	**12,984**	**192,223**
Acquisition costs	-	-	44,208	15,112	4,682	782	213,082	277,866
Deferred costs								
Assays	-	-	144,592	7,736	-	-	5,580	157,908
Annual mineral rights	-	-	46,836	-	-	-	-	46,836
Consulting services	-	-	64,947	8,000	-	-	-	72,947
Drilling	-	-	419,780	436	-	-	132,067	552,283
Equipment rental	-	-	7,265	190	-	-	1,621	9,076
Field supplies	-	-	31,102	9,133	90	260	8,897	49,482
Food	-	-	24,330	-	-	161	6,221	30,712
Geologist	-	-	191,669	24,855	1,540	1,810	66,903	286,777
Site development	-	-	65,086	-	-	-	-	65,086
Helicopter	-	-	417,422	-	-	-	-	417,422
Travel	-	-	33,788	3,371	-	76	826	38,061
Vehicle	-	-	30,980	3,775	62	257	9,189	44,263
Total costs incurred during the year	-	-	1,522,005	72,608	6,374	3,346	444,386	2,048,719
Write off of exploration and evaluation assets	(78,227)	(38,135)	-	-	(6,374)	(3,346)	-	(126,082)
Balance, October 31, 2012	**-**	**-**	**1,583,579**	**73,911**	**-**	**-**	**457,370**	**2,114,860**
Acquisition costs	-	-	85,634	-	-	-	-	85,634
Deferred costs								
Assays	-	-	31	-	-	-	6,455	6,486
Consulting services	-	-	6,400	6,400	-	-	1,600	14,400
Equipment rental	-	-	-	-	-	-	830	830
Field supplies	-	-	288	287	-	-	596	1,171
Food	-	-	94	-	-	-	-	94
Geologist	-	-	17,900	18,700	-	-	10,000	46,600
Site development	-	-	-	-	-	-	3,185	3,185
Vehicle	-	-	-	-	-	-	1,124	1,124
Total costs incurred during the period	-	-	110,347	25,387	-	-	23,790	159,524
Balance, January 31, 2013	**-**	**-**	**1,693,926**	**99,298**	**-**	**-**	**481,160**	**2,274,384**

(Expressed in Canadian Dollars - unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

DRAGON AND DORADO PROPERTIES

On June 26, 2011, the Company entered into an option agreement with Sidewinder Exploration Ltd. (“Sidewinder”) to acquire up to a 100% interest in certain mineral properties, known as “Dragon” and “Dorado”, located on Vancouver Island, British Columbia. Under the option agreement, the Company may earn an initial 75% interest in the properties by making cash payments of $45,000 and issuing 300,000 common shares to Sidewinder, in addition to funding aggregate exploration expenditures of $2,000,000 over a total 41-month period. During fiscal 2011, the Company paid $20,000 and issued 300,000 common shares valued at $72,000.

During the year ended October 31, 2012, the Company decided to discontinue the Dragon and Dorado projects, and as a result wrote off related exploration and evaluation assets of $116,362.

JD PROPERTY

On September 7, 2011 the Company entered into an option agreement to acquire the JD gold - silver property, comprised of certain mineral claims, located in the Omineca mining division of British Columbia. Under the terms of the option agreement, the Company may acquire a 100% interest in the property by making cash payments of $200,000, and issuing 1,200,000 common shares over a 5-year period, in addition to funding aggregate exploration expenditures of $5,000,000 over a total 60-month period as follows:

Date	*Cash Payments*	*Number of Shares*	*Work Commitment*
	$		**$**
September 26, 2011 *(issued – Note 9)*	-	125,000	-
November 15, 2011 *(incurred)*	-	-	60,000
September 1, 2012 *(incurred)*	-	-	60,000
December 16, 2012 *(paid, issued, and incurred – Note 9)*	45,000	150,000	80,000
December 16, 2013	40,000	200,000	500,000
December 16, 2014	50,000	250,000	1,000,000
December 16, 2015	65,000	475,000	1,500,000
December 16, 2016	-	-	1,800,000

The option agreement is subject to a 2% NSR, 1% of which can be purchased by the Company for $3,000,000. The Company will be responsible to file the related cash-in-lieu or assessment work documentation with the Province of British Columbia. Once the Company has earned the 100% interest, it will pay an advance royalty of $40,000 per year until it commences commercial production.

On April 11, 2012, the Company entered into an option agreement to acquire a 100% interest in the Belle property located in the Omineca mining division of British Columbia adjoining the Company’s JD property. Under the term of the option agreement, the Company may acquire a 100% interest in the property by making cash payment of $14,000 and issuing 150,000 common shares of the Company as follows:

Date	*Cash Payments*	*Number of Shares*
	$	
April 23, 2012 *(paid and issued – Note 9)*	14,000	25,000
April 23, 2013	-	25,000
April 23, 2014	-	25,000
April 23, 2015	-	25,000
April 23, 2016	-	50,000

The agreement is subject to a 2% NSR, of which 1% can be purchased by the Company for $2,000,000.

