GOWEST GOLD LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED OCTOBER 31, 2011

This management discussion and analysis ("MD&A") of results of operations and financial condition of Gowest Gold Ltd. ("Gowest" or the "Company") describes the operating and financial results of the Company for the three and twelve months ended October 31, 2011. The MD&A supplements, but does not form part of the financial statements of the Company and should be read in conjunction with Gowest's audited consolidated financial statements for the years ended October 31, 2011 and October 31, 2010. The Company prepares and files its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All amounts are stated in Canadian dollars unless otherwise noted and gold is measured in fine troy ounces ("ounces").

Forward-looking Statements

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

Date of MD&A

This MD&A is dated February 13, 2012.

Description of the Business and Going Concern

Gowest is an exploration and development stage mining company engaged in the exploration, development and acquisition of precious metals mineral properties, with a focus on the exploration and development of its Frankfield East gold deposit. The Company's main asset is the North Timmins Gold Project which includes its 100% interest in the Frankfield East deposit which is located near Timmins, Ontario. The Timmins Gold Camp has been a substantial producer of gold since its discovery in the early 1900s.

The Company's primary objective is to advance its Frankfield East deposit to production. It also intends to continue to explore areas surrounding the Frankfield property for additional resource opportunities.

In June 2011, the Company announced a significant increase in its estimated resource at the Frankfield East gold deposit from its previous resource of 510,000 inferred ounces (2,400,000 tonnes at a grade of 6.5 g/t Au). The updated resource estimate contains approximately 348,000 ounces of gold in the indicated category (1,621,000 tonnes at a grade of 6.68 g/t Au) and approximately 838,900 ounces of gold in the inferred category (4,342,000 tonnes at a grade of 6.01 g/t Au). The resource estimate was completed by ACA Howe International Limited and reported in accordance with National Instrument 43-101 –*Standards of Disclosure for Mineral Projects* ("**NI 43-101**") and CIM (Canadian Institute of Mining, Metallurgy and Petroleum) Standards for Mineral Resources and Reserves.

In addition to its focus on the exploration and development of its Frankfield East deposit, the Company is exploring additional gold targets on the remainder of its 6,000 hectare land package. This land package generally surrounds, or is contiguous with, the Frankfield property and includes exploration interests along the largely undeveloped Pipestone Fault area of the Timmins Gold Camp, including a contiguous block of claims extending approximately 20 kilometres along the Pipestone Fault from the Frankfield East deposit southeast towards the Clavos deposit. The Company regularly evaluates potential acquisition targets in the vicinity of the Pipestone Fault, among other acquisition opportunities.

On April 4, 2011, the name of the Company was changed from Gowest Amalgamated Resources Ltd. to Gowest Gold Ltd. On March 29, 2011, the shareholders of the Company approved the name change at the annual and special meeting of the shareholders.

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

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

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

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

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The ability of the Company to continue operations is dependent upon obtaining the necessary financing to complete the development of a mineral property. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, as described in the following paragraph. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited interim consolidated financial statements.

Fourth Quarter Highlights and Outlook

In October 2011, the Company began its review of the new data obtained from the geophysical and geochemical (soil gas) regional surveys completed over the entire North Timmins project area during Q3 2011. The program was designed to delineate other high priority "Frankfield East style" exploration targets located along the Pipestone Fault in the Tully East and Pipestone East properties for drill testing during the winter 2011/2012.

Additional sensitivity analyses completed on the Frankfield East resource estimate demonstrates the potential to raise the average resource grade into the 7-8 gram per tonne of gold range with a limited impact on the overall resource totals. These evaluations using a higher cut-off than the 3 g/t cut-off used for the June 1, 2011 resource estimate, further demonstrates the robust nature of the Frankfield East deposit mineralization.

In October 2011, the Company announced that it has entered into an exploration agreement with the Mattagami First Nation and Matachewan First Nation. This agreement establishes the framework by setting out provision for members of the two First Nations to participate in the exploration activities around the project. In addition, the parties have agreed to negotiate an Impact Benefit Agreement in the event that the project proceeds as currently planned.

In November, 2011, the Company announced that the ongoing diamond drilling conducted beyond the limits of the previously estimated gold resource at the Frankfield East gold deposit continues to intersect significant gold mineralisation. These results provide further evidence of the potential to increase the current resource estimate, particularly along strike to the west as well as at depth. Four holes were drilled west along strike of the Frankfield East deposit Main Zone, three of which intersected mineralization. This drilling brings the total strike at surface to in excess of 900 m (compared with approximately 750 m in the current resource estimate) and still leaves the mineralized zone open to the west.

In addition, three holes drilled at vertical depths of approximately 1,000 m continue to demonstrate the continuity of the main mineralized zone at depth and have traced the deep extensions along a strike length of at least 600 m. A number of other recently completed infill holes also confirmed the field location and presence of mineralization near historical holes from the 1970's and 1980's, several of which were not fully assayed. Further, all the infill drill holes intersected Main Zone mineralization and thus, provided further confidence regarding the continuity of the Main Zone in the Frankfield East Gold Deposit.

