CASCADERO COPPER CORPORATION

INDEPENDENT AUDITORS' REPORT AND

FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2011 AND 2010

CASCADERO COPPER CORPORATION

FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2011 AND 2010 **Page**

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charlton

charlton & company
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
Cascadero Copper Corporation

We have audited the balance sheets of Cascadero Copper Corporation as at November 30, 2011 and 2010 and the statements of loss and comprehensive loss, changes in shareholders' equity and deficit and cash flows for the years then ended and the related notes including a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 company'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 financial statements.

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

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Cascadero Copper Corporation as at November 30, 2011 and 2010 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matters
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"Charlton & Company"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
April 6, 2012

CASCADERO COPPER CORPORATION
Balance Sheets
As at November 30,

	2011	2010
ASSETS		
Current		
Cash and cash equivalents	**$ 272,291**	$ 181,339
GST/HST receivable	**138,335**	31,675
Advances receivable from equity affiliates (Note 9(a)(v))	**530,427**	665,066
Prepaid expenses	**18,157**	-
	959,210	878,080
Long-term investments (Note 4)	**1**	45,894
Mineral properties (Note 5)	**10,440,357**	9,709,594
Equipment (Note 6)	**6,830**	9,067
	$ 11,406,398	$ 10,642,635
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable	**$ 88,611**	$ 18,297
Accrued Liabilities (Note 10)	**227,441**	204,230
Due to related parties (Note 9(a)(i) to (iv))	**230,977**	257,340
	547,029	479,867
SHAREHOLDERS' EQUITY		
Share capital (Note 7(b))	**15,055,120**	14,123,434
Share subscriptions (Note 11(b))	**224,460**	-
Treasury shares (Note 9(c))	**(465,463)**	(625,543)
Contributed surplus (Note 7(c))	**3,467,744**	3,018,478
Deficit	**(7,422,492)**	(6,353,601)
	10,859,369	10,162,768
	$ 11,406,398	$ 10,642,635

Nature of operations and going concern (Note 1)
Commitments and contingent liability (Note 10)
Subsequent events (Note 11)

Approved on Behalf of the Board:

Director –

Director –

See accompanying notes to the financial statements

CASCADERO COPPER CORPORATION
Statements of Loss and Comprehensive Loss
For the years ended November 30,

		2011		2010
Expenses				
Accounting and audit (Note 9(b)(v))	**$**	**73,050**	$	74,298
Amortization		**3,975**		2,726
Bank charges and interest (Note 9(b)(ii))		**25,702**		4,112
Filing fees (Note 9(b)(vi))		**26,588**		38,365
Legal fees		**525**		26,540
Management fees (Note 9(b)(ii))		**160,000**		160,000
Office and miscellaneous (Note 9(b)(iii) (iv)(vii) and (viii))		**271,437**		256,656
Part XII.6 tax (Note 10)		**8,211**		164,230
Rent		**21,167**		18,144
Share-based compensation (Note 7(b))		**248,282**		99,144
Loss before other items		**838,937**		(844,215)
Other items				
Equity loss of affiliates (Note 4)		**(45,893)**		(602,703)
(Loss) gain on settlement of advances (Note 13)		**(361)**		30,554
Interest and other income		**3,892**		14,601
Foreign exchange loss/ (gain)		**(14,793)**		5,116
Mineral property write-down (Note 5)		**(172,799)**		-
		(229,954)		(552,432)
Net loss and comprehensive loss for the year	**$**	**(1,068,891)**	$	(1,396,647)
Basic and diluted loss per common share	**$**	**(0.01)**	$	(0.04)
Weighted average number of shares outstanding		**105,422,848**		99,325,571

See accompanying notes to the financial statements

CASCADERO COPPER CORPORATION
STATEMENT OF SHARHOLDERS' EQUITY AND DEFICIT
FOR THE YEARS ENDED NOVEMBER 30, 2011 AND 2010

	Shares		Amount		Contributed Surplus		Treasury Shares		Share Subscriptions	Deficit		Total
Balance, November 30, 2009	97,994,612	$	13,628,434	$	2,919,334	$	(238,043)	.$	-	(4,956,954)	$	11,352,771
Shares issued pursuant to private placements	4,000,000		400,000		-		-		-	-		400,000
Exercise of warrants	950,000		95,000		-		-		-	-		95,000
Stock options granted	-		-		99,144		-		-	-		99,144
Shares of the Company received as repayment of advances owing	-		-		-		(387,500)		-	-		(387,500)
Net loss for the year	-		-		-		-		-	(1,396,647)		(1,396,647)
Balance, November 30, 2010	102,944,612		14,123,434		3,018,478		(625,543)		-	(6,353,601)		10,162,768
Shares issued pursuant to private placements	5,583,125		1,030,300		-		-		-	-		1,030,300
Cash finder's fees	-		(4,161)		-		-		-	-		(4,161)
Residual value allocation to warrants	-		(94,453)		94,453		-		-	-		-
Stock options granted	-		-		248,282		-		-	-		248,282
Excess of FMV over cost of treasury shares paid as consideration for mineral property acquisition, mineral property services and consulting services (Note 13)	-		-		106,531		-		-	-		106,531
Treasury shares paid as consideration for mineral property acquisition, mineral property services and consulting services - cost (Note 13)	-		-		-		160,080		-	-		160,080
Share subscriptions received	-		-		-		-		224,460			224,460
Net loss for the year	-		-		-		-		-	(1,068,891)		(1,068,891)
Balance, November 30, 2010	**108,527,737**	**$**	**15,055,120**	**$**	**3,467,744**	**$**	**(465,463)**	**$**	**224,460**	**(7,422,492)**	**$**	**10,858,369**

