RUGBY MINING LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
For the years ended February 29, 2012 and February 28, 2011
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Rugby Mining Limited:

We have audited the accompanying consolidated financial statements of Rugby Mining Limited, which comprise the consolidated statement of financial position as at February 29, 2012, February 28, 2011 and March 1, 2010 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years ended February 29, 2012 and February 28, 2011 and the related notes, which comprise 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 International Financial Reporting Standards, 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.

Auditor's 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 audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rugby Mining Limited as at February 29, 2012, February 28, 2012 and March 1, 2010 and its financial performance and its cash flows for the years ended February 29, 2012 and February 28, 2011 in accordance with International Financial Reporting Standards.

(signed) "PricewaterhouseCoopers LLP"

Chartered Accountants
Vancouver, British Columbia
June 22, 2012

PricewaterhouseCoopers LLP, Chartered Accountants
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		February 29, 2012		February 28, 2011 (Note 3)		March 1, 2010 (Note 3)
Assets						
Current						
Cash and cash equivalents	**$**	**4,326,222**	$	7,970,579	$	955,959
Accounts receivable and prepaids		**62,691**		37,223		10,544
Due from related party		**6,415**		-		-
Exploration advances		**91,621**		28,087		-
		4,486,949		8,035,889		966,503
Property and equipment (Note 8)		**41,727**		33,648		-
	$	**4,528,676**	$	8,069,537	$	966,503
Liabilities						
Current						
Accounts payable and accrued liabilities	**$**	**360,519**	$	209,928	$	41,207
Due to related parties (Note 12)		**71,327**		116,544		102,437
		431,846		326,472		143,644
Shareholders' Equity						
Obligation to issue shares		**-**		-		615,000
Share capital (Note 9)		**11,617,706**		10,823,456		1,817,110
Contributed surplus		**4,217,715**		2,045,567		196,735
Deficit		**(11,747,942)**		(5,118,807)		(1,805,986)
Accumulated other comprehensive income (loss)		**9,351**		(7,151)		-
		4,096,830		7,743,065		822,859
	$	**4,528,676**	$	8,069,537	$	966,503

Basis of presentation (Note 2)
Contractual obligations (Note 15)

Approved on behalf of the Board:

"Paul Joyce"
.... Director

"Cecil Bond"
.... Director

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

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF LOSS AND COMPRENSIVE LOSS

For the years ended,		**February 29, 2012**	February 28, 2011
Income			
Interest income		**$ 68,905**	$ 22,051
Expenses			
Accounting and audit		**117,649**	27,685
Administrative	(Note 10)	**804,141**	478,411
Amortization		**11,166**	3,090
Bank charges		**17,837**	5,910
Directors' fees	(Note 10)	**1,281,144**	1,045,287
Foreign exchange (gain) loss		**(8,200)**	3,368
Insurance		**31,281**	12,452
Professional fees		**57,960**	86,396
Project evaluation	(Notes 7 and 10)	**4,292,277**	1,612,672
Shareholder communications		**26,169**	13,905
Stock exchange and filing fees		**11,075**	21,944
Transfer agent		**13,541**	14,514
Travel		**42,000**	9,238
		6,698,040	3,334,872
Loss for the year		**6,629,135**	3,312,821
Other comprehensive (income) loss		**(16,502)**	7,151
Comprehensive loss for the year		**$ 6,612,633**	$ 3,319,972
Basic and diluted loss per common share from loss for the year		**$ 0.20**	$ 0.14
Weighted average number of common shares outstanding		**33,849,164**	24,110,591

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

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended,		February 29, 2012	February 28, 2011
Operating Activities			
Net loss for the year		**$ (6,629,135)**	$ (3,312,821)
Items not requiring an outlay of cash:			
Amortization	(Note 8)	**11,166**	3,090
Share based payments	(Note 10)	**2,172,148**	1,859,085
		(4,445,821)	(1,450,646)
Changes in non-cash working capital			
Prepaid expenses and other receivables		**(84,942)**	(52,764)
Due from related party		**(6,415)**	-
Accounts payable and accrued liabilities		**158,572**	168,721
Due to related parties		**(45,217)**	14,107
Cash flows from operating activities		**(4,423,823)**	(1,320,582)
Financing Activities			
Issue of share capital for cash	(Note 9)	**794,250**	8,607,250
Share issue costs		**-**	(226,157)
Cash flows from financing activities		**794,250**	8,381,093
Investing Activities			
Acquisition of property and equipment	(Note 8)	**(19,245)**	(36,738)
Cash flows from investing activities		**(19,245)**	(36,738)
Effect of foreign exchange rate change on cash and cash equivalents		**4,461**	(9,153)
Net (decrease) increase in cash and cash equivalents		**(3,644,357)**	7,014,620
Cash and cash equivalents - beginning of year		**7,970,579**	955,959
Cash and cash equivalents - end of year		**$ 4,326,222**	$ 7,970,579

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

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued Share Capital						
	Number of Shares	Amount	Contributed Surplus	Obligation to issue shares	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance - March 1, 2010	**20,195,000**	**$ 1,817,110**	**$ 196,735**	**$ 615,000**	**$ (1,805,986)**	**$ -**	**$ 822,859**
Additions during the year:							
- Option payment	1,500,000	615,000	-	(615,000)	-	-	-
- Equity financing net of share issue costs	10,000,000	8,273,843	-	-	-	-	8,273,843
- Exercise of stock options	50,000	15,000	-	-	-	-	15,000
- Exercise of warrants	307,500	92,250	-	-	-	-	92,250
- Contributed surplus allocated on exercise of options	-	10,253	(10,253)	-	-	-	-
- Share-based payments recognized	-	-	1,859,085	-	-	-	1,859,085
- Other comprehensive loss	-	-	-	-	-	(7,151)	(7,151)
- Net loss for the year	-	-	-	-	(3,312,821)	-	(3,312,821)
Balance - February 28, 2011	**32,052,500**	**$ 10,823,456**	**$ 2,045,567**	**$ -**	**$ (5,118,807)**	**$ (7,151)**	**$ 7,743,065**
Additions during the year:							
- Exercise of warrants	2,647,500	794,250	-	-	-	-	794,250
- Share-based payments recognized	-	-	2,172,148	-	-	-	2,172,148
- Other comprehensive income	-	-	-	-	-	16,502	16,502
- Net loss for the year	-	-	-	-	(6,629,135)	-	(6,629,135)
Balance - February 29, 2012	**34,700,000**	**$ 11,617,706**	**$ 4,217,715**	**$ -**	**$ (11,747,942)**	**$ 9,351**	**$ 4,096,830**