On November 14, 2011, the Company announced the results from the Preliminary Economic Assessment ("PEA") completed on the Frankfield East Gold deposit, which confirmed a pre-tax net cash flow ("PNCF") of $265 million and a 3.3 year payback period based on the current resources with annual production rate averaging 95,000 ounces of gold over a 10 year mine life. (All figures in US dollars except where noted.)

Highlights of PEA:

Gold Price	$1,200/oz	(versus 24 month average of $1,348/oz)
Initial Capital Cost	$167 million	(includes buyout of 2% NSR)
Life-of-Mine (LOM) Sustaining Capital	$86 million	
LOM Pre-tax Net Cash Flow (PNCF)	$265 million	(23% internal rate of return - IRR)
Average LOM Cash Costs	$660/oz	(includes G&A)
Overall Gold Recovery	95%	
Average Gold Production (10 years)	95,000 oz/year	
Mine Production Rate	1,500 tonnes per day (tpd)	

The Company continues to move forward with its drill program on the Frankfield East deposit project outside the previously identified targets on the unexplored areas and continues with its mine development and engineering program.

Selected quarterly information

The following tables set out financial performance highlights for the last eight quarters:

	Fourth Quarter October 31, 2011	**Third Quarter July 31, 2011**	**Second Quarter April 30, 2011**	**First Quarter January 31, 2011**
	$	$	$	$
Expenses	354,672	451,669	1,161,504	366,873
Net (loss) from operations	(354,672)	(451,669)	(1,161,504)	(366,873)
Interest income	1,312	1,655	5,799	-
Other income / (expense)	-	-	-	-
Future income taxes recovered	686,864	-	-	-

Net income / (loss)	333,504	(450,014)	(1,155,705)	(366,873)
Net (loss) per share, basic	0.00	(0.01)	(0.01)	(0.00)
Comprehensive gain / (loss)	311,004	(466,514)	(1,189,455)	(393,873)
Cash flow (used in) operations	(176,718)	(711,647)	(77,484)	(425,654)
Cash & cash equivalents, end of period	1,838,799	354,757	1,670,727	2,701,045
Assets	12,825,850	10,389,538	10,637,045	10,298,620
Future tax liabilities	480,000	1,295,864	1,295,864	651,000

	Fourth Quarter October 31, 2010	**Third Quarter July 31, 2010**	**Second Quarter April 30, 2010**	**First Quarter January 31, 2010**
	$	$	$	$
Expenses	292,969	327,123	903,112	176,523
Net (loss) from operations	(292,969)	(327,123)	(903,112)	(176,523)
Write-down of mineral properties	-		8,978	-
Interest income	5,126	7,117	16,307	4,944
Other income / (expense)	-	(6,300)	-	132,010
Future income taxes recovered	(1,008,850)	-	1,401,743	-
Net income / (loss)	(1,296,693)	(326,306)	523,916	(39,569)
Net income / (loss) per share, basic	(0.02)	(0.00)	0.01	(0.00)
Comprehensive income / (loss)	(1,241,193)	(411,056)	469,916	(32,069)
Cash flow from (used in) operations	(354,974)	(335,924)	(342,701)	192,065
Cash & cash equivalents, end of period	2,670,902	3,220,069	4,492,759	5,795,194
Assets	8,531,907	7,724,774	8,090,157	8,387,099
Future tax liabilities	651,000	-	-	1,401,743

Selected Annual Information

The following is a summary of selected audited financial information for the fiscal years of:

	2011	**2010**	**2009**
	$	$	$
Revenues	8,766	26,165	-
Expenses	2,334,718	1,699,727	628,931
Net loss from operations	(2,325,952)	(1,673,562)	(628,931)
Write-down of mineral properties	-	-	(208,816)
Other income	-	142,017	-
Future income taxes recovered	686,864	392,893	-
Net loss	(1,639,088)	(1,138,652)	(837,747)
Net loss per share, basic and diluted	(0.02)	(0.01)	(0.02)
Comprehensive loss	(1,738,838)	(1,214,402)	(837,747)
Cash flow from (used in) operations	(1,391,503)	(841,534)	(431,284)
Cash & cash equivalents, end of period	1,838,799	2,670,902	186,451
Assets	12,825,850	8,531,907	2,151,495
Long term liabilities	-	-	-
Future tax liabilities	480,000	651,000	-

Results of Operations

The Company's operations during the three and twelve month period ended October 31, 2011 produced a net gain of $333,504 and a loss of $1,639,088, respectively as compared to a net loss of $1,296,693 and $1,138,652, respectively for the comparable prior year period. The Company reported a comprehensive gain of $311,004 and loss of $1,738,838 for the three and twelve month periods ended October 31, 2011 compared with a comprehensive loss of $1,241,193 and $1,214,402 in the prior year three and twelve month periods ended October 31, 2010.