CASCADERO COPPER CORPORATION
Statements of Cash Flows
Year Ended November 30,

	2011	2010
Cash used in operating activities		
Operating activities		
Net loss for the year	**$ (1,068,891)**	$ (1,396,647)
Items not affecting cash:		
Amortization	**3,975**	2,726
Share-based compensation	**248,282**	99,144
Loss (gain) on settlement of advances	**361**	(30,554)
Equity loss of affiliates	**45,893**	602,703
Mineral property write-down	**172,799**	-
Interest and other income	**(3,892)**	-
	(601,473)	(722,628)
Net changes in non-cash working capital items		
GST recoverable	**(106,660)**	(13,815)
Prepaid expenses	**(18,157)**	-
Accounts payable and accrued liabilities	**70,314**	(70,966)
Accrued liabilities	**23,211**	204,230
	(632,765)	(603,179)
Financing activities		
Advances to/from related parties	**(2,908)**	(14,986)
(Repayments)/advances made to equity affiliates	**124,371**	(647,960)
Gross proceeds on issuance of shares	**1,030,300**	400,000
Cash finders' fees	**(4,161)**	-
Share subscriptions received`	**224,460**	
Proceeds on exercise of warrants	**-**	95,000
	1,372,062	(167,946)
Investing activities		
Purchase of equipment	**(1,736)**	(5,441)
Mineral property costs	**(646,609)**	(165,620)
	(648,345)	(171,061)
Increase (decrease) in cash during the year	**90,952**	(942,186)
Cash and cash equivalents, beginning of year	**181,839**	1,123,525
Cash and cash equivalents, end of year	**$ 272,291**	$ 181,339
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	**$ -**	$ -
Income taxes	**$ -**	$ -
Cash consists of:		
Cash / (bank overdraft)	**$ 22,291**	(68,661)
GIC	**250,000**	250,000
	$ 272,291	$ 181,339

Supplemental disclosure with respect to cash flows (Note 13)

See accompanying notes to the financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Cascadero Copper Corporation ("Cascadero" or the "Company") was incorporated pursuant to the Alberta Business Corporations Act on October 30, 2003 and continued into the Province of British Columbia on June 3, 2004. The Company is engaged in the business of acquiring, exploring and developing mineral properties located primarily in Canada. The Company is considered to be in the development stage.

The Company is in the process of exploring and developing most of its mineral properties and has not yet determined whether the properties contain precious mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and the related deferred exploration costs are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the mineral properties, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition of the mineral properties.

These financial statements have been prepared on the basis of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. In making its assessment, management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as going concern as described in the following paragraph. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business.

The ability of the Company to continue operations is dependent upon the continued financial support of its shareholders, other investors and lenders, and the successful development of mineral properties in the future. The outcome of these matters cannot be predicted at this time. Since inception, the Company has incurred cumulative losses of $7,422,492 (2010: $6,353,601) and for the year ended November 30, 2011 had operating cash outflow from continuing operations of approximately $ 633,487 (2010: $603,179). Management believes that the Company will be able to continue to raise additional funds and has prepared these financial statements on a going concern basis. Realization values may be substantially different from the carrying values as presented in the financial statements should the Company be unable to continue as a going concern. It is management’s opinion that all adjustments considered necessary for fair presentation of the results for the years presented have been reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The significant accounting policies used in these financial statements are as follows:

a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of carrying values included mineral properties, rates of amortization, asset retirement obligations, fair values of share based payments, accrued liabilities, rates expected to apply when future income tax assets and liabilities are expected to be settled or recovered and the valuation allowance for future income tax asset. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

b) Asset retirement obligations

The Company recognizes an estimate of the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to change in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual results incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs to record in the financial statements.

c) Financial instruments

The Company classifies its cash as held-for-trading. Cash includes cash held via chequing accounts and term deposits.

The Company classifies its investments into held-to-trading or available-for-sale categories, investments that are bought and held principally for the purpose of selling them in the near term are classified as held-for-trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Investments not classified as held-for-trading are classified as available-for-sale and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income (loss) and reported in shareholders' equity. The fair value of substantially all investments is determined by quoted market prices, except for those investments that do not have a quoted market price in an active market, which are measured at cost. The Company classifies its investment in SESA Holdings LLC as held to maturity

The Company classifies its GST/HST receivable and its advances due from affiliates as loans and receivable.

The Company classifies accounts payable and accrued liabilities and amounts due to related parties as other financial liabilities.

d) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided using the declining balance method at the following annual rates:

Computer equipment	45%
Furniture and fixtures	20%

Additions during the year are amortized pro-rata based on the annual amortization rate.

e) Mineral properties

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

e) Mineral properties - continued

The Company capitalized all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property interest expense exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve and joint venture expenditure commitments of the Company's assessment of its ability to sell the property interest for an amount exceeding the deferred costs, provision is made for the impairment in value.

From time to time, the Company may acquire or dispose of a mineral property interest, either by an option agreement or an acquisition agreement. As the consideration payable may consist of options, which are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations.

f) Revenue recognition

Revenues are recognized on the following bases:

(i) Interest income is recorded on an accrual basis at the stated interest rate over the term of the related instrument; and
(ii) Realized gains on investments are recorded upon disposal of the investment, on a trade date basis;

g) Financial instruments – disclosure and presentation, and Capital disclosures

(i) The CICA handbook The CICA handbook Section 1535, *Capital Disclosures,* which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital including disclosures of any externally imposed capital requirements and the consequences of non-compliance (Note 3).

