



**Quarterly Report to Shareholders  
September 30, 2011**

**RED MILE MINERALS CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2011**

**Background**

This discussion and analysis of financial position and results of operations is prepared as at November 29, 2011 and should be read in conjunction with the unaudited interim financial statements and corresponding notes for the period ended September 30, 2011 of Red Mile Minerals Corp. ("Red Mile" or the "Company") which are Red Mile's third interim financial statements prepared in accordance with the new International Financial Reporting Standards ("IFRS"). The new standards became effective January 1, 2011 and replaced the previous Canadian generally accepted accounting principles ("GAAP"). The effects of the new accounting standards are discussed below under New Accounting Policies – Conversion to IFRS.

Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. The following discussion and analysis provides information that management believes is relevant to the assessment and understanding of the Company's results of operations and financial condition. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**Company Overview**

The Company was incorporated under the laws of the Province of Alberta on May 31, 2007 and continued into the Province of British Columbia on June 3, 2010.

The Company issued 2,200,000 common shares, at a price of \$0.10 per share, to the directors, officers and seed shareholders on June 6, 2007 for aggregate gross proceeds of \$220,000.

On August 24, 2007, the Company received final receipts for a prospectus dated August 23, 2007 and became a reporting issuer in the Provinces of Alberta and British Columbia. On November 6, 2007, the Company completed its initial public offering to raise \$800,000. Subsequently, on November 12, 2007, the Company's common shares were listed on the TSX Venture Exchange ("TSXV"), as a capital pool company, under the trading symbol "RDM.P". The Company received final approval of its Qualifying Transaction in February 2010 and subsequently changed its name to Red Mile Minerals Corp. The Company's common shares continue to trade under the symbol "RDM".

**Qualifying Transaction Summary**

The Company completed the arm's length acquisition (the "Acquisition") from Russet Lake Resources Inc. ("Russet Lake") of all of Russet Lake's interest in the option (the "Option") to acquire a 100% interest in the Blue Quartz Property, Beatty Township, Ontario (the "Property"), subject to net smelter return royalties totaling 2.5% (the "NSR"), previously announced by Red Mile in its Press Release dated June 25, 2009. The Option is held under an option agreement between Russet Lake and Thundermin Resources Inc. and Wesdome Gold Mines Ltd. (the "Optionors") dated September 1, 2008 (the "Option Agreement"). Pursuant to the terms of an Assignment and Assumption Agreement dated August 25, 2009, as amended November 27, 2009, (the "Acquisition Agreement") between Red Mile, Russet Lake and the Optionors, Red Mile issued 3,505,000 of its Common Shares to Russet Lake and acquired, by assignment and assumption of remaining obligations, all of Russet Lake's interest in the Option Agreement. Accordingly, Red Mile now holds the Option to acquire a 100% interest in the Property, subject to the NSR. Under the terms of the Acquisition Agreement, the 3,505,000 Common Shares were issued to Russet Lake at a fair value of \$0.06 per Common Share for an aggregate acquisition value of \$210,300 and are subject to Escrow Restrictions as imposed by the TSX Venture Exchange (the "Exchange").

Pursuant to the terms of the Acquisition Agreement, Russet Lake's remaining obligations under the Option Agreement that have been assumed by Red Mile include, in addition to those related to area of interest provisions, the NSR (up to an aggregate 0.5% of which can be bought down for \$500,000), and possible repayment of certain exploration and development expenditures out of net profits from operations on the Property if brought into

production, in respect of which Red Mile is to be indemnified by Russet Lake for any amount Red Mile is required to repay in excess of \$1 million, the following in order to exercise the Option:

- (i) paying \$20,000 and issuing 50,000 Red Mile Common Shares to the Optionors on or before September 1, 2009, which cash payment has been made with funds advanced by Red Mile and which share issuance has been made;
- ii) paying \$20,000 and issuing 100,000 Red Mile Common Shares to the Optionors and completing \$150,000 in work expenditures in respect of the Property on or before September 1, 2010, all of which have been completed; and
- iii) paying \$20,000 and issuing 100,000 Red Mile Common Shares to the Optionors and completing \$250,000 in work expenditures in respect of the Property on or before September 1, 2011, all of which have been completed.

## **Property Descriptions**

### **Blue Quartz**

The Blue Quartz Property is located approximately 12 kilometres north-northeast of Matheson, 73 kilometres east-northeast of Timmins and 56 kilometres northwest of Kirkland Lake, all located in the Province of Ontario.

The Property consists of 25 patented mining claims, all with surveyed boundaries, located in Beatty Township, Ontario. As of April 2004, the patented mining claims have been consolidated into 1 parcel – Parcel 23623 covering approximately 400 ha.

The Qualifying Property is subject to net smelter returns royalties totalling 2.5%, up to an aggregate 0.5% of which can be bought for \$500,000.

Patented claims do not have due dates or expiration dates. Assessment work is filed with the Ontario Ministry of Northern Development and Mines. The only payments in respect to the Qualifying Property are annual tax filings to the Ontario Ministry of Northern Development and Mines (2010 - \$1613.36, and municipal taxes to the township of Black River-Matheson, Ontario (2010 - \$653.85).

After the Qualifying Transaction was approved by the TSXV, the Company formally planned and approved a diamond drill program. Cabo Drilling Ontario Corporation has been awarded the surface diamond drilling contract for approximately 1500 meters of NQ diamond drilling over 6 holes. The program was designed to test Blue Quartz auriferous structures associated with the Pipestone fault at depth below the current underground workings and along strike to the north west of existing workings as outlined in the NI 43-101 Technical Report by Luc Rioux P.Geo., ( Amended July 27<sup>th</sup>, 2009) and filed on Sedar. Total budget for the program was \$200,000 and constituted the final requirement stipulated by the TSX Venture Exchange for minimum listing requirements (MLR) for Red Mile as a Tier 2 issuer. This drill program commenced May 10, 2010 and was completed June, 2010.

The 4-hole drill program tested the gold potential of the Blue Quartz vein and No. 2 vein along strike and down dip from the historical Blue Quartz mine workings developed on these veins. Drill hole collar, azimuth, dip, and hole length information are below:

<b>Hole ID</b>	<b>UTM North*</b>	<b>UTM East*</b>	<b>Azimuth</b>	<b>Dip</b>	<b>Length (m)</b>
RBQ-10-01	5384062	547422	325	-45	351.1
RBQ-10-02	5384062	547422	340	-51	384.0
RBQ-10-03	5384062	547422	340	-45	357.0
RBQ-10-04	5384151	547212	360	-45	409.0

RBQ-10-01 intersected the Blue Quartz vein containing pyrite, arsenopyrite, and sphalerite 150 meters along strike and to the west of previous workings. No significant assays were returned. The main No. 2 vein was intersected 50 meters down dip and directly beneath the western extent of the former mine workings. The vein consisted of pyrite in a quartz chlorite matrix, and assayed 5.3 g/t Au over 2.3 meters. A subsidiary vein system, intersected approximately 40 meters up dip, assayed 0.6 g/t Au over 4.2 meters, and will be referred to as the No. 2a vein.

