GOGOLD RESOURCES INC.

Years ended September 30, 2011 and 2010

(in Canadian dollars unless stated otherwise)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of GoGold Resources Inc.

We have audited the accompanying consolidated financial statements of GoGold Resources Inc., which comprise the consolidated balance sheets as at September 30, 2011 and September 30, 2010, the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of GoGold Resources Inc. as at September 30, 2011 and September 30, 2010, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles**.**

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Emphasis of Matter

Without qualifying our opinion, we draw attention to "*Note X"* in the consolidated financial statements which indicates the Company's major business activity is the exploration and development of mineral properties, it has no current sources of revenue and continues to be dependent upon its ability to finance its exploration programs through financing activities that may include issuances of equity securities. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

KPMG LLP

Chartered Accountants
January 27, 2012
Halifax, Canada

GOGOLD RESOURCES INC.

CONSOLIDATED BALANCE SHEET

AS AT SEPTEMBER 30

	2011	2010
ASSETS		
Current		
Cash	**$ 1,596,623**	$ 668,320
Taxes recoverable (Note 5)	**479,040**	19,895
Short-term investments (Note 3)	**277,617**	275,550
Prepaid expenses (Note 6)	**30,539**	15,663
Deposits	**11,264**	11,264
	2,395,083	990,692
Property and equipment (Note 7)	**510,895**	7,437
Resource properties and related deferred costs (Note 9)	**19,533,027**	233,585
	$ 22,439,005	$ 1,231,714
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	**258,623**	45,486
Future income tax liability (Note 12)	**4,406,086**	-
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	**18,327,317**	1,378,287
Contributed surplus (Note 11)	**578,267**	166,430
Deficit	**(1,131,288)**	(358,489)
	17,774,296	1,186,228
	$ 22,439,005	$ 1,231,714

Going concern (Note 1)
Subsequent event (Note 15)
Commitments (Note 14)

ON BEHALF OF THE BOARD OF DIRECTORS

"Terry Coughlan"
Director

"Daniel Whittaker"
Director

See accompanying notes

GOGOLD RESOURCES INC.

CONSOLIDATED STATEMENT OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

YEAR ENDED SEPTEMBER 30

	2011	2010
Expenses		
General and administrative	**$ 476,214**	$ 45,856
Stock based compensation (Note 10(e))	**301,619**	139,380
Professional fees	**237,285**	107,599
Marketing and public relations	**207,288**	-
Regulatory	**30,285**	21,610
Insurance	**27,870**	7,054
Depreciation	**4,647**	-
Foreign exchange gain	**(337,409)**	
	947,799	321,499
Net loss for the year, before income tax recovery	**(947,799)**	(321,499)
Income tax recovery (Note 12)	**175,000**	-
Net loss for the year, being comprehensive loss	**(772,799)**	(321,499)
Deficit, beginning of year	**(358,489)**	(36,990)
Deficit, end of year	**$ (1,131,288)**	$ (358,489)
Loss per share basic and fully diluted (Note 10(f))	**(0.02)**	(0.02)
Weighted average number of common shares outstanding	**43,438,446**	13,552,054

See accompanying notes

GOGOLD RESOURCES INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30

	2011	2010
Cash provided by (used in) the following activities		
Operating Activities:		
Net loss for the year	**$ (772,799)**	$ (321,499)
Items not involving cash		
Stock based compensation	**301,619**	139,380
Future income taxes	**(175,000)**	-
Depreciation	**4,647**	-
Foreign exchange gain	**(362,123)**	
Net change in non-cash working capital items	**(260,883)**	(11,045)
Net cash (used in) operating activities	**(1,264,539)**	(193,164)
Investing Activities:		
Resource property expenditures	**(2,201,180)**	(166,085)
Cash paid net of cash acquired on asset acquisition	**(1,295,195)**	-
Increase in investments	**(2,067)**	(275,550)
Property and equipment	**(514,566)**	(7,437)
Net cash used in investing activities	**(4,013,008)**	(449,072)
Financing Activities:		
Issuance of common shares (net of cash share issue costs)	**6,205,850**	866,155
Net cash provided by financing activities	**6,205,850**	866,155
Net increase in cash and cash equivalents for the year	**928,303**	223,919
Cash and cash equivalents, beginning of the year	**668,320**	444,401
Cash and cash equivalents, end of the year	**$ 1,596,623**	$ 668,320
Non-cash financing and investing activities:		
Issuance of common shares on payment of purchase agreements	$ 10,920,000	$ 67,500
Share issue costs paid through issue of stock options	147,700	27,050
Amounts reclassified from contributed surplus to share capital on exercise of options	145,880	-
Depreciation expense included in resource property expenditures	88,260	-
Stock based compensation expense included in resource property expenditures	108,398	-

