GOWEST AMALGAMATED RESOURCES LTD.

(A Development Stage Company)

Consolidated Financial Statements

Years Ended October 31, 2010 and 2009

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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

2005 Sheppard Avenue East, Suite 300, Toronto, Ontario, Canada, M2J 5B4
Telephone: (416) 496-1234 – Fax: (416) 496-0125 – E-Mail: info@mhc-ca.com – Website: www.mhc-ca.com

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).