RBQ-10-02 intersected the Blue Quartz vein 125 meters along strike from the historic workings, however, no significant assays were returned. The No. 2 vein assayed 23.8 g/t Au over 1.0 meter included within 11.9 g/t Au over 2.2 meters, and a broader interval of 1.83 g/t Au of 20.8 meters. The vein was intersected 100 meters down dip from the former mine workings (including BQ-89-12 – 1.06 g/t Au over 25.6 m), and 40 meters below a historic drill intersection (RBQ-90-18) that returned values of 0.86 g/t Au over 75.6 meters.

RBQ-10-03 intersected the Blue Quartz vein 25 meters up dip of RBQ-10-02. No significant assays were returned. The No. 2 vein was intersected from 319-340 meters down hole and 60 meters up dip of RBQ-10-02. Here, a quartz, chlorite pyrite zone was intersected over 0.2 meters and returned 57.4 g/t Au within a broader zone of 1.6 g/t Au over 9.1 meters.

RBQ-10-04 intersected the No. 2 vein which assayed 1.5 g/t Au over 4.0 meters. The No. 2 vein intersection is 40 meters along-strike to the west of the former mine workings and between levels.

A summary of significant gold assay intervals is summarized in Table 1 below.

**Table 1: Significant Assays**

<u>Hole ID</u>	<u>From (m)</u>	<u>To (m)</u>	<u>Interval (m)</u>	<u>Au (g/t)</u>	<u>Vein</u>
RBQ-10-01	301.10	305.30	4.20	0.6	No. 2a
RBQ-10-01	339.15	341.95	2.80	5.3	No. 2
RBQ-10-02	355.10	375.90	20.8	1.8	No. 2
RBQ-10-02	373.70	375.90	2.20	11.9	No. 2
RBQ-10-02	373.90	374.90	1.00	23.8	No. 2
RBQ-10-03	327.80	336.85	9.10	1.6	No. 2
RBQ-10-03	327.80	328.00	0.20	57.4	No. 2
RBQ-10-04	185.70	189.70	4.00	1.5	No. 2

During the period ended September 30, 2011, the Company exercised its option to acquire a 100% interest in the Blue Quartz Property from Thundermin Resources and Wesdome Gold Mines.

In December 2010, the Company signed an option agreement with McLaren Resources Inc (CNSX: MCL) “McLaren” whereby McLaren could earn 50% of the Company’s interest in the Blue Quartz Property. In addition, upon McLaren earning a 50% interest, McLaren would have the right of first refusal for the remaining 50%.

During the period ended September 30, 2011, McLaren exercised the option to acquire 50% of Red Mile’s interest in the Blue Quartz Property by making a cash payment of \$10,000 and spending a minimum of \$200,000 in exploration and development expenditures by September 1, 2011. The Company has signed a Letter of Agreement to form a Joint Venture on the Blue Quartz Property. McLaren issued 100,000 shares to Red Mile during the period ended September 30, 2011 and will become operator of the property on standard industry terms. A definitive Joint Venture agreement is scheduled to be executed within 6 months.

On April 21, 2011 McLaren Resources Inc. announced the results of a 5 hole 1690 metres drilling program including 13.95 grams over 2.0 meters on the Blue Quartz Property located in the eastern part of the Timmins Mining District, 10 km from the Black Fox Mine.

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*Significant Results Include:*

<b>HOLE #</b>	<b>FROM (m)</b>	<b>TO (m)</b>	<b>WIDTH (m)</b>	<b>GRADE (g/t)</b>
<b>MBQ-11-07</b>	77.26	78.26	1.0	13.3
<b>MBQ-11-09</b>	341.7	343.7	2.0	13.95
<b>and</b>	367.0	374.0	7.0	1.34
<b>MBQ-11-10</b>	155.57	158.67	3.1	5.51
<b>Includes</b>	155.57	156.89	1.3	10.5
<b>and</b>	351.00	414.00	63.0	1.21
<b>Includes</b>	357.00	361.00	4.0	5.56
<b>Includes</b>	358.00	359.50	1.5	12.8

*Geotechnical Update*

Diamond Drill holes MBQ-11-9 and 10 were among the 2 deepest holes drilled to date on the property and intersected a wide interval of hydrothermal alteration with gold mineralization that include a substantial width of lower grade mineralization, 1.21 grams per tonne gold over 63 meters as well as a higher grade core of 12.8 grams per tonne gold over 1.5 meters. These 2 holes were located at the west end and below the historic underground workings as well as to the west and below the majority of the limited drilling completed on the property to date. To date the mineralized zone is open to depth and down plunge with indications that the hydrothermal alteration system is increasing in intensity along with both the grade and width of the mineralization.

**Dorset, Newfoundland**

On October 25<sup>th</sup>, 2010, the Company announced that it acquired an option (the "Agreement") to earn a 100% interest in the Dorset gold property located in northern Newfoundland, Canada from Tenacity Holdings Inc. ("Tenacity") of St. John's, Newfoundland.

The Dorset property lies approximately 7km west southwest of Rambler Metals & Mining PLC Ming Mine Project and 10 km southwest of Anaconda Mining Incorporated's Pine Cove Gold Mine. The Dorset Property is comprised of eight mineral licences encompassing 69 claims totalling 1725 hectares in area.

**History**

The Dorset property covers 12 kilometers of strike length along the 'Baie Verte Line' crustal suture prospective for gold mineralization in Newfoundland. The property includes the original Dorset showing discovered in 1988 which assayed up to 408 g/t gold in a grab sample followed by representative channel samples from surface trenching of 177 g/t gold over 0.35 meters; 56 g/t gold over 2.5 meters, and 42 g/t gold over 1.5 meters over a strike length of 150 meters. Gold discoveries in the mid-1990's along strike over the 12 km property length include grab samples from outcrop of 10.9 g/t gold, 18.7 g/t gold, and panned concentrates up to 6.2 g/t gold in locally-derived till. None of these have been followed up by diamond drilling or trenching.

John Hickey, President & CEO of Red Mile commented: "We are excited about acquiring a quality property in a structurally favourable setting, that has been under-explored and has had several multi ounce gold showings."

## **Transaction Terms**

To acquire a 100% interest in Tenacity's Dorset Property, Red Mile will issue 100,000 shares in tranches: 25,000 upon signing (issued) and 25,000 shares every 6 months for 18 months (50,000 issued). In addition it will issue 1,000,000 non-transferable common share purchase warrants in tranches: 250,000 upon Regulatory Approval (issued), and 250,000 every 6 months (500,000 issued), for eighteen months after signing of the Agreement. The share purchase warrants entitle Tenacity to purchase one common share per warrant for a period of eighteen months from the date of issue at a price equal to the closing market price on the day prior to the respective dates of issuance of the warrants.

Red Mile must also incur exploration expenses of not less than \$750,000 by October 18, 2015. A 2.5% net smelter return royalty ("NSR" or "Royalty") has been reserved in favour of Tenacity; Red Mile may purchase and terminate 40% of the Royalty at any time upon paying to Tenacity Gold an aggregate cash payment of \$1,000,000 whereupon the Royalty will be reduced to a 1.5% NSR.

