

**RUGBY MINING LIMITED**

**Management's Discussion and Analysis**

**February 29, 2012**

# Rugby Mining Limited

## Management's Discussion and Analysis For the year ended February 29, 2012

June 22, 2012

In this document: (i) unless the content otherwise requires, references to "our", "we", "us", "its", "the Company" or "Rugby" mean Rugby Mining Limited and its subsidiaries; (ii) information is provided as of February 29, 2012, unless otherwise stated; and (iii) "\$" refers to Canadian Dollars, "US\$" refers to US dollars and "A\$" refers to Australian dollars.

The following information should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended February 29, 2012.

All amounts are expressed in Canadian dollars unless otherwise noted. All documents noted above and any additional information relating to the Company, are available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and/or the Company's website at [www.rugbymining.com](http://www.rugbymining.com).

### **Forward-Looking Statements**

These forward-looking statements, principally under the heading "Outlook", but also elsewhere in this document include estimates, forecasts and statements as to the Company's belief with respect to, among other things, the timing of drilling, the potential for the success of its exploration programs and the quality of its exploration results, the Company's ability to continue to access the capital necessary to allow it to perform its obligations under its option and earn-in agreements with respect to its Hawkwood, Mabuhay, Interceptor, Rio Chico, Zonda and Comita properties, the Company's ability to mitigate foreign exchange risk, changes required to the Company's accounting policies on adoption of IFRS, the ability of the Company to respond to market fluctuations and government regulations and the ability of the Company to demonstrate that a commercially viable mineral deposit exists on its various projects.

Certain statements contained in this MD&A constitute forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. While the Company has based these forward-looking statements on its expectations about future events as at the date that this document was prepared, the statements are not a guarantee of the Company's future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. Such factors and assumptions include, amongst others, the effects of general economic conditions, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations, misjudgements in the course of preparing forward-looking statements. In addition, there are also known and unknown risk factors which may cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

- risks related to the Company's lack of revenues from operations and its continued ability to fund ongoing and planned exploration and possible future mining operations;
- risks related to the Company's history of losses, which may continue to occur in the future;
- risks related to the on-going credit crisis in the United States and Europe and the Company's ability to raise money in the future to fund its operations;
- risks related to operating within current foreign currency regulations in Argentina, Colombia and Philippines and the enactment or enforcement of additional restrictions;

- changes in the market price of gold and silver, and other minerals which in the past have fluctuated widely and which could affect the profitability of possible future operations and financial condition;
- risks related to currency fluctuations;
- uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits;
- risks related to the inherently dangerous activity of mining, including conditions or events beyond the Company's control;
- uncertainty in the Company's ability to obtain and maintain certain permits necessary for current and anticipated operations;
- risks related to the Company being subject to environmental laws and regulations which may increase the costs of doing business and/or restrict operations;
- risks related to land reclamation requirements which may be burdensome;
- risks over the uncertainty in the Company's ability to attract and maintain qualified management and other personnel to meet the needs of anticipated growth and risks relating to its ability to manage growth effectively;
- risks related to the Company's held mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- risks related to increased competition that could adversely affect the Company's ability to attract necessary capital funding or acquire suitable properties for mineral exploration in the future;
- risks related to officers and directors becoming associated with other natural resource companies which may give rise to conflicts of interests;
- the volatility of the Company's Common Share price and volume;
- tax consequences to Canadian shareholders and United States shareholders; and
- risks relating to potential claims by indigenous people over the Company's mineral properties.

The above is not an exhaustive list of the factors that may affect forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further in this MD&A. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. Although the Company has attempted to identify important risk factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other risk factors that cause actions, events or results not to be as anticipated, estimated or intended. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by law. Investors are cautioned against attributing undue certainty to forward-looking statements.

All statements are made as of the date of this MD&A and the Company is under no obligation to update or alter any forward-looking statements except as required under applicable securities laws.

### **Description of Business**

The Company is an emerging mineral resource company exploring for gold, silver and copper.

The Company was incorporated on January 24, 2007. The results of the most recently completed financial year are set out in the Company's audited financial statements for the year ended February 29, 2012.