See accompanying notes

1. NATURE OF OPERATIONS AND GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that GoGold Resources Inc. (the "Corporation") will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Corporation's major business activity is the exploration and development of mineral properties, it has no current sources of revenue and continues to be dependent upon its ability to finance its exploration programs through financing activities that may include issuances of equity securities.

The recoverability of the carrying value of exploration projects is dependent upon the existence and economic recovery of mineral reserves, the ability to raise long-term financing to complete the development of the properties, and upon future profitable production or, alternatively, upon the Corporation's ability to dispose of its interest in the underlying mineral claims. Subsequent to the year-end, the Corporation completed a financing of $4,500,000 from a private placement issuance of common shares (refer to note 15). This may not be sufficient to fund the current exploration and drilling program and the Corporation may have to raise additional capital in the future. Future financings are dependent on market conditions and there can be no assurance the Corporation will be able to raise funds as they are required in the future.

If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets, the reported revenues and expenses, and the balance sheet classifications used. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate and those adjustments may be material.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and, in management's opinion, within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Consolidation:

The consolidated financial statements are presented in Canadian dollars and include the accounts of the Corporation and its 100% owned subsidiaries; Mexican Gold Holdings Corporation Incorporated ("MHC"), North American Gold Holdings Corporation Incorporated ("NAHC"), and Minera Dorango Dorado S.A. DE C.V., a Mexican company, ("MDD"). Inter-company accounts and transactions have been eliminated.

(b) Resource properties and related deferred costs:

As a development stage enterprise, the Corporation defers all expenditures related to its resource properties until such time as the properties are put into commercial production, sold or abandoned. Under this method, all amounts shown as resource properties represent costs incurred to date less amounts amortized, received from exploration partners and/or written off, and do not necessarily represent present or future values.

If a property is put into commercial production, the expenditures will be depleted following the units of production method. If a property is sold or abandoned, or considered to be impaired in value, the expenditures will be charged to operations. The Corporation does not accrue the estimated future costs of maintaining in good standing its resource properties.

Resource properties are reviewed for impairment, on a property-by-property basis, whenever events or changes in circumstances indicate that the carrying amount of a resource property may not be recoverable. If the Corporation has sufficient information about a resource property to estimate future cash flows expected to be generated by the resource property then recoverability is measured by a comparison of the carrying amount to the estimated cash flows. If the Corporation does not have sufficient information about the resource property to estimate future cash flows expected to be generated by the resource property, then the carrying amount is compared to the estimated fair value. If the carrying amount exceeds the estimated future cash flows or estimated fair value, the resource property will be written down to its estimated fair value. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon the delineation of economically recoverable ore reserves, the Corporation's ability to obtain the necessary financing to complete their development and the ability to realize profitable production or proceeds from the disposition thereof.

Management's estimates of recoverability of the Corporation's investment in projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write downs of capitalized resource property carrying values.

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates and assumptions relate to the recoverability of resource properties and related deferred costs and the calculation of stock-based compensation. While management believes these estimates and assumptions are reasonable, actual results could differ.

(d) Investments:

Investments consist of guaranteed investment certificates which are convertible into cash without penalty with a maturity of one year when purchased.

(e) Future income taxes:

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, the Corporation records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the enacted or substantively enacted income tax rates. Accumulated future income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted, with the adjustment being recognized in earnings in the period that the change occurs. Future tax assets are recognized to the extent that they are more likely than not to be realized.

(f) Foreign currency translation:

All of the Corporation's foreign subsidiaries are financially or operationally dependent on the parent Corporation. The financial statements of all such integrated foreign subsidiaries are translated using the temporal method. Under this method monetary items are translated at exchange rates in effect at the balance sheet date, non-monetary assets and liabilities are translated at historical exchange rates, and revenues and expenses are translated at average exchange rates for the period. Realized and unrealized exchange gains and losses are included in earnings.