## **Work Plan**

Field work commenced in early March 2011 on the Dorset Property. In preparation for diamond drilling, the Company cut 75 line kilometers of grid in order to facilitate ground based magnetic surveys, IP geophysical surveys, and soil surveys. Magnetic surveys were carried out at 100 meter line spacing, while the IP was carried out on 200 meter spaced lines, and locally tightened to 100 meters when anomalies required detail.

Several high priority anomalies were identified by the geophysical surveys. Approximately 750 B-horizon soils were collected for gold in order to better define the geophysical targets. Samples were collected on 100 meter spaced lines, with a sample spacing of 25 metres.

IP geophysical surveys outlined 4 significant trends consisting of high resistivity, moderate to strong chargeability or a combination of both. These trends ranged in length from 900 to 1400 meters. The most significant trend is a high resistivity target associated with historic grab samples that assayed up to 18.7 g/t gold. This trend is known as the Perseverance trend.

At the end of the period ending September 30, 2011, the Company began the previously announced drill program (see Press Release dated September 27, 2011) on the Dorset property, completing 13 holes for a total of approximately 1900 metres. Samples have been sent for assay, and the Company expects complete results by year end.

## **Forward Looking Statements**

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of gold; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made.

Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such forward-looking information would include, but is not limited to, risks related to:

- the Company's goal of creating shareholder value by concentrating on the acquisition and development of properties that have the potential to contain economic gold;
- management's assessment of future plans for the Company's Blue Quartz Property;
- management's economic outlook regarding future trends;
- the Company's expected exploration plans for Blue Quartz, and, in particular, the availability of skilled labour, timing and the amount of the expected exploration budget;
- the Company's ability to meet its working capital needs at the current level in the short term;
- expectations with respect to raising capital; and
- governmental regulation and environmental liability.

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, other factors could also cause materially different results. There can be no assurance that forward-looking statements will prove to be accurate and readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

### **Selected Interim Financial Information**

There were no changes to quarterly 2010 financial information required as a result of the conversion to IFRS. A summary of selected interim financial information is as follows:

	For the three month period ended							Canadian
	IFRS							GAAP
	Sept.30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31
	2011	2011	2011	2010	2010	2010	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and term deposits	528,387	211,154	378,117	499,367	90,765	179,294	477,090	593,382
Loss before income taxes	(34,324)	(35,770)	(56,750)	(40,645)	(40,532)	(104,780)	(99,594)	(67,543)
Loss for the quarter	(24,113)	(27,301)	(30,076)	(40,645)	(40,532)	(104,780)	(99,594)	(67,543)
Loss per share (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Total assets	1,300,244	925,889	1,003,806	961,204	540,387	587,973	687,348	620,922

The Company has had no revenues other than interest on term deposits. Accordingly, each quarter, cash and term deposits have decreased as funds are spent on property acquisition and exploration, as well as on administrative expenses and increased by funds raised through financings. Cash and term deposits have remained relatively stable as compared to December 31, 2010 as private placement funding has offset administrative expenses and expenditures on the Dorset Property in Newfoundland made during the period. Administrative expenses have remained relatively stable as compared to the previous two quarters. The loss before income taxes for the current quarter of \$34,324 is comparable to the loss for the third quarter 2010.

The Company recorded deferred tax recovery amounts totalling \$45,354 during the first three quarters of 2011 as a result of realization of premiums on the December 2010 private placement flow-through shares relating to expenditures renounced effective December 31, 2010 which were expended at September 30, 2011.

### **Financial Condition / Capital Resources**

Since inception, the Company's capital resources have been limited to amounts raised from the sale of common shares in the Company. From inception to December 31, 2009, the Company raised \$1,020,000 gross proceeds from the sale of its common shares.

In December 2010, the Company issued 1,225,000 units at a price of \$0.10 per unit and 2,500,000 flow-through units at \$0.125 for total proceeds of \$435,000 by way of a non-brokered private placement. Each non-flow-through unit consisted of one common share and one common share purchase warrant exercisable for two years at a price of \$0.20. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant, each whole warrant exercisable for two years at a price of \$0.25. The Company also issued 25,000 non-flow-through units (valued at \$2,500) and 168,000 common share purchase warrants (valued at \$10,080) as finders' fees on completion of the private placement. The finders' units bear the same rights as the non-flow-through units of the private placement. The finders' warrants are exercisable for a period of one year at a price of \$0.10. The Company also paid \$10,000 in finders' fees.

On August 26<sup>th</sup>, the Company closed the first tranche of a non-brokered private placement of \$350,000. Red Mile issued 2,800,000 flow-through units at a price of \$0.125 per unit. Each flow-through unit is comprised of one common share and one-half of one non-flow-through share purchase warrant, with each whole warrant exercisable into a common share at an exercise price of \$0.15 for a term of 24 months. On September 26<sup>th</sup>, the Company closed the second tranche, issuing 400,000 flow-through units at a price of \$0.125 per unit on the same terms as the first tranche.

A cash finder's fee of \$19,250, representing 5.5% of the gross proceeds of the Offering, was paid by Red Mile in connection with the Offering as well as the issuance by Red Mile of non-transferable options (the "Finder Options") to acquire 288,000 units of Red Mile (the "Finder Units"). The Finder Option is exercisable into Finder Units for a period of 24 months following the closing of the Offering at an exercise price of \$0.125 per Finder Unit. Each Finder Unit will consist of one common share of Red Mile and one-half of one common share purchase warrant of Red Mile, with each whole warrant exercisable into a common share at an exercise price of \$0.15 for a term of 24 months. The gross proceeds of the Offering will be used to continue exploration activities primarily on the Company's Dorset property in Newfoundland.

As at September 30, 2011, the Company had working capital of \$461,803. At the current rate of expenditure, the Company has sufficient working capital to meet its 2011 administrative overhead and complete its 2011 work expenditures on its mineral properties.

### **Related Party Transactions**

The Company entered into the following transactions with related parties during the period ended September 30, 2011:

- a) paid management fees of \$37,500 (2010 - \$33,333) to a director and officer of the Company;
- b) paid accounting fees of \$15,890 (2010 - 25,300) to parties related to a director of the Company.

Included in accounts payable at September 30, 2011 is \$3,304 (December 31, 2010 - \$3,651) owing to officers and directors of the Company and parties related thereto.

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

### **Income Taxes**

The Company currently has no active business and therefore any tax liability is limited to taxes on income received from cash on deposit. In the future, the Company anticipates that this tax position will change. During the first nine months of 2011, the Company recorded a deferred income tax recovery in the amount of \$45,354 relating to unrenounced flow-through share premiums on flow-through shares issued in December 2010 and during the period ended September 2011. A liability for unrenounced flow-through share premiums in the amount of \$97,146 remains on the balance sheet which will be discharged as the remaining flow-through funds are expended.

For the year ended December 31, 2010, expenses exceeded interest income, resulting in a loss for tax purposes.

## **Risks and Uncertainties**

As the Company has not commenced principal operations, historical revenue and expenditure trends are not indicative of future activity. The Company has committed to certain work expenditures on the Blue Quartz gold property, and may enter into future agreements. The ability of the Company to fund its future operations and commitments is dependent on its ability to obtain additional financing.

