GOWEST AMALGAMATED RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED OCTOBER 31, 2010

This management discussion and analysis (“MD&A”) of results of operations and financial condition of Gowest Amalgamated Resources Ltd. ("Gowest" or the "Company") describes the operating and financial results of the Company for the three and twelve months ended October 31, 2010. The MD&A supplements, but does not form part of the financial statements of the Company and should be read in conjunction with Gowest’s audited consolidated financial statements for the years ended October 31, 2010 and October 31, 2009. The Company prepares and files its financial statements in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). All amounts are stated in Canadian dollars unless otherwise noted and gold is measured in fine troy ounces ("ounces").

Forward-looking Statements

Some statements contained in this MD&A are forward-looking, and therefore involve uncertainties or risks that could cause actual results to differ materially. Factors that could cause the Company's actual results, performance or achievements to be materially different from those that may be expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties such as those related to the nature of the mining industry, including risks related to development of mineral deposits, production costs and metal prices, exploration, development and operating risks, environmental and other regulatory requirements, international operations, water supply, new operation, production estimates, mineral reserves and resources, title matters, gold price volatility, competition, additional funding requirements, insurance, currency fluctuations, conflicts of interest, share trading volatility, and financial risks. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected.
The Company disclaims any obligation to update forward-looking statements.

Date of MD&A

This MD&A is dated January 24, 2011.

Description of the Business and Going Concern

Gowest, directly and from time to time through joint ventures is in the business of exploring mineral properties that it believes contain mineralization that is, or will, in the future, be economically recoverable. To date, the Company has not earned significant revenues from mineral exploration and is considered to be in the development stage, as defined by CICA Accounting Guideline 11.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from dispositions of such properties. Changes in future conditions could require material write-downs of the carrying amounts of mineral properties.

Although the Company has taken steps to verify title to its mineral property interests, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The accompanying consolidated financial statements have been prepared in accordance with Canadian General Accepted Accounting Principles ("GAAP"), as applicable to a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations.

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. The ability of the Company to continue operations is dependent upon obtaining the necessary financing to complete the development of a mineral property. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, as described in the following paragraph. Accordingly, they 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 and at amounts different from those in the accompanying unaudited interim consolidated financial statements.

Outlook and Overall Performance

On December 23, 2009, the Company announced a land transaction with Goldcorp Canada Ltd. and Goldcorp Inc. The land acquired was contiguous to the Frankfield Project and effectively quadrupled the Company's land position to 25 sq. Km.

In early January 2010, the Company completed development work for a 3D geological resource model of the Frankfield East deposit in order to further its understanding of the relationships between the area geology and the locations of gold deposition. In mid, January 2010, the Company commenced its development program for its Frankfield Project near Timmins, Ontario. The program initially included a 20,000 metre drill program which was later expanded to 25,000 metres given the lower than planned costs. The program was aimed at expanding the known resource base at the Frankfield East deposit.

On April 6, 2010, the Company announced that it had demonstrated significant extensions at the Frankfield East Deposit. The strike was increased from 450m to 700m and 8.4 g/t gold was encountered at a depth of 700m compared to the resource depth of only 400m. This represented a significant increase in the size of the mineralized envelope. The deposit remained open along strike and particularly at depth.

On July 6, 2010, the Company announced that it will investigate three highly prospective gold targets to the west, northwest and southwest of its Frankfield East gold deposit that exhibit structures similar to those seen at the location of the company's existing Frankfield East gold deposit.

On August 4, 2010, the Company reported 10m of 6.5 g/t gold while drilling on the Frankfield East gold deposit, more than doubling the size of the original mineralized envelope which contained an inferred mineral resource of 510,000 oz (2.4 million tonnes @ 6.5g/t gold), therefore demonstrating a mineral potential in excess of 1 million ounces of gold at the Frankfield East deposit.

At the end of October 31, 2010, the Company had completed 18,500 metres of drilling.

On December 15, 2010, the Company reported that with one exception, every hole drilled as part of the 2010 drill program within the currently defined mineralized envelope (775m strike at surface by 830m depth) has intersected gold. As a result of the company`s confidence in the continuity within the deposit, management has decided to aggressively expand the shallow drill program in 2011. Additional drill rigs are expected on site early in 2011, which will better facilitate the company's efforts to confirm and expand the mineralized envelope at its Frankfield East deposit. In addition, the added equipment will allow this work to continue in parallel with the exploration of other previously undrilled high priority gold targets south of the Frankfield East deposit.

During the year, the Company completed additional metallurgical testing to refine processing alternatives for the Frankfield mineralization; continued working on the environmental baseline study to allow for future bulk sampling and mining, which included community engagement, and evaluation of site locations for a Frankfield processing facility.

For the twelve months ended October 31, 2010, the Company reported a loss of $1,138,652 and an accumulated deficit, as at October 31, 2010 of $4,911,700. As at October 31, 2009, the Company had $2,670,902 in cash and cash equivalents to fund exploration and meet contractual obligations.

Looking forward, the Company's published goal through 2010 was to demonstrate the potential for a minimum of 1 million gold ounces culminating in a resource update in Q1 2011. At the same time, the Company is engaged in preliminary economic assessment activities with the view toward releasing a scoping study in mid 2011. With the success the Company experienced in 2010, management plans on drilling between 10,000 – 15,000 metres in the first half of 2011 followed by another 10,000 metres in the second half of 2011 to further expand the mineralized envelope at the Frankfield East deposit and to explore other undrilled high priority gold targets south of the Frankfield East deposit.

Involvement in Mineral Properties

On a quarterly basis, the management of the Company review exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization.

For a description of the mineral properties owned by the Company, refer to Note 7 of the audited consolidated financial statements as at October 31, 2010.

Private Placements

On December 17, 2009, the Company completed a brokered private placement for aggregate gross proceeds of $6,572,690. Pursuant to the Offering, the Company issued and sold; (i) 11,778,278 units of the Company (the "Units", at a price of $0.18 per Unit, with each Unit being comprised of one common share of the Company and one common share purchase warrant (a "Warrant") at a price of $0.30 for a period of 24 months following the closing date of the Offering.; and (ii) 20,239,081 units of the Company (the "FT Units"), at a price of 0.22 per FT Unit, with each FT Unit being comprised of one "flow-through" common share of the Company and one-half of one Warrant. Upon closing, the agent and members of the selling group received cash commissions of up to 8% of the gross proceeds of the offering and agent warrants equal to up to 8% of the aggregate number of Units and FT Units sold under the offering. The Agent warrants will be exercisable to acquire one Unit at a price of $0.18 for a period of 18 months following the closing date of the Offering.

The grant date fair value of the 21,897,812 warrants was determined to be $1,657,690 using the Black-Scholes valuation model based on the following assumptions:

Risk-free interest rate	1.28%
Expected life of options	2.0 years
Annualised volatility	210%
Dividend rate	0.00%

The grant date fair value of the 2,234,867 Agent Warrants was determined to be $340,081 using the Black-Scholes valuation model based on the following assumptions:

Risk-free interest rate	1.28%
Expected life of options	1.5 years
Annualised volatility	232%
Dividend rate	0.00%

Pursuant to the terms of the flow-through agreements, the tax attributes of the related expenditures were renounced to subscribers with an effective date of December 31, 2009. As a result, the Company was required to recognize a foregone tax benefit of $1,207,894 at the time of the renouncement.