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

1. Nature of Operations

Rugby Mining Limited ("Rugby" or the "Company") is an exploration stage company incorporated under the laws of British Columbia, Canada and together with its subsidiaries, it is engaged in the acquisition and exploration of mineral properties located in Argentina, Australia, Colombia and Philippines.

The Company is in the process of exploring its mineral properties. The continued operations of the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of such properties, and the profitable production from or disposition of such properties.

The Company has its primary listing on the TSX Venture Exchange (the "TSX-V"). The Company's head office is located at 1660 - 999 West Hastings Street, Vancouver, BC, Canada, V6C 2W2.

2. Basis of Preparation and Adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and required publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on that basis in these consolidated financial statements ("Financial Statements"). In these Financial Statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These Financial Statements have been prepared in accordance with IFRS applicable to the preparation of annual financial statements, including certain optional transitional and mandatory exemptions from retrospective application of IFRS as described in IFRS 1. Subject to certain elections disclosed in Note 3, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at March 1, 2010 the ("Transition Date") and throughout all periods presented, as if these policies had always been in effect. Note 3(b) discloses the impact of the transition to IFRS on the Company's reported financial results, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended February 28, 2011.

The accounting policies applied in these Financial Statements are based on IFRS effective at February 29, 2012. The Financial Statements were approved and authorized by the Audit Committee of the Board of Directors for issue on June 22, 2012.

3. Explanation of Transition to IFRS

The accounting policies set out in Note 4 have been applied in preparing these Financial Statements, the comparative information presented for the year ended February 28, 2011 and in the preparation of an opening IFRS balance sheet at March 1, 2010, subject to certain elections disclosed in this note.

In preparing its opening IFRS balance sheet, the Company has adjusted certain amounts reported previously in the Company's consolidated financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS affected the Company's financial position at March 1, 2010 and February 28, 2011 and its cash flows for the year ended February 28, 2011 is disclosed in Note 3(b).

Initial elections upon adoption

Set out below are the applicable IFRS 1 exemptions applied in the conversion from Canadian GAAP to IFRS:

a) IFRS exemption options:

Exemption for share-based payment transactions

An IFRS 1 exemption allows the Company to not apply IFRS 2, 'Share-based payment', to equity instruments granted after November 7, 2002 and vested before the Transition Date. The Company has elected to take the exemption and, as a result, was only required to recalculate the impact on any share based payments that had not vested at the Transition Date.

Cumulative translation differences

An IFRS 1 exemption allows the Company to set the currency translation adjustment, which is included in accumulated other comprehensive income ("OCI"), to zero at March 1, 2010 and adjust deficit by the same amount. If, subsequent to the Transition Date, a foreign operation is disposed of, the translation differences that arose before the Transition Date will not affect the gain or loss on disposal.

Business combinations

IFRS 1 provides the option to apply IFRS 3R, Business Combinations, retrospectively or prospectively from the Transition Date. The Company elected to adopt IFRS 3R effective March 1, 2010, and the adoption had no material impact on these Financial Statements.

b) Reconciliations of Canadian GAAP to IFRS

Upon conversion to IFRS, IFRS 1 requires an entity to reconcile equity, income (loss) and comprehensive income (loss) and cash flows for prior periods. The transition from Canadian GAAP to IFRS has had no effect on the net cash flows reported by the Company. The following disclosure and tables represent the required reconciliation from Canadian GAAP to IFRS.

3. Explanation of Transition to IFRS (Continued)

i. A reconciliation between the Canadian GAAP and IFRS consolidated statements of financial position at March 1, 2010 and February 28, 2011 is provided below:

	March 1, 2010			February 28, 2011		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**
ASSETS						
Current assets						
Cash and cash equivalents	$ 955,959	$ -	$ 955,959	$ 7,970,579	$ -	$ 7,970,579
Accounts receivable and prepaids	10,544	-	10,544	37,223	-	37,223
Exploration advances	-	-	-	28,087	-	28,087
	966,503	-	**966,503**	**8,035,889**	-	**8,035,889**
Property and equipment	-	-	-	33,648	-	33,648
Total Assets	**$ 966,503**	$ -	**$ 966,503**	**$ 8,069,537**	$ -	**$ 8,069,537**
LIABILITIES						
Current						
Accounts payable and accrued liabilities	$ 41,207	$ -	$ 41,207	$ 209,928	$ -	$ 209,928
Due to related parties	102,437	-	102,437	116,544	-	116,544
	143,644	-	**143,644**	**326,472**	-	**326,472**
Shareholders' Equity						
Obligation to issue shares	615,000	-	615,000	-	-	-
Share capital	1,817,110	-	1,817,110	10,823,456	-	10,823,456
Contributed surplus	196,735	-	196,735	2.045.567	-	2,045,567
Deficit	(1,805,986)	-	(1,805,986)	(5,125,958)	7,151	(5,118,807)
Accumulated other comprehensive loss	-	-	-	-	(7,151)	(7,151)
	822,859	-	822,859	7,743,065	-	7,743,065
Total Liabilities and Equity	**$ 966,503**	$ -	**$ 966,503**	**$ 8,069,537**	$ -	**$ 8,069,537**

Notes to the IFRS reconciliation above:

Foreign currency translation adjustments relate to integrated foreign operations under Canadian GAAP. IFRS does not distinguish between integrated and self-sustaining foreign operations and the current rate method is required to be applied to all entities where the functional currency is different from the presentation currency, resulting in an adjustment on transition to IFRS.