(g) Stock-based compensation:

The Corporation has a stock-based compensation plan which is described in Note 10. Awards of options under this plan are expensed based on the estimated fair value of the options at the grant date, with a corresponding credit to contributed surplus in shareholders' equity. If the options are subject to a vesting period, the estimated fair value is recognized over this period on a straight-line basis. Consideration paid on the exercise of stock options is credited to share capital together with the amounts originally recorded in contributed surplus related to the exercised options.

(h) Loss per share:

The calculation of basic loss per common share is based on net loss divided by the weighted average number of common shares outstanding. The Corporation follows the treasury stock method of calculating diluted per share amounts.

(i) Property and equipment:

Property and equipment are recorded at cost. The Corporation provides for depreciation using the declining balance method at 30% designed to amortize the cost of the property and equipment over their estimated useful lives, except as noted in Note 7.

(j) Impairment of long-lived assets:

Long-lived assets, including plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(k) Flow-through shares:

The Corporation has financed portions of its exploration activities through the issuance of flow-through shares. The income tax attributes of the related exploration expenditures are renounced to investors in accordance with income tax legislation. When the resource expenditure deductions are renounced, capital stock is reduced and the future tax liability increased by the estimated tax benefit transferred to investors.

(l) Financial instruments:

The Corporation recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net income or comprehensive income (loss). If a financial instrument is measured at fair value, changes in its fair value shall usually be recognized in the period in which the change occurs, with some exceptions, such as for cash flow hedges and available-for-sale investments. For investments designated as being available-for-sale, changes in the fair value shall be recorded directly in shareholders' equity in a separate account called "Accumulated Other Comprehensive Income (Loss)" until the asset is disposed of or is impaired. At that time, the gains and losses are transferred to the Statement of Operations and Deficit.

The Corporation has implemented the following classifications:

- Cash, deposits and short-term investments are classified as "Financial Assets Held for Trading". These financial assets are marked-to-market through net income at each period end.

- Taxes recoverable are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

- Accounts payable and accrued liabilities are classified as "Other Financial Liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

(m) Future accounting policies:

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board (“AcSB”) announced that 2011 is the changeover date for publicly listed companies to adopt IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Corporation will be required to adopt IFRS on October 1, 2011. The transition will require the restatement for comparative purposes of amounts reported by the Corporation for the year ended September 30, 2011.

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value:

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

The carrying values of cash, deposits, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

CICA Handbook Section 3862, Financial Instruments – Disclosures, establishes a valuation hierarchy based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation’s own assumptions. The two types of inputs have created the following value hierarchy:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The following table outlines the Corporation’s financial assets measured at fair value within the fair value hierarchy as of September 30, 2011:

	Total	Level 1	Level 2	Level 3
Short-term investments	$ 277,617	$ 277,617	$ -	$ -
	$ 277,617	$ 277,617	$ -	$ -

As of September 30, 2010, there was $275,550 of short-term investments in the Level 1 category and no other financial assets in either Level 2 or Level 3.

Due to their short-term maturities, the fair value of short-term investments approximates their carrying amount.

Liquidity risk:

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Short-term deposits are held in interest bearing instruments that can be converted to cash without penalty at any time and are recorded at fair value.

Foreign currency rate risk:

The Corporation's transactions occur in Canadian dollars, US dollars and Mexican pesos. Accordingly, the Corporation is exposed to foreign currency risk as at September 30, 2011.

At September 30, 2011, the Corporation's balance sheet exposure to foreign currency exchange risk in United States dollars (US) and Mexican pesos (MXN), including monetary and non-monetary balances, was as follows:

		US		MXN
Cash	$	401	$	24,175
Taxes recoverable (non-monetary)		-		382,354
Accounts payable and accrued liabilities		-		(66,667)
Future income tax liability (non-monetary)		-		(4,800,157)
	$	401	$	(4,460,295)

A 10% weakening (strengthening) of these currencies against the Canadian dollar at September 30, 2011 would have increased (decreased) equity and net earnings by the amounts shown below. This analysis assumes that other variables, in particular interest rates, remain constant:

		Equity/earnings
Translation of net US exposure	$	40
Translation of net MXN exposure		33,986

Concentration of credit risk:

Management does not believe it is exposed to any significant concentration of credit risk. All deposits, investments and taxes recoverable are with Canadian Schedule A banks or government authorities.