Risks of the Company's business include the following:

### *Mining Industry*

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration and development of ore, including unusual and unexpected geology formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to life or property, environmental damage and possible legal liability. The Company's mineral exploration activities are directed towards the search, evaluation and development of mineral deposits. There is no certainty that the expenditures to be made by the Company as described herein will result in discoveries of commercial quantities of ore. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will have, for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

### *Government Regulation*

The exploration activities of the Company are subject to various federal, provincial and local laws governing prospecting, development, taxes, labour standards, toxic substances and other matters. Exploration activities are also subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws mandate, among other things, the maintenance of air and water quality standards, and land reclamation. These laws also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Although the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations governing operations and exploration activities, no assurance can be given that new rules and regulations, amendments to current laws and regulations or more stringent implementation thereof could have a substantial adverse impact on the Company's activities.

### *Permits and Licenses*

The exploitation and development of mineral properties may require the Company to obtain regulatory or other permits and licenses from various governmental licensing bodies. There can be no assurance that the Company will be able to obtain all necessary permits and licenses that may be required to carry out exploration, development and mining operations on its properties.

### *Environmental Risks and Hazards*

All phases of the Company's mineral exploration operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulations, laws and permits, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability.

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

### *Commodity Prices*

The profitability of mining operations is significantly affected by changes in the market price of gold and other minerals. The level of interest rates, the rate of inflation, world supply of these minerals and stability of exchange rates can all cause significant fluctuations in base metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of gold and other minerals has fluctuated widely in recent years, and future serious price declines could cause commercial production to be impracticable.

### *Uninsured Risks*

The Company carries insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution or other hazards against which such corporations cannot insure or against which they may elect not to insure.

### *Conflicts of Interest*

Certain of the directors of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

### *Land Title*

Although the Company has obtained a title opinion with respect to its property, there may still be undetected title defects. Accordingly, the property may be subject to prior unregistered liens, agreements, transfers, claims or other undetected defects, which may affect title and could have a material adverse impact on the Company's operations.

### *Aboriginal Land Claims*

No assurance can be given that aboriginal land claims will not be asserted in the future, in which event, the Company's operations and title to its property may be adversely affected.

## **New Accounting Policies**

### **Conversion to IFRS**

The interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

As a result of the conversion to IFRS, the significant accounting policies of the Company have been included in Note 2 - Summary of Significant Accounting Policies in the interim financial statements for the nine months ended September 30, 2011. Details of the changes required to previous financial statements as a result of this conversion are detailed in Note 14 – Transition to IFRS in the September 30, 2011 interim financial statements.

## **Recent Accounting Pronouncements**

### **Amendments to IFRS 7 "Financial Instruments: Disclosures"**

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011

### **New standard IFRS 9 "Financial Instruments"**

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This new standard is effective for annual periods beginning on or after January 1, 2013.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

## **Additional Disclosure for Venture Issuers Without Significant Revenue**

### **Third Quarter Operating Expenses**

#### **EXPENSES**

Amortization	\$ -	\$ 855
Corporate administration fees	1,418	(2,557)
Management and financial consulting	15,270	13,094
Office and miscellaneous	1,486	499
Professional fees	3,126	5,851
Promotion and advertising	335	2,820
Property evaluation costs	-	2,453
Regulatory fees and transfer agent fees	3,622	4,573
Rent	4,500	12,000
Stock-based compensation	-	-
Telephone	1,200	1,200
Travel and related costs	376	-
	<u>\$ 31,333</u>	<u>\$ 40,788</u>

#### **Disclosure of Outstanding Share Data**

##### **Authorized and Issued Share Capital**

<b>Class</b>	<b>Par Value</b>	<b>Authorized</b>	<b>September 30, 2011 Issued</b>	<b>November 29, 2011 Issued</b>
Common	Nil	Unlimited	17,075,000	17,100,00
Preferred	Nil	Unlimited	Nil	Nil

During the period ended September 30, 2011, the Company issued 3,200,000 flow-through units at \$0.125 per unit pursuant to a non-brokered private placement. Each flow-through unit is comprised of one common share and one-half of one non-flow-through share purchase warrant, with each whole warrant exercisable into a common share at an exercise price of \$0.15 for a term of 24 months.

Also during the period, the Company issued 25,000 shares pursuant to its Dorset property option, 100,000 shares pursuant to its Blue Quartz property option and 60,000 shares in settlement of services provided to the Company. Subsequent to the period end, the Company issued an additional 25,000 shares pursuant to its Dorset property option.

#### **Escrowed Shares**

The initial 2,200,000 common shares issued on incorporation and all common shares that may be acquired from treasury of the Company by non-arm's length parties of the Company prior to completion of a Qualifying Transaction

have been deposited with Computershare Investor Services Inc. under the Escrow Agreement dated June 30, 2007. Subsequent to the Company's completion of its Qualifying Transaction, 10% of these shares were released, and an additional 15% will be released each six months thereafter. The 3,505,000 shares issued to acquire the Blue Quartz property were deposited into escrow, with 175,250 released upon approval by the TSX of the Qualifying Transaction, 175,250 released 6 months later and the balance to be released on a schedule over a period of 2.5 years. 132,000 common shares held by insiders were deposited into escrow, with 10% released upon approval by the TSX of the Qualifying Transaction, and an additional 15% to be released each 6 months thereafter.

### **Description of Options, Warrants and Convertible Securities Outstanding September 30, 2011**

<b>Security Type</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Options	460,000	\$0.20	November 6, 2012
Options	225,000	\$0.10	February 4, 2015
Finders Options	252,000	\$0.125	August 26, 2013
Finders Options	36,000	\$0.125	September 29 2013
Warrants	250,000	\$0.10	November 17, 2015
Warrants	25,000	\$0.20	December 24, 2012
Warrants	168,000	\$0.10	December 24, 2011
Warrants	1,225,000	\$0.20	December 24, 2012
Warrants	1,250,000	\$0.25	December 24, 2012
Warrants	250,000	\$0.135	April 11, 2016
Warrants	1,400,000	\$0.15	August 26, 2013
Warrants	200,000	\$0.15	September 26, 2013

During the period, 160,000 stock options exercisable at \$0.20 expired and the Company issued 250,000 warrants exercisable at \$0.135 to April 11, 2016 pursuant to the Dorset property option as well as 2,800,000 one-half warrants, with each whole warrant exercisable into a common share at \$0.15 for a period of 2 years pursuant to its private placement. As part of the private placement, 288,000 finders' options were issued, exercisable at \$0.125 for a period of 2 years to purchase one common share and one-half share purchase warrant, with each whole warrant exercisable into one common share at an exercise price of \$0.15 for 2 years from the date of issue.

Subsequent to the period end, the Company issued 900,000 stock options to certain officers, directors and/or consultants exercisable at \$0.10 for a period of five years and 250,000 warrants exercisable at \$0.10 pursuant to the Dorset property option.