(ii) The CICA handbook Section 3862, *Financial Instruments - Disclosure* requires disclosure of information related to the significance of financial instruments to a company's financial position and performance. It was amended to include disclosures about fair value measurements of financial instruments and to enhance liquidity risk disclosure. The additional fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company has adopted these amendments and the additional required disclosures are included in Note 3.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

g) Financial instruments – disclosure and presentation, and Capital disclosure (continued)

(iii) The CICA handbook Section 3863, *Financial Instruments – Presentation,* which establishes standards for presentation of financial instruments. It deals with the presentation of financial instruments and the circumstances in which financial assets and financial liabilities are offset. The adoption of this standard did not have a material effect on the financial position or earnings of the Company

h) Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

i) Related party transactions

All monetary transactions in the normal course of operations are measured at the exchange value which is determined by management to approximate fair value. Non-monetary related party transactions in the normal course of operations that have commercial substance and do not involve the exchange of property or product held for sale are also measured at the exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are recorded at the carrying value.

j) Earnings (loss) per share

Earnings (loss) per share are calculated using the weighted average number of shares outstanding.

The Company uses the treasury stock method for computing diluted earnings (loss) per share. This method assumes that any proceeds obtained upon exercise of options or warrants would be used to purchase common shares at the average market price during the period.

Diluted earnings (loss) per share are equal to loss per share as the effect of applying the treasury stock method is anti-dilutive.

k) Stock-based compensation

The Company reports and records all stock-based transactions following the guidelines of CICA Handbook Section 3870 using the fair-value method for recording all stock-based compensation to employees or directors and consultants. The fair value of options and other stock based awards to employees or consultants, issued or altered in the period, are determined using the Black-Scholes option pricing model. The Company records the fair value of the awards to the appropriate expense account or property interest at the time of grant or alteration. Where vesting provisions exist for stock-based awards, the fair value is determined at the grant date and recognized over the expected service period. Upon the exercise of stock options or agents' warrants, the fair value of the share based award is allocated to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

l) Long-lived assets and impairment

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

Assets with indefinite or indeterminable lives are not amortized and are reviewed for impairment on a reporting period basis using fair value determinations through management's estimate of recoverable value.

m) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, 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 basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantively assumed. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

n) Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through common shares which transfer the tax deductibility of exploration expenditures to the holders of the flow-through common shares. Proceeds, net of issuance costs, received on the issuance of common shares are credited to share capital and the related exploration costs are deferred as mineral property costs. A future income tax liability is recorded on the date that the Company renounces the tax deductions to the holders of the flow-through common shares with a corresponding reduction of share capital.

o) Future accounting changes

(i) Business Combinations (Section 1582), Consolidated Financial Statements (Section 1601) and Section 1602 (Non-controlling interests)

In January 2010, the CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements, and 1602 Non-controlling Interests, which replaced 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 International Financial Reporting Standards. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning December 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted. The Company is did not early adopt the above sections.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

o) Future accounting changes

(ii) International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from GAAP will be required for publicly accountable enterprises effective for annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents changes due to new accounting standards. The transaction from current GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. The Company is assessing the potential impact of this changeover and is developing its IFRS change plan, which will include project structure and governance, resourcing and training, analysis of key GAAP difference and a phase plan to assess accounting polices under IFRS as well as potential IFRS 1 exemption.

3. FINANCIAL INSTRUMENTS

A discussion of the Company's use of financial instruments and their associated risk is provided below:

a) Fair value

The carrying values of cash and cash equivalents, GST/HST receivable, advances receivable from an equity affiliate, accounts payable, accrued liabilities and amounts due to related parties approximate their fair values due to the short-term maturity of these financial instruments. Cash is measured using a level 1 fair value measurement.

b) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

c) Credit risk

The Company is not exposed to significant credit risk on its cash and investments due to cash and investments being placed with major financial institutions. All transactions executed by the Company in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Management believes that the credit risk with respect to receivables is remote.

d) Currency risk

The Company is not exposed to significant currency risk on fluctuations considering that its assets and liabilities are stated in Canadian dollars.

e) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, and cash and cash equivalent holdings. As the Company does not have operating cash flow and the Company has relied primarily on equity financings to meet its capital requirements.

3. FINANCIAL INSTRUMENTS - continued

f) Market risk

Market risk is the risk that the fair value of or future cash flows from the Company's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is not exposed to market risk with its investments.

Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price at this time.

g) Capital management

The Company considers its capital structure to include working capital and shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favorable.

There were no changes in the Company's approach to capital management during the year ended November 30, 2010. The Company is not subject to externally imposed capital requirements

4. LONG TERM INVESTMENTS

In December 2008, the Company paid US$200,000 and TSX Venture Exchange approval was granted for the Company to issue 28,000,000 of its common shares with a fair value of $700,000 to Argentine Frontier Resources Inc. ("AFRI") for its 50% membership interest in SESA Holdings, LLC ("SESA"), a limited liability company formed under the laws of the State of Nevada, USA. SESA is the legal and/or beneficial holder of 100% of the issued and outstanding equity interest in Salta Exploraciones S.A. ("Salta") a company duly formed under the laws of Argentina which holds certain mineral rights and properties. The Company uses the equity method of accounting for its investment in SESA. The Company's long-term investments are as follows:

		2011		2010
Acquisition cost of SESA Holdings LLC	$	**947,540**	$	947,540
Loss in SESA Holdings LLC		**(947,539)**		(901,646)
Carrying value of SESA Holdings LLC	$	**1**	$	45,894

During the year ended November 30, 2011, Cascadero's share of SESA LLC's losses was $499,501. Of these total losses, $45,893 was recognized in Cascadero's net income to reduce the value of the investment in SESA to a nominal amount.