On February 26, 2010, 9,091 Agent Warrants were exercised for cash proceeds of $1,636. As a result, 9,091 Warrants were issued with an exercise price of $0.30 and expiry date of December 17, 2011. The grant date fair value of $2,418 was assigned to the 9,091 Warrants using the Black-Scholes valuation model with the following assumptions; expected dividend yield 0%, expected volatility 214%, risk-free rate of return 1.14% and an expected maturity of 22 months.

On May 25, 2010, 117,000 Agent Warrants were exercised for cash proceeds of $21,060. As a result, 117,000 Warrants were issued with an exercise price of $0.30 and expiry date of December 17, 2011. The grant date fair value of $16,731 was assigned to the 117,000 Warrants using the Black-Scholes valuation model with the following assumptions; expected dividend yield 0%, expected volatility 197.34%, risk-free rate of return 1.41% and an expected maturity of 19 months.

On August 31, 2010, 1,240,366 Agent Warrants were exercised for cash proceeds of $223,266. As a result, 1,240,366 Warrants were issued with an exercise price of $0.30 and expiry date of December 17, 2011. The grant date fair value of $164,969 was assigned to the 1,240,969 Warrants using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 126.30%, risk-free rate of return 1.19% and an expected maturity of 15 months.

All of the securities issued in connection with the private placements were subject to a four month hold period in accordance with applicable securities laws.

Stock Options

On December 20, 2009, 200,000 stock options with an average exercise price of $0.35 expired.

On June 7, 2010, 120,000 stock options with an average exercise price of $0.25 expired.

On October 14, 2010, 250,000 stock options with an average exercise price of $0.29 were cancelled.

On February 22, 2010, the Company granted 2,350,000 incentive stock options at an exercise price of $0.32 to directors, officers and consultants of the Company, with an expiry date of February 22, 2015.

Warrants

On December 17, 2009, 2,234,867 Agent warrants were issued at a price of $0.18 each with a fair value of $340,081 calculated using the Black Scholes valuation model using the following assumptions:

Risk-free interest rate	1.28%
Expected life of options	1.5 years
Annualised volatility	232%
Dividend rate	0.00%

On December 17, 2009, 21,897,812 warrants were issued as part of the private placement at a price of $0.30 with a fair value of $1,657,690 using the Black-Scholes valuation model based on the following assumptions:

Risk-free interest rate	1.28%
Expected life of options	2.0 years
Annualised volatility	210%
Dividend rate	0.00%

In the event that the closing price of the common shares of the Company listed on the TSX Venture Exchange is greater than $0.40 for a period of 20 consecutive trading days at any time after closing, the Company may, at its option, accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire 30 days thereafter.

During the three and twelve month period ended October 31, 2010, warrants of 2,075,366 and 2,894,048 respectively with an average exercise price of $0.17 were exercised for proceeds of $348,516 and $483,740 respectively.

Subsequent Events

On January 6, 2011, Crown Minerals terminated their option agreement with the Company.

On December 22, 2010, the Company completed a private placement for aggregate proceeds of $2,579,455. Pursuant to the Offering, the Company issued and sold 9,379,837 Flow-through common shares. Upon closing, the Agent received cash commissions of 7% of the gross proceeds of the Offering.

On December 1, 2010, the Company announced that it had completed its acquisition of a 100% interest in the Dowe property in Tully Township adjacent to the Company's 100% owned Frankfield Gold Project. In consideration for this acquisition, the Company paid $16,000 in cash, issued 70,000 common shares of the Company and a 0.50% royalty at gold prices of less than US$950 per ounce or 0.75% royalty at gold prices equal to or greater than US$950 per ounce. The company maintains an NSR buyout option valued at $125,000 for each 0.25% of the desired NSR.

In November 2010, 2,397,857 warrants with an expiry date of November 11, 2010, were exercised for proceeds of $359,679 and 75,000 warrants expired.

Results of Operations

Three months ended October 31, 2010 compared with three months ended October 31, 2009

Gowest's operations for the three month period ended October 31, 2010 continued to be focused on the Company's drilling program, which was initiated at the end of January 2010. The Company reported a net loss of $1,296,693 for the three month period ended October 31, 2010 compared with a net loss of $362,583 in the prior year three month period ended October 31, 2009 and a net loss of $326,306 in the previous three month period ended July 31, 2010. The Company reported a comprehensive loss of $1,241,193 for the three month period ended October 31, 2010 compared to a comprehensive loss of $362,583 in the prior year three month period ended October 31, 2009 and a comprehensive loss of $411,056 in the previous three month period ended July 31, 2010.

The relative change in the comprehensive loss for the year-over-year period of $878,610 was primarily due to; i) higher general and administrative expenses of $292,969 as compared to $153,767 in the prior year period, the increase reflecting the Company's increase in consulting fees and shareholder communications as compared to the prior year period, ii) future income taxes of $1,008,850 as compared to $nil in the prior year period; offset by iii) a mineral property write-down of $nil in the current year period as compared to $208,816 in the prior year period.

Gowest's cash position as at October 31, 2010 was $2,670,902 compared with $3,220,069 as at July 31, 2010 and $186,451 as at October 31, 2009.

Summary of Quarterly Results

The following tables set out financial performance highlights for the last eight quarters and were prepared in accordance with Canadian GAAP:

	Fourth Quarter October 31, 2010	**Third Quarter July 31, 2010**	**Second Quarter April 30, 2010**	**First Quarter January 31, 2010**
	$	$	$	$
Expenses	292,969	327,123	903,112	176,523
Net (loss) from operations	(292,969)	(327,123)	(903,112)	(176,523)
Interest income	5,126	7,117	8,978	4,944
Other income / (loss)	-	(6,300)	16,307	132,010
Future income taxes recovered	(1,008,850)	-	1,401,743	-
Net income / (loss)	(1,296,693)	(326,306)	523,916	(39,569)

Net income / (loss) per share, basic	(0.02)	(0.00)	0.01	(0.00)
Comprehensive income / (loss)	(1,241,193)	(411,056)	469,916	(32,069)
Cash flow from (used in) operations	(354,974)	(335,924)	(342,701)	192,065
Cash & cash equivalents, end of period	2,670,902	3,220,069	4,492,759	5,795,194
Assets	8,531,907	7,724,774	8,090,157	8,387,099
Future tax liabilities	651,000	-	-	1,401,743

	Fourth Quarter October 31, 2009	**Third Quarter July 31, 2009**	**Second Quarter April 30, 2009**	**First Quarter January 31, 2009**
	$	$	$	$
Expenses	153,767	365,336	12,520	97,308
Net (loss) from operations	(153,767)	(365,336)	(12,520)	(97,308)
Write-down of mineral properties	(208,816)	-	-	-
Other income	-	-	-	-
Future income taxes recovered	-	-	-	-
Net (loss)	(362,583)	(365,336)	(12,520)	(97,308)
Net (loss) per share, basic	(0.01)	(0.01)	(0.00)	(0.00)
Cash flow from (used in) operations	(149,410)	(172,046)	(12,520)	(97,308)
Cash & cash equivalents, end of period	186,451	445,200	69,702	198,471
Assets	2,151,495	2,541,217	2,171,890	1,404,961
Future tax liabilities	-	-	-	-

Twelve months ended October 31, 2010 compared with twelve months ended October 31, 2009

The Company reported a net loss for the twelve months ended October 31, 2010 of $1,138,652 as compared to a loss of $837,747 in the same prior year period. The change in the year over year period of $300,905 is primarily due to higher general and administrative, consulting and professional fees of $409,363, higher stock based compensation of $520,139, higher shareholder communications and investor relations expenses of $94,036, flow-through interest expense of $49,214 offset by future income taxes recovery of $392,893, a reduction in mineral property write-downs of $208,816, and a recording of other income associated with the value of the long term investment of $142,017.