(Expressed in Canadian Dollars - unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

WATERLOO PROPERTY

On October 18, 2011 the Company entered into an option agreement to acquire the Waterloo property, comprised of certain mineral claims, located in the Osoyoos mining division of British Columbia. Under the terms of the option agreement, the Company may acquire a 75% interest in the property by making cash payments of $70,000 and issuing 400,000 common shares to the vendor, in addition to funding aggregate exploration expenditures of $2,000,000 over a total 42-month period as follows:

Date	*Cash Payments*	*Number of Shares*	*Work Commitment*
	$		**$**
December 23, 2011 *(paid and issued -Note 9)*	45,000	400,000	-
December 23, 2012 *(paid and incurred)*	25,000	-	100,000
May 13, 2014	-	-	700,000
May 13, 2015	-	-	1,200,000

The option agreement is subject to a 2% NSR, of which 1% can be purchased by the Company for $3,000,000. Upon completing and delivering a Feasibility Study, the Company will be deemed to have exercised the second option and to have earned an additional 25% Interest (for an aggregate 100% interest).

Once the Company has earned the 100% interest, it will pay an advance royalty of $40,000 per year until it commences commercial production.

The Vice-President of Exploration of the Company has an interest in the vendor.

BAEZ, SINKUT, AND STRAW PROPERTIES

These properties are located in British Columbia and were acquired for nominal staking costs.

During the year ended October 31, 2012, the Company decided to discontinue the Sinkut and Straw projects, and as a result wrote off related exploration and evaluation assets of $9,720.

6. EXPLORATION AND EVALUATION ASSETS - OIL AND GAS

	January 31, 2013 and October 31, 2012 Acquisition Costs
Poplar Winstar Strachan	$ 1

POPLAR WINSTAR STRACHAN

On December 4, 2006, the Company entered into an agreement to participate in the Winstar Strachan 8-10-38-10 W5M well in the West Central area of Alberta. The Company paid $300,000 to earn an equalization interest of approximately 1.2367 %. During the year ended October 31, 2009, management of the Company wrote down the value of the property to the estimated recoverable amount of $1.

Rehabilitation obligations of $13,000 have been recorded based on the Company's proportionate share of obligations estimated by the operators of the properties. The estimated values of the obligations have not been discounted as they are immaterial and an estimate of the timing of the future cash flows is not determinable.

(Expressed in Canadian Dollars - unaudited)

7. RECLAMATION BONDS

In relation to the JD, Waterloo, and Baez properties, the Company has posted reclamation bonds totalling $45,000 (October 31, 2012 - $45,000).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2013	**October 31, 2012**
	$	**$**
Accounts payable	33,731	186,396
Accrued liabilities	35,024	39,469
Due to related parties (Note 10)	25,347	16,445
	94,102	**242,310**

9. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

In December 2011, the Company completed a non-brokered private placement of 2,545,000 flow-through common shares at a price of $0.40 per share for gross proceeds of $1,018,000. The flow-through common shares had an associated flow-through premium liability of $254,500 on issuance. The Company incurred fees of $16,340 related to this financing.

In December 2011, the Company issued 400,000 common shares valued at $140,000 pursuant to the Waterloo property option agreement (Note 5).

In April 2012, the Company completed a non-brokered private placement of 1,825,000 common shares at a price of $0.40 per share for gross proceeds of $730,000. The Company paid a finder’s fee of $52,793 and incurred fees of $4,400 related to this private placement.

In April 2012, the Company issued 25,000 common shares valued at $8,500 pursuant to the Belle property option agreement (Note 5).

In December 2012, the Company issued 150,000 common shares valued at $40,500 pursuant to the JD property option agreement (Note 5).

In December 2012, the Company completed a private placement of 5,501,375 flow-through units at a price of $0.32 per unit for gross proceeds of $1,760,440. Each unit is comprised of one flow-through common share and one-half of one common share purchase warrant which entitles the holder to purchase one additional common share of the company for $0.40 up to December 6, 2014. The flow-through units had an associated flow-through premium liability of $220,055 on issuance. The Company incurred commissions and expenses of $195,028 related to this financing.

(Expressed in Canadian Dollars - unaudited)

9. SHARE CAPITAL AND RESERVES (continued)

Stock Options

On November 19, 2010, the Company adopted an incentive stock option plan (the "Plan"). The Plan provides that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed ten percent of the issued and outstanding common shares of the Company at the time an option is granted. Options granted under the Plan will have a maximum term of five years. The exercise price of options granted under the Plan shall be set by the Board of Directors on the effective date of the option and will not be less than the Discounted Market Price as defined by the TSX-V. Vesting of the Options shall be at the discretion of the Board of Directors.