5. MINERAL PROPERTIES

Toodoggone Property

On July 14, 2004, mineral properties were acquired in accordance with the Property Transfer Agreement dated May 10, 2004 between Stealth Minerals Limited and Cascadero Copper Corporation. The Property Transfer Agreement provided that the purchase price for certain land mineral claims would be equal to 60% of the total mineral property costs incurred by Stealth Minerals Limited as at May 10, 2004. Accordingly, the Company acquired the mineral properties for $6,295,586 and issued 21,000,000 shares to Stealth Minerals Limited.

On January 26, 2006, the Company acquired certain additional mining claims from Stealth Minerals Limited for $150,000 and issued 1,000,000 shares to Stealth Minerals Limited as consideration.

On March 3, 2009, the Company and Gold Fields Toodoggone Exploration Corporation (“Gold Fields”), a wholly owned subsidiary of Gold Fields Netherlands Services BV and a member of the Gold Fields Limited group of companies, signed an Option and Joint Venture Exploration Agreement. The Option Agreement grants Gold Fields an option to acquire a 51% interest in Cascadero’s Toodoggone property by incurring expenditures of at least CDN$5 million over a three year period. If Gold Fields acquires the 51% interest, it has the option to acquire an additional 24% interest in the property by spending an additional $15 million or funding the completion of a feasibility study.

The Option Agreement also provides that Gold Fields, or one of its affiliates, will subscribe for 500,000 units of Cascadero at a price of $0.10 per unit with each unit consisting of one share and one share purchase warrant that can be exercised for one additional common share of the Company at $0.12 per share for one year. If Gold Fields continues with the Option Agreement, it is required to invest a further $100,000 in Cascadero units on each of the first three anniversaries. During the year ended November 30, 2009, Gold Fields purchased the 500,000 units and exercised the 500,000 share purchase warrants. Cascadero paid a finder’s fee of $7,500 to an arm’s length party.

During the year ended November 30, 2010, Gold Fields opted to exercise a Force Majeure on the Toodoggone Option. As a result, it did not purchase any units of Cascadero during the year ended November 30, 2010. This Force Majeure was removed during the year ended November 30, 2011, and Gold Fields subscribed to $100,000 in Cascadero’s shares in March 2011 (Note 7(b)).

Swayze claims

On December 1, 2010, the Company entered into a buy-sell agreement for the Swayze property claims, located in Timmons, Ontario. This property is comprised of the Jessop, Whitesises, Keefer, Rollo, Rainey, Swayze, Garnett and Chester claims (“the Claims”).

Cascadero paid 800,000 of its own shares at a fair value of $152,000 to the sellers in exchange for 100% interest in the Claims.

The claims are subject to a 2% net smelter royalty (“NSR”), 50% of which can be purchased for CAD $2,000,000 within the first year of commercial production.

Jovan property

On March 2, 2011, Cascadero finalized an option agreement with John and Marie Brady (“the Optionors”) to acquire a 100% interest in the Jovan property, subject to a 2.5% Net Smelter Return Royalty (“the NSR”). The Jovan property is comprised of several claims groups. These claims are located in Sudbury, Ontario.

Under the above Agreement, the Company can earn a 100% interest in the Property through making the following cash payments, share issuances, assessment work expenditures and NSR obligations:

5. MINERAL PROPERTIES - continued

Jovan property

Cash payments

- C$25,000 on March 2, 2011, the date of execution of the LOU (paid).
- C$50,000 (cumulative C$75,000) on March 2, 2012, the first anniversary of the LOU execution date (not paid).
- C$75,000 (cumulative C$150,000) on March 2, 2013, the second anniversary of the LOU execution date (not paid).
- C$150,000 (cumulative C$300,000) on March 2, 2014, the third anniversary of the LOU execution date (not paid).

Share issuances of Cascadero

- 150,000 shares of Cascadero issued on March 2, 2011, the date of execution of the LOU (paid – 150,000 Treasury shares at a fair market value of $24,750).
- 150,000 shares of Cascadero (cumulative 30,000 shares) issued on March 2, 2012, the first anniversary of the LOU execution date (not paid).
- 100,000 shares of Cascadero (cumulative 400,000 shares) issued on March 2, 2013, the second anniversary of the LOU execution date (not paid).
- 100,000 shares of Cascadero (cumulative 400,000 shares) issued on March 2, 2014, the third anniversary of the LOU execution date (not paid).

Assessment and work requirements

- C$nil on March 2, 2011, the date of execution of the LOU.
- C$75,000 (cumulative C$75,000) on March 2, 2012, the first anniversary of the LOU execution date (not paid).
- C$100,000 (cumulative C$175,000) on March 2, 2013, the second anniversary of the LOU execution date (not paid).
- C$150,000 (cumulative C$325,000) on March 2, 2014, the third anniversary of the LOU execution date (not paid).
- C$175,000 (cumulative C$500,000) on March 2, 2015, the fourth anniversary of the LOU execution date (not paid).

If the Company completes the required expenditures, it can provide notice to the Optionors and exercise its option to acquire a 100% interest in the Property, subject to the following:

- 3% NSR and a buyout of two-thirds for C$1,500,000 at any time.
- Advance minimum royalty ("AMR") of C$25,000 per year, commencing on the 5^{th} anniversary of this agreement. All AMR payments will be deducted from the NSR payments.

Marble Mountain Property

One of the claims obtained by the Company under the Brady Option Agreement for the Jovan properties (above) is for the Marble Mountain Property.

The Company entered into an Option and Joint Venture Agreement ("the Agreement") with Gold Fields Sudbury Exploration Corporation ("Gold Fields") for this property subsequent to year end (Note 11). Under this agreement, Gold Fields can obtain a 65% interest in the Marble Mountain property as follows:

- Contributing C$600,000 in Permitted Expenditures in respect of the Properties before the Option Period ends.
- Satisfying the Minimum Expenditure Condition.
- Paying to the Owner (John Brady) or Cascadero (as Gold Fields may choose from time to time), in immediately available funds, each cash payment on or before the corresponding Milestone Date.