Summary of Yearly Results

The following tables were prepared in accordance with Canadian GAAP:

	2010	**2009**	**2008**
Revenues	$26,165	-	18,540
Expenses	1,699,727	628,931	416,502
Net loss from operations	(1,673,562)	(628,931)	(397,962)
Write-down of mineral properties	-	(208,816)	(1,111,146)
Other income	142,017	-	69,141
Future income taxes recovered	(392,893)	-	254,861
Net income / (loss)	(1,138,652)	(837,747)	(1,185,106)
Net income (loss) per share, basic and diluted	(0.01)	(0.02)	(0.05)
Cash flow from (used in) operations	(841,534)	(431,284)	(377,441)
Cash & cash equivalents,	2,670,902	186,451	363,357

end of period			
Assets	8,531,907	2,151,495	1,376,765
Long term liabilities	-	-	-
Future tax liabilities	651,000	-	-

Liquidity and Capital Resources

The activities of the Company, which are primarily the acquisition, exploration and development of mineral properties that it believes contain mineralization are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. There is no assurance that equity capital will be available to the Company in the required amounts, with acceptable terms or at the time required. See “Risk Considerations” below.

As at October 31, 2010, Gowest reported working capital of $1,965,307 ($3,158,660 as at July 31, 2010; $162,354 at October 31, 2009).

The Company reported a cash position of $2,670,902 as at October 31, 2010 ($3,220,069 as at July 31, 2010; $186,451 as at October 31, 2009).

Cash used in operating activities was $841,534 and cash used in investing activities was $3,098,885 for the twelve month period ended October 31, 2010 reflecting the mineral exploration and development expenditures.

Cash provided by financing activities was $6,424,870 for the twelve month period ended October 31, 2010 reflecting the net proceeds from the private placement and the exercise of warrants.

Commitments

Flow-through common shares require the Company to pay an amount equivalent to the proceeds of the issue on prescribed resource expenditures. If the Company does not incur the committed resource expenditures, it will be required to indemnify the holders of the shares for any tax and other costs payable by them as a result of the Company not making the required resource expenditures. As at October 31, 2010, the Company's remaining commitment with respect to unspent resource expenditures under flow-through common share agreements is approximately $1,362,900. The Company intends to fulfill all flow-through commitments and has until December 31, 2010 to spend these funds.

Based on assumptions about future business development, revenues and costs, the Company may require additional equity financing for growth which it believes it will be able to obtain through a combination of the exercise of existing options and warrants for the purchase of common shares and issue of new equity or debt instruments depending the Company’s requirements and market conditions.

Gowest currently does not have any credit facilities with financial institutions and is not anticipating a profit from operations, therefore it will rely on its ability to obtain equity financing for growth.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

During fiscal 2010, the Company paid $Nil (October 31, 2009 - $28,180) for geological services provided historically to the Company by a private company controlled by a former director.

During fiscal 2010, the Company paid directors and officers for consulting services in the amount of $52,000 (October 31, 2009 - $23,500.)

As at October 31, 2010, $193,495 (October 31, 2009 – Nil) owing to an officer, and a Company controlled by the same officer, for services associated with the Company's 2010 drill program were included in accounts payable and accrued liabilities, which was paid shortly after year end.

These related party transactions are in the normal course of operations and are measured at the rate of consideration established and agreed to by the related parties.

Under the private placement that closed on December 17, 2009, 500,000 Units were subscribed for by an officer and director of the Company and his spouse for gross proceeds of $90,000. Additional directors of the Company also subscribed for 795,454 FT Units and 416,667 Units for gross proceeds of $250,000.

Share issue costs of $50,000 were paid to a director of the Company.

Proposed Transactions

There are no material decisions by the board of directors of the Company with respect to any imminent or proposed transactions that have not been disclosed.

Critical Accounting Estimates

Critical accounting estimates represent estimates that are highly uncertain and for which changes in those estimates could materially impact the financial statements. The following accounting estimates are critical: the measurement of deferred income tax assets and liabilities and assessment of the need to record valuation allowances against those assets; valuation of options; and capitalized mining costs.

Costs relating to the acquisition, exploration and development of non-producing resource properties are capitalized until such time as either economically recoverable reserves are established or the properties are sold or abandoned. Based on the results at the conclusion of each phase of an exploration program, management re-evaluates properties that are not suitable as prospects to determine if future exploration is warranted, and that carrying values are appropriate. The decision to capitalize exploration expenditures and the timing of the recognition that capitalized exploration is unlikely to have future economic benefits can materially affect the reported earnings of the Company.

Change in Accounting Policy

Future accounting changes

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended January 2012.

IFRS Transition Plan

The Company has established a comprehensive IFRS transition plan and engaged third-party advisers to assist with the planning and implementation of its transition to IFRS. The following summarizes the Company's progress and expectations with respect to its IFRS transition plan:

Initial analysis of key areas for which changes to accounting policies may be required	Complete
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Complete
Assessment of first-time adoption (IFRS 1)	Complete

requirements and alternatives	
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	In progress, completion expected Q2 2011
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	In progress, completion expected Q4 2011
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout fiscal 2011

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has identified the following optional exemptions that it expects to apply in its preparation of an opening IFRS statement of financial position as at November 1, 2010, its transition date:

- To apply IFRS 2 *Share-based Payments* only to equity instruments issued after November 7, 2002, and that had not vested by the transition date.
- To apply IFRS 3 *Business Combinations* prospectively from the transition date, therefore not restating business combinations that took place prior to the transition date.
- To apply the transition provisions of IFRIC 4 *Determining whether an Arrangement Contains a Lease*, therefore determining if arrangements existing at the transition date contain a lease based on the circumstances existing at that date.

Prior to reporting interim financial statements in accordance with IFRS for the quarter ending January 31, 2012, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the transition date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time, however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

1. *Exploration and Evaluation Expenditures*

   Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and evaluation of mineral properties. The Company will make a final determination of its policy in this area during Phase 2.

The application of this policy on the adoption of IFRS would have a significant impact on the Company's financial statements. On adoption of IFRS, the carrying value of the mineral resource properties would be reduced to zero (as at the transition date), with a corresponding adjustment to accumulated deficit. All subsequent exploration and evaluation costs will then be expensed as incurred until such time as it has been determined that a property has economically recoverable reserves.

2) *Impairment of (Non-financial) Assets*

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets will be changed to reflect these differences. However, the Company does not expect that this change will have an immediate impact on the carrying value of its assets. The Company will perform impairment assessments in accordance with IFRS at the transition date.

3) *Share-based Payments*

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

4) *Asset Retirement Obligations (Decommissioning Liabilities)*

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences. However, the Company does not expect this change will have an immediate impact on the carrying value of its assets.

5) *Property and Equipment*

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

6) *Income Taxes*

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected as follows:

• The Company's MD&A for the 2011 interim periods and the year ended October 31, 2011, will include updates on the progress of the transition plan, and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual financial statements.