The Company began the year with 32,052,500 shares outstanding and ended the period with 34,700,000 shares outstanding.

## Projects

### Comita Porphyry Copper Project, Colombia

The Comita porphyry copper project (“Comita”) is located 100 kilometres (“km”) southwest of Medellin in the Choco Region of Colombia.

The area’s geological potential was first recognized during the 1980’s by a German government (BGR) reconnaissance exploration program which identified extensive and strongly anomalous copper stream sediment geochemistry which defined outcropping copper porphyry style mineralization. The zone of strong stream sediment copper anomalism covers a district sized area of approximately 8 square kilometres (“sq km”). Comita, which covers an area of 15 sq km, comprises one granted Contract Concession (JB5-08011).

Comita is situated within undulating terrain with elevation ranging up to 900 metres (“m”). Mineralization is hosted by a sequence of felsic tuffs, proximal to and immediately west of the contact with a number of syenite to monzonite intrusives. Previous exploration by the BGR indicates potential for an enriched supergene blanket containing chalcocite after bornite, cuprite, malachite and native copper. Molybdenite was also observed. Alteration appears similar to other large porphyry copper systems where primary magnetite is replaced by hematite (martitization). Mineralized outcrops of stockwork quartz-bornite veining occur within the property. To date, no systematic modern exploration or drilling has been conducted on the property.

### *The Comita Agreement*

On October 12, 2010, the Company announced it had entered into an option agreement (the “Comita Agreement”) over Comita in Colombia, 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 Newco (an effective 60% indirect 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 an indirect 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.

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. In the event that the title holder elects 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

The Mabuhay Gold project (“Mabuhay”) is located 12 km south of Surigao City, the capital city in the province of Surigao del Norte, Philippines. Mabuhay, formerly known as “The Mindanao Mother Lode Mine” (“Mother Lode”) was an epithermal vein style bonanza-grade gold mine that is estimated to have produced around 500,000 ounces of gold from 1937 through to 1953. Mother Lode, which was once one of the Philippines’ highest grade gold producers, is located in the center of the project’s tenements.

Mabuhay covers an area of 878 hectares (“ha”) comprising a Mineral Production Sharing Agreement application (MPSA No. 000029-X) which is currently awaiting approval.

Past drilling conducted on Mabuhay, which targeted the epithermal vein system at Mother Lode, returned significant results including 15.5 m at 5.9g/t gold and 3.9 m at 18.1g/t gold. Rugby plans to focus on testing the deep porphyry targets and has completed an Induced Polarization (“IP”) survey over the entire property and has completed an initial 8 hole drill program totaling 4,000 m testing geophysical anomalies that were defined. Significant intersections include 540 m at 0.24% Cu, 0.2 g/t Au and 88 ppm Mo. Further drilling is planned following permitting approval for the Motherlode mine area which is expected late in 2012.

#### *The Mabuhay Agreement*

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 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.

### Interceptor Gold Copper Project, Argentina

The Interceptor Porphyry gold copper project (“Interceptor”) is located in Catamarca Province in Northern Argentina.

In 1997 Newcrest Mining Ltd identified gold and copper mineralization in a sediment-intrusive complex at Interceptor. Eight bulldozer trenches totalling 2,000 m were completed within a two sq km area. Importantly, not all of the trenches were successful in reaching bedrock. A total of 428 channel samples were collected by Newcrest, including:

- 39 m at an average grade of 0.56 g/t gold
- 39 m at 1.22 g/t gold
- 42 m at 0.33% copper and 0.21g/t gold

The geology of Interceptor is documented to be an early microdiorite intruding an older sedimentary sequence which was subsequently intruded by silica-sericite-pyrite altered quartz-feldspar porphyry. Secondary copper mineralization is associated with quartz-stockworks that are exposed in a zone up to 100 m wide. Colluvial cover obscures the true extent of the mineralization. Previous geophysical surveys identified a strong IP anomaly which appears to be open and widening to the south.

#### *The Interceptor Agreement*

On November 23, 2010 the Company entered into an option agreement (the “Interceptor Agreement”) to acquire 100% of Interceptor. 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 in 2011 (paid), 2012 and 2013, 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% net smelter royalty (“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 Porphyry 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*

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 in 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. 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.