The Company's increase to a comprehensive gain for the three month period ended October 31, 2011 of $311,004 as compared to a loss of $1,241,193 for the same period last year was primarily due to: i) future income tax recovery of $686,864 as compared to a loss of $1,008,850 in the prior year period; offset by ii) an unrealized loss on securities available-for-sale of $98,250, as compared to a unrealized gain $55,500 in the prior year period reflecting the Company's adjustment to the carrying value of its long-term investment; iii) higher general and administrative expenses of $253,651 as compared to $223,167 in the prior year period, higher professional fees of $32,062 compared to $29,425 in the prior year period, and higher investor relations and shareholder communications costs of $40,617 as compared to $26,880 in the comparable prior year period reflecting the costs associated with the development of the Company's Frankfield deposit; and iv) higher flow-through interest expense of $8,270 in the current period as compared to $622 in the prior year period.

The Company's increase in its comprehensive loss of $1,738,838 for the twelve month period ending October 31, 2011 as compared to $1,214,402 for the comparable prior year period was primarily due to; i) future income tax recovery of $686,864 in the current year period as compared to the recognizing of $392,893 in future income taxes recovered due to the foregone tax benefit upon the renouncement of the flow through share agreements in the prior year period; ii) general and administrative expenses of $894,456 in the current period as compared to $685,898 in the prior year period and professional fees of $174,338 in the current period as compared to $92,659 in the prior year period, the increase reflects the costs associated with the development of the Company's Frankfield deposit; iii) $1,015,693 in stock based compensation expenses in the current year period as compared to $708,079 in the prior year period; offset by iv) other income of $Nil in the current year period as compared to $142,017 in the prior year period; and v) unrealized loss on securities available-for-sale of $99,750 as compared to $75,750 in the prior year period reflecting an adjustment to the carrying value of its long-term investment.

Liquidity and Capital Resources

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

As at October 31, 2011 and 2010, the Company reported a cash position of $1,838,799 and $2,670,902 respectively and had working capital of $1,577,990 and $1,965,307 respectively.

The Company's use of cash in operating activities was $1,391,503 and cash used in investing activities was $5,500,671 for the twelve month period ended October 31, 2011 reflecting mineral exploration and development expenditures.

The Company's cash provided by financing activities was $6,060,071 for the twelve month period ended October 31, 2011, reflecting the net proceeds from the private placements and the exercise of warrants.

Mineral Properties

According to Gowest's Consolidated Mineral Properties and Deferred Expenditures as at October 31, 2011, accumulated costs related the Company's interest in mineral properties owned, leased, under consideration to be acquired or under option, were as follows:

	Acquisition cost	Deferred exploration	Option Payments Received	**October 31, 2011 Net book value**	October 31, 2010 Net book value
	$	$	**$**	**$**	**$**
Frankfield Joint Venture, Ontario	1,225,000	9,082,651	-	**10,307,651**	5,409,792
Whitney Township, Ontario	16,800	60,768	(77,568)	**-**	-
Dowe Property, Ontario	34,200	-	-	**34,200**	-
Pipestone Property, Ontario	84,000	166,405	-	**250,405**	-
Tully Property, Ontario	19,458	-	-	**19,458**	-
	1,379,458	9,309,824	(77,568)	**10,611,714**	5,409,792

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

For a description of the mineral properties owned by the Company, refer to Note 7 of the audited consolidated financial statements as at October 31, 2011. Specific changes to mineral properties that occurred from November 1, 2010 to October 31, 2011 are as follows:

On December 1, 2010, the Company announced the completion of its acquisition of a 100% interest in the Dowe property in Tully Township adjacent to the Company's 100% owned Frankfield Gold Project. To complete the transaction, the Company paid $16,000 in cash, issued 70,000 common shares (valued at $18,200) of the Company and negotiated 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.

On January 6, 2011, the option agreement the Company entered into with Crown Minerals on November 20, 2009 to acquire 100% interest in 5 patented claims in Whitney Township was terminated and the ownership reverted back to the Company.

On April 26, 2011, the Company announced that it has entered into an Option and Joint Venture Agreement (the "Option Agreement") with Transition Metals Corp ("TMC") to explore and earn an interest in an additional 3400 hectares in Porcupine mining district (the "Pipestone Property"). The Company can earn an initial 60% interest in and to the Pipestone Property by expending $1,000,000 on the property over a period of three years. The Company is also required to pay $100,000 cash ($50,000 immediately and $50,000 within 12 months) and to issue 400,000 common shares (100,000 immediately and 300,000 within three years) to TMC in order to acquire the initial interest. Upon earning an initial 60% interest in the Pipestone Property, Gowest may elect to earn an additional 15% interest in the Pipestone Property (bringing the total interest to 75%) by issuing to TMC an additional 150,000 common shares and expending an additional $2,000,000 on the Pipestone Property over a period of two years. Upon earning either a 60% or 75% interest, as applicable, a joint venture will automatically be formed between Gowest and TMC, pursuant to which the companies will continue to explore and develop the Pipestone Property as warranted. Should either party's joint venture interest be diluted below 10%, its interest will be converted to a 2% Net Smelter Royalty. In accordance to the terms of the Option Agreement, the Company paid $50,000 in cash and issued 100,000 common shares (valued at $34,000) of the Company during the quarter ended April 30, 2011.

During April 2011, the Company purchased a property in the Township of Tully for $10,333 and issued 25,000 common shares (valued at $9,125) of the Company.