## **Description of Options, Warrants and Convertible Securities Outstanding November 29 2011**

Security Type	Number	Exercise Price	Expiry Date
Options	460,000	\$0.20	November 6, 2012
Options	225,000	\$0.10	February 4, 2015
Options	900,000	\$0.10	October 6, 2016
Finders Options	252,000	\$0.125	August 26, 2013
Finders Options	36,000	\$0.125	September 29 2013
Warrants	250,000	\$0.10	November 17, 2015
Warrants	25,000	\$0.20	December 24, 2012
Warrants	168,000	\$0.10	December 24, 2011
Warrants	1,225,000	\$0.20	December 24, 2012
Warrants	1,250,000	\$0.25	December 24, 2012
Warrants	250,000	\$0.135	April 11, 2016
Warrants	1,400,000	\$0.15	August 26, 2013
Warrants	200,000	\$0.15	September 26, 2013
Warrants	200,000	\$0.10	October 17, 2016

### **Additional Information**

Additional information relating to the Company can also be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**RED MILE MINERALS CORP.**

**NOTICE OF NO AUDITOR REVIEW OF 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 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 interim financial statements of the Company have been prepared by and are the responsibility of the Company's 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 interim financial statements by an entity's auditor.

*"John Hickey"*

President and Chief Executive Officer

**RED MILE MINERALS CORP.**  
**INTERIM STATEMENTS OF FINANCIAL POSITION**  
**Unaudited**  
*Prepared by management*

	<b>September 30</b>	<b>December 31</b>	<b>January 1</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>ASSETS</b>			
<b>Current</b>			
Cash	\$ 528,387	\$ 499,367	\$ 93,382
Term deposits	-	-	500,000
Receivables	8,312	4,786	4,120
Prepaid expenses	-	6,195	-
	<u>536,699</u>	<u>510,348</u>	<u>597,502</u>
<b>Computer software (Note 6)</b>	-	-	3,420
<b>Advance on mineral property agreement (Note 7)</b>	-	-	20,000
<b>Exploration and evaluation expenditures (Note 7)</b>	748,545	477,531	-
<b>Investment (Note 8)</b>	15,000	-	-
	<u>\$ 1,300,244</u>	<u>\$ 987,879</u>	<u>\$ 620,922</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>			
Accounts payable and accrued liabilities	\$ 74,896	\$ 42,011	\$ 56,458
<b>Unrenounced flow-through share premium (Note 8)</b>	97,146	60,500	-
	<u>172,042</u>	<u>102,511</u>	<u>56,458</u>
<b>Shareholders' Equity</b>			
Share capital (Note 9)	1,685,551	1,403,127	837,102
Contributed surplus (Note 9)	195,726	178,245	137,815
Deficit	(753,075)	(696,004)	(410,453)
	<u>1,128,202</u>	<u>885,368</u>	<u>564,464</u>
	<u>\$ 1,300,244</u>	<u>\$ 987,879</u>	<u>\$ 620,922</u>

**Nature of business and going concern (Note 1)**  
**Contingency (Note 13)**

**On behalf of the Board:**

*"John V. Hickey"*

Director

*"Bob Matheson"*

Director

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

**RED MILE MINERALS CORP.**  
**INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

**Unaudited**

*Prepared by management*

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(Note 13)		(Note 13)	
<b>EXPENSES</b>				
Amortization	\$ -	\$ 855	\$ -	\$ 2,565
Corporate administration fees	3,173	(2,557)	4,708	11,328
Management and financial consulting	29,000	13,094	50,365	42,718
Office and miscellaneous	2,384	499	3,342	3,145
Professional fees	6,982	5,851	14,816	86,913
Promotion and advertising	822	2,820	8,483	32,211
Property evaluation costs	-	2,453	-	2,453
Regulatory fees and transfer agent fees	12,008	4,573	23,493	30,588
Rent	9,000	12,000	13,500	12,000
Stock-based compensation (Note 11)	-	-	-	18,000
Telephone	2,433	1,200	3,633	2,368
Travel and related costs	1,304	-	1,516	1,710
Loss before other item	(67,106)	(40,788)	(123,856)	(245,999)
<b>OTHER ITEM</b>				
Interest income	12	256	12	1,093
Unrealized loss on investment	(3,000)	-	(3,000)	-
	(2,988)	256	(2,988)	1,093
Loss before income taxes	(70,094)	(40,532)	(126,844)	(244,906)
Deferred income tax recovery	18,680	-	45,354	-
<b>Loss and comprehensive loss for the period</b>	<b>\$ (51,414)</b>	<b>\$ (40,532)</b>	<b>\$ (81,490)</b>	<b>\$ (244,906)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding during the period</b>	<b>14,882,609</b>	<b>9,763,307</b>	<b>14,102,967</b>	<b>9,397,070</b>

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

**RED MILE MINERALS CORP.**  
**INTERIM STATEMENTS OF CASH FLOWS**  
**Unaudited**

*Prepared by management*

	Nine Months Ended September 30	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (81,490)	\$ (244,906)
Items not affecting cash:		
Amortization	-	2,565
Promotion and advertising	(1,800)	-
Stock-based compensation	-	18,000
Unrealized loss on investment	3,000	-
Deferred income tax recovery	(45,354)	-
	<u>(125,644)</u>	<u>(224,341)</u>
Changes in non-cash working capital items:		
Increase in receivables	(3,526)	(15,916)
Decrease in prepaid expenses	6,195	-
Increase (decrease) in accounts payable and accrued liabilities	31,387	(34,594)
Net cash used in operating activities	<u>(91,588)</u>	<u>(274,851)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Term deposits	-	500,000
Exploration and evaluation expenditures	(238,641)	(227,766)
Net cash used in investing activities	<u>(238,641)</u>	<u>272,234</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for cash	410,000	-
Share issue costs	(50,751)	-
Net cash provided by investing activities	<u>359,249</u>	<u>-</u>
<b>Change in cash during the period</b>	29,020	(2,617)
<b>Cash, beginning of period</b>	<u>499,367</u>	<u>93,382</u>
<b>Cash, end of period</b>	<u>\$ 528,387</u>	<u>\$ 90,765</u>