As at February 28, 2011, the adjustment to equity includes the one noted above for foreign currency and the adjustments described below in the comprehensive loss reconciliation.

3. Explanation of Transition to IFRS (Continued)

ii. A reconciliation between the Canadian GAAP and IFRS comprehensive loss for the year ended February 28, 2011 is provided below:

	Year ended February 28, 2011		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
Income			
Interest income	$ **22,051**	$ **-**	$ **22,051**
Expenses			
Administrative	478,411	-	478,411
Amortization	3,090	-	3,090
Bank charges	5,910	-	5,910
Director fees	1,045,287	-	1,045,287
Foreign exchange loss	10,519	(7,151)	3,368
Insurance	12,452	-	12,452
Professional fees	114,081	-	114,081
Project evaluation	1,612,672	-	1,612,672
Shareholder communications	13,905	-	13,905
Stock exchange listing and filing fees	21,944	-	21,944
Transfer agent	14,514	-	14,514
Travel	9,238	-	9,238
	3,342,023	**(7,151)**	**3,334,872**
Net loss for the year	**$ 3,319,972**	**$ (7,151)**	**$ 3,312,821**
Other comprehensive loss	**-**	**7,151**	**7,151**
Comprehensive loss for the year	**$ 3,319,972**	**$ -**	**3,319,972**
Net loss for the year	**$ 3,319,972**	**$ -**	**$ 3,319,972**

4. Changes in Accounting Policy and Disclosures

The IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, Financial Instruments - Classification and Measurement (IFRS 9); IFRS 10, Consolidated Financial Statements (IFRS 10); IFRS 11, Joint Arrangements (IFRS 11); IFRS 12, Disclosure of Interests in Other Entities (IFRS 12); IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (IFRIC 20); IFRS 13, Fair Value Measurement (IFRS 13). The Company is in its preliminary stage of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards, which are relevant to the Company.

IFRS 9 – Financial instruments - classification and measurement

IASB intends to replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety with IFRS 9 - *Financial Instruments* ("IFRS 9") in three main phases. In November 2009 and October 2010, IFRS 9 (2009) and IFRS 9 (2010) were issued, respectively, which address the classification and measurement of financial assets and financial liabilities. IFRS 9 (2009) requires that all financial assets be classified as subsequently measured

4. Changes in Accounting Policy and Disclosures (Continued)

at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 (2010) requires that financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 (2009) and IFRS 9 (2010) are effective for annual periods beginning on or after January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement. This standard is effective for annual periods beginning on or after January 1, 2013.

5. Summary of Significant Accounting Policies, Judgements and Estimation Uncertainty

a) Basis of presentation

These Financial Statements include the accounts of the following significant subsidiaries:

	Incorporation	Percentage of Ownership
Compañía Rugby Argentina ("Rugby Argentina")	Argentina	100%
Wallaby Corporation ("Wallaby")	Philippines	100%
Volador Holdings ("Volador")	Colombia	100%

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

b) Project evaluation expenditures

The Company expenses mineral property exploration expenditures when incurred. When it has established that a mineral deposit is commercially mineable and following a decision to commence development, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned.

c) Cash and cash equivalents

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with an initial term to maturity of 90 days or less.

d) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share has not been presented separately as the effect of common shares issuable on the exercise of stock options and share purchase warrants would be anti-dilutive.

e) Share-based compensation

The Company has adopted an incentive stock option plan. Stock options expire after 5 years and normally vest over a period of 1 to 2 years (50 - 100% per year) or when certain milestones are met. All share-based awards are measured and recognized using the fair-value method as determined by the Black-Scholes option pricing model. Awards that the Company has the ability to settle with stock are recorded as equity. Share-based compensation expense is recognized over the tranche's vesting period, in earnings or capitalized as appropriate, based on the number of options expected to vest.

f) Income taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in OCI or directly in equity, in which case it is recognized in OCI or in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

5. Summary of Significant Accounting Policies, Judgements and Estimation Uncertainty (Continued)

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

g) Translation of foreign currencies

(i) Presentation currency

The Financial Statements are presented in Canadian dollars.

(ii) Functional currency

The financial statements of each entity in the Company group are measured using the currency of the primary economic environment in which the entity operates (the “Functional Currency”).

The Functional Currency of the parent Company is Canadian dollars and the Functional Currency of the Company’s subsidiaries, Rugby Argentina, Volador and Wallaby, are the Argentine Peso, Colombian Peso and Philippine Peso, respectively. The financial statements of these subsidiaries (“foreign operations”) are translated into the Canadian dollar presentation currency as follows:

- Assets and liabilities – at the closing rate at the date of the statement of financial position
- Income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates).
- All resulting changes are recognized in Other Comprehensive Income (“OCI”) as cumulative translation adjustments.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from the item are considered to form part of the net investment in a foreign operation and are recognized in OCI.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in OCI related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in OCI related to the subsidiary are reallocated between controlling and non-controlling interests.

(iii) Transactions and balances

Foreign currency transactions are translated into the Functional Currency of an entity using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation’s Functional Currency are recognized in the statement of income.

5. Summary of Significant Accounting Policies, Judgements and Estimation Uncertainty (Continued)

h) Property and equipment

Property and equipment are carried at cost less accumulated amortization. Amortization is calculated at the following annual rates:

Computer equipment	Declining balance	- 30%
Office equipment	Declining balance	- 20%
Website	Declining balance	- 30%
Leasehold improvements	Straight-line	- 5 years

i) Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Areas of estimates include assumptions used in the accounting for share-based compensation, amortization rates, valuation of future income tax benefits, commencement of capitalization of exploration expenditures and contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

j) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of cash, accounts receivable, and due from related party, and are included in current assets due to their short-term nature.

  Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

5. Summary of Significant Accounting Policies, Judgements and Estimation Uncertainty (Continued)

- Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities and amounts due to related parties. Accounts payables are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Financial liabilities are classified as current liabilities as payment is due within twelve months.

6. Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay dividends.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from continuing operations.

7. Project Evaluation

The tables below show the Company's project exploration and evaluation expenditures for the years ended February 29, 2012 and February 28, 2011.

	Year ended February 29, 2012					
	Generative	Comita	Mabuhay	Hawkwood	Interceptor	Total
Assays	$ -	$ -	$ 62,645	$ 3,816	$ 34,102	$ 100,563
Consultants	30,000	15,000	15,000	-	-	60,000
Drilling	-	-	807,395	-	308,650	1,116,045
Field camp	-	-	88,703	11,735	267,442	367,880
Environmental	-	2,736	-	-	9,542	12,278
Geological*	279,088	413,093	190,604	11,928	245,467	1,140,180
Geophysics	5,127	72,962	65,868	-	103,335	247,292
IVA	-	-	-	-	154,565	154,565
Legal	1,124	82,757	14,269	2,528	19,966	120,644
Office operations*	1,684	182,111	14,133	-	154,140	352,068
Resource development	-	10,256	7,112	-	-	17,368
Option fee	54,980	-	-	-	51,985	106,965
Travel	59,798	82,969	76,080	2,752	42,926	264,525
Wages and benefits	-	46,798	120,985	14,431	49,690	231,904
Exploration and evaluation costs	$ 431,801	$ 908,682	$ 1,462,794	$ 47,190	$ 1,441,810	$ 4,292,277
Cumulative exploration and evaluation costs	$ 1,392,504	$ 1,375,571	$ 1,749,090	$ 1,019,863	$ 1,510,584	$ 7,047,612

* Includes share based compensation as reflected below:

7. **Project Evaluation** (Continued)

	Year ended February 29, 2012					
	Generative	Comita	Mabuhay	Hawkwood	Interceptor	Total
Geological	$ 105,885	$ 210,666	$ 63,780	$ -	$ 5,988	$ 386,319
Office operations	-	52,573	-	-	91,938	144,511
Total	$ 105,885	$ 263,239	$ 63,780	$ -	$ 97,926	$ 530,830

	Year ended February 28, 2011					
	Generative	Comita	Mabuhay	Hawkwood	Interceptor	Total
Assays	$ 811	$ -	$ -	$ -	$ -	$ 811
Drilling	-	-	21,663	-	-	21,663
Environmental	-	2,861	-	-	-	2,861
Field camp	1,622	3,151	25,248	8,106	-	38,127
Geological*	465,462	319,853	95,330	15,939	15,586	912,170
Geophysics	-	-	24,842	-	-	24,842
Legal	126,325	32,802	15,333	1,130	24,941	200,531
Office operations*	9,333	92,924	3,024	52	26,241	131,574
Resource development	3,758	-	-	-	-	3,758
Signature fee & option payments	-	-	71,536	-	51,330	122,866
Travel	106,845	15,298	29,320	-	2,006	153,469
Exploration and evaluation costs	$ 714,156	$ 466,889	$ 286,296	$ 25,227	$ 120,104	$ 1,612,672
Cumulative exploration and evaluation costs	$ 909,373	$ 466,889	$ 286,296	$ 972,673	$ 120,104	$ 2,755,335

* Includes share based compensation as reflected below:

	Year ended February 28, 2011					
	Generative	Comita	Mabuhay	Hawkwood	Interceptor	Total
Geological	$ 111,290	$ 279,175	$ 17,621	$ -	$ -	$ 408,086
Office operations	-	39,648	-	-	22,917	62,565
Total	$ 111,290	$ 318,823	$ 17,621	$ -	$ 22,917	$ 470,651

Comita Porphyry Copper Gold Project, Colombia

On October 12, 2010, the Company announced it had entered into an option agreement (the "Comita Agreement") over the Comita Porphyry Copper Gold project in Colombia ("Comita"), granting the Company the right to earn up to a 60% interest in the project. The Comita Agreement provides that all of the mineral titles at Comita owned by the title holder, will be transferred to a new Colombian entity ("Newco") and grants the Company the right to earn an initial 40% interest in Newco upon completion of certain exploration activities and incurring expenditure commitments, with a further option to earn an additional 20% interest, for a total interest of 60% in Newco. Under the terms of the Comita Agreement, the Company can earn the 60% interest in the Comita project if it completes the obligations set out in the two options as follows:

Option 1: The Company has an initial 5 year option to acquire a 40% interest in the Comita project by incurring US$10.0 million in exploration expenditures which include at least 10,000 m of drilling as follows:

(i) US$250,000 on or before October 21, 2011, the first anniversary date of the agreement (incurred),

(ii) Thereafter the Company has the option, but not the obligation to incur US$9.75 million over the following four years with minimum annual expenditures of US$250,000 until such time as the Comita project is removed from the forestry reserve, following which the minimum annual expenditure increases to US$1.0 million.

7. Project Evaluation (Continued)

Excess expenditure in any given year may be carried forward to the next year, however such carry forward is limited to US$1.0 million at the end of the initial 5 year option. Upon incurring the expenditures set out above, the Company is required to provide the title holder with notice that it has met the requirements to acquire the initial 40% interest in Newco following which the title holder has 90 days to elect to resume management of the Comita project, a joint venture will be formed and dilution provisions will apply.

Should the title holder elect not to resume management of the Comita project, the Company will be granted a second option to acquire a further 20% indirect interest in Newco as set out below.

Option 2: Upon the Company being granted the second option it will have 3 years to acquire an additional 20% interest in Newco for a total 60% indirect interest in the project by incurring an additional US$15.0 million in expenditures, including 20,000 m of drilling with minimum annual expenditures of US$1.0 million on or before October 21, 2018.