5. MINERAL PROPERTIES - continued

The three above items collectively comprise the 65% Option Price.

The required cash payments are:

- C$50,000 on the 1st Milestone date (March 11, 2012: five days from the commencement date, which is March 6, 2012) (paid)
- C$50,000 (cumulative C$100,000) on the 2nd Milestone date (January 31, 2013) (unpaid).
- C$100,000 (cumulative C$200,000) on the 3rd Milestone date (January 31, 2014) (unpaid).
- C$500,000 (cumulative C$700,000) on November January 31, 2015 (unpaid).

10% Option
If Gold Fields contributes the 65% option price it is deemed to be granted the 10% option and the option period is deemed to be extended to the JV Commencement Date (the date that Gold contributes the 10% Option).

To earn the 10% interest, Gold Fields has to:

- Solely fund the completion of a feasibility study in respect of any target or deposit within the properties; or
- Otherwise contributing to a milestone amount in expenditures (C$20,000,000 in Expenditures on the Properties in excess of the Option Requirements.

Whichever of the two above items occurs first will be considered valid to earn the 10% Option ("the Option Price").

Jerome and Powerline properties
During the year ended November 30, 2011, the Company made expenditures on mineral properties to which it had not yet formally acquired rights. These expenditures have been written off as at November 30, 2011.

Total costs included in mineral properties for 2011 and 2010 are as follows:

	November 30, 2009 $	Additions $	Disposals/ Write-downs $	November 30, 2010 $
	Acquisition		Total	Total
Toodoggone property				
Acquisition	6,445,586	-	-	**6,445,586**
Deferred exploration – general	3,098,388	-	-	**3,098,389**
mineral property - general	-	1,750	-	**1,750**
consulting	-	48,969	-	**48,969**
staking	-	84,306	-	**84,306**
prospecting	-	15,506	-	**15.506**
others	-	7,520	-	**7,520**
assay	-	7,569	-	**7,569**
	9,543,974	165,620	-	**9,709,594**

5. MINERAL PROPERTIES - continued

	November 30, 2010 $	Additions $	Disposals/ Write-downs $	November 30, 2011 $
	Acquisition		Total	Total
Toodoggone property				
BC, Canada	6,445,586	-	-	6,445,586
Deferred exploration – general	3,098,388	-	-	**3,098,388**
mineral property	1,750	-	-	**1,750**
consulting	48,969	-	-	**48,969**
staking	84,306	-	-	**84,306**
prospecting	15,506	-	-	**15,506**
others	7,520	-	-	**7,520**
assay	7,569	-	-	**7,569**
	9,709.594	-	-	**9,709,594**
Swayze claims				
Timmins, Ontario, Canada				
acquisition	-	152,000	-	**152,000**
consulting	-	19,970	-	**19,970**
staking	-	730	-	**730**
prospecting	-	6,800	-	**6,800**
finders' fees	-	49,500	-	**49,500**
others	-	17,952	-	**17,952**
geological	-	40,590	-	**40,590**
assay	-	1,645	-	**1,645**
	-	289,187	-	**289,187**
Powerline property				
Sudbury, Ontario, Canada				
acquisition	-	10,000	10,000	-
consulting	-	3,175	3,175	-
geological	-	580	580	-
others	-	772	772	-
prospecting	-	12,128	12,128	-
	-	26,655	26,655	-
Jerome property				
Timmins, Ontario, Canada				
Acquisition	-	8,500	8,500	**-**
Consulting	-	127,460	127,460	**-**
Geological	-	1,600	1,600	**-**
prospecting	-	8,584	8,584	**-**
	-	146,144	146,144	**-**
Marble Mountain				
Sudbury, Ontario				
Optioned from John and Marie Brady				
Optioned to: Gold fields				
Acquisition	-	50,500	-	**50,500**
Consulting	-	5,000	-	**5,000**
Assay	-	4.510	-	**4.510**
Geological	-	35,547	-	**35,547**
mob/demob	-	124,974	-	**124,974**
other	-	4,702	-	**4,702**
	-	225,233	-	**225,233**
Jovan claims				
Sudbury, Ontario				
Optioned from John and Marie Brady				
acquisition	-	49,750	-	**49,750**
consulting	-	3,800	-	**3,800**
geological	-	61,680	-	**61,680**
assay	-	16,235	-	**16,235**
others	-	31,979	-	**31,979**
mob/demob	-	45,400	-	**45,400**
	-	208,844	-	**208,844**
General	-	7,500	-	**7,500**
	9,709,593	903,563	172,799	**10,440,357**

5. MINERAL PROPERTIES - continued

Contractual Commitments

The Company holds a 100% interest in 31,409.4 hectares in the Toodoggone River region of north central British Columbia all of which are subject to a net smelter return royalty agreement of 3% on production of all metal in favour of Electrum Resource Corp.

Stealth Mineral Limited has the right to buy down one third of the net smelter return royalty from 3% to 2% on all tenures for $2,000,000. In addition, Stealth Minerals Limited has the further right to buy down an additional one third of the net smelter return royalty on base metal and an additional one sixth on precious metal on three tenures aggregating 1,068.11 hectares for an additional $1,500,000.

Subject to Stealth Mineral Limited's execution of its first buy down right, the Company has the right to buy down an additional one third of the 3% net smelter return royalty or 1% applicable to base metal and an additional one sixth of the 3% net smelter return royalty or 0.5% applicable to precious metal on seventy-two tenures aggregating 30,341.2 hectares of an additional $1,500,000. If all applicable buy downs are completed, the net smelter return royalty in favour of Electrum Resource Corp. is 1% applicable to base metal and 1.5% applicable to precious metal.