**Supplemental disclosure with respect to cash flows (Note 12)**

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

**RED MILE MINERALS CORP.**  
**INTERIM STATEMENT OF SHAREHOLDERS' EQUITY**  
**SEPTEMBER 30, 2011**

**Unaudited**

*Prepared by management*

	Common Shares		Share-based	Deficit	Total
	Number	\$	Payments Reserve		
Balance at January 1, 2010	6,200,000	\$ 837,102	\$ 137,815	(410,453)	564,464
Share-based payments for the acquisition of properties	3,555,000	178,250	-	-	178,250
Stock-based compensation	-	-	10,350	-	10,350
Loss for the period	-	-	-	(244,906)	(244,906)
Balance at September 30, 2010	9,755,000	1,015,352	148,165	(655,359)	508,158
Private placement	3,725,000	435,000	-	-	435,000
Share-based payments for the acquisition of properties	125,000	44,800	-	-	44,800
Share-based payments for services	85,000	7,000	-	-	7,000
Fair value of warrants issued for property	-	-	20,000	-	20,000
Fair value of finders' warrants	-	(10,080)	10,080	-	-
Share issue costs	-	(18,445)	-	-	(18,445)
Share subscriptions receivable	-	(10,000)	-	-	(10,000)
Premium on flow-through shares	-	(60,500)	-	-	(60,500)
Loss for the period	-	-	-	(40,645)	(40,645)
Balance at December 31, 2010	13,690,000	1,403,127	178,245	(696,004)	885,368
Private placement	3,200,000	400,000	-	-	400,000
Share issue costs	-	(50,751)	-	-	(50,751)
Fair value of finders' options	-	(14,400)	14,400	-	-
Share subscriptions received	-	10,000	-	-	10,000
Expiry of options	-	-	(24,419)	24,419	-
Premium on flow-through shares	-	(82,000)	-	-	(82,000)
Share-based payments for the acquisition of properties	125,000	12,375	-	-	12,375
Share-based payments for services	60,000	7,200	-	-	7,200
Fair value of warrants issued for property	-	-	27,500	-	27,500
Loss for the period	-	-	-	(81,490)	(81,490)
Balance at September 30, 2011	17,075,000	\$ 1,685,551	\$ 195,726	\$ (753,075)	\$ 1,128,202

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

## **Note 1 NATURE OF BUSINESS AND GOING CONCERN**

Red Mile Minerals Corp (the "Company") was incorporated under the Business Corporations Act of Alberta on May 31, 2007 as a Capital Pool Company ("CPC") as defined by Policy 2.4 of the TSX Venture Exchange (the 'TSXV'). Effective February 17, 2010, the Company changed its name from Red Mile Capital Corp. to Red Mile Minerals Corp. During the 2010 year, the Company completed its Qualifying Transaction by acquiring from Russet Lake Resources Inc. all of Russet Lake's interest in the Blue Quartz gold property located in Beatty Township, Ontario. See Mineral Property, Note 7. Effective January 19, 2010, the Company was no longer considered a capital pool company.

The head office, principal address and records office of the Company are located at 1066 West Hastings Street, Suite 2300, Vancouver, British Columbia, Canada, V6E 3X2. The Company's registered address is 1199 West Hastings Street, Suite 950, Vancouver, British Columbia, Canada, V6E 3T5.

The Company incurred a net loss of \$81,490 (2010: \$244,906) for the period ended September 30, 2011 and had an accumulated deficit of \$753,075 at September 30, 2011 which has been funded primarily by the issuance of equity. The ability of the Company to continue as a going concern is uncertain and is dependent upon the ability of the Company to obtain additional financing. In the event the additional financial support is not received, the carrying value of the Company's assets may be adversely affected.

These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

## **Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Statement of compliance and conversion to International Financial Reporting Standards

The interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

This 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 December 31, 2010. However, this interim financial report, being the first IFRS financial report, provides selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 13.

### Basis of presentation

The 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.

## **Note 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

### Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

### Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

### Term deposits

Term deposits consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase.

### Financial instruments

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

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

## **Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

### Financial instruments (cont'd)

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

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

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

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

The Company classifies its cash, term deposits and investment as held-for-trading and accounts payable as other financial liabilities.

### Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

## **Note 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

### Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. For those options that expire after vesting, the recorded value is transferred retained earnings (deficit).

### Income taxes

#### *Deferred income tax*

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### Flow-through shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability (“flow-through tax liability”) and included in trade payables and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

## **Note 3      ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

### Amendments to IFRS 7 “Financial Instruments: Disclosures”

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011

### **Note 3 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd)**

#### New standard IFRS 9 “Financial Instruments”

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. This new standard is effective for annual periods beginning on or after January 1, 2013.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

### **Note 4 FINANCIAL INSTRUMENTS AND RISK**

#### Financial Instruments

The following table summarizes information regarding the carrying values of the Company’s financial instruments:

	<b>September 30</b>	<b>December 31</b>	<b>January 1</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash – Held-for-trading	528,387	499,367	93,382
Term deposits – Held-for-trading	-	-	500,000
Investment	15,000	-	-
Accounts payable - Other financial liabilities	27,747	22,111	46,918

The estimated fair values of cash, term deposits and accounts payable approximate their respective carrying values due to their nature and short terms to maturity.

#### Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company’s maximum credit risk is \$528,387 consisting of cash. The Company limits its exposure to credit loss for cash by placing such instruments with high credit quality financial institutions. The values of these instruments may exceed amounts insured by an agency of the government of Canada. In management’s opinion, the Company’s credit risk related to cash is minimal.

#### Liquidity Risk

The Company's manages its liquidity risk in order to ensure that it will have sufficient financial resources to meet liabilities when due. As at September 30, 2011, the Company had working capital of \$461,803. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at September 30, 2011, the Company has adequate working capital to discharge its existing financial obligations. The Company does not have investments in any asset backed deposits.

#### Foreign Exchange Risk

The Company does not have significant foreign exchange risk as its administrative operations are all in Canadian dollars.

#### Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company’s exposure relates to its ability to earn short term interest on cash and term deposit balances at variable rates. The Company has no long-term debt and therefore is not affected by changes in long-term interest rates. With respect to interest rate risk management, the Company is at risk to open market fluctuation in interest rates.

#### **Note 4 FINANCIAL INSTRUMENTS AND RISK (cont'd)**

##### Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities.

##### Fair Value Measurements

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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.

At September 30, 2011, the Company had cash on its balance sheet, measured at fair value using Level 1 of the hierarchy, in the amount of \$528,387 (December 31, 2010 - \$499,367; January 31, 2010 - \$93,382).

#### **Note 5 MANAGEMENT OF CAPITAL**

The Company defines capital as all components of shareholders' equity. 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, exploration and development of mineral properties. 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 is not subject to any externally imposed capital requirements.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. As at September 30, 2011, the Company had capital resources consisting of cash. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts through share issuances as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's investment policy is to invest in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

**Note 6 COMPUTER SOFTWARE**

	September 30, 2011		December 31, 2010		January 1, 2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Net Book Value
Computer software	\$ 4,560	\$ 4,560	\$ -	\$ -	\$ 3,420

**Note 7 EXPLORATION AND EVALUATION ASSETS**

	Blue Quartz Property	Dorset Property	Total September 30, 2011
<b>Acquisition and maintenance costs</b>			
Balance, beginning of period	\$ 252,817	\$ 22,500	\$ 275,317
Additions during the period:			
Cash paid	20,000	-	20,000
Advances applied to acquisition	-	-	-
Fair value of shares issued	9,000	3,375	12,375
Fair value of warrants issued	-	27,500	27,500
Mining and property taxes	2,371	-	2,371
Balance, end of period	284,188	53,375	337,563
<b>Deferred exploration costs</b>			
Balance, beginning of period	202,214	-	202,214
Additions during the period:			
Assays, testing and analysis	-	10,477	10,477
Diamond drilling	-	32,528	32,528
Licencing and claim maintenance	-	18,275	18,275
Line cutting	-	37,000	37,000
Surveys	-	128,488	128,488
Balance, end of period	202,214	226,768	428,982
Shares received from optionee	(18,000)	-	(18,000)
<b>Total, end of period</b>	<b>\$ 468,402</b>	<b>\$ 280,143</b>	<b>\$ 748,545</b>