• The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending January 31, 2012, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending January 31, 2012, will also include 2011 financial statements for the comparative period adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (at November 1, 2010).

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27-Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish a 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 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. 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 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.

There were no changes in the Company's approach to capital management during the three and twelve month periods ended October 31, 2010. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

RISK CONSIDERATIONS

Gowest's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effects on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Gowest common shares should be considered speculative.

Financial Risk Factors

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

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to accounts receivable. Financial instruments included in accounts receivable consist of goods and services tax due from the Federal Government of Canada and receivables from joint venture partners. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote.

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's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As of October 31, 2010, the Company has cash and cash equivalents of $2,670,902 (October 31, 2009 - $186,451) to settle current liabilities of $896,562 (October 31, 2009 - $41,804). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

The Company is also committed to incurring approximately $1,362,900 in Canadian exploration expenditures by December 31, 2010 as a result of its flow-through financings. The Company intends to fulfill all flow-through commitments.

All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company will continue to review its ongoing financial requirements to meet continued exploration and development plans.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk: Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and assets. In the normal course of business, the Company is exposed to prime interest rate fluctuations as a result of cash equivalents being invested in interest-bearing instruments. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered banks. Management believes that interest rate risk is remote as investments have maturities of three months or less and the Company currently does not carry interest bearing debt at floating rates.

(b) Foreign currency risk: The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is remote.

(c) Price risk: The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to gold, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. The Company's investment in Crown Minerals Inc. ("Crown Minerals") is subject to fair value fluctuations arising from changes in the equity and commodity markets.

Sensitivity analysis

The Company has designated its cash as held-for-trading, which is measured at fair value. Marketable securities are classified as available-for-sale, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at October 31, 2010, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge of and experience with the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

(i) The Company's cash equivalents are subject to a fixed interest rate at maturity. Management believes interest rate risk is minimal.

(ii) The Company's long-term investments amounting to $130,500 are subject to fair value fluctuations. As at October 31, 2010, if the fair value of the Company's long-term investments had decreased/increased by 100% with all other variables held constant, comprehensive loss for the twelve months ended October 31, 2010 would have been approximately $130,500 higher/lower. Similarly, as at October 31, 2010, reported shareholders' equity would have been approximately $130,500 lower/higher as a result of the 100% decrease/increase in the fair value of the Company's long-term investments.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

Commodity price risk is remote since the Company is not a producing entity.

MINERAL PROPERTIES

On a quarterly basis, the management of the Company reviews exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization

For a description of the mineral properties owned by the Company, refer to Note 7 of the audited consolidated financial statements as at October 31, 2010. Specific changes to mineral properties that occurred from November 1, 2009 to October 31, 2010 are as follows:

(a) On December 23, 2009, the Company announced it had entered into a definitive agreement with Goldcorp Canada Ltd. ("Goldcorp"), manager of the Porcupine Gold Mines Joint Venture ("PJV"), and Goldcorp Inc., for the purchase of all Goldcorp's properties in Tully Township adjacent to the Company's 100% owned Frankfield Project.

In consideration for this acquisition is a 2% royalty to purchase the net smelter returns ("NSR") derived from future production specifically from the Leased Claims, a 1% royalty on the NSR derived from future production specifically from the Staked Claims and $100,000 in cash ($50,000 paid). The Company will maintain an NSR buyout option for both the Leased Claims and Staked Claims valued at $500,000 for each 0.5% of the desired NSR. Goldcorp may elect not to sell the final 0.5% portion of its NSR. The transaction was completed on February 12, 2010.

On July 14, 2010, the Company announced the acquisition of 4 contiguous leased claims (mining rights only) consisting of 4 units covering approximately 163.5 acres (65.4 hectares) in the south central portion of Tully Township and contiguous to the south boundary of the Company's Frankfield Project. The transaction includes $16,000 cash, 70,000 common shares of the Company and a 0.50% royalty at gold prices less than US$950 per ounce or 0.75% royalty at gold prices equal to or greater than US$950 per ounce on the net smelter returns ("NSR") derived from future gold production from these mining properties. The Company will maintain an NSR buyout option valued at $125,000 for each 0.25% of the desired NSR. As of October 31, 2010 this transaction has not been completed.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at October 31, 2010, Gowest management, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that material information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Management of the Company is responsible for designing internal control over financial reporting or causing it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with Canadian GAAP.

There are inherent weaknesses in the systems of internal control due to the small size of the company and its inability to segregate incompatible functions. The Company plans to remediate this weakness by expanding the number of individuals involved in the accounting function as the company incurs future growth.

Additional Disclosure for Venture Issuers without Significant Revenue

According to Gowest's Consolidated Mineral Properties and Deferred Expenditures as at October 31, 2010, accumulated costs related the Company's interest in mineral properties owned, leased, under consideration to be acquired or under option, were as follows:

	Acquisition cost	Deferred exploration	**October 31, 2010 Net book value**	October 31, 2009 Net book value
Frankfield Joint Venture, Ontario	1,225,000	4,184,792	**5,409,792**	1,866,406
Whitney Township, Ontario	-	-	**-**	77,568
	$ 1,225,000	$ 4,184,792	**$ 5,409,792**	$ 1,943,974

(For further detail, refer to Note 7 to the "Consolidated Statement of Mineral Properties" section of the Company's audited consolidated financial statements for the year ended October 31, 2010.)

Disclosure of Outstanding Share Data

Gowest shares are traded on the TSX Venture Exchange under the symbol GWA. As at October 31, 2010, there were: 84,075,911 common shares outstanding, 5,685,000 stock options outstanding with a weighted average exercise price of $0.22, expiring from 2011 to 2015 and 26,547,945 warrants outstanding expiring from November 2010 to December 2011.

Additional Information

Additional information relating to the Company is available on the Internet at the SEDAR website located at www.sedar.com and at http://www.gowestgold.com/index.html.

GOWEST AMALGAMATED RESOURCES LTD.

(A Development Stage Company)

Consolidated Financial Statements

Years Ended October 31, 2010 and 2009

AUDITORS' REPORT

To the Shareholders of
Gowest Amalgamated Resources Ltd.
(A Development Stage Company)

We have audited the consolidated balance sheet of Gowest Amalgamated Resources Ltd. (the "Company") as at October 31, 2010 and the consolidated statements of operations, comprehensive loss, deficit and accumulated other comprehensive loss, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

The consolidated financial statements as at October 31, 2009 and for the year then ended were audited by another firm of Chartered Accountants who expressed an opinion without reservation in their report dated February 11, 2010.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
December 22, 2010,
except for note 7(b), which
is as at January 6, 2011

GOWEST AMALGAMATED RESOURCES LTD.
(A Development Stage Company)