The tenures are in good standing until December 31, 2012.

6. EQUIPMENT

		2011				
		Cost		**Accumulated Amortization**		**Net Carrying Amount**
Computer equipment	$	37,503	$	31,013	$	6,490
Furniture and fixtures		591		251		340
	$	**38,094**	**$**	**31,264**	**$**	**6,830**

		2010				
		Cost		**Accumulated Amortization**		**Net Carrying Amount**
Computer equipment	$	35,767	$	27,124	$	8,643
Furniture and fixtures		591		167		424
	$	**36,358**	**$**	**27,291**	**$**	**9,067**

7. SHARE CAPITAL

a) Authorized

Unlimited number of no par value common shares
Unlimited number of preferred shares

b) Issued and Outstanding Common Shares
Please refer to the Statement of changes in shareholders' equity.

During the year ended November 30, 2011:

In January 2011, the Company issued 2,525,000 flow-through shares in a non-brokered private placement at a price of $0.20 per unit for gross proceeds of $505,000. Each unit was comprised of one common share of the Company and one half purchase warrant (1,262,500 warrants). Two half-warrants entitle the holder to purchase one additional common share at $0.25. The warrants expire on December 31, 2011.

In March 2011, the Gold Fields subscribed to and was issued 400,000 units of the Company at a price of $0.25 per unit for gross proceeds of $100,000. Each unit was comprised of one common share of the Company and one purchase warrant. Each warrant entitles the holder to purchase one additional common share at $0.25. The warrants expire on March 19, 2012. A residual value of $28,000 was attributed to the warrants.

In October 2011, the Company issued 2,658,125 flow-through shares in a non-brokered private placement at a price of $0.16 per unit for gross proceeds of $425,300. Cash finders' fees of $4,161 were paid in conjunction with this private placement. Each unit was comprised of one common share of the Company and one purchase warrant, which entitles the holder to purchase one additional common share at $0.20. The warrants expire on October 7, 2013. A residual value of $66,453 was attributed to the warrants.

During the year ended November 30, 2010:

The Company issued 4,000,000 shares in a non-brokered private placement at a price of $0.10 per unit for gross proceeds of $400,000. Each unit was comprised of one common share of the Company and one purchase warrant entitling the holder to purchase one additional common share at $0.15 for a period of two years from the date of closing.

950,000 common share purchase warrants were exercised at $0.10 for total proceeds of $95,000.

c) Stock Option Plan

The Company has a stock option plan for the benefit of directors, management and certain consultants of the Company. Under the plan, the Company may grant options for up to 20% of the issued common shares. The exercise price of each option may be discounted up to 25% from the market price of the Company's common shares on the date of grant and an option's maximum term is five years.

During the year ended November 30, 2011:

The Company recorded total share-based compensation during the year ended November 30, 2011 of $248,282 (2010: $99,144). Of this amount, $185,365 related to options issued in the year ended November 30, 2011, and $62,917 was from options issued during the year ended November 30, 2010 and vested during the year ended November 30, 2011.

In January 2011, the Company granted options to consultants to acquire common shares of the Company. The consultants were granted 600,000 options at an exercise price of $0.18 per share. The options expire on January 14, 2014. The options vest 25% on the grant date, 25% six months from the grant date, 25% nine months from the grant date and 25% eighteen months from the grant date. The Company has recorded share-based compensation expense in the amount of $58,494 for the portion of these options vested during 2011.

7. SHARE CAPITAL - continued

c) Stock Option Plan (continued)

During the year ended November 30, 2011: (continued)

In April 2011, the Company granted 1,150,000 options to a consultant and to two directors to acquire common shares of the Company at an exercise price of $0.25. The options expire on January 14, 2014. The options vest 25% on the grant date, 25% six months from the grant date, 25% nine months from the grant date and 25% eighteen months from the grant date. The Company has recorded share-based compensation expense in the amount of $90,881 for the portion of these options vested during 2011.

In April 2011, the Company granted 400,000 options to a consultant to acquire common shares of the Company. The consultant was granted 400,000 options at an exercise price of $0.25 per share. The options expire on April 1, 2013. The options vest 25% on the grant date, 25% four months from the grant date, 25% eight months from the grant date and 25% twelve months from the grant date. The Company has recorded share-based compensation expense in the amount of $33,646 for the portion of these options vested during 2011.

In November 2011, the Company granted 50,000 options to a consultant to acquire common shares of the Company at an exercise price of $0.12. The options expire on December 12, 2012. The Company has recorded share-based compensation expense in the amount of $2,344 for the portion of these options vested during 2011.

During the year ended November 30, 2010:

In March 2010, the Company granted options to a consultant to acquire common shares of the Company. The consultant was granted 200,000 options at an exercise price of US $0.20 per share, 250,000 options at an exercise price of US $0.30 per share and 300,000 options at an exercise price of US $0.40 per share. The options expire on December 31, 2013. The options vest 25% on the grant date, 25% six months from the grant date, 25% nine months from the grant date and 25% eighteen months from the grant date. The Company has recorded share-based compensation expense in the amount of $72,155 for the portion of these options vested during 2010.

In July 2010, the Company granted options 1,000,000 to Directors, management and consultants to acquire common shares of the Company. The options have an exercise price of $0.12 per share and expire five years from the grant date. The options vest 25% on the grant date, 25% six months from the grant date, 25% twelve months from the grant date and 25% eighteen months from the grant date. The Company has recorded share-based compensation expense in the amount of $26,989 for the portion of these options vested during 2010.