Subsequent Events

On December 22, 2011, the Company completed a private placement for aggregate proceeds of $2,586,201. Pursuant to the offering, the Company issued and sold 13,611,589 Units at a price of $0.19 per Unit. Each Unit is comprised of one common share of the Company issued as a flow-through common share and one-half of one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of $0.30 for a 2 year period. Upon closing, the agent and certain selling group members were paid a cash commission of $161,931. In addition, the Company issued compensation warrants to purchase a total of 816,695 common shares of the Company at a price of $0.19 per share for a 24 month period following the closing of the private placement.

On December 19, 2011, the Company granted options to purchase 650,000 common shares to two consultants at a price of $0.25 per share for a period of five years. 400,000 options vested immediately and 250,000 options vested after 3,6,9 and 12 months from date of grant.

On December 17, 2011, 21,924,497 warrants expired unexercised.

On December 2, 2011, the Company issued 12,500 common shares to the Mattagami First Nation and 12,500 common shares to the Matachewan First Nation pursuant to the agreement entered into during October 2011.

On December 4, 2011, the warrants in Crown Minerals Inc. as described in Note 6 expired unexercised.

Commitments and Contingencies

On August 12, 2011, the Company issued a total of $2,001,535 in flow through common shares. As of October 31, 2011, the Company had expended $1,128,259 related to these flow through funds and is required to expend the balance of $873,276 by December 31, 2012. 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 these 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 $40,000 including $19,000 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.

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

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

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

As at October 31, 2011, $106,785 (October 31, 2010 – $193,495) 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.

Proposed Transactions

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

Critical Accounting Estimates

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

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

Change in Accounting Policy

Future accounting changes

International Financial Reporting Standards ("IFRS")

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

Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended January 31, 2012.

IFRS Transition Plan

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

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete
Detailed evaluation of potential changes required to accounting policies, information systems and business	Complete

processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	
Determination of expected changes to accounting policies and expected choices to be made with respect to first-time adoption alternatives.	Complete
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	Complete
Quantification of the financial statement impact of changes in accounting policies.	Substantially complete
Management and employee education and training.	Throughout the transition process

The Company has substantially completed its transition to IFRS and expects to complete its first interim consolidated financial statements prepared under IFRS for the three months ending January 31, 2012, with no significant issues or delay.

First-time adoption of IFRS

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

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

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

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

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

Impact of Adopting IFRS on the Company's Financial Statements

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

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

1) *Exploration and Evaluation Expenditures*

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

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

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

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

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

3) *Share-based Payments*

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

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

4) *Asset Retirement Obligations (Decommissioning Liabilities)*

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

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

5) *Property and Equipment*

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

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

6) *Income Taxes*

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

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

Subsequent Disclosures

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

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

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

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

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the three and nine month periods ended October 31, 2011. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

RISK CONSIDERATIONS

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

Financial Risk Factors

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

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

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

Market risk

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

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

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

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

Sensitivity analysis

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

As at October 31, 2011, the carrying and fair value amounts of the Company's financial instruments are the same.

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

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

(ii) The Company's long-term investments amounting to $30,750 are subject to fair value fluctuations. As at October 31, 2011, if the fair value of the Company's long-term investments had decreased/increased by 10% with all other variables held constant, comprehensive loss for the twelve months ended October 31, 2011 would have been approximately $9,975 higher/lower. Similarly, as at October 31, 2011, reported shareholders' equity would have been approximately $9,975 lower/higher as a result of the 10% decrease/increase in the fair value of the Company's long-term investments.

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

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

Disclosure Controls and Procedures

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

As at October 31, 2011, Gowest management, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that material information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

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

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

Outstanding Share Data

Common Shares:

The Company has authorized and unlimited number of common shares and 1,500,000 special shares, redeemable, voting and non-participating. The Company has 109,595,350 shares issued and outstanding as of the date hereof.

Gowest shares are traded on the TSX Venture Exchange under the symbol GWA.

Share Purchase Warrants:

As of the date hereof, the Company has 23,724,497 common share purchase warrants outstanding with a weighted average exercise price of $0.30 expiring between December 17, 2011 and August 12, 2013.

Stock Options:

As of the date hereof, the Company has 8,235,000 options outstanding under the Company's stock option plan for employees, directors, officers and directors with a weighted average exercise price of $0.24 expiring from 2012 to 2016.

Additional Information

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

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GOWEST GOLD LTD.
(Formerly Gowest Amalgamated Resources Ltd.)

(A Development Stage Company)

Consolidated Financial Statements

Years Ended October 31, 2011 and 2010

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Gowest Gold Ltd. (formerly Gowest Amalgamated Resources Ltd.)