#### Rio Chico Platinum Copper Project, Argentina

The Rio Chico project (“Rio Chico”) is located near the town of San Francisco in south-eastern Catamarca Province. The property under option covers 555 hectares (“ha”). Rugby has applied for an additional concession surrounding the project to bring the total land package to almost 10,000 ha.

##### *The Rio Chico Agreement*

On November 28, 2011, the Company announced it had entered into an option agreement to earn up to 100% interest in Rio Chico. The agreement (the “Rio Chico Agreement”) grants Rugby a five-year option to acquire 100% of concession 40/07 which has a total area of 555 hectares. The consideration includes payments of US\$5,000 (paid), a payment of US\$5,000 (paid) 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.

#### Hakwood Property, Australia

The Hawkwood project is situated near Hawkwood in south eastern Queensland, Australia. The Hawkwood project is very well located close to infrastructure and a seawater port. The project has been the subject of exploration activities over the last 40 years with reported results from previous explorers of 0.55% copper over 3 m in trenches and drill results of 0.51% copper over 20 m, from a depth of 2 m. In addition, trenching results from the mid 1990’s are also reported to include up to 12 m of 0.3% copper, 0.4 parts per million (“ppm”) platinum and 0.6 ppm palladium.

##### *The Hawkwood Project Agreement*

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 (“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 its option, as follows:

(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 of the Company to Rowen.

Part of the Hawkwood property is subject to a 2% 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"). On December 1, 2010, Eastern Iron provided notice that they had fulfilled their initial A\$200,000 work program commitment. 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 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 (completed)

(ii) A\$200,000 (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.

## **Selected Information**

The Company's annual consolidated financial statements for the year ended February 29, 2012 (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Previously the Company prepared its annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's fiscal 2011 comparatives in this MD&A have also been presented in accordance with IFRS (previously Canadian GAAP). An analysis on the transition from Canadian GAAP to IFRS can be found below under the "Impact of Adopting IFRS on the Company's Financial Statements" section of this MD&A.

### **Year ended February 29, 2012**

The Company ended the year with \$4,326,222 in cash. The Company incurred \$4,292,277 on project evaluation costs during the year. Share-based compensation expense of \$2,172,148 was incurred due to recognizing the expense associated with the granting and vesting of certain stock options in 2012 and also the vesting of stock options that were issued in previous years.

### **Year ended February 29, 2012 compared to the year ended February 28, 2011**

During the fiscal year 2012, the Company recorded a loss of \$6,629,135 compared to a loss of \$3,312,821 in 2011. The Company currently has no revenue generating activities other than interest income. Interest income of \$68,905 was recognized in 2012 compared to \$22,051 in 2011. The increase in 2012 was due to the Company having completed an equity financing in November 2010 with net proceeds of \$8,273,843. These proceeds were invested and earned interest for the full year in 2012 compared to only four months in 2011.

Significant variances:

- Administrative costs: \$804,141 (\$478,411 in 2011) - the increase relates predominately to the set up of the offices in Argentina, Colombia and the Philippines. The amounts relate to costs such as insurance, rent and other overhead related expenses.
- Directors fees: \$1,281,144 (\$1,045,287 in 2011) - majority of the change is attributable to an increase of \$212,885 in share-based compensation recognized in 2012 compared to 2011 which related to options which were granted to directors and vested in 2012.
- Project evaluation: \$4,292,277 (\$1,612,672 in 2011); the increase of \$2,679,605 is attributable to a variety of items.
  - Increase of \$1,176,498 relating to the Mabuhay project. The Company undertook a drill program at the project in 2012 and incurred drilling, assays, wages and field camp costs.
  - Increase of \$1,321,706 relating to the Interceptor project. In 2011, the costs incurred by the Company were in relation to the setup of the office, option payment and legal costs. In 2012, the Company undertook a drilling program which resulted in drilling, assays and additional wage expenditures.

### **Three months ended February 29, 2012 compared to the three months ended February 28, 2011**

At February 29, 2012 the Company had \$4,326,222 in cash, \$3,644,357 less than the \$7,970,579 held at February 28, 2011. The decrease is attributable to the Company utilizing its cash to fund exploration activities.