During the three months ended January 31, 2013, the Company granted Nil (January 31, 2012 – 100,000) incentive stock options with a fair value of $Nil (January 31, 2012 – $31,356). During the quarter ended January 31, 2013, the Company expensed $87,206 (January 31, 2012 – $120,763), which was value of stock options vested during the period and was recorded in share-based compensation and share option reserves.

The weighted average fair value of stock options granted during the three months ended January 31, 2013 was $Nil (January 31, 2012 - $0.35) per option.

The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the variables as follows:

	For the three months ended January 31,	
	2013	**2012**
Risk-free interest rate	-	1.33%
Expected option life in years	-	5 years
Expected stock price volatility	-	144%
Expected dividend yield	-	0%
Expected forfeiture rate	-	0%

A summary of stock options activities are as follows:

	Number of options	Weighted average exercise price
		$
Outstanding at October 31, 2011	1,643,750	0.37
Granted	1,100,000	0.33
Outstanding at October 31, 2012 and January 31, 2013	2,743,750	0.35

(Expressed in Canadian Dollars - unaudited)

9. SHARE CAPITAL AND RESERVES (continued)

Stock Options (continued)

The Company has outstanding options entitling the holder to purchase an aggregate of common shares at January 31, 2013 as follows:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$			
0.40	456,250	456,250	November 10, 2013
0.40	187,500	140,625	August 12, 2014
0.35	1,000,000	750,000	September 29, 2016
0.35	100,000	62,500	December 9, 2016
0.35	200,000	100,000	February 20, 2017
0.35	100,000	50,000	March 23, 2017
0.45	50,000	25,000	April 5, 2017
0.30	250,000	93,750	May 24, 2017
0.30	400,000	100,000	October 25, 2017
	2,743,750	1,678,125	

Warrants:

In conjunction with the December 2012 financing, the Company issued 2,750,687 warrants related to the flow-through units exercisable into one common share of the Company at a price of $0.40 for a period of 24 months. The warrants were valued at $408,505 using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk free interest rate of 1.12%, volatility of 138%, forfeiture rate of nil, and nil forecasted dividend yield. The Company also issued 342,825 agent's warrants exercisable at $0.32 per share for a period of two years. The agent's warrants were valued at $54,268 calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk free rate of 1.12%, a forfeiture rate of nil, and volatility of 138%.

A summary of share purchase warrant activities are as follows:

	Number of warrants	Weighted average exercise price
		$
Outstanding and exercisable at October 31, 2011 and October 31, 2012	11,700,000	0.40
Issued	3,093,512	0.39
Outstanding and exercisable at January 31, 2013	14,793,512	0.40

The Company has outstanding warrants entitling the holders to purchase an aggregate of 14,793,512 common shares at January 31, 2013 as follows:

Exercise Price	Number Outstanding	Expiry Date
$		
0.40	4,200,000	December 1, 2014
0.40	2,750,687	December 6, 2014
0.32	342,825	December 6, 2014
0.40	7,500,000	November 2, 2015
	14,793,512	

(Expressed in Canadian Dollars - unaudited)

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the three months ended January 31, 2013:

a) "Office and miscellaneous" includes rent of $19,414 (January 31, 2012 - $19,076) and other office expenses of $1,070 (January 31, 2012 - $2,069) paid or accrued to a company related by common directors and officers.

Summary of key management personnel compensation:

	For the three months ended January 31,	
	2013	**2012**
	$	**$**
Management fees	22,500	-
Office and miscellaneous	7,500	-
Consulting fees	10,000	14,000
Exploration and evaluation assets expenditures	20,000	22,000
Share-based compensation	49,197	98,138
	109,197	**134,138**

Amounts owing to related parties included in accounts payable and accrued liabilities are as follows:

	January 31, 2013	**October 31, 2012**
	$	**$**
i. Company with a director in common for expenses	1,193	5,475
ii. CEO for expenses	11,331	4,071
iii. CFO for expenses	12,607	6,683
iv. Former director for loans	216	216
	25,347	**16,445**

11. SEGMENTED INFORMATION

The Company has one geographic segment, being Canada, and one operating segment, being the acquisition and exploration of exploration and evaluation assets.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, reclamation bonds, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables consist of a provincial mining tax credit and harmonized sales tax recoverable due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of January 31, 2013, the Company held a demand deposit with a face value $2,520,000. A change in interest rates of 1% will change income by $25,200 per annum.

Foreign currency risk

The Company is not significantly exposed to foreign currency risk on fluctuations related to items that are denominated in a foreign currency. However, management believes the risk is not currently significant.

Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, options and warrants.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.