We have audited the accompanying consolidated financial statements of Gowest Gold Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at October 31, 2011 and 2010, and the consolidated statements of operations, consolidated statements of comprehensive loss, consolidated statements of deficit and accumulated other comprehensive loss and consolidated statements of cash flows for the years then ended, and 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 the auditor's 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, the auditor considers 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 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 financial position of Gowest Gold Ltd. and its subsidiaries as at October 31, 2011 and 2010, and their financial performance and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes that the Company is in the development stage and will require additional financing to fund the development of its properties.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
February 8, 2012

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GOWEST GOLD LTD. (Note 1)
(A Development Stage Company)

Consolidated Balance Sheets

In Canadian dollars

As at October 31,

	2011	2010
ASSETS		
CURRENT		
Cash and cash equivalents	$ 1,838,799	$ 2,670,902
Amounts receivable	168,485	173,787
Prepaid expenses	49,824	17,180
	2,057,108	2,861,869
Long-term investments (Note 6)	30,750	130,500
Property, plant and equipment (Note 5)	126,278	129,746
Mineral properties (Note 7)	10,611,714	5,409,792
	$ 12,825,850	$ 8,531,907
LIABILITIES AND SHAREHOLDERS‘ EQUITY		
CURRENT		
Accounts payable and accrued liabilities (Note 10)	$ 479,118	$ 896,562
Future income taxes (Note 9)	480,000	651,000
	959,118	1,547,562
SHAREHOLDERS’ EQUITY (Note 8)		
Share capital	13,412,909	7,609,938
Shares to be issued	-	22,500
Options	1,866,995	1,034,394
Warrants	1,866,327	2,025,707
Contributed surplus	1,446,789	1,279,256
	18,593,020	11,971,795
Deficit	(6,550,788)	(4,911,700)
Accumulated other comprehensive loss	(175,500)	(75,750)
	(6,726,288)	(4,987,450)
	11,866,732	6,984,345
	$ 12,825,850	$ 8,531,907

Nature of operations and going concern (Note 1)

Commitments and contingencies (Notes 7 and 11)

Subsequent events (Note 12)

APPROVED ON BEHALF OF THE BOARD

“C. Fraser Elliott”
___________________ Director

“Ewan Mason”
___________________ Director

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

GOWEST GOLD LTD. (Note 1)
(A Development Stage Company)

Consolidated Statements of Operations

In Canadian dollars

For the years ended October 31,

	2011	2010
EXPENSES		
General and administration	$ 894,456	$ 685,898
Professional fees	174,338	92,659
Shareholder communications	27,101	22,880
Investor relations	131,532	97,392
Stock option compensation	1,015,693	708,079
Transfer agent and exchange fees	42,467	22,572
Flow-through interest expense	8,270	49,214
Amortization	40,861	21,033
Net loss before undernoted	(2,334,718)	(1,699,727)
Interest income	8,766	26,165
Other income	-	142,017
Net loss before income taxes	(2,325,952)	(1,531,545)
Future income tax recovery (Note 9)	686,864	392,893
Net loss, for the year	$(1,639,088)	$ (1,138,652)
Basic and diluted loss per share	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding		
Basic	98,429,303	77,734,496
Diluted	98,429,303	77,734,496

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

GOWEST GOLD LTD. (Note 1)
(A Development Stage Company)

Consolidated Statements of Comprehensive Loss

In Canadian dollars

For the years ended October 31,

	2011 $	2010 $
Net loss for the year	(1,639,088)	(1,138,652)
Unrealized loss on securities available for sale	(99,750)	(75,750)
Comprehensive loss for the year	(1,738,838)	(1,214,402)

GOWEST GOLD LTD. (Note 1)
(A Development Stage Company)

Consolidated Statements of Deficit and Accumulated Other Comprehensive Loss

In Canadian dollars

For the years ended October 31,

	2011 $	2010 $
Deficit – beginning of year	(4,911,700)	(3,773,048)
Net loss for the year	(1,639,088))	(1,138,652)
Deficit – end of year	(6,550,788)	(4,911,700)
Accumulated other comprehensive income, beginning of year	(75,750)	-
Unrealized loss on securities available for sale	(99,750)	(75,750)
Accumulated other comprehensive loss, end of year	(175,500)	(75,750)

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

GOWEST GOLD LTD. (Note 1)
(A Development Stage Company)

Consolidated Statements of Cash Flows

In Canadian dollars

For the years ended October 31,

	2011	2010
	$	$
Operating activities		
Net loss for the year	(1,639,088)	(1,138,652)
Items not affecting cash:		
Future income tax (recovery)	(686,864)	(392,893)
Amortization	40,861	21,033
Stock option compensation	1,015,693	708,079
	(1,269,398)	(802,433)
Changes in non-cash working capital items:		
Amounts receivable	5,302	(165,690)
Prepaid expenses	(32,644)	(7,570)
Accounts payable and accrued liabilities	(94,763)	134,159
	(122,105)	(39,101)
Cash flow used by operating activities	(1,391,503)	(841,534)
Investing activities		
Deferred expenditures on mineral properties	(5,463,278)	(2,951,469)
Purchase of equipment	(37,393)	(147,416)
Cash flow used by investing activities	(5,500,671)	(3,098,885)
Financing activities		
Proceeds from issue of capital stock	6,577,882	7,078,930
Share issue costs	(517,811)	(654,060)
Cash flow from financing activities	6,060,071	6,424,870
Increase (decrease) in cash and cash equivalents during the year	(832,103)	2,484,451
Cash and cash equivalents, beginning of year	2,670,902	186,451
Cash and cash equivalents, end of year	1,838,799	2,670,902

CASH AND CAH EQUIVALENTS ARE COMPOSED OF:		
Cash	158,915	339,784
Cash equivalents	1,679,884	2,331,118

SUPPLEMENT INFORMATION		
Securities received for sale of mineral properties	-	206,250
Change in mineral properties related account payables	(322,681)	720,599
Common share warrants issued for share issue costs	-	340,081
Common shares issued for mineral property	61,325	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Gowest Gold 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.