For the three month period ended February 29, 2012, the Company recorded a loss of \$1,460,810 (\$0.05 per share) compared to a loss for the same period in 2011 of \$1,964,899 (\$0.08 per share). The change was attributable to a decrease in share based compensation recorded in Q4 2012 compared to the same period in 2011 due to the fact that there were a higher number of options that had not fully vested thus had expense relating to them in Q4 2011. The majority of these options had fully vested by Q4 2012, thus had minimal expense remaining to be recorded.

The following is a summary of yearly results taken from the Company's consolidated financial statements:

		2012**	2011**	2010***
Interest income	\$	68,905	\$ 22,051	\$ 121
Project evaluation costs	\$	4,292,277	\$ 1,612,672	\$ 1,111,622
Share-based compensation *	\$	2,172,148	\$ 1,859,085	\$ 196,735
Net loss	\$	6,629,135	\$ 3,312,821	\$ 1,474,604
Basic and diluted loss per common share	\$	0.20	\$ 0.14	\$ 0.08
Number of shares outstanding		34,700,000	32,052,500	20,195,000

\* share-based compensation costs have been allocated to administrative, directors' fees, and project evaluation costs.

\*\* IFRS

\*\*\* Canadian GAAP

As at	February 29, 2012	February 28, 2011	February 28, 2010
Total assets	\$ 4,528,676	\$ 8,069,537	\$ 966,503
Total liabilities	\$ 431,846	\$ 326,472	\$ 143,644
Shareholders' equity	\$ 4,096,830	\$ 7,743,065	\$ 822,859
Deficit	\$ (11,747,942)	\$ (5,118,807)	\$ (1,805,986)

The following selected financial information is a summary of the eight most recently completed quarters up to February 29, 2012

### Summary of Quarterly Results

	2012				2011			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Total Revenues (\$)	-	-	-	-	-	-	-	-
Loss for the period (\$)	1,460,810	1,564,544	1,975,959	1,627,822	1,964,899	894,534	297,726	155,662
Basic and diluted loss per common share for the period	\$0.05	\$0.05	\$0.05	\$0.05	\$0.08	\$0.04	\$0.01	\$0.01

### Financial Condition, Liquidity and Capital Resources

As at February 29, 2012 the Company had cash resources of \$4,326,222. The Company believes that its cash resources are sufficient to meet its currently planned expenditures over the coming twelve month period. However upon receipt of necessary government approvals to commence drilling at Comita or Mabuhay the Company will be required to raise additional funds to complete expenditures required to maintain its options over the properties. In addition should the Company acquire new projects it will be required to raise funds to meet any expenditure obligations. The Company will continue to utilize its cash resources to fund project exploration and administrative requirements. Aside from cash, the Company has no material liquid assets. There is no assurance that the Company will be able to raise necessary funds through capital raisings in the future.

Management evaluates and adjusts its planned level of activities to ensure that adequate levels of working capital are maintained. The future availability of funding will affect the planned activity levels at the Company's projects and

expenditures will be adjusted to match available funding.

The Company has no loans or bank debt and there are no restrictions on the use of its cash resources. The Company has not issued any dividends and management does not expect this will change in the near future.

The Company completed an equity financing in November 2010 with net proceeds of \$8,273,843. Up to February 29, 2012, the Company has spent its cash as follows:

Project evaluation expense	\$ 4,167,986
Administrative expense	<u>817,699</u>
Total	<u>\$ 4,985,685</u>

### **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:

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

\*The Company together with two associated companies has entered into a lease for office premises. The amount reflected above is the Company's share of the lease obligation.

### **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.

## **Outlook**

Rugby has six mineral exploration projects in its portfolio. These projects, which include Comita, Mabuhay, Interceptor, Zonda, Hawkwood, and Rio Chico, are all at various stages of the exploration process. At February 29, 2012 the Company had approximately \$4.3 million in its treasury which is sufficient to fund its current exploration programs budgeted for the next twelve months. However upon receipt of necessary government approvals to commence drilling at Comita or Mabuhay the Company will be required to raise additional funds to complete expenditures required to maintain its options over the properties. In addition should the Company acquire new projects it will be required to raise funds to meet any expenditure obligations.