Interest rate risk:

The Corporation has cash and short-term deposits and no interest-bearing debt. The Corporation's short term deposits are held primarily in guaranteed investment certificates, the rates of which are fixed for periods ranging up to one year. A one-percent change in the interest rate for these instruments would affect the Corporation by an annualized amount of interest equal to approximately $2,800.

4. CAPITAL MANAGEMENT

The Corporation's capital consists of share capital and contributed surplus. The Corporation's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Corporation will be able to raise funds in the future.

The Corporation invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments.

There were no changes to the Corporation's approach to capital management during the year. The Corporation is not subject to externally imposed capital requirements.

5. TAXES RECOVERABLE

The Corporation has paid certain taxes which are recoverable as part of the value added tax regimes in Canada (2011 - $96,687 and 2010 - $19,895) and Mexico (2011 - $382,353 and 2010 - $nil). These amounts are held with governmental authorities and are expected to be recovered in full within the next fiscal year.

6. PREPAID EXPENSES

The Corporation has prepaid insurance as well as some miscellaneous general and administrative expenses. These payments are classified as prepaids if the expenses will be incurred within the next fiscal year.

7. PROPERTY AND EQUIPMENT

	September 30, 2011	September 30, 2010
Drilling equipment	$ 489,000	$ -
Equipment	114,802	7,437
Accumulated depreciation - drilling equipment	$ (81,799)	
Accumulated depreciation - equipment	(11,108)	-
	$ 510,895	$ 7,437

The Corporation entered into a drilling contract with a supplier on May 31, 2011 under which it advanced $489,000 to facilitate the purchase of drilling equipment. The drilling contract is dependent on the use of the specific drilling equipment and effectively grants control of the equipment to the Corporation over the term of the arrangement. The contract provides for the recovery of the advance over the first 15,000 meters of drilling through a reduced operating cost charge. As such, the initial $489,000 advance has been capitalized as equipment and is being amortized to resource properties as the drilling services are rendered under the contract.

8. ACQUISITION OF MINERAL PROPERTY INTERESTS

On April 13, 2011, the Corporation acquired all of the issued and outstanding securities of Mexican Gold Holdings Corporation Incorporated (“MHC”), a Canadian Corporation (the “MHC Transaction”). MHC and MHC’s wholly owned Canadian subsidiary, North American Gold Holdings Corporation Incorporated (“NAHC”), together own 100% of Minera Dorango Dorado S.A. DE C.V., a Mexican Corporation, (“MDD”). MDD is a party to agreements to earn a 100-per-cent interest in five (5) gold and silver properties consisting of a number of Mexican mining concession titles (the “MDD Claims”) in Durango, Mexico (the “MDD Agreements”).

The terms of the MDD Agreements provide MDD with an option to acquire a 100% interest in the MDD Claims in exchange for the following:

i. a first year payment of US$140,000 (which has been paid);
ii. a total work commitment for all MDD Claims for the first three years of US$900,000 and a total work commitment for years four through eight for all MDD Claims of US$2,650,000; and,
iii. prepayment of future royalties of US$130,000 per annum starting in year three and ending in year eight. The future royalties will be based on a payment of up to US$4.00 per ounce of gold equivalent NI 43-101 compliant mineable reserves (“Reserves”). Any royalty prepayments will be applied against the final royalty payment due. After year eight of the MDD Agreements, MDD has agreed to pay the current optioners of the MDD Claims a royalty of up to US$4.00 per ounce of any additional increase in Reserves after the end of year eight.
iv. MDD may exercise the option to acquire the MDD Claims at any time by paying the total minimum advance royalty or at the end of the eight year period provided all payments above have been made.

In accounting for the MHC Transaction, MHC was not considered a business for accounting purposes as outlined in EIC Abstract 124. The transaction was considered to be an asset acquisition.

The Corporation issued 14,000,000 common shares to the shareholders of MHC and paid cash consideration of $1,100,000. The last closing price of the common shares of the Corporation prior to the closing of the transaction was $0.78 per share. The resulting amount of $10,920,000 pursuant to the share issuance has been included in share capital and acquisition cost for the MDD Claims (also called the "San Diego Project"). The cash payment has been included in the acquisition cost of the project.