The company recorded total share-based compensation expense of $99,144 (2009: $792,874) related to the options granted in the year

7. SHARE CAPITAL – continued

The following inputs were used to value the four option grants made during 2011 (as the grants were measured under graded vesting, a range of values were used for volatility based on each vesting date):

	January 2011 – 600,000 options
Weighted average risk-free interest rate	1.10% to 1.90%
Dividend yield	0%
Expected volatility	130.47% to 141.61%
Weighted average expected life of option	2.12 to 3.00 years

	April 2011 – 400,000 options
Weighted average risk-free interest rate	1.46% to 2.65%
Dividend yield	0%
Expected volatility	99.06% to 125.25%
Weighted average expected life of option	1.34 to 2.00 years

	April 2011 – 1,150,000 options
Weighted average risk-free interest rate	1.10% to 2.11%
Dividend yield	0%
Expected volatility	140.23% to 141.55%
Weighted average expected life of option	2.12 to 2.78 years

	November 2011 – 50,000 options
Weighted average risk-free interest rate	1.01%
Dividend yield	0%
Expected volatility	98.07%
Weighted average expected life of option	1.07 years

The following inputs were used to value the two option grants made during 2010:

	March 2010
Weighted average risk-free interest rate	2.90%
Dividend yield	0%
Expected volatility	116.39%
Weighted average expected life of option	3.83 years

	July 2010
Weighted average risk-free interest rate	2.44%
Dividend yield	0%
Expected volatility	110.65%
Weighted average expected life of option	5 years

7. SHARE CAPITAL – continued

Option pricing models require the input of highly subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the company's stock options

The following options were outstanding as at November 30, 2011 and 2010:

	2011		2010	
	Outstanding	**Weighted Average Exercise Price**	Outstanding	Weighted Average Exercise Price
Balance, beginning of year	18,149,000	$0.14	18,649,000	$0.15
Increase (decrease):				
Options granted	2,200,000	$0.23	1,750,000	$0.20
Options expired	(1,555,000)	$0.15	(2,100,000)	$0.45
Options cancelled/forfeited	(750,000)	$0.31	(150,000)	$0.15
Balance, end of year	18,044,000	$0.12	18,149,000	$0.14

The following options were exerciseable as at November 30, 2011 and 2010:

	2011		2010	
	Outstanding	**Weighted Average Exercise Price**	Outstanding	Weighted Average Exercise Price
Balance, beginning of year	17,024,000	$0.14	18,649,000	$0.15
Increase (decrease):				
Options granted	2,571,423	$0.23	625,000	$0.20
Options expired	(1,555,000)	$0.15	(2,100,000)	$0.45
Options cancelled/forfeited	(750,000)	$0.31	(150,000)	$0.15
Balance, end of year	17,290,423	$0.12	17,024,000	$0.14

The following table summarizes information about the Company's share options outstanding:

2011			2010		
Number of Options Outstanding	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life Years**	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life Years
1,550,000	$0.25	2.70	300,000	$0.40	3.08
600,000	$0.18	2.11	250,000	$0.30	3.08
3,050,000	$0.15	2.26	200,000	$0.20	3.08
1,050,000	$0.11	3.96	4,605,000	$0.15	2.32
11,794,000	$0.10	1.99	1,000,000	$0.12	4.96
			11,794,000	$0.10	3.09
18,044,000	$0.12	2.22	18,149,000	$0.14	3.00

7. SHARE CAPITAL - continued

(d) Warrants

The following summarizes warrant activity during the year:

	2011		2010	
	Outstanding	**Weighted Average Exercise Price**	**Outstanding**	Weighted Average Exercise Price
Balance, beginning of the year	4,000,000	$0.12	19,500,000	$0.10
Increase (decrease):				
Warrants granted	4,320,625	$0.11	4,000,000	$0.12
Warrants expired	-	-	(18,550,000)	$0.10
Warrants exercised	-	-	(950,000)	$0.10
Balance, end of the year	8,320,625	$0.11	4,000,000	$0.12

The following table summarizes information about the Company's warrants outstanding:

2011			2010		
Number of Warrants Outstanding	**Weighted Average Exercise Price**	**Expiry Date**	Number of Warrants Outstanding	Weighted Average Exercise Price	Expiry Date
4,000,000	$0.10	Sept. 20, 2012			
1,262,500	$0.25	Dec. 31, 2011			
400,000	$0.25	March 19, 2012			
2,658,125	$0.20	Oct. 7, 2012	4,000,000	$0.10	Sept. 20, 2012
8,320,625	$0.12		4,000,000	$0.10	

8. INCOME TAXES

	2011	2010
Loss before income taxes	**$ (1,068,891)**	$ (1,396,647)
Statutory tax rate	**26.63%**	28.63%
Expected income tax recovery	**$ (284,592)**	$ (399,860)
Share issue costs	**(15,995)**	(23,367)
Other temporary differences	**7,556**	2,095
Equity loss of affiliate	**12,219**	172,554
(Gain) / loss on settlement of advances	**96**	(8,748)
Share-based compensation	**66,105**	28,385
Mineral property write-down	**46,008**	-
Change in statutory rate	**165,416**	122,480
Change in the valuation allowance	**3,187**	106,461
Future income tax recovery	**$ -**	$ -

8. INCOME TAXES - continued

The significant components of the Company's future income tax assets are as follows:

		2011		2010
Future income tax assets				
Non-capital losses carry forward	$	**1,356,013**	$	1,227,738
Canadian exploration expenditures		**1,112,344**		1,155,544
Unamortized share issue costs		**15,019**		20,404
		2,483,376		2,403,686
Valuation allowance		(2,483,376)		(2,403,686)
Income tax provision	$	**-**	$	-

A full valuation allowance has been recorded against the net potential future income tax assets associated with the loss carry-forwards and certain other deductible temporary differences as their utilization is not considered more likely than not at this time. Future income tax assets are not recorded for the above tax loss carry-forwards due to uncertainty of their recovery. The tax losses may be subject to audit and adjustment by local tax authorities as well as other local regulations.