On April 4, 2011, the name of the Company was changed from Gowest Amalgamated Resources Ltd. to Gowest Gold Ltd. On March 29, 2011, the shareholders of the Company approved the name change at the annual and special meeting of shareholders.

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. Amortization is calculated using the declining balance method at 30% per year. For computer equipment purchased in the current period, amortization is recorded at one half of the stated rate.

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Use of estimates

The preparation of consolidated financial statements in conformity with 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, 2011 and 2010, the Company had no derivatives or embedded derivatives.

The Company has made the following classifications:

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2011 and 2010, all outstanding options and warrants were considered anti-dilutive and were therefore excluded from the diluted loss per share calculation.

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, 2011 and 2010, 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 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. Based on the analysis of information to date and due to the simplicity of the Company’s accounting policies and computer systems and the size of its business, management does not expect any difficulty in completing all necessary changes in accordance with these new standards by the required changeover date.

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, 2011 totalled $11,866,732 (October 31, 2010 - $6,984,345).

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.
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, 2011 and 2010. 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, 2011, the Company has cash and cash equivalents of $1,838,799 (October 31, 2010 - $2,670,902) to settle current liabilities of $479,118 (October 31, 2010 - $896,562).

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 $873,000 in Canadian exploration expenditures by December 31, 2012 as a result of its flow-through financing. The Company intends to fulfill all flow-through commitments.

4. FINANCIAL RISK FACTORS (continued)

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.

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. All amounts receivable are in good standing as of October 31, 2011. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is low.

(d) The carrying value of 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 company discloses certain information about fair value measurement for financial instruments and liquidity risk disclosures. These disclosures use 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 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, 2011:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash equivalents	-	1,679,884	-	1,679,884
Long term investments:				
Investment in a public company	30,000	750	-	30,750
	30,000	1,680,634	-	1,710,634

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	2011 Net Book Value
	$	$	$
Computer equipment	6,536	2,729	3,807
Furniture and fixtures	26,441	6,911	19,530
Vehicles	94,101	37,346	56,755
Software	61,689	15,503	46,186
	188,767	62,489	126,278

	Cost	Accumulated Amortization	2010 Net Book Value
	$	$	$
Computer equipment	6,536	1,097	5,439
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

6. LONG-TERM INVESTMENTS

Investment	Cost	Write-Down	Other Comprehensive Income Adjustment	2011 Fair Value	2010 Fair Value
	$	$	$	$	$
Crown Minerals Inc.					
Common shares (1)	115,500	-	(85,500)	30,000	82,500
Warrants (2)	90,750	-	(90,000)	750	48,000
	206,250	-	(175,750)	30,750	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	**2011 Net Book Value**
	$	$	$	$
Frankfield, Ontario (a)	1,225,000	9,082,651	-	10,307,651
Whitney Township, Ontario (b)	16,800	60,768	(77,568)	-
Dowe Property, Ontario (c)	34,200	-	-	34,200
Pipestone Property(d)	84,000	166,405	-	250,405
Tully Property (e)	19,458	-	-	19,458
	1,379,458	9,309,824	(77,568)	10,611,714

	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

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 of the Company 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 of Crown (valued at $115,500) and 750,000 warrants of Crown (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 for the year ended October 31, 2010. On January 6, 2011, this option agreement was terminated and ownership has reverted back to the Company.

DOWE PROPERTY

(c) 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 (valued at $18,200) of the Company and agreed to a 0.5% 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 NSR.

PIPESTONE PROPERTY

(d) On April 26, 2011, the Company announced that it entered into an option and joint venture agreement (the "Option Agreement") with Transition Metals Corp ("TMC") to explore and earn an interest in an additional 3,400 hectares in the Porcupine mining district (the "Pipestone Property"). The Company can earn an initial 60% interest in the Pipestone Property by expending $1,000,000 on the property over a period of three years. The Company is also required to pay $100,000 cash ($50,000 immediately and $50,000 within 12 months) and to issue 400,000 common shares (100,000 immediately and 300,000 within three years) to TMC in order to acquire the initial interest. Upon earning an initial 60% interest in the Pipestone Property, Gowest may elect to earn an additional 15% interest in the Pipestone Property (bringing the total interest to 75%) by issuing to TMC an additional 150,000 common shares and expending an additional $2,000,000 on the Pipestone Property over a period of two years. Upon earning either a 60% or 75% interest, as applicable, a joint venture will automatically be formed between Gowest and TMC, pursuant to which the companies will continue to explore and develop the Pipestone Property as warranted. Should either party's joint venture interest be diluted below 10%, its interest will be converted to a 2% Net Smelter Royalty.