Mabuhay Gold Project, Philippines

On October 5, 2010, the Company announced it had entered into agreements with Pelican Resources Limited ("Pelican"), an ASX listed company, and All-Acacia Resources Inc. ("All-Acacia"), a Philippine company over the Mabuhay project in the Philippines. The agreement with Pelican and its Philippine subsidiary, SunPacific Resources Philippines, Inc. ("SunPacific"), together with the agreement with All-Acacia (collectively, the "Mabuhay Agreement") grant the Company the right and option ("Mabuhay Option") to earn an 80% interest in the Mabuhay project.

Under the Mabuhay Agreement, in order to maintain its option, the Company is required to make staged payments to Pelican and All-Acacia totaling US$900,000 over three years (US$50,000 (incurred)), incur staged expenditures of US$6.5 million over six years, of which approximately US$1.6 million has been incurred, and complete a pre-feasibility study to earn its interest and exercise its option to the Mabuhay project. In addition, the Company has paid Pelican a signature fee of US$20,000. Pelican will be paid a further US$5.0 million if commercial production commences at Mabuhay.

Upon the exercise of the Mabuhay Option, All-Acacia and the Company have agreed to form a joint venture with respect to the development of and conduct of mining operations on the property and on each anniversary date thereafter, the Company must pay an additional US$200,000 to All-Acacia towards All-Acacia's pro-rata share of expenditures until commencement of production from the Mabuhay project. This amount has been deferred until the Mineral Sharing Agreement application ("MPSA") is approved by the federal authorities.

Hawkwood Property Australia

Pursuant to agreements dated July 10, 2008 and December 2, 2008 between Sunland Properties Limited ("Sunland") and Rowen Company Limited ("Rowen") a company controlled by Bryce Roxburgh, a director of the Company, and subsequent amendments dated December 31, 2009, the Company has the option (the "Hawkwood Option") to acquire up to 90% of the issued and outstanding shares of Sunland. Sunland's wholly owned subsidiary, Rugby Mining Pty. Ltd., owns the Hawkwood property in Queensland Australia.

Under the Hawkwood Option, the Company paid to Rowen A$25,000 as a non-refundable deposit and a further A$200,000 to repay a portion of a loan advanced to Sunland by Rowen. In addition, pursuant to the amendment dated December 31, 2009, the Company issued 1.5 million common shares with a fair value of $615,000 to Rowen (issued on June 5, 2010), and is required to incur exploration expenditures, at is option, as follows:

7. Project Evaluation (Continued)

(i) In order to exercise the option to acquire an initial 60% interest in Sunland:
A$300,000 by December 31, 2010 (completed)
A$200,000 by December 31, 2011 (completed)
A$500,000 by December 31, 2013

(ii) In order to exercise the option to acquire an additional 30% interest in Sunland, the Company must incur an additional A$3.0 million in expenditures on the property for a total of A$4.0 million before December 31, 2017 and issue an additional 3 million common shares to Rowen.

Part of the Hawkwood property is subject to a 2% net smelter royalty ("NSR") payable to Newcrest Operations Limited ("Newcrest").

Eastern Iron Joint Venture Agreement

The Company entered into an agreement (the "Eastern Agreement") dated January 13, 2010 between Eastern Iron Limited ("Eastern Iron") and Rugby Mining Pty. Ltd. with respect to certain portions of exploration permits 15289 and 17099 (the "Exploration Area") which comprises a part of the Company's Hawkwood project. Under the terms of the Eastern Agreement, Eastern Iron can earn a 50% interest in the Exploration Area by funding an A$200,000 work program by February 10, 2011 (completed) and thereafter incurring an additional A$500,000 in exploration expenditures by February 10, 2013 (completed) ("Phase One"). Eastern Iron can increase its interest in the Exploration Area to 80% by incurring an additional A$3.6 million in expenditures and completing a bankable feasibility study by February 10, 2018 ("Phase Two").

Exploration permit 15289 is subject to a 2% NSR held by Newcrest. Eastern Iron is required to incur expenditures and complete a bankable feasibility study to earn its interest, at its option, as follows:

Phase One
(i) A$200,000 minimum commitment by February 10, 2011 (completed)
(ii) A$200,000 by February 10, 2012; (completed) and
(iii) additional A$300,000 by February 10, 2013 (completed),
for total Phase One expenditures of A$700,000.

Phase Two
(i) additional A$300,000 by February 10, 2014
(ii) additional A$300,000 by February 10, 2015
(iii) additional A$1.0 million by February 10, 2016
(iv) additional A$1.0 million by February 10, 2017 and
(v) additional A$1.0 million by February 10, 2018,
for total Phase Two expenditures of A$3.6 million and cumulative expenditures of A$4.3 million.

7. Project Evaluation (Continued)

Interceptor Gold Copper Project, Argentina

On November 23, 2010, the Company entered into an option agreement (the “Interceptor Agreement”) to acquire 100% of the Interceptor Porphyry Gold Copper project in Catamarca Province, Argentina. The Interceptor Agreement, grants the Company a 6 year option to acquire 100% of titles which have a total area of 32.4 sq km. The Company paid an initial US$50,000 and the following annual option fees of US$50,000 payable for 2011 (paid), 2012 and 2012, followed by payments of US$62,500; US$75,000 and US$87,500 for years 4 to 6 are required to maintain the option. In addition, in order to exercise the option, the parties will negotiate the option exercise price, which will not be less than US$1.0 million and no greater than US$5.0 million. The vendor will also retain a 2% NSR over the properties. If the Company exercises the option to acquire the properties it will be required to pay escalating advance royalty payments until the property is put into production. The Company also has an option to purchase the NSR for an amount to be negotiated between the parties. There are no minimum annual expenditure or work commitments.

The Zonda Gold Copper Project, Argentina

On November 28, 2011, the Company announced it had entered into an option agreement to acquire 100% of the Zonda gold-copper porphyry project (“Zonda”) in the San Juan Province, Argentina.