The Company has accumulated non-capital losses available for income tax purposes in the amount of $5,424,052 and Canadian exploration expenditures of $5,990,981 available to reduce taxable income of future years. The non-capital losses expire as follows:

2015	$	1,134,046
2026		925,227
2027		830,803
2028		572,658
2029		648,563
2030		799,653
2031		513,102
	$	5,424,052

9. RELATED PARTY TRANSACTIONS

a) The Company has the following balances owed to and from related entities as at November 30, 2011:
   i. $135,419 due to a related Company (2010: $163,481 owed from a related Company). This amount is unsecured, has no specific terms of repayment, and bears interest at a rate of 7.5% per year.
   ii. $ 75,734 due to an officer and director of the Company (2010: $84,718).
   iii. $12,500 due to an immediate family member of the President of the Company (2010: $9,140) for services provided.
   iv. $7,324 due to the CFO of the Company (2010: $nil).
   v. Advances receivable of $530,447 (2010: $665,066) made to equity affiliates.

b) During the year ended November 30, 2011, the Company had the following transactions with related parties:
   i. Charged $11,937 in interest expense on advances payable to a Company with a common President (2010: 11,518 in interest revenue).
   ii. Incurred $160,000 in management fees to a director of the Company (2010: $160,000).
   iii. Reimbursed a director of the Company $82,841 (2010: $84,718) for amounts paid on the Company's behalf for office expenses, travel, telecommunications and vehicle expenses.
   iv. Incurred $36,000 in office and administrative fees charged by an immediate family member of a director of the Company (2010: $26,000).
   v. Incurred $14,550 in accounting fees paid to the CFO (2010: $nil).
   vi. Paid $2,895 in filing fees (2010: $nil) to a Company with a common CFO.
   vii. Paid $99 in office expense reimbursements to a Company with a Common President (2010: $nil).
   viii. Paid $2,863 (2010: $nil) for meals and travel expenses to Directors of the Company (2010: $nil).

c) During the year ended November 30, 2010, the Company received repayment for $356,945 owed by a related company through receipt of 2,500,000 of its own shares, worth $387,500. The shares are recorded separately in equity as Treasury shares. The Company recorded a gain of $30,554 on the settlement of this loan. No such transactions occurred during the year ended November 30, 2011.

10. COMMITMENTS AND CONTINGENT LIABILITY

In order to meet its obligation to the holders of flow-through shares, the Company is committed to carry out approximately $1,610,875 (2010: $1,610,875) in exploration expenditures.

Canada Revenue Agency ("CRA") has disallowed certain exploration expenditures incurred by the Company as non-eligible exploration expenditures that do not qualify for transfer of the tax deduction to holders of the flow-through shares. In this connection, the Company has been assessed by CRA on Part XII.6 tax, in respect of certain flow-through shares issued in the 2004 taxation year, in the amount of $237,976 plus interest of approximately $24,524 for a total of $262,500. Of this total in tax and interest, the Company will not contest an amount of $172,440. Accordingly, this amount has been included in accrued liabilities in the Company's financial statements.

The balance of $90,060 in assessed Part XII.6 tax and interest is being formally contested by the Company as management disagrees with CRA's position on this amount. The outcome of this matter cannot be determined at this time. No provision has been made in these financial statements for this contingent liability.

11. SUBSEQUENT EVENTS

Subsequent to November 30, 2011:

a) The Company granted 2,600,000 stock options to officers, directors and consultants. The options have an exercise price of $0.12 and have expiry dates ranging from one year to five years.

b) The Company issued 3,018,750 flow-through units at $0.16 per unit, for gross proceeds of $483,000. Each unit consists of one flow-through share and on-half flow-through share purchase warrant. Two one-half warrants are exercisable for one year at $0.25 into one flow-through share of the Company. The share subscriptions outstanding as at November 30, 2011 were released as part of this private placement.

c) The Company issued 10,624,999 units at $0.12 per unit, for gross proceeds of $1,515,000. Each unit consists of one common share and one share purchase warrant. Warrants are exercisable for three years at $0.25 into one share of the Company.

d) 1,662,500 warrants expired unexercised.

e) 700,000 warrants expired unexercised.

f) The Company entered into an option agreement with Gold Fields Sudbury for the Company's Marble Mountain property (Note 5).

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year financial statement presentation.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO FINANCING AND INVESTING ACTIVITIES

As at November 30, 2011, the Company had $53,319 (2010: $nil) of mineral property expenditures included in accounts payable.

The Company repaid amounts owing of $6,000 through transfer of 60,000 of its own common shares during the year ended November 30, 2011. These shares had a fair value of $6,000 and a cost of $6,361. The excess in the fair market value over the cost of the shares of $361 was recognized as a loss on settlement in the statement of loss and comprehensive loss.

The Company issued 500,000 of its Treasury shares as consideration for consulting work and finders' fees relating to mineral properties. These shares had a fair value of $83,500 and a cost of $53,007. The excess in the fair market value over the cost of the shares of $30,493 was recognized in contributed surplus.

The Company issued 950,000 of its Treasury shares as consideration for consulting work and finders' fees relating to mineral properties. These shares had a fair value of $176,750 and a cost of $100,712. The excess in the fair market value over the cost of the shares of $76,038 was recognized in contributed surplus.

<u>During the year ended November 30, 2010:</u>
The Company received 2,500,000 of its own common shares from a related Company to settle outstanding advances payable of $356,954 made during the year ended November 30, 2010. A gain of $30,554 on the settlement of this advance was recognized, due to the fair market value of the securities at the date of transfer exceeding the agreed settlement amount.