### ***The Comita Project***

During the fiscal year 2012, the Company completed an airborne magnetic and radiometric survey. Community development initiatives are currently in progress. The Company is planning to conduct a thorough environmental, geological and social baseline study in mid to late 2012. Obtaining the necessary community and government approvals is necessary before the Company can commence any future drill program on the project.

### ***The Mabuhay Project***

Rugby's initial drill program was completed in late 2011 and comprised 8 drill holes totaling approximately 4,000 meters. That program intersected both epithermal gold and porphyry copper-gold mineralization. The technical team considers the Mabuhay project to be a target area for a major new high grade epithermal gold-silver as well as for porphyry gold-copper discovery. The prime target, the Mother Lode area was identified through induced polarization work completed in early 2011. Further drilling will be contemplated upon access permit approval for the Mother Lode mine area which is expected in late 2012.

### ***The Hawkwood Project***

The Company has joint-ventured portions of exploration tenements which are considered prospective for iron ore at its Hawkwood Project in Australia to Eastern Iron Limited, an Australian listed company. The Company has no immediate plans to undertake further exploration at Hawkwood; however, future work will be considered, based on priorities and cash position to follow up gold targets that are not subject to the joint venture.

### ***The Interceptor Project***

The Company experienced difficult drilling conditions in January and February 2012 at the Interceptor project and only 1,033 meters of the planned 2,000 meter drill program was completed. The drill has now been demobilized in preparation of the South American winter season. Given current conditions in the capital markets, there are no immediate plans to resume drilling at Interceptor.

### ***The Rio Chico Project***

During the year, the Company entered into an option agreement to earn up to 100% interest in the Rio Chico gold-platinum-copper project in Argentina. In late 2011, Rugby completed a 47 line kilometer ground magnetic survey to assist in defining potential extensions of the ultramafic sequence under soil cover in which 53 rock-chip and channel samples were collected. The Company expects to initiate a small drill program in mid 2012 designed to test a coincident gold-copper-platinum geochemical anomaly identified through its sampling program.

## **Financial Instruments**

### *(a) Fair Value*

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

	<b>2012</b>		<b>2011</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial Assets</b>				
<i>Loans and receivables</i>				
Cash and cash equivalents	\$ 4,326,222	\$ 4,326,222	\$ 7,970,579	\$ 7,970,579
Accounts receivable – at amortized cost	\$ 56,774	\$ 56,774	\$ 31,924	\$ 31,924
Due from related parties	\$ 6,415	\$ 6,415	\$ -	\$ -
<b>Financial Liabilities at amortized cost</b>				
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.

#### 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. However, the Company does not typically hold large cash balances in these countries and tries to reduce the effects of foreign exchange risk by advancing funds to its foreign operations only when such funds are required to meet expenditures.

The Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are denominated in several currencies (mainly Canadian Dollars, US Dollars, Australian Dollars, Argentinean Peso, Philippine Peso and Colombian 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:

<b>February 29, 2012</b>					
	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	.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 year end ranged between 1.2% and 1.25%.

Based on the amount of cash and cash equivalents invested 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.

#### 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.

#### Proposed Transactions

The Company continues to investigate new opportunities. Should the Company enter into agreements in the future on new properties, it may be required to make cash payments and complete work expenditure commitments under those agreements.

#### Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

## **Critical Accounting Estimates and Policies**

The Company's accounting policies are discussed in detail in the Consolidated Financial Statements, however, accounting policies require the application of management's judgement in respect of the following relevant matters:

- (i) use of estimates – the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates include accrued liabilities, the determination of the assumptions used in the calculation of share-based compensation expense and the valuation allowance for future income tax assets. Actual results could differ from those estimates used in the financial statements.
- (ii) mineral property costs – the Company regularly reviews the carrying value of each mineral property for conditions that suggest impairment. This review requires significant judgement where the Company does not have any proven or probable reserves that would enable an estimate of future cash flows to be compared to the carrying values. Factors considered in the assessment of impairment include, but are not limited to, whether there has been a significant decrease in market price of the property; whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future and whether the Company has funds to be able to maintain its interest in the mineral property.
- (iii) share-based compensation – the Company provides compensation benefits to its employees, directors, officers and consultants through a stock-based compensation plan. The fair value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility of the stock. The Company utilizes historical data to estimate the expected option term for input into the valuation model. The risk-free rate for the expected term of the applicable option is based on the Government of Canada yield curve in effect at the time of the grant.