As part of the MHC Transaction, the Corporation advanced MHC a total of $195,195 prior to the closing of the transaction. The advance was non-interest bearing and was payable on demand. The Corporation also expended a total of $241,108 during the year ended September 30, 2011 for the purposes of evaluating the MHC Transaction, the MDD Claims and the MDD Agreements. These expenditures have been classified as part of the acquisition cost of the project.

On June 14, 2011, the Corporation announced it had closed an option agreement to acquire additional claims adjacent to the MDD Claims. The terms of the option agreement with the arms-length optioners provide that the Corporation may acquire a 100% interest in these additional claims in exchange for the following:

i. a total payment of US$80,000 (which has been paid).
ii. prepayment of future royalties of US$40,000 per annum starting in year three and ending in year eight. The future royalties will be based on a payment of up to US$4.00 per ounce of gold equivalent NI 43-101 compliant mineable reserves ("Reserves"). Any royalty prepayments will be applied against the final royalty payment due. After year eight of the MDD Agreements, MDD has agreed to pay the optioners of the Claims a royalty of up to US$4.00 per ounce of any additional increase in Reserves after the end of year eight; and,
iii. MDD may exercise the option to acquire the Claims at any time by paying the total minimum advance royalty or at the end of the eight year period provided all payments above have been made.

In addition, the Corporation acquired additional claims adjacent to the existing project through staking. The payments made for these additional claims totalled $23,995 and have been included in the acquisition cost of the San Diego Project.

The following table summarizes the minimum future financial commitments (in US$) to keep the MDD Agreements in good standing:

	Fiscal year 2012	2013	2014	2015	2016	2017	2018	2019
Work commitments	300,000	300,000	300,000	450,000	450,000	450,000	650,000	650,000
Minimum advance royalty	-		170,000	170,000	170,000	170,000	170,000	170,000
Total	$ 300,000	300,000	470,000	620,000	620,000	620,000	820,000	820,000

Note: Excess work commitment expenditures in any given year can be applied against future commitments

The acquisition cost of the underlying shares of MHC that has been allocated to resource properties give rise to a future tax liability. The offsetting gross-up to resource properties of $4,768,209 is included in the acquisition cost.

The following table summarizes the acquisition costs and recorded property acquisition cost for the San Diego Project:

	Acquisition Cost ($)
Cash paid on closing	1,100,000
Cash advance made prior to closing	195,195
Total cash paid on asset acquisition	1,295,195
Project working capital	(120,397)
Costs incurred prior to closing	241,108
Payments for additional claims	23,995
Share issuance	10,920,000
Future income tax liability related to acquisition	4,768,209
Resource property acquisition cost recorded	17,128,110

9. RESOURCE PROPERTIES AND RELATED DEFERRED COSTS

On July 26, 2010, the Corporation closed its Qualifying Transaction which included the arm's length acquisition of the Rambler property located in Newfoundland and Labrador in consideration for the issuance of 250,000 common shares at $0.27 per share of the Corporation and by paying $130,000. The vendor will retain a net smelter royalty ("NSR") of 2% and the Corporation may purchase one half of the NSR for $1,000,000 at any time.

On April 13, 2011, the Corporation completed the MHC Transaction to acquire the San Diego Project in Durango, Mexico (see Note 8).

The following table details the acquisition costs and exploration expenditures made during the years ended September 30, 2011 and 2010:

	Balance September 30, 2010 ($)	Acquisition amount ($)	Acquisition expenditures ($)	Exploration expenditures ($)	Write-downs ($)	Balance September 30, 2011 ($)
San Diego project	-	17,128,110	198,606	1,568,736	-	18,895,452
Rambler project	233,585	-		403,990		637,575
	233,585	17,128,110	198,606	1,972,726	-	19,533,027

	Balance September 30, 2009 ($)	Acquisition amount ($)	Acquisition expenditures ($)	Exploration expenditures ($)	Write-downs ($)	Balance September 30, 2010 ($)
San Diego project	-	-		-	-	-
Rambler project	-	197,500	2,460	33,625	-	233,585
	-	197,500	2,460	33,625	-	233,585

Note: San Diego 2011 exploration expenditures include depreciation of $6,461 and stock based compensation of $108,398

10. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares, without nominal or par value.