Consolidated Balance Sheets

In Canadian dollars

As at October 31,

	2010	2009
ASSETS		
CURRENT		
Cash and cash equivalents	$ 2,670,902	$ 186,451
Amounts receivable	173,787	8,097
Prepaid expenses	17,180	9,610
	2,861,869	204,158
Long-term investments (Note 6)	130,500	-
Property, plant and equipment (Note 5)	129,746	3,363
Mineral properties (Note 7)	5,409,792	1,943,974
	$ 8,531,907	$ 2,151,495
LIABILITIES AND SHAREHOLDERS‘ EQUITY		
CURRENT		
Accounts payable and accrued liabilities (Note 10)	$ 896,562	$ 41,804
Future income taxes (Note 9)	651,000	-
	1,547,562	41,804
SHAREHOLDERS’ EQUITY (Note 8)		
Share capital	7,609,938	4,158,882
Shares to be issued	22,500	-
Options	1,034,394	464,471
Warrants	2,025,707	118,286
Contributed surplus	1,279,256	1,141,100
	11,971,795	5,882,739
Deficit	(4,911,700)	(3,773,048)
Accumulated other comprehensive loss	(75,750)	-
	(4,987,450)	(3,773,048)
	6,984,345	2,109,691
	$ 8,531,907	$ 2,151,495

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 11)

Subsequent events (Note 12)

APPROVED ON BEHALF OF THE BOARD

__________________ Director   __________________ Director

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

GOWEST AMALGAMATED RESOURCES LTD.
(A Development Stage Company)

Consolidated Statements of Operations

In Canadian dollars

For the years ended October 31,

	2010	2009
EXPENSES		
General and administration	$ 685,898	$ 353,105
Professional fees	92,659	36,529
Shareholder communications	22,880	26,236
Investor relations	97,392	-
Stock option compensation	708,079	187,940
Transfer agent and exchange fees	22,572	11,584
General exploration	-	12,944
Flow-through interest expense	49,214	-
Amortization	21,033	593
Net loss before undernoted	(1,699,727)	(628,931)
Write-down of mineral properties	-	(208,816)
Interest income	26,165	-
Other income	142,017	-
Net loss before income taxes	(1,531,545)	(837,747)
Future income tax recovery (Note 9)	392,893	-
Net loss, for the year	$ (1,138,652)	$ (837,747)
Basic and diluted loss per share	$ (0.01)	$ (0.02)
Weighted average number of shares outstanding		
Basic	77,734,496	39,032,841
Diluted	77,734,496	39,032,841

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

GOWEST AMALGAMATED RESOURCES LTD.
(A Development Stage Company)

Consolidated Statements of Comprehensive Loss

In Canadian dollars

For the years ended October 31,

	2010 $	2009 $
Net loss for the year	(1,138,652)	(837,747)
Unrealized (losses) on securities available for sale	(75,750)	-
Comprehensive loss for the year	(1,214,402)	(837,747)

GOWEST AMALGAMATED RESOURCES LTD.
(A Development Stage Company)

Consolidated Statements of Deficit and Accumulated Other Comprehensive Loss

In Canadian dollars

For the years ended October 31,

	2010 $	2009 $
Deficit – beginning of year	(3,773,048)	(2,935,301)
Net loss for the year	(1,138,652)	(837,747)
Deficit – end of year	(4,911,700)	(3,773,048)
Accumulated other comprehensive income, beginning of year	-	-
Unrealized (loss) on securities available for sale	(75,750)	-
Accumulated other comprehensive loss, end of year	(75,750)	-

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

GOWEST AMALGAMATED RESOURCES LTD.
(A Development Stage Company)

Consolidated Statements of Cash Flows

In Canadian dollars

For the years ended October 31,

	2010	2009
	$	$
Operating activities		
Net loss for the year	(1,138,652)	(837,747)
Items not affecting cash:		
Write down of mineral property	-	208,816
Future income tax (recovery)	(392,893)	-
Amortization	21,033	593
Stock option compensation	708,079	187,940
	(802,433)	(440,398)
Changes in non-cash working capital items:		
Amounts receivable	(165,690)	59,988
Prepaid expenses	(7,570)	(50,842)
Accounts payable and accrued liabilities	134,159	(32)
	(39,101)	9,114
Cash flow used by operating activities	(841,534)	(431,284)
Investing activities		
Deferred expenditures on mineral properties	(2,951,469)	(1,217,045)
Purchase of equipment	(147,416)	(3,956)
Cash flow used by investing activities	(3,098,885)	(1,221,001)
Financing activities		
Net proceeds from issue of capital stock	6,424,870	1,475,379
Cash flow from financing activities	6,424,870	1,475,379
Increase (decrease) in cash and cash equivalents during the year	2,484,451	(176,906)
Cash and cash equivalents, beginning of year	186,451	363,357
Cash and cash equivalents, end of year	2,670,902	186,451

CASH AND CAH EQUIVALENTS ARE COMPOSED OF:

Cash	339,784	186,451
Cash equivalents	2,331,118	-

SUPPLEMENT INFORMATION

Securities received for sale of mineral properties	206,250	-
Change in mineral properties related account payables	720,599	-
Common share warrants issued for share issue costs	340,081	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Gowest Amalgamated Resources Ltd. ("Gowest" or the "Company") is in the business of exploring mineral properties that it believes contain mineralization that is, or will, in the future, be economically recoverable. To date, the Company has not earned significant revenues from mineral exploration and is considered to be in the development stage as defined by the Canadian Institute of Chartered Accountants (the “CICA”) Accounting Guideline 11.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from dispositions of such properties. Changes in future conditions could require material write-downs of the carrying amounts of mineral properties.

Although the Company has taken steps to verify title to its mineral property interests, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The accompanying consolidated financial statements have been prepared on the going concern assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of property.

Accordingly, readers are cautioned that these consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis were not appropriate. Changes in future conditions could require material write downs of the carrying value of certain assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 2086882 Ontario Ltd. and 2098065 Ontario Ltd. All intercompany accounts and transactions have been eliminated.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and investment-grade deposit certificates with original maturities of three months or less. Cash and cash equivalents are held in Canadian chartered banks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Vehicle
Vehicles are recorded at cost. Amortization is calculated using the declining balance method at 30% per year. For vehicles purchased in the current period, amortization is recorded at one half of the stated rate.

Furniture and fixtures
Furniture and fixtures are recorded at cost. Amortization is calculated using the straight line method over 5 years. For furniture and fixtures purchased in the current period, amortization is recorded at one half of the stated rate.

Computer equipment
Computer equipment is recorded at cost with amortization at 30% declining balance. For computer equipment purchased in the current period, amortization is recorded at one half of the stated rate.

Software
Software is recorded at cost. As this software is not yet ready for use, no amortization has been taken in 2010.

Mineral properties and related expenditures

Mineral properties and related expenditures are recorded at cost, net of pre-production revenues, option payments received, government grants and other proceeds applicable to the particular properties. Costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment. The net accumulated costs are deferred until the properties to which they relate commence production, are sold or abandoned. These costs will be depleted on a unit of production method based on proven and probable reserves following the commencement of production or written down if the properties are sold, abandoned or determined to have a permanent impairment in value by management, which reviews the properties on a regular basis.

The amounts shown for mineral properties represent costs incurred to date, less write-offs and recoveries and do not necessarily reflect present or future values of the particular properties.

Income taxes

Income taxes are accounted for using the asset and liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

Flow-through shares

The Company has financed a portion of its Canadian exploration activities through the issue of flow-through shares. In accordance with Canadian income tax legislation, when the cost of these exploration expenditures are renounced by the Company their tax deductibility is transferred to the investors. Proceeds received on the issue of such shares are credited to capital stock. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital and create a future income tax liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the year. The most significant estimates and assumptions include the carrying value of the mineral properties, the valuation of tax accounts and the valuation of stock-based compensation and warrants. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The Company regularly reviews its estimates and assumptions, however, actual results could differ materially from those estimates.