Actual results may differ materially from those estimates based on these assumptions.

## **Impact of Adopting IFRS on the Company's Financial Statements**

The adoption of IFRS resulted 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. However, the changes to its accounting policies have not resulted in significant changes to line items within its financial statements other than the comprehensive loss recognized due to the change in the functional currency of the Company's subsidiaries.

The following provides a summary of the Company's changes to accounting policies in key areas based on the current standards and guidance within IFRS. 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 in the future following the adoption of IFRS.

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
<b>ASSETS</b>						
<b>Current assets</b>						
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
	<b>966,503</b>	-	<b>966,503</b>	<b>8,035,889</b>	-	<b>8,035,889</b>
Property and equipment	-	-	-	33,648	-	33,648
<b>Total Assets</b>	<b>\$ 966,503</b>	<b>\$ -</b>	<b>\$ 966,503</b>	<b>\$ 8,069,537</b>	<b>\$ -</b>	<b>\$ 8,069,537</b>
<b>LIABILITIES</b>						
<b>Current</b>						
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
	<b>143,644</b>	-	<b>143,644</b>	<b>326,472</b>	-	<b>326,472</b>
<b>Shareholders' Equity</b>						
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
<b>Total Liabilities and Equity</b>	<b>\$ 966,503</b>	<b>\$ -</b>	<b>\$ 966,503</b>	<b>\$ 8,069,537</b>	<b>\$ -</b>	<b>\$ 8,069,537</b>

**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.

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

	<b>Year ended February 28, 2011</b>		
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>Income</b>			
Interest income	\$ 22,051	\$ -	\$ 22,051
<b>Expenses</b>			
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
	<b>3,342,023</b>	<b>(7,151)</b>	<b>3,334,872</b>
<b>Net loss for the year</b>	<b>\$ 3,319,972</b>	<b>\$ (7,151)</b>	<b>\$ 3,312,821</b>
<b>Other comprehensive loss</b>	<b>-</b>	<b>7,151</b>	<b>7,151</b>
<b>Comprehensive loss for the year</b>	<b>\$ 3,319,972</b>	<b>\$ -</b>	<b>3,319,972</b>
<b>Net loss for the year</b>	<b>\$ 3,319,972</b>	<b>\$ -</b>	<b>\$ 3,319,972</b>

### 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 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.

## **Risks and Uncertainties**

### **General**

The Company is engaged in the acquisition, exploration and, if warranted, development of mineral resource properties. The Company does not produce, develop or sell any mineral products at this time. All of the Company's properties are in the exploration stage and consequently do not generate any operating income or cash flow from operations. The Company has relied on equity capital to finance its activities in the past and will continue to do so for the foreseeable future.

### **Business Cycles**

The mineral exploration business is affected by fluctuations in commodity price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles. Although the Company does not have producing mining operations, its ability to finance its mineral exploration programs is related and sensitive to the market prices of gold, silver and other precious metals. Metal prices fluctuate widely and are affected by numerous factors such as global supply, demand, inflation, exchange rates, interest rates, forward selling by producers, central bank sales and purchases, production, global or regional political, economic or financial situations and other factors beyond the control of the Company.

## **Risk Factors**

The activities of the Company are speculative due to the high risk nature of its business which is the acquisition, financing, exploration and development of mineral exploration properties. The following risk factors, which are not exhaustive, could materially affect the Company's business, financial condition or results of operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. These risks include but are not limited to the following:

*We have no operating history.*

Although all persons who will be involved in the management of the Company have had long experience in their respective fields of specialization, we have no operating history upon which prospective investors can evaluate our performance.