In accordance to the terms of the Option Agreement, the Company paid $50,000 in cash and issued 100,000 common shares (valued at $34,000) of the Company during the year ended October 31, 2011.

7. MINERAL PROPERTIES (continued)

TULLY PROPERTY

(e) On April 15, 2011, the Company purchased a property in the Township of Tully (the "Tully Property") for $10,333 and issued 25,000 common shares (valued at $9,125) of the Company.

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, 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 (3)	-	(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
Private Placements (2)	20,002,767	5,480,990
Fair value of warrants issued (2)	-	(130,814)
Share issue costs	-	(517,811)
Exercise of stock options	325,000	58,500
Fair value of stock options exercised	-	45,825
Step-up warrants issued	-	(41,337)
Tax effect of share issue costs	-	129,000
Flow-through renunciation (3)	-	(644,864)
Shares issued for mineral property (4)(5)(6)	195,000	61,325
Warrants exercised – cash	4,996,672	1,060,892
Fair value of warrants exercised	-	301,266
Balance, October 31, 2011	109,595,350	13,412,909

(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, 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; and (ii) 20,239,081 flow-through units of the Company, at a price of 0.22 per flow-through unit, with each flow-through 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 flow-through 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.

8. SHARE CAPITAL (continued)

(b) Issued common shares (continued)

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.

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) On December 22, 2010, the Company completed a private placement for aggregate gross proceeds of $2,579,455.

Pursuant to the offering, the Company issued and sold a total of 9,379,837 flow-through common shares at a price of $0.275 per share. Share issue costs for the Offering totalled $242,146.

On August 12, 2011, the Company completed a private placement for aggregate gross proceeds of $2,901,535.

Pursuant to the offering, the Company issued and sold: (i) 3,600,000 units of the Company at a price of 0.25 per unit, with each unit being comprised of one common share of the Company and one-half of one common share purchase warrant for aggregate gross proceeds or $900,000; and (ii) 7,022,930 flow-through common shares of the Company at a price of $0.285 per share for aggregate gross proceeds of $2,001,535. Share issue costs for the offering totalled $275,665.

Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.35 for a period of 24 months following the closing date of the offering.

The grant date fair value of $130,814 was assigned to the 1,800,000 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 96%, risk-free rate of return 0.93% and an expected life of 2 years.

(3) 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, 2010. As a result, the Company was required to recognize a foregone tax benefit of $644,864 (2010 - $1,207,894) at the time of renouncement.

(4) On December 1, 2010, the Company issued 70,000 common shares (valued at $18,200) of the Company for its acquisition of a 100% interest in the Dowe property.

(5) On April 18, 2011, the Company purchased a property in the Township of Tully (the “Tully Property”) for $10,333 and issued 25,000 common shares (valued at $9,125) of the Company.

(6) On April 25, 2011, the Company issued 100,000 common shares (valued at $34,000) of the Company to earn an interest in the pipestone property.

8. SHARE CAPITAL (continued)

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 March 29, 2011. 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.

The option transactions during 2011 and 2010 were as follows:

	Number of Options	Weighted Average Exercise Price
		$
Balance, October 31, 2009	3,905,000	0.17
Granted (1)	2,350,000	0.32
Expired	(570,000)	0.30
Balance, October 31, 2010	5,685,000	0.22
Granted (2)(3)(4)(5)(6)	3,425,000	0.33
Exercised	(325,000)	0.18
Expired	(550,000)	0.36
Balance, October 31, 2011	8,235,000	0.24

(1) 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 to be $708,079 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.

(2) On November 3, 2010, the Company issued incentive stock options to consultants of the Company, totalling 250,000 options exercisable at $0.24 per common share with an expiry date of November 3, 2015. The fair value of the 250,000 was estimated to be $56,000 on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 161.21%; risk-free interest rate of 2.34% and an expected life of 5 years

(3) On November 22, 2010, the Company issued incentive stock options to a investor relations consultant of the Company, totalling 100,000 options exercisable at $0.50 per common share with an expiry date of November 22, 2013. The fair value of the 100,000 options was estimated to be $20,000 on the date of grant using the Black- Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 179.35%; risk-free interest rate of 1.57% and an expected life of 3 years.

(4) On February 22, 2011, the Company issued incentive stock options to a investor relations consultant of the Company, totalling 100,000 options exercisable at $0.50 per common share with an expiry date of February 11, 2014. The fair value of the 100,000 options was estimated to be $27,890 on the date of grant using the Black- Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 175.82%; risk-free interest rate of 1.68% and an expected life of 3 years.

8. SHARE CAPITAL (continued)

c) Stock Options (continued)

(5) On February 25, 2011, the Company granted a total of 2,575,000 stock options to directors, officers and consultants of the Company at an exercise price of $0.325 per share, expiring on February 25, 2016. The fair value of the 2,575,000 options was estimated to be $779,403 on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 157.48%; risk-free interest rate of 2.33% and an expected life of 5 years.