(b) Issued

The following table summarizes the changes in issued common shares of the Corporation:

	Number	Amount ($)
Balance September 30, 2009	10,000,000	500,000
Shares issued for cash	5,000,000	500,000
Shares issued for cash	1,666,665	500,000
Shares issued to acquire mineral property (Note 9)	250,000	67,500
Less: Share issue costs	-	(189,213)
Balance September 30, 2010	16,916,665	1,378,287
Shares issued for cash	24,000,000	6,000,000
Less: Share issue costs	-	(206,850)
Shares issued on exercise of stock options	1,050,000	410,880
Tax effects of issuing flow-through common shares (Note 12)	-	(175,000)
Shares issued to acquire mineral property (Note 8)	14,000,000	10,920,000
Balance September 30, 2011	55,966,665	18,327,317

On February 8, 2010, the Corporation completed its Initial Public Offering (the "Offering") of 5,000,000 common shares at a price of $0.10 per share for gross proceeds of $500,000. The Corporation incurred share issue costs of $133,996 in connection with the Offering, including a commission fee paid to the Agent of $40,000, professional and miscellaneous costs of $72,596 and $21,400 which represents the value of stock options granted to the Agent in connection with the Offering (see note 10(d)).

On July 26, 2010, as part of the completion of the Qualifying Transaction, the Corporation completed a private placement (the "Private Placement") of 1,666,665 flow through shares priced at $0.30 each for gross proceeds of $500,000. Four insiders of the Corporation subscribed for a total of $100,000 of the Private Placement. The Corporation incurred share issue costs of $55,217 in connection with the Private Placement, including a $20,000 due diligence fee paid to the Finder, professional and miscellaneous costs of $29,567 and $5,650 which represents the value of the stock options granted to the Finder in connection with the Private Placement (see Note 10(d)).

On December 10, 2010, the Corporation announced that it had closed a non-brokered private placement financing for gross proceeds of $6,000,000 comprised of the sale of 24,000,000 common shares at a price of $0.25 per common share (the "Private Placement Financing"). In connection with the Private Placement Financing a finder's fee in the form of an option to purchase 1,000,000 common shares of the Corporation at $0.25 per common share for two years from the date of closing was paid. The Corporation incurred share issue costs of $206,850 in connection with the Private Placement Financing, including professional, filing and miscellaneous costs of $59,150 and $147,700 which represents the value of stock options granted to the finder in connection with the Private Placement Financing (see note 10(d)).

On April 13, 2011, the Corporation announced it had closed the MHC Transaction (see Note 8). The Corporation issued 14,000,000 common shares to the shareholders of MHC. The last closing price of the common shares of the Corporation prior to the closing of the transaction was $0.78 per share.

(c) Escrowed shares

Under the requirements of the TSX Venture Exchange ("TSXV"), 6,000,000 of the issued and outstanding shares are held in escrow (2010 – 9,000,000). Of the currently escrowed shares, 1,500,000 will be released on each of the 18, 24, 30 and 36 month anniversaries of July 29, 2010.

(d) Agent's and Finder's stock options

Pursuant to the completion of the Offering, the Corporation's Agent was granted non-transferable options to purchase 400,000 common shares at a price of $0.10 per common share. The options will expire on February 12, 2012. The fair value of the options was determined to be $21,400 ($0.054 per option) using the Black Scholes model and was included in share issue costs and contributed surplus (Note 11).

Pursuant to the completion of the Private Placement concurrent with the Qualifying Transaction, the Corporation paid a finders fee of 41,666 stock options exercisable at $0.30 for two years from the date of closing. The fair value of the options was determined to be $5,650 ($0.1356 per option) using the Black Scholes model and was included in share issue costs and contributed surplus (Note 11).

Pursuant to the completion of the Private Placement Financing in December 2010, the Corporation paid a finder's fee of 1,000,000 stock options exercisable at $0.25 for two years from the date of closing. The fair value of the options was determined to be $147,700 ($0.1477 per option) using the Black Scholes model and was included in share issue costs and contributed surplus (Note 11).

The following assumptions were used in the Black Scholes model for the Agent's and Finder's options:

	Options granted to Agent February 8, 2010	Options granted to Finder July 26, 2010	Options granted to Finder December 10, 2010
Risk-free rate	3.00%	1.50%	1.68%
Expected volatility of the Corporation's share price	100%	100%	100%
Expected dividend yield	0.00%	0.00%	0.00%
Expected life of each option (years)	2.0	2.0	2.0

(e) Incentive stock options

The Corporation has a common share purchase option plan (the "Plan") for directors, officers, and other eligible persons. Options granted under the Plan have up to a ten-year term. Options are granted at a price no lower than the market price of the common shares less any discounts allowed by the TSXV at the time of the grant.