Financial instruments and comprehensive income (loss)

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables and other financial liabilities which are measured at amortized cost using the effective interest method. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in the statement of operations in the period in which they arise; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive loss until the investment is de-recognized or impaired, at which time the amounts would be recorded in the statement of operations. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in operations for the period, unless the instrument is a cash flow hedge and hedge accounting is applied, in which case changes in fair value are recognized in other comprehensive loss. For the years ended October 31, 2010 and 2009, the Company had no derivatives or embedded derivatives.

The Company has made the following classifications:

Cash and cash equivalents	Held-for-trading
Long-term investment	Available-for-sale
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is estimated using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. As at October 31, 2010 and 2009, all outstanding options and warrants were considered anti-dilutive and were therefore excluded from the diluted loss per share calculation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset retirement obligations

The Company records a liability for the estimated future costs associated with legal obligations relating to the reclamation of its mineral property interests. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase in the carrying value of the related long-lived asset and amortized over its useful life. As at October 31, 2010 and 2009, there were no significant asset retirement obligations.

Future accounting changes

In January 2006, the CICA Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with International Financial Reporting Standards ("IFRS") for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS would be required in 2011 for publicly accountable enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2012 filing, comparative financial statements in accordance with IFRS for the three months ended January 31, 2012. While the Company has begun assessing the impact of the adoption of IFRS on its consolidated financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IAS 27 - Consolidated and Separate Financial Statements. The Company is in the process of evaluating the requirements of the new standards.

3. CAPITAL MANAGEMENT

When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its 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 team to sustain the future development of the business. The Company considers its capital to be shareholders' equity, which comprises share capital, options, warrants, contributed surplus and deficit, which at October 31, 2010 totalled $6,984,345 (October 31, 2009 - $2,109,691).

The properties in which the Company currently has an interest are in the development stage. As such the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

3. CAPITAL MANAGEMENT (continued)

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

(i) minimizing discretionary disbursements;
(ii) reducing or eliminating exploration expenditures that are of limited strategic value; and
(iii) exploring alternative sources of liquidity.

In light of the above, the Company will attempt to develop the Frankfield Gold Project, assess new properties and seek to acquire an interest in additional properties if the Company believes there is sufficient 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 appropriate.

There were no changes in the Company's approach to capital management during the years ended October 31, 2010 and 2009. The Company and its subsidiaries are not subject to externally imposed capital requirements.

4. FINANCIAL RISK FACTORS

The Company’s activities expose it to a variety of financial risks: liquidity risk, market risk and credit risk.

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) 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’s liquidity and operating results may be adversely affected if the Company’s access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As of October 31, 2010, the Company has cash and cash equivalents of $2,670,902 (October 31, 2009 - $186,451) to settle current liabilities of $896,562 (October 31, 2009 - $41,804).

The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

The Company is also committed to incurring approximately $1,362,900 in Canadian exploration expenditures by December 31, 2010 as a result of its flow-through financings. The Company intends to fulfill all flow-through commitments.

The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

(b) Market risk is the risk that the fair value of, or future cash flows from, the Company’s financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, prices and foreign exchange rates.

Currency risk is the risk that the fair value of, or future cash flows from, the Company’s financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

4. FINANCIAL RISK FACTORS (continued)

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and assets. In the normal course of business, the Company is exposed to prime interest rate fluctuations as a result of cash equivalents being invested in interest-bearing instruments. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered banks. Management believes that interest rate risk is remote as investments have maturities of three months or less and the Company currently does not carry interest bearing debt at floating rates.

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to gold, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. The Company's investment in Crown Minerals Inc. ("Crown Minerals") is subject to fair value fluctuations arising from changes in the equity and commodity markets.

(c) Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with a reputable financial institution, from which management believes the risk of loss to be minimal.

Financial instruments included in amounts receivable consist of sales tax receivable from government authorities in Canada. All amounts receivable are in good standing as of October 31, 2010. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is low.

(d) The carrying value of cash equivalents, amounts receivable, and accounts payable and accrued liabilities reflected in the consolidated balance sheet approximate fair value because of the limited term of these instruments. The carrying value of the long-term investment approximates fair value as it is an available-for-sale financial instrument.

In June 2009, the CICA amended Section 3862, Financial Instruments - Disclosures ("Section 3862"), to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy under Section 3862 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 assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement.

4. FINANCIAL RISK FACTORS (continued)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at October 31, 2010:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash equivalents		2,331,118		2,331,118
Long term investments:				
Investment in a public company	82,500	48,000		130,500
	82,500	2,379,118		2,461,618

(e) Based on the cash and cash equivalent balance at October 31, 2010, a 1% change in interest rates would result in a corresponding interest income change of approximately $26,700 over the period of a fiscal year.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
	$	$	$	$
Computer equipment	6,536	1,097	5,439	3,363
Furniture and fixtures	23,617	2,244	21,373	-
Vehicles	69,543	18,285	51,258	-
Software	51,676	-	51,676	-
	151,372	21,626	129,746	3,363

6. LONG-TERM INVESTMENTS

Investment	Cost	Write-Down	Other Comprehensive Income Adjustment	2010 Fair Value	2009 Fair Value
	$	$	$	$	$
Crown Minerals Inc.					
Common shares (1)	115,500	-	(33,000)	82,500	-
Warrants (2)	90,750	-	(42,750)	48,000	-
	206,250	-	(75,750)	130,500	-

(1) 750,000 common shares of Crown;
(2) 750,000 warrants of Crown - $0.15 per share within the first six months after date of issue (December 4, 2009 to June 4, 2010); $0.20 per share within the second six months after date of issue (June 5, 2010 to December 4, 2010); and $0.25 per share in the second year after the date of issue (December 5, 2010 to December 4, 2011).

7. MINERAL PROPERTIES

	Acquisition Cost	Deferred Exploration	Option Payment Received	**2010 Net Book Value**
	$	$	$	$
Frankfield, Ontario	1,225,000	4,184,792	-	5,409,792
Whitney Township, Ontario	16,800	60,768	(77,568)	-
	1,241,800	4,245,560	(77,568)	5,409,792

	Acquisition Cost	Deferred Exploration	Option Payment Received	**2009 Net Book Value**
	$	$	$	$
Frankfield, Ontario	1,125,000	741,406	-	1,866,406
Whitney Township, Ontario	16,800	60,768	-	77,568
	1,141,800	802,174	-	1,943,974

FRANKFIELD, ONTARIO

(a) On March 6, 2009, Gowest acquired a 100% interest in the Frankfield project. In consideration for New Texmont's 50% interest in the Frankfield project, the Company issued 15,000,000 common shares to New Texmont and also granted New Texmont a sliding scale Net Smelter Royalty (the "NSR") equal to 1% at gold prices less than US$950 per ounce and 1.5% at gold prices equal to or greater than US$950 per ounce. The Company may purchase the NSR at anytime upon payment of $1,000,000 for each half percent (0.5%) of the NSR and will have a right of first refusal on any offer to purchase the NSR made by a third party. The Company will also make a one-time payment to New Texmont equal to the greater of $500,000 or 2,500,000 common shares upon a positive decision by the Company to place a mine into production and subject to satisfactory financing being committed to fully fund such mine development.