The Zonda Agreement, grants the Company a 6 year option to acquire 100% of the Zonda project upon payment of an initial US$50,000 (paid) and thereafter the payment of an annual option fee of US$50,000 payable for 2011 (paid), 2012 and 2013, followed by payments of US$62,500; US$75,000 and US$87,500 for years 4 to 6. The vendor will also retain a 2% NSR over the properties. The Company also has an option to purchase the NSR for an amount to be negotiated between the parties. There are no minimum annual expenditure or work commitments.

Rio Chico Platinum Copper Project, Argentina

On November 28, 2011, the Company announced it had entered into an option agreement to earn up to 100% interest in the Rio Chico gold-platinum-copper project (“Rio Chico”) in Catamarca Province, Argentina. The agreement (the “Rio Chico Agreement”) grants Rugby a five-year option to acquire 100% of concession 40/07. The consideration includes payments of US$5,000 (paid), a payment of US$5,000 within ten (10) days of Rugby initiating its drilling activities at Rio Chico or within sixty (60) days of the approval of the Environmental Impact Report required for drilling, whichever comes first and thereafter annual payments of US$40,000; US$100,000; US$150,000; US$200,000 and US$500,000 for years one to five for 100% interest. There are no minimum annual expenditure or work commitments.

8. Property and Equipment

	Computer equipment	Website	Leasehold improvements	Office equipment & furniture	Total
Cost					
As at March 1, 2010	$ -	$ -	$ -	$ -	$ -
Additions	10,525	7,260	14,727	4,226	36,738
Balance as at February 28, 2011	$ 10,525	$ 7,260	$ 14,727	$ 4,226	$ 36,738
Depreciation					
As at March 1, 2010	$ -	$ -	$ -	$ -	$ -
Charged for the period	(1,579)	(1,089)	-	(422)	(3,090)
Balance as at February 28, 2011	$ (1,579)	$ (1,089)	$ -	$ (422)	$ (3,090)
Net carrying value					
As at March 1, 2010	$ -	$ -	$ -	$ -	$ -
As at February 28, 2011	$ 8,946	$ 6,171	$ 14,727	$ 3,804	$ 33,648
Cost					
As at March 1, 2011	$ 10,525	$ 7,260	$ 14,727	$ 4,226	$ 36,738
Additions	10,180	-	740	8,325	19,245
Balance as at February 29, 2012	$ 20,705	$ 7,260	$ 15,467	$ 12,551	$ 55,983
Depreciation					
As at March 1, 2011	$ (1,579)	$ (1,089)	$ -	$ (422)	$ (3,090)
Charged for the period	(4,211)	(1,851)	(3,510)	(1,594)	(11,166)
Balance as at February 29, 2012	$ (5,790)	$ (2,940)	$ (3,510)	$ (2,016)	$ (14,256)
Net carrying value					
As at March 1, 2011	$ 8,946	$ 6,171	$ 14,727	$ 3,804	$ 33,648
As at February 29, 2012	$ 4,915	$ 4,320	$ 11,957	$ 10,535	$ 41,727

9. Share Capital

(a) Authorized and issued

The authorized share capital of the Company is an unlimited number of common shares without par value.

The Company has issued common shares as follows:

	February 29, 2012			February 28, 2011		
	Number of Shares		**Amount**	Number of Shares		Amount
Balance, beginning of year	**32,052,500**	**$**	**10,823,456**	20,195,000	$	1,817,110
Issued during the year for:						
Cash – equity financing	**-**		**-**	10,000,000		8,500,000
– options exercised	**-**		**-**	50,000		15,000
– warrants exercised	**2,647,500**		**794,250**	307,500		92,250
Option payment	**-**		**-**	1,500,000		615,000
Contributed surplus allocated	**-**		**-**	-		10,253
Share issue costs	**-**		**-**	-		(226,157)
Balance, end of year	**34,700,000**	**$**	**11,617,706**	32,052,500	$	10,823,456

During the year ended February 29, 2012, the Company issued common shares as follows:

a) 2,647,500 common shares pursuant to the exercise of warrants at a price of $0.30 per share for cash proceeds of $794,250.

During the year ended February 28, 2011, the Company issued common shares as follows:

a) In November 2010, the Company completed a non-brokered private placement and issued 10,000,000 common shares at a price of $0.85 per common share for gross proceeds of $8,500,000. A finder's fee of 5% was paid on certain portions of the offering for a total of $167,750. Costs of $226,157 associated with the placement were charged to share capital.

b) Issued 50,000 common shares pursuant to the exercise of stock options at a price of $0.30 per share, 307,500 common shares pursuant to the exercise of warrants at a price of $0.30 per share and 1,500,000 shares pursuant to the Hawkwood option agreement with a fair value of $615,000. Contributed surplus allocated to share capital upon the exercise of stock options was $10,253.

(b) Escrow shares

At February 29, 2012, 1,602,500 shares (February 28, 2011 – 4,707,500) issued prior to the qualifying transaction were held in escrow. The shares will be released from escrow as follows:

1,602,500 on March 5, 2012 (released subsequent to year end).

10. Stock Option Plan

The Company has adopted an incentive stock option plan (the "Plan"), the essential elements of which are as follows: the aggregate number of common shares of the Company's share capital issuable pursuant to options granted under the Plan may not exceed 20% of the total number of issued and outstanding shares of the Company on a non-diluted basis. At February 29, 2012, the maximum number of options issuable under the Plan was 6,940,000. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the discounted market price of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the grant date, less the maximum discount permitted by TSX–V), or such other price as may be agreed to by the Company and accepted by the TSX-V. Options granted under the Plan are generally exercisable immediately following the grant however certain options may be subject to vesting at times as determined by the directors of the Company and the TSX-V.

A summary of the changes in share options during the year is as follows:

	February 29, 2012		February 28, 2011	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
Options outstanding, beginning of year	6,035,000	$ 0.70	1,535,000	$ 0.30
Cancelled/forfeited	(150,000)	1.15	-	-
Exercised	-	-	(50,000)	0.30
Granted	650,000	0.79	4,550,000	0.85*
Options outstanding, end of year	6,535,000	$ 0.70	6,035,000	$ 0.70*

*In February 2011, the weighted average exercise price had been adjusted for the repricing of 2,075,000 options from $1.81 to $1.15 per share. The additional share-based compensation recognized in relation to the repricing was $122,485. This amount will be recognized over the remaining vesting life of the options.