**Note 7 EXPLORATION AND EVALUATION ASSETS (cont'd)**

	Blue Quartz Property	Dorset Property	Total December 31, 2010
<b>Acquisition and maintenance costs</b>			
Balance, beginning of year	\$ -	\$ -	\$ -
Additions during the year:			
Cash paid	20,000	-	20,000
Advances applied to acquisition	20,000	-	20,000
Fair value of shares issued	220,550	2,500	223,050
Fair value of warrants issued	-	20,000	20,000
Mining and property taxes	2,267	-	2,267
Balance, end of year	262,817	22,500	285,317
<b>Deferred exploration costs</b>			
Balance, beginning of year	-	-	-
Additions during the year			
Assays, testing and analysis	9,170	-	9,170
Camp construction and supplies	7,089	-	7,089
Diamond drilling	136,960	-	136,960
Geology, geophysics and prospecting	42,934	-	42,934
Transportation and travel	6,061	-	6,061
Balance, end of year	202,214	-	202,214
Option agreement payment	(10,000)	-	(10,000)
<b>Total, end of year</b>	<b>\$ 455,031</b>	<b>\$ 22,500</b>	<b>\$ 477,531</b>

**Blue Quartz Property, Ontario**

During the year ended December 31, 2009, the Company entered into an agreement with Russet Lake Resources Inc. (Russet Lake) to acquire a 100% interest in the Blue Quartz gold property located in northern Ontario. Russet Lake holds an option to acquire the 100% interest subject to net smelter return (NSR) royalties of 2.5%.

During the year ended December 31, 2010, the agreement received regulatory approval and the acquisition was completed. In order to acquire this interest, the Company issued a total of 3,655,000 of its common shares (valued at \$220,500) and made cash payments of \$40,000. The Company was required to make a cash payment of \$20,000, issue 100,000 of its common shares, and complete \$250,000 in work expenditures on or before September 1, 2011. During the period ended September 30, 2011, the requirements were fulfilled and the Company exercised the option.

Up to an aggregate 0.5% of the NSR can be bought back for \$500,000.

Also, during the year ended December 31, 2010, the Company entered into an option agreement whereby the optionee could earn 50% of the Company's interest in the property by making a cash payment of \$10,000 and spending a minimum of \$200,000 in exploration and development expenditures on or before September 1, 2011.

## **Note 7 EXPLORATION AND EVALUATION ASSETS (cont'd)**

### **Blue Quartz Property, Ontario (cont'd)**

During the period ended September 30, 2011, these requirements were fulfilled and the option was exercised. The optionee has right of first refusal for the remaining 50%. The Company has also signed a letter of agreement to form a joint venture with the optionee. The optionee has issued 100,000 shares (valued at \$18,000) to the Company and will become operator of the property on standard industry terms. The joint venture agreement is scheduled to be executed within 6 months.

### **Dorset Property, Newfoundland**

On October 18, 2010, the Company entered into an option agreement to earn a 100% interest in the Dorset gold property located in northern Newfoundland. In order to acquire this interest, the Company issued 25,000 common shares (valued at \$2,500) and must issue a further 75,000 shares at 6 month intervals within 18 months of the signing date of the agreement (25,000 issued, valued at \$3,375). The Company has also issued 250,000 common share purchase warrants (valued at \$20,000) and must issue a further 750,000 warrants at 6 month intervals within 18 months of the signing date of the agreement (250,000 issued, valued at \$27,500). The Company must also incur exploration expenses of not less than \$750,000 by October 18, 2015.

The property is subject to a 2.5% NSR. The Company may purchase 40% of the NSR for \$1,000,000.

## **Note 8 INVESTMENT**

The investment consists of shares in a publicly traded company valued at the September 30, 2011 market price as published in the Canadian National Stock Exchange trading daily market summary. These shares were acquired at a fair value of \$18,000 as part of the Blue Quartz letter of agreement to form a joint venture. (See note 7.)

## **Note 9      SHARE CAPITAL**

### **Authorized**

Unlimited common voting shares, without par value

Unlimited preferred shares, without par value

### **Issued share capital**

At September 30, 2011, there were 17,075,000 issued and fully paid common shares (December 31, 2010 – 13,690,000).

### **Share issuances**

During the period ended September 30, 2011, the Company completed the following share transactions:

- a) issued 25,000 shares with a fair value of \$3,375 as part of the acquisition of the Dorset property (Note 7);
- b) issued 100,000 shares with a fair value of \$9,000 as part of the Blue Quartz property agreement;
- c) issued 60,000 shares with a fair value of \$7,200 as part of an agreement for internet presentation and branding which has been expensed as promotion and advertising;
- d) issued 3,200,000 flow-through units at \$0.125 for total proceeds of \$400,000 by way of a non-brokered private placement. Each flow-through unit consisted of one common share and one-half of one common share purchase warrant exercisable for two years at a price of \$0.15.

During the year ended December 31, 2010, the Company completed the following share transactions:

- a) issued 1,225,000 units at a price of \$0.10 per unit and 2,500,000 flow-through units at \$0.125 for total proceeds of \$435,000 by way of a non-brokered private placement. Each non-flow-through unit consisted of one common share and one common share purchase warrant exercisable for two years at a price of \$0.20. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant, each whole warrant exercisable for two years at a price of \$0.25;
- b) issued 25,000 non-flow-through units and 168,000 common share purchase warrants as finders' fees on completion of the private placement. The finders' units bear the same rights as the non-flow-through units of the private placement. The finders' warrants are exercisable for a period of one year at a price of \$0.10. The Company also paid \$10,000 in finders' fees.
- c) issued a total of 3,655,000 shares with a fair value of \$220,500 as part of the acquisition of the Blue Quartz property (Note 7);
- d) issued 25,000 shares with a fair value of \$2,500 as part of the acquisition of the Dorset property (Note 7);
- e) issued 60,000 shares with a fair value of \$4,500 as part of an agreement for internet presentation and branding which has been expensed as promotion and advertising.

There are 3,236,900 shares held in escrow. Under the terms of the escrow agreements, these shares will be released on a schedule over the 3 years from February 3, 2010.

**Note 9 SHARE CAPITAL (cont'd)**

**Warrants**

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Expiry Date</b>
<b>Balance, December 31, 2009</b>	-	\$ -	
Private placement issued	2,475,000	\$ 0.23	December 24, 2012
Issued for services	25,000	\$ 0.20	December 24, 2012
Issued for services	168,000	\$ 0.10	December 24, 2011
Issued for property	<u>250,000</u>	\$ 0.20	November 17, 2015
Balance, December 31, 2010	2,918,000	\$ 0.22	
Private placement issued	1,400,000	\$ 0.15	August 26, 2013
Private placement issued	200,000	\$ 0.15	September 26, 2013
Issued for property	<u>250,000</u>	\$ 0.15	April 11, 2016
<b>Balance, September 30, 2011</b>	<u><u>4,768,000</u></u>	\$ 0.19	

During the period ended September 30, 2011, the Company issued 1,600,000 warrants as part of private placement units. The warrants are exercisable at \$0.15 into one common share for a period of two years from date of issuance.