On December 23, 2009, the Company announced it had entered into a definitive agreement with Goldcorp Canada Ltd. and Goldcorp Inc. (collectively "Goldcorp"), for the purchase of Goldcorp's properties in Tully Township adjacent to the Company's 100% owned Frankfield Project.

Consideration for this acquisition included a 2% NSR derived from future production specifically from the Goldcorp leased claims, a 1% NSR derived from future production specifically from the Goldcorp unpatented claims and $100,000 in cash (paid). The Company will maintain an NSR buyout option for both the Goldcorp leased claims and Goldcorp unpatented claims valued at $500,000 for each 0.5% of the desired NSR. Goldcorp may elect not to sell the final 0.5% portion of its NSR. The transaction with Goldcorp was completed on February 12, 2010.

7. MINERAL PROPERTIES (continued)

WHITNEY TOWNSHIP, ONTARIO

(b) On November 25, 2009, Crown Minerals Inc. ("Crown") entered into an option agreement with the Company to acquire 100% interest in 5 patented claims in Whitney Township.

In consideration for the claims, Crown paid $20,000 in cash and issued 750,000 shares (valued at $115,500) and 750,000 warrants (valued at $90,750) to the Company. Crown will be required to incur $400,000 in exploration expenditures during the period ending December 31, 2010. Each warrant will entitle the Company to purchase one common share of Crown for $0.15 within the first six months after date of issue, for $0.20 within the second six months after date of issue, and $0.25 in the second year after date of issue. The Company will retain a 2% net smelter returns royalty when the gold price is US$950 per ounce or less, and 3% when the gold price is greater than US$950 per ounce. Crown has the right to purchase 1% of the 3% of this royalty by paying Gowest $1,000,000 and then a further right to reduce the royalty to a 1% net smelter returns royalty regardless of the price of gold by paying the Company another $1,000,000.

The carrying value of Whitney Township was reduced by option proceeds received, net of costs. The excess of the proceeds received over the property cost and deferred exploration expenditures was included in the statement of operations and is included in other income.

On January 6, 2011, Crown terminated the option agreement with the Company.

(c) On July 14, 2010, Gowest executed a definitive agreement for the purchase of mining properties in Tully Township adjacent to the Company's 100% owned Frankfield Project. The properties acquired include 4 contiguous leased claims (mining rights only) in the south central portion of Tully Township and contiguous to the south boundary of the Company's Frankfield Project.

The transaction includes $16,000 cash, 70,000 common shares of the Company and a 0.50% royalty at gold prices less than US$950 per ounce or 0.75% royalty at gold prices equal to or greater than US$950 per ounce on the NSR derived from future gold production from these mining properties. The Company will maintain an NSR buyout option valued at $125,000 for each 0.25% of the desired NSR.

As of October 31, 2010, this transaction has not been completed (Note 12).

8. SHARE CAPITAL

(a) Authorized capital
The number of authorized common shares is unlimited
1,500,000 special shares, redeemable, voting, non-participating

(b) Issued common shares

	Number of Shares	Amount
		$
Balance, October 31, 2008	24,778,790	2,801,789
Shares issued for mineral property (Note 7(a))	15,000,000	900,000
Issued for cash on private placement	3,942,857	276,000
Issued for cash on private placement	3,942,857	276,000
Issued for cash on private placement	1,500,000	105,000
Fair value of warrants issued	-	(118,286)
Share issue costs	-	(81,621)
Balance, October 31, 2009	49,164,504	4,158,882
Private Placements (1)	32,017,359	6,572,690
Fair value of warrants issued (1)	-	(1,657,690)
Share issue costs	-	(994,141)
Tax effect of share issue costs	-	164,000
Flow-through renunciation (2)	-	(1,207,894)
Warrants exercised – cash	2,894,048	483,740
Fair value of warrants exercised	-	90,351
Balance, October 31, 2010	84,075,911	7,609,938

(1) On December 17, 2009, the Company completed a private placement for aggregate gross proceeds of $6,572,690.

Pursuant to the offering, the Company issued and sold: (i) 11,778,278 units of the Company (the "Units"), at a price of 0.18 per Unit, with each Unit being comprised of one common share of the Company and one common share purchase warrant (a "Warrant"); and (ii) 20,239,081 flow-through units of the Company (the "FT Units"), at a price of 0.22 per FT Unit, with each FT Unit being comprised of one "flow-through" common share of the Company and one-half of one Warrant.

Upon closing, the agent and members of the selling group received cash commissions of up to 8% of the gross proceeds of the offering and warrants (the "Agent's Warrants") equal to up to 8% of the aggregate number of Units and FT Units sold under the offering. Each Agent's Warrant will be exercisable to acquire one Unit at a price of $0.18 for period of 18 months following the closing date of the Offering.

Each Warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.30 for a period of 24 months following the closing date of the Offering. In the event that the closing price of the common shares of the Company listed on the TSX Venture Exchange is greater than $0.40 for a period of 20 consecutive trading days at any time after closing, the Company may, at its option, accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire 30 days thereafter.

The grant date fair value of $1,657,690 was assigned to the 21,897,812 warrants issued as part of the private placement as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 210%, risk-free rate of return 1.28% and an expected life of 2 years.

8. SHARE CAPITAL (continued)

(b) Issued common shares (continued)

The grant date fair value of $340,081 was assigned to the 2,234,867 Agent Warrants issued using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 232%, risk-free rate of return 1.28% and an expected life of 18 months.

(2) Pursuant to the terms of the flow-through share agreements, the tax attributes of the related expenditures were renounced to subscribers with an effective date of December 31, 2009. As a result, the Company was required to recognize a foregone tax benefit of $1,207,894 at the time of renouncement.

(3) During the year ended October 31, 2010, 9,091 Agent Warrants were exercised for cash proceeds of $1,636. As a result, 9,091 Warrants were to acquire common shares issued with an exercise price of $0.30 and expiry date of December 17, 2011. The grant date fair value of $2,418 was assigned to the 9,091 Warrants using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 214%, risk-free rate of return 1.14% and an expected maturity of 22 months.

(4) On May 25, 2010, 117,000 Agent Warrants were exercised for cash proceeds of $21,060. As a result, 117,000 Warrants to acquire common shares were issued with an exercise price of $0.30 and expiry date of December 17, 2011. The grant date fair value of $16,731 was assigned to the 117,000 Warrants using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 197.34%, risk-free rate of return 1.41% and an expected maturity of 19 months.

(5) On August 31, 2010, 1,240,366 Agent Warrants were exercised for cash proceeds of $223,266. As a result, 1,240,366 Warrants to acquire common shares were issued with an exercise price of $0.30 and expiry date of December 17, 2011. The grant date fair value of $164,969 was assigned to the 1,240,969 Warrants using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 126.30%, risk-free rate of return 1.19% and an expected maturity of 15 months.

c) Stock Options

The Company has an incentive stock option plan that allows it to grant options to its employees, directors and consultants. The plan received shareholder re-approval on April 15, 2010. The plan allows the Company to grant options to acquire up to 10% of the issued and outstanding common shares. The plan provides that the exercise price of an option granted under the plan shall not be less than the market price at the time of granting the option. Options have a maximum of 5 years, vest immediately upon issue, unless otherwise stated and terminate on the 30th day after the optionee ceased to be any of an employee, director or consultant of the Company.