For the options granted during the year, the weighted average fair market value was $0.79 per share.

The following table summarizes information about the stock options outstanding and exercisable at February 29, 2012:

	Outstanding Options			Exercisable Options		
Range of Prices ($)	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
0.00 - 1.00	4,310,000	3.29	$ 0.46	3,660,000	3.14	$ 0.43
1.01 - 2.00	2,225,000	3.80	1.17	1,760,000	3.79	1.16
	6,535,000	3.45	$ 0.70	5,420,000	3.35	$ 0.68

The fair value of options granted and repriced during the year ended February 29, 2012 and February 28, 2011, was estimated at the grant date using the Black-Scholes option pricing model, with the following assumptions:

	2012	2011
Expected annual volatility	**103%**	103%
Risk-free interest rate	**2.15-2.41%**	1.65-2.34%
Expected life	**4.3-5.0 years**	5 years
Expected dividend yield	**0.0%**	0.0%

10. Stock Option Plan (Continued)

Share-based compensation expense of $2,172,148 (2011 – $1,859,085) was recognized in the year and was allocated to contributed surplus. Share-based compensation has been allocated as follows:

	2012	2011
Administrative	**$ 383,146**	$ 343,147
Directors' fees	**1,258,172**	1,045,287
Project evaluation	**530,830**	470,651
Total	**$ 2,172,148**	$ 1,859,085

11. Warrants

During the year ended February 29, 2012 2,647,500 (2011-307,500) warrants were exercised for proceeds of $794,250 (2011-$92,250). At February 29, 2012, the Company had no outstanding warrants (2011-2,647,500) to acquire common shares.

12. Related Party Transactions

Amounts due from related party of $6,415 at February 29, 2012 (February 28, 2011- $Nil) is for the recovery of travel expenditures that the Company has in common with a corporation which has common directors.

Amounts due to related parties of $71,327 at February 29, 2012 (February 28, 2011 - $116,544) is for administrative support fees, management, consulting and exploration fees, and for expenses incurred while conducting the Company's business. The amounts due to related parties are non-interest bearing and are due upon receipt of an invoice.

During the year ended February 29, 2012, a total of $593,229 (February 28, 2011 - $389,374) was paid or accrued for related party transactions as described below:

a) Paid or accrued project evaluation costs of $210,937 (2011 - $236,770, which included a bonus of $100,000) to a company controlled by the Chief Executive Officer of the Company. As at February 29, 2012, the Company has amounts owing of $48,747 (2011 - $48,760) to this company.

b) Paid or accrued administrative support fees of $290,536 (2011 - $137,026) to a company with directors in common. As at February 29, 2012 the Company has amounts owing of $22,580 (2011- $67,784) to this company.

c) Paid or accrued rent expense of $31,756 (2011 - $15,578) to a company controlled by a director of the Company. As of February 29, 2012 the Company has amounts owing of $Nil (2011 - $Nil) to this company.

d) Paid or accrued consulting expense of $60,000 (2011 - $Nil) to a company controlled by a director of the Company. As of February 29, 2012 the Company has amounts owing of $Nil (2011 - $Nil) to this company.

13. Executive Compensation

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel of the Company include executive officers and the board of directors.

The following compensation has been provided to key management personnel for the years ended February 29, 2012 and February 28, 2011.

		2012		2011
Compensation - cash	$	**270,937**	$	236,770
Share-based payments		**1,247,845**		1,036,068
Total	$	**1,518,782**	$	1,272,838

14. Financial Instruments

(a) Fair Value

The fair value of financial instruments at February 29, 2012 and February 28, 2011 is summarized as follows:

	2012				2011			
		Carrying amount		**Fair value**		Carrying amount		Fair value
Financial Assets								
Loans and receivables								
Cash and cash equivalents	$	4,326,222	$	4,326,222	$	7,970,579	$	7,970,579
Amounts receivable – at amortized cost	$	56,774	$	56,774	$	31,924	$	31,924
Due from related parties	$	6,415	$	6,415	$	-	$	-
Financial Liabilities at amortized cost								
Accounts payable and accrued liabilities	$	360,519	$	360,519	$	209,928	$	209,928
Due to related parties	$	71,327	$	71,327	$	116,544	$	116,544

The carrying amount of amounts receivable, due from related party, accounts payable and accrued liabilities and due to related parties approximates fair value due to the short term of these financial instruments.

(b) Financial Risk Management

The Company's activities potentially expose it to a variety of financial risks, including credit risk, foreign exchange currency risk, liquidity and interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company deposits the majority of its cash with high credit quality financial institutions in Canada and holds balances in banks in Argentina, Colombia and Philippines as required to meet current expenditures. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

14. Financial Instruments (Continued)

Currency risk

The Company operates in Canada, Argentina, Australia, Colombia and Philippines and it is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities are denominated in several currencies (mainly Canadian Dollars, US Dollars, Australian Dollars, Argentinean Pesos, Colombian Pesos and Philippine Pesos) and are therefore subject to fluctuation against the Canadian Dollar.