During the period ended September 30, 2011 the Company issued 250,000 (2010 – 250,000) common share purchase warrants exercisable at \$0.135 (2010 - \$0.10) for a period of five years from date of issuance as part of the Dorset Property agreement (Note 7). The value of these warrants was estimated at \$27,500 (2010 - \$20,000) on the issue date using the Black-Sholes pricing model based on the following assumptions:

	September 30 2011	December 31 2010
Risk-free interest rate	1.93%	2.32%
Expected life of warrants	5 years	5 years
Expected annualized volatility	115%	115%
Expected dividend yield	0.00%	0.00%

## Note 9 SHARE CAPITAL (cont'd)

### Warrants

During the year ended December 31, 2010, the Company issued 2,475,000 common share purchase warrants as part of a private placement. The Company also issued 25,000 warrants as part of finders' units exercisable at \$0.20 into one common share for a period of two years and 168,000 finders' warrants exercisable into one common share at \$0.10 for a period of two years pursuant to the private placement. The fair value of the 168,000 finders' warrants was estimated at \$10,080 on the issue date using the Black-Sholes pricing model based on the following assumptions:

Risk-free interest rate	1.69%
Expected life of warrants	2 years
Expected annualized volatility	115%
Expected dividend yield	0.00%

### Finder Options

As part of the private placements that closed during the period ended September 30, 2011, finder options were issued. These options allow the holder to exercise as follows:

	Number of Units	Exercise Price	Expiry Date
<b>Balance, December 31, 2010</b>	-		
Finder option	252,000	\$ 0.125	August 26, 2013
Finder option	<u>36,000</u>	\$ 0.125	September 29, 2013
<b>Balance, September 30, 2011</b>	<u><u>288,000</u></u>	\$ 0.125	

Each unit consists of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant exercisable into one common share at an exercise price of \$0.15 for a term of 24 months from date of issue.

The fair value of the finder options was estimated at \$14,400 on the issue date using the Black-Sholes pricing model based on the following assumptions:

Weighted average risk-free interest rate	0.99%
Expected life of warrants	2 years
Expected annualized volatility	115%
Expected dividend yield	0.00%

## **Note 10 STOCK OPTION PLAN AND STOCK-BASED COMPENSATION**

The Company has a stock option plan applicable to directors, officers and consultants, under which the total outstanding stock options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, an option's maximum term is five years from the grant date. Options under this plan vest upon issuance.

During the year ended December 31, 2010, the Company issued 225,000 common stock options with a fair value of \$0.046 per option to directors, officers and consultants and, accordingly, stock-based compensation of \$10,350 has been recognized.

The fair value of these stock options was calculated using the Black-Sholes option pricing model based on the following weighted average assumptions:

Risk-free interest rate	2.52%
Expected life	5 years
Expected annualized volatility	115%
Expected dividend rate	0.00%

The following stock options were outstanding at September 30, 2011:

Number of Shares	Weighted Average	
	Exercise Price \$	Expiry Date
460,000	0.20	November 6, 2012
225,000	0.10	February 4, 2015
685,000	0.17	

During the period ended September 30, 2011, 160,000 common stock options exercisable at \$0.20 expired. The fair value of these options was transferred to the deficit.

## **Note 11 RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties during the period ended September 30, 2011:

- c) paid management fees of \$37,500 (2010 - \$33,333) to a director and officer of the Company; and
- d) paid accounting fees of \$15,890 (2010 - \$25,300) to parties related to a director of the Company.

Included in accounts payable at September 30, 2011 is \$3,304 (December 31, 2010 - \$3,651) owing to officers and directors of the Company and parties related thereto.

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

## **Note 12 SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the period ended September 30, 2011, the Company had the following significant non-cash transactions:

- a) received 100,000 common shares of a public company valued at \$18,000 as part of mineral property agreement;
- b) incurred accounts payable for exploration costs in the amount of \$10,498 (2010 - \$151);
- c) issued 125,000 shares valued at \$12,375 and 250,000 warrants valued at \$27,500 as part of mineral property agreements; and,
- d) issued 60,000 shares valued at \$7,200 for promotion and advertising services.

During the year ended December 31, 2010, the Company transferred a \$20,000 advance on mineral property agreement to the Blue Quartz property and issued 3,555,000 common shares valued at \$178,250 as part of the Blue Quartz property agreement. (Note 7)

## **Note 13 CONTINGENCY**

### **Flow-through shares**

The Company has committed to incur, on a best efforts basis, \$712,500 in qualifying resource expenditures pursuant to a private placements for which flow-through proceeds have been received (see Note 8, Share capital). Renunciation forms relating to flow-through shares totalling \$312,500 issued during the year ended December 31, 2010 were filed in February of 2011. As at September 30, 2011, the Company had incurred qualifying resource expenditures of \$226,768 and must expend the balance of \$85,732 before January 1, 2012. Renunciation forms relating to issuances during the period ended September 30, 2011 will be filed in February of 2012 and the Company must incur qualifying resource expenditures of \$400,000 before January 1, 2013.

If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its flow-through commitments within the given time constraints.

## **Note 14 TRANSITION TO IFRS**

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first interim financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", January 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

**Note 14    TRANSITION TO IFRS (cont'd)****Exemptions applied**

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 2 “Share-based Payment” has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP.

**Reconciliation of assets, liabilities and equity at January 1 and September 30, 2010**

There were no differences in the statement of financial position under Canadian GAAP and under IFRS as at January 1, 2010 nor at September 30, 2010.

**Reconciliation of assets, liabilities and equity at December 31, 2010**

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Assets</b>				
Current assets		\$ 510,348	\$ -	\$ 510,348
Exploration and evaluation expenditures		477,531	-	477,531
		\$ 987,879	\$ 987,879	\$ 987,879
<b>Liabilities and shareholders' equity</b>				
Current liabilities		\$ 42,011	\$ -	\$ 42,011
Unrenounced flow-through share premium	(a)	-	62,500	62,500
Share capital	(a)	1,463,627	(62,500)	1,401,127
Reserves		178,245	-	178,245
Deficit		(696,004)	-	(696,004)
		\$ 987,879	\$ -	\$ 987,879

**Note 14    TRANSITION TO IFRS (cont'd)**

**Reconciliation of assets, liabilities and equity at December 31, 2010**

Notes to the reconciliation

(a) Flow-through shares

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146 "Flow-through Shares". At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a future income tax liability with a charge directly to shareholders' equity. Also, under Canadian GAAP, the Company recorded any deferred tax recovery eligible to be recognized to offset the deferred tax charge to equity as a tax recovery in the statement of operations.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through tax liability. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Group will reduce the deferred tax liability and record a deferred tax recovery.

**Reconciliation of net loss for the nine months ended September 30, 2010**

There were no differences between the net loss or the net comprehensive loss recorded under GAAP and IFRS for the nine month period ended September 30, 2010 nor for the three month period ended September 30, 2010.