8. SHARE CAPITAL (continued)

The options outstanding and exercisable at October 31, 2010 and 2009 were as follows:

	Number of Options	Weighted Average Exercise Price
		$
Balance, October 31, 2008	2,470,000	0.20
Granted	1,995,000	0.15
Expired	(560,000)	0.23
Balance, October 31, 2009	3,905,000	0.17
Granted (a)	2,350,000	0.32
Expired	(570,000)	0.30
Balance, October 31, 2010	5,685,000	0.22

(a) On February 22, 2010 the Company issued incentive stock options to directors, officers and consultants of the Company, totalling 2,350,000 options exercisable at $0.32 per common share with an expiry date of February 22, 2015. The fair value of the 2,350,000 options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 166.67%; risk-free interest rate of 2.58% and an expected life of 5 years. The estimated value of $708,079 was classified as stock option compensation on the statement of operations and credited to stock options.

The following table reflects the stock options issued and outstanding as of October 31, 2010.

Expiry Date	Number of Options Outstanding	Number of Options Vested	Exercise Price	Weighted Average Exercise Price
			$	$
July 14, 2011	325,000	325,000	0.18	
April 26, 2012	200,000	200,000	0.20	
October 12, 2012	100,000	100,000	0.16	
November 22, 2012	100,000	100,000	0.20	
May 1, 2013	395,000	395,000	0.15	
July 1, 2013	100,000	100,000	0.15	
August 5, 2013	370,000	370,000	0.15	
June 24, 2014	1,845,000	1,845,000	0.15	
August 1, 2014	100,000	100,000	0.15	
February 22, 2015	2,150,000	2,150,000	0.32	
	5,685,000	5,685,000		0.22

8. SHARE CAPITAL (continued)

d) Common share warrants

Warrants outstanding as at October 31, 2010 and 2009 were as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, October 31, 2008	3,885,714	0.175
Granted	3,942,857	0.150
Expired	(3,885,714)	0.175
Balance, October 31, 2009	3,942,857	0.150
Granted	25,499,136	0.290
Exercised	(2,894,048)	0.170
Balance, October 31, 2010	26,547,945	0.280

Number of Warrants	Exercise price	Grant date fair value	Expiry Date
	$	$	
2,472,857	0.15	74,186	November 11, 2010
21,966,312 (1)	0.30	1,670,749	December 17, 2011
868,410 (2)	0.18	115,803	June 17, 2011
1,240,366 (1)	0.30	164,969	December 17, 2011
26,547,945		2,025,707	

(1) In the event that the closing price of the common shares of the Company listed on the TSX Venture Exchange is greater than $0.40 for a period of 20 consecutive trading days at any time after closing, the Company may, at its option, accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire 30 days thereafter.

(2) Each Agent's Warrant will be exercisable to acquire one Unit at a price of $0.18 for a period of 18 months following the closing date of the offering (Note 8(b)(1)).

e) Contributed surplus

	October 31, 2010	October 31, 2009
	$	$
Balance, beginning of year	1,141,100	739,412
Expiry of options and warrants, reallocation of valuation	138,156	401,688
Balance, end of year	1,279,256	1,141,100

9. INCOME TAXES

The following table reflects the major items causing the Company's income tax recovery to differ from the Canadian combined federal and provincial statutory rate of 31% (2009 - 31%) .

	2010 $	2009 $
Loss before income taxes	(1,531,545)	(837,747)
Expected income tax (recovery) at statutory rates	(475,000)	(259,701)
Impact of future change in enacted tax rates	164,000	(1,300)
Stock-based compensation not deductive for tax purposes	219,504	58,261
Write down of mineral properties	-	64,733
Non-deductible amounts for tax purposes	23,603	(13,409)
Benefit of tax assets not previously recognized	-	151,416
Change in valuation allowance	(325,000)	-
Future income tax (recovery)	(392,893)	-

The following table reflects future income tax assets (liabilities):

	2010 $	2009 $
Non-capital losses	173,000	308,760
Carrying value of mineral properties in excess of unclaimed resources pools	(1,010,000)	(28,974)
Unclaimed stock issue costs	152,000	35,321
Excess of unclaimed undepreciated capital cost over carrying value	6,000	9,893
Eligible capital	9,000	-
Long-term investment	19,000	-
	(651,000)	325,000
Valuation allowance	-	325,000
Net future income tax (liabilities)	(651,000)	-

The Company has approximately $1,370,000 of Canadian development and exploration expenditures as at October 31, 2010, which under certain circumstances can be used to reduce the taxable income of future years. The Company has also incurred non-capital losses for income tax purposes of approximately $692,000 at October 31, 2010 which under certain circumstances can be used to reduce the taxable income of future years. These non-capital losses expire as follows:

Year of Expiry	Amount
2016	$ 23,000
2027	151,000
2028	171,000
2029	340,000
2030	7,000
	$ 692,000

10. RELATED PARTY TRANSACTIONS

During fiscal 2010, the Company paid $Nil (October 31, 2009 - $28,180) for geological services provided historically to the Company by a private company controlled by a former director.

During fiscal 2010, the Company paid directors and officers for consulting services in the amount of $52,000 (October 31, 2009 - $23,500.)

As at October 31, 2010, $193,495 (October 31, 2009 – Nil) owing to an officer, and a Company controlled by the same officer, was included in accounts payable and accrued liabilities, which was paid shortly after year end.

These related party transactions are in the normal course of operations and are measured at the rate of consideration established and agreed to by the related parties.

Under the private placement that closed on December 17, 2009, 500,000 Units were subscribed for by an officer and director of the Company and his spouse for gross proceeds of $90,000. Additional directors of the Company also subscribed for 795,454 FT Units and 416,667 Units for gross proceeds of $250,000.

Share issue costs of $50,000 were paid to a director of the Company.

11. COMMITMENTS AND CONTINGENCIES

During the year ended October 31, 2010, the Company issued a total of $4,450,574 in flow through common shares. Pursuant to the issuance of these shares the Company renounced $4,450,574 of qualified exploration expenditures with an effective date of December 31, 2010. As of October 31, 2010, the Company had expended $3,087,674 related to these flow through funds and is required to expend the balance of $1,362,900 by December 31, 2010. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

The Company is party to a management contract. The contract contains clauses requiring additional payments of up to $300,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of theses events taking place is not determinable, the contingent payment has not been reflected in these consolidated financial statements.

The Company is committed to minimum amounts under an operating lease agreement, which expires September 29, 2013. Minimum commitments remaining under this lease were approximately $57,000 including $18,000 due within one year.

The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

12. SUBSEQUENT EVENTS

On December 22, 2010, the Company completed a private placement for aggregate proceeds of $2,579,455. Pursuant to the offering, the Company issued and sold 9,379,837 flow-through common shares. Upon closing, the agent received cash commission of 7% of the gross proceeds of the Offering.

On December 1, 2010, the Company announced that it had completed its acquisition of a 100% interest in the Dowe property in Tully Township adjacent to the Company's 100% owned Frankfield Gold Project. In consideration for this acquisition the Company paid $16,000 in cash, issued 70,000 common shares of the Company and a 0.50% royalty at gold prices of less than US$950 per ounce or 0.75% royalty at gold prices equal to or greater than US$950 per ounce. The company maintains an NSR buyout option valued at $125,000 for each 0.25% of the desired NSR.

In November 2010, 2,197,857 warrants with an expiry date of November 11, 2010, were exercised for proceeds of $329,929, and 275,000 warrants expired.
See note 7(b) and (c).