The Company had the following balances in foreign currency as at February 29, 2012 and February 28, 2011:

	February 29, 2012				
	Argentine Pesos	Philippine Pesos	Colombian Pesos	US Dollars	Australian Dollars
Cash	561,777	1,033,801	224,430,230	71,744	-
Accounts payable	(962,532)	(417,694)	(18,523,054)	(40,371)	(90,815)
Net balance	(400,755)	616,107	205,907,176	31,373	(90,815)
Equivalent in Canadian Dollars	(90,771)	14,232	114,896	31,044	(96,555)
Rate to convert to $1.00 CDN	0.2265	0.0231	0.000558	0.9895	1.0632

	February 28, 2011			
	Argentine Pesos	Philippine Pesos	US Dollars	Australian Dollars
Cash	328,483	9,700,174	16,818	-
Accounts payable	(161,696)	(178,400)	(47,336)	(50,524)
Net balance	166,787	9,521,774	(30,518)	(50,524)
Equivalent in Canadian Dollars	39,078	213,288	(29,645)	(50,059)
Rate to convert to $1.00 CDN	0.2343	0.0224	0.9714	0.9908

Based on the above net exposures as at February 29, 2012, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Argentine Peso, Philippine Peso, Colombian Peso, US dollar and Australian dollar against the Canadian dollar would result in an increase/decrease of $9,077, $1,423, $11,490, $3,104 and $9,656 (2011- $3,908, $21,329, $Nil, $2,965 and $5,006 respectively) in the Company's other comprehensive loss.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk mainly arises from the interest rate impact on the cash and cash equivalents. Cash and cash equivalents earn interest based on current market interest rates, which at February 29, 2012 ranged between 1.2% and 1.25%.

Based on the amount of cash and cash equivalents held at February 29, 2012, and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/decrease of $21,631 (2011 - $39,853) in the interest earned by the Company per annum.

14. Financial Instruments (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company had cash at February 29, 2012 in the amount of $4,326,222 (2011 - $7,970,579) in order to meet short-term business requirements. At February 29, 2012, the Company had current liabilities of $431,846 (2011 - $326,472) which are due on demand or within 30 days.

15. Contractual Obligations

The Company leases office space in Canada, Colombia and Philippines and has expenditure and option payments related to its properties. Option payments and property expenditure obligations are contingent on exploration results and can be cancelled at any time should exploration results so warrant. Other financial commitments are summarized in the table below:

		Payments Due by Year		
	Total	2012	2013-2014	2015-2016
Office lease				
- Canada *	$ 174,148	$ 43,537	$ 87,074	$ 43,537
- Foreign offices	13,727	13,727	-	-
Total	**$ 187,875**	**$ 57,264**	**$ 87,074**	**$ 43,537**

*The Company shares office space with two other related entities. The amount reflected above is the Company's share of the lease obligation.

16. Segmented Information

The Company's activities are all in the one industry segment of mineral property acquisition, exploration and development. The Company's net assets and net losses by geographic regions are as follows:

February 29, 2012	Canada	Australia	Argentina	Colombia	Philippines	Total
Cash and cash equivalents	$ 4,049,867	$ -	$ 127,242	$ 125,232	$ 23,881	$ 4,326,222
Accounts receivable and prepaids	63,481	37,698	16,674	34,548	1,911	154,312
Due from related parties	6,415	-	-	-	-	6,415
Property and equipment	31,193	10,534	-	-	-	41,727
	4,150,956	48,232	143,916	159,780	25,792	4,528,676
Current Liabilities	(193,848)	-	(218,013)	(10,336)	(9,649)	(431,846)
	$ 3,957,108	$ 48,232	$ (74,097)	$ 149,444	$ 16,143	$ 4,096,830
Project evaluation expense	$ -	$ 47,190	$ 1,772,509	$ 950,985	$ 1,521,593	$ 4,292,277
Net loss – year ended February 29, 2012	$ 2,297,150	$ 56,593	$ 1,784,775	$ 962,830	$ 1,527,787	$ 6,629,135

16. Segmented Information (Continued)

February 28, 2011	Canada	Australia	Argentina	Colombia	Philippines	Total
Cash and cash equivalents	$7,676,719	$ -	$ 76,964	$ -	$ 216,896	$ 7,970,579
Accounts receivable and prepaids	50,148	12,093	1,952	-	1,117	65,310
Property and equipment	28,965	4,683	-	-	-	33,648
	7,755,832	16,776	78,916	-	218,013	8,069,537
Current Liabilities	(255,764)	-	(37,885)	(28,834)	(3,989)	(326,472)
	$7,500,068	$ 16,776	$ 41,031	$ (28,834)	$ 214,024	$ 7,743,065
Project evaluation expense	$ -	$ 25,227	$ 340,544	$ 843,547	$ 403,354	$ 1,612,672
Net loss – year ended February 28, 2011	$1,700,071	$ 38,080	$ 352,322	$ 822,284	$ 400,064	$ 3,312,821

17. Income Taxes

A reconciliation of consolidated income taxes at statutory rates with the reported taxes is as follows:

	2012	**2011**
Loss before income taxes	$ 6,629,135	$ 3,312,821
Combined federal and provincial tax rate	26.25%	28.17%
Income tax recovery based on the above rates	$ (1,740,148)	$ (933,222)
Increase (decrease) due to:		
Non-deductible expenses	570,189	523,704
Losses and temporary differences for which an income tax asset has not been recognized	1,375,930	409,082
Difference between Canadian and foreign tax rates	(186,890)	(3,564)
Foreign exchange and other	(19,081)	4,000
Income tax expense	$ Nil	$ Nil

The Canadian statutory tax rate decreased to 26.25% due to legislated changes.

	2012	2011
Non-capital losses	**$** 784,589	$ 241,345
Tax basis over carrying value of mineral properties	1,063,339	290,474
Share issue costs	34,861	52,000
Other	17,961	-
Unrecognized deferred tax asset	$ 1,900,750	$ 583,819

17. Income Taxes (Continued)

As at February 29, 2012, the Company has Canadian non-capital losses of approximately $1,437,894 that may be applied to reduce future taxable income. If not utilized, the non-capital losses expire as follows.

2027	$	4,758
2028		35,595
2029		225,122
2030		207,933
2031		370,634
2032		593,852
Total	$	1,437,894

The Company also has tax loss carry forwards in its foreign subsidiaries totaling $198,370 that expire as follows:

2014	$	24,054
2015		26,616
2016		66,052
2017		24,545
No expiry		57,103
Total	$	198,370

Tax benefits have not been recorded as it is not considered probable that they will be utilized.