On February 12, 2010, the Corporation reserved options to acquire 50,000 common shares of the Corporation at a price of $0.10 per share for a registered charitable organization. The options will expire February 12, 2020 and vested immediately upon grant.

On February 12, 2010, the Corporation granted additional options to acquire 1,450,000 common shares of the Corporation at a price of $0.10 per share to directors, officers and advisors. The options expire February 12, 2015 and vested immediately. The fair value of the options granted to the officers, directors and advisors was $109,620 ($0.076 per option) and is included in stock based compensation expense and contributed surplus (Note 11). On July 15, 2011, 250,000 of these options were exercised by a former officer of the Corporation for cash proceeds of $25,000.

On July 26, 2010, the Corporation granted options to acquire 150,000 common shares of the Corporation at a price of $0.30 per share to a director. The options expire July 26, 2015 and vested immediately. The fair value of the options granted was $29,760 ($0.1978 per option) and is included in stock based compensation expense and contributed surplus (Note 11).

On December 21, 2010, the Corporation granted options to acquire 800,000 common shares of the Corporation at a price of $0.30 per share to a consultant. The options had an expiry date of December 21, 2012 and vested immediately. The fair value of the options granted was $126,880 ($0.1586 per option) and was included in stock based compensation expense and contributed surplus (Note 11). These options were exercised on February 3, 2011 for cash proceeds of $240,000.

On February 15, 2011, the Corporation granted options to acquire 80,000 common shares of the Corporation at a price of $0.80 per share to an employee. The options expire February 15, 2016 and vested immediately. The fair value of the options granted was $47,464 ($0.5933 per option) and is included in stock based compensation expense and contributed surplus (Note 11).

On May 2, 2011, the Corporation granted options to acquire 100,000 common shares of the Corporation at a price of $0.85 per share to a consultant. The options expire November 2, 2012 and vest 50% six months from the grant date and a final 50% twelve months from the grant date. Amortization of $48,850 is included in stock based compensation expense and contributed surplus (Note 11).

On July 8, 2011, the Corporation granted options to acquire 835,000 common shares of the Corporation at a price of $0.90 per share to directors, employees and consultants. The options expire July 8, 2016 and vest 25% on the 6, 12, 18 and 24 month anniversary of the grant date. Amortization of $186,823 ($1.11 per option for 505,000 options and $0.6759 for 330,000 options) is included in stock based compensation expense ($78,425), resource property expenditures ($108,398) and contributed surplus ($186,823) (Note 11).

The compensation charge for the options granted was determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Options granted December 21, 2010	Options granted February 15, 2011	Options granted May 2, 2011	Options granted July 8, 2011	Options valued September 30, 2011
Risk-free rate	1.68%	2.51%	1.68%	2.24%	1.28%
Expected volatility of the Corporation's share price	100%	100%	100%	100%	100%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected life of each option (years)	2.00	5.00	1.50	5.00	4.28
Fair value per option ($)	0.16	0.59	0.40	1.11	1.01

The following table summarizes information about the stock options, including Agent, Finder and incentive options, outstanding at September 30, 2011:

Exercise price per share	Number of outstanding options	Number of options exercisable	Expiry date
$ 0.10	1,200,000	1,200,000	February 12, 2015
0.10	400,000	400,000	February 12, 2012
0.30	41,666	41,666	July 26, 2012
0.25	1,000,000	1,000,000	December 12, 2012
0.30	150,000	150,000	July 26, 2015
0.80	80,000	80,000	February 15, 2016
0.85	100,000	0	November 2, 2013
0.90	835,000	0	July 8, 2016
	3,806,666	2,871,666	

A summary of changes in stock options, including Agent, Finder and incentive options, during the years ended September 30, 2011 and 2010 is as follows:

	Number of options	Weighted average exercise price	Stock based compensation charge
Balance, September 30, 2009	-	-	-
Granted	2,041,666	$ 0.12	$ 139,380
Exercised	-	-	
Forfeited	-	-	
Balance, September 30, 2010	2,041,666	0.09	139,380
Granted	2,815,000	0.49	301,619
Exercised	1,050,000	0.25	
Forfeited	-	-	
Balance, September 30, 2011	3,806,666	$ 0.35	$ 301,619