(6) On June 1, 2011, the Company granted a total of 400,000 stock options to directors of the Company at an exercise price of $0.36 per share, expiring on June 1, 2016. The fair value of the 400,000 options was estimated to be $132,400 on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 154.70%; risk-free interest rate of 2.05% and an expected life of 5 years.

The estimated value of $1,015,693 (2010 - $708,079) was classified as stock option compensation on the statement of the operations and credited to stock options.

The following table reflects the stock options issued and outstanding as of October 31, 2011.

Expiry Date	Number of Options Outstanding	Number of Options Vested	Exercise Price $	Weighted Average Exercise Price $
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	
February 22, 2015	2,000,000	2,000,000	0.32	
November 3, 2015	250,000	250,000	0.24	
February 25, 2016	2,475,000	2,475,000	0.325	
June 6, 2016	400,000	400,000	0.36	
	8,235,000	8,235,000		0.24

8. SHARE CAPITAL (continued)

d) Common share warrants

Warrants transactions during 2011 and 2010 were as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, October 31, 2009	3,942,857	0.15
Granted	25,499,136	0.29
Exercised	(2,894,048)	0.17
Balance, October 31, 2010	26,547,945	0.28
Granted	2,458,317	0.34
Exercised	(4,996,672)	0.21
Expired	(285,093)	0.17
Balance, October 31, 2011	23,724,497	0.30

Warrants outstanding at October 31, 2011 were as follows:

Number of Warrants	Exercise price	Grant date fair value	Expiry Date
	$	$	
20,684,131 (1)	0.30	1,570,543	December 17, 2011
1,240,366 (1)	0.30	164,969	December 17, 2011
1,800,000	0.35	130,815	August 12, 2013
23,724,497		1,866,327	

(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.

e) Contributed surplus

	October 31, 2011	October 31, 2010
	$	$
Balance, beginning of year	1,279,256	1,141,100
Expiry of options and warrants, reallocation of valuation	137,267	138,156
Balance, end of year	1,446,789	1,279,256

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 30% (2010 - 31%).

	2011 $	2010 $
Loss before income taxes	(2,325,952)	(1,531,545)
Expected income tax (recovery) at statutory rates	(698,000)	(475,000)
Impact of future change in enacted tax rates	(117,000)	164,000
Stock-based compensation not deducted for tax purposes	305,000	219,504
Non-deductible amounts for tax purposes	14,000	23,603
Other	(191,345)	-
Change in valuation allowance	-	(325,000)
Future income tax (recovery)	(686,864)	(392,893)

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

	2011 $	2010 $
Non-capital losses	273,000	173,000
Carrying value of mineral properties in excess of unclaimed resources pools	(990,000)	(1,010,000)
Unclaimed stock issue costs	210,000	152,000
Excess of unclaimed undepreciated capital cost over carrying value	8,000	6,000
Eligible capital	9,000	9,000
Long-term investment	10,000	19,000
	(480,000)	(651,000)
Valuation allowance	-	-
Net future income tax (liabilities)	(480,000)	(651,000)

The Company has approximately $6,698,000 of Canadian development and exploration expenditures as at October 31, 2011, 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 $1,100,000 at October 31, 2011 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	153,000
2031	262,000
	$1,100,000

10. RELATED PARTY TRANSACTIONS

As at October 31, 2011, $106,785 (October 31, 2010 – $193,495) owing to an officer, and a Company controlled by the same officer, was included in accounts payable and accrued liabilities. The amounts were unsecured, non-interest bearing, with no fixed terms of repayment. The balance owing at October 31, 2011 was repaid subsequent to October 31, 2011.

The 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.

11. COMMITMENTS AND CONTINGENCIES

On August 12, 2011, the Company issued a total of $2,001,535 in flow through common shares. As of October 31, 2011, the Company had expended $1,128,259 related to these flow through funds and is required to expend the balance of $873,276 by December 31, 2012. 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 $40,000 including $19,000 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 has made, and expects to make in the future, expenditures to comply with such laws and regulations.

12. SUBSEQUENT EVENTS

On December 22, 2011, the Company completed a private placement for aggregate proceeds of $2,586,201. Pursuant to the offering, the Company issued and sold 13,611,589 units at a price of $0.19 per unit. Each unit is comprised of one flow-through common share of the Company and one-half of one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at a price of $0.30 for a 2 year period. Upon closing, the agent and certain selling group members were paid a cash commission of $161,931. In addition, the Company issued compensation warrants to purchase a total of 816,695 common shares of the Company at a price of $0.19 per share for a 24 month period following the closing of the private placement.

On December 19, 2011, the Company granted options to purchase 650,000 common shares to two consultants at a price of $0.25 per share for a period of five years. 400,000 options vested immediately and 250,000 options vested after 3,6,9 and 12 months from date of grant.

On December 17, 2011, 21,924,497 warrants of the Company as described in Note 8 expired unexercised.

On December 2, 2011, the Company issued 12,500 common shares to the Mattagami First Nation and 12,500 common shares to the Matachewan First Nation pursuant to the agreement entered into in October 2011.

On December 4, 2011, the warrants in Crown Minerals Inc. as described in Note 6 expired unexercised.