(f) Earnings per share

Basic earnings per share is calculated based on the weighted average number of shares outstanding during the year of 43,438,446 (2010 - 13,552,054). As of September 30, 2011, 3,806,666 stock options (2010 – 2,041,666) were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

11. CONTRIBUTED SURPLUS

The following table summarizes the changes in contributed surplus:

	Amount
Balance September 30, 2009	-
Estimated fair value of incentive options granted	139,380
Estimated fair value of Agent's option issued	21,400
Estimated fair value of Finder's options issued	5,650
Balance September 30, 2010	166,430
Estimated fair value of incentive options granted (see Note 10(e))	410,017
Estimated fair value of Finder's options issued (see Note 10(d))	147,700
Change as a result of incentive options exercised (see Note 10(e))	(145,880)
Balance September 30, 2011	$ 578,267

12. INCOME TAXES

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at September 30, 2011 and 2010 are presented below:

	Canada	Mexico	2011 Total
Future tax assets and liabilities:			
Non-capital loss carryforwards	$ 404,508	-	404,508
Deferred expenses	93,163	-	93,163
Capital assets	1,441	-	1,441
Resource properties	(135,661)	(4,406,086)	(4,541,747)
	363,451	(4,406,086)	(4,042,635)
Less: valuation allowance	(363,451)	-	(363,451)
Net future tax asset (liability)	-	(4,406,086)	(4,406,086)

	Canada	Mexico	2010 Total
Future tax assets and liabilities:			
Non-capital loss carryforwards	$ 80,170	-	80,170
Deferred expenses	48,448	-	48,448
Capital assets	-	-	-
Resource properties	(10,423)	-	(10,423)
	118,195	-	118,195
Less: valuation allowance	(118,195)	-	(118,195)
Net future tax asset (liability)	-	-	-

Income taxes vary from the amount that would be computed by applying the basic Federal and Provincial tax rate of 32.87% (2010 – 43.25%) to loss before taxes as follows:

		2011		2010
Loss before taxes	$	(947,799)	$	(321,499)
Computed expected recovery		(311,541)		(110,113)
Permanent difference - stock compensation		83,085		57,437
Permanent difference - foreign exchange		(120,672)		-
Rate differences		5,754		10,269
Change in valuation allowance		245,257		97,948
Expenses recorded directly in equity		(76,883)		(55,541)
		(175,000)		-

13. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2011, legal services were provided by an officer of the Corporation at a cost of $156,030 (2010 - $94,817).

Included in general and administrative expense during the year ended September 30, 2011 are insurance premiums amounting to $27,870 (2010 - $22,588) paid to a company owned by a director of the Corporation.

The transactions were in the normal course of operations and were measured at the exchange amounts, which are the amounts agreed to by the related parties.

14. COMMITMENTS

In addition to commitments related to resource properties, the Corporation has a commitment in respect of its operating lease on its premises in Halifax which expires August 31, 2013. In Durango, Mexico, the Corporation's subsidiary has entered into a lease for office space which terminates January 31, 2012. As of September 30, 2011, these commitments require total payments, including estimated common expenses, as follows:

		Amount
Year ending September 30, 2012	$	24,938
Year ending September 30, 2013		19,565
Total	$	44,503

15. SUBSEQUENT EVENTS

Subsequent to September 30, 2011, on October 21, 2011, the Finder exercised all of its outstanding 1,000,000 options to purchase common shares at a price of $0.25 per common share for cash proceeds of $250,000.

On November 16, 2011, the Agent exercised its option to purchase 400,000 common shares at a price of $0.10 per common share for cash proceeds of $40,000.

On December 23, 2011, the Corporation announced it had closed a non-brokered private placement financing for gross proceeds of $4,500,000, which comprised the sale of 3,600,000 common shares at a price of $1.25 per share. In connection with this private placement, and in accordance with TSX Venture Exchange Policy, the Corporation paid a finder's fee in the form of a warrant to purchase the number of common shares of the Corporation equal to 5.0% of the number of shares subscribed for in the private placement (excluding those shares subscribed for by insiders, which totalled 200,000) and a cash payment equal to 3.5% of the proceeds raised in the private placement (also excluding the shares subscribed for by insiders). The majority of the proceeds from the private placement will be used to advance the San Diego property in Durango, Mexico.