*We are subject to substantial environmental requirements which could cause a restriction or suspension of our operations.*

The Company is subject to substantial environmental requirements which could cause a restriction or suspension of certain operations. The current and anticipated future operations and exploration activities of the Company in Colombia, Philippines, Argentina and Australia require permits from various governmental authorities and such operations and exploration activities are and will be governed by Federal, Provincial and local laws and regulations governing various elements of the mining industry including, without limitation, land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, and other matters. It is the Company's intention to ensure that the environmental impact on areas where it operates is mitigated by restoration and rehabilitation of affected areas. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or other remedial actions.

*We operate in the resource industry, which is highly speculative, and has certain inherent exploration risks which could have a negative effect on our operations.*

The exploration and development of mineral deposits involves significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be fully mitigated. The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, foreign exchange controls, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations all have an impact on the economic viability of a mineral deposit. Other potential impacts could include the location of the mineral deposit and if it is found in remote or harsh climates. These unique environments could limit or reduce production possibilities or if conditions are right for potential natural disasters, including but not limited to volcanoes, earthquakes, tornados and other severe weather, could negatively impact facilities, equipment and the safety of its workers dramatically.

### *Properties held under option*

Certain of our mineral exploration properties are currently held under option. We have no ownership interest in these properties until we meet, where applicable, all required property expenditures, cash payments, and common share issuances. If we are unable to fulfill the requirements of these option agreements, it is likely that we would be considered in default of the agreements and the option agreements could be terminated resulting in the complete loss of all expenditures and required option payments made on the properties to that date.

### *No known mineral resource or reserves*

The Company is in the process of exploring for mineral deposits and has no known mineral resources or reserves and, if found, such mineral resources or resources may not prove to be economic, which would have a negative effect on the Company's operations and valuation. The Company has no production of minerals and its properties are all currently at the exploration stage. There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties, and substantial additional work will be required in order to determine the presence of any such deposit. Some

of the areas in which the Company is exploring for minerals have little or no infrastructure including roads, power or water and the cost of conducting exploration in such environments are correspondingly increased.

#### *Laws and regulations*

In certain countries, the ownership of mining rights is limited or is subject to interpretation of various laws including restrictions on foreign ownership of mineral tenures in the Philippines. In the event of such interpretation being found to be different, it could negatively affect the Company's ability to secure or retain ownership of mineral properties.

The Company's mineral exploration is, and any development activities will be, subject to various Colombian, Philippine, Argentine, and Australian laws governing exploration, development, production, taxes, labour standards and occupational health, mine safety, environmental protection, toxic substances, land use, water use and other matters. Some of the mineral properties which the Company is exploring are located within forest reserves or adjacent to designated parks and special permits are required in order for it to commence exploration activities which can affect the environment within such areas. The availability of such permits has not yet been fully established by the Company. Exploration generally requires one form of permit while development and production operations require additional permits. There can be no assurance that all permits which we may require for future exploration or possible future development will be obtainable at all or on reasonable terms. In addition, future changes in applicable laws or regulations could result in changes in legal requirements or in the terms of existing permits applicable to us or our properties. This could have a negative effect on our exploration activities or our ability to develop our properties.

As we are presently at the early exploration stage with all of our properties, the disturbance of the environment is limited and the costs of complying with environmental regulations are minimal. However, if operations result in negative effects upon the environment, government agencies will likely require us to provide remedial actions to correct the negative effects.

Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory authorities curtailing the Company's operations or requiring corrective measures, any of which could result in the Company incurring substantial expenditures. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development.

#### *Access to capital*

We have limited financial resources and no operating cash flow. The Company expects to incur net cash outlays until such time, if ever, as its properties enter into commercial production and generate sufficient revenues to fund continuing operations. The development of mining operations would require the commitment of substantial resources for operating expenses and capital expenditures, which are likely to increase in subsequent years as needed consultants, personnel, materials and equipment associated with advancing exploration, development and commercial production of our properties are added. Currently inflation in some of the countries in which the Company is active in mineral exploration is unofficially estimated at 25% to 30% per annum.

The amounts and timing of expenditures incurred by the Company will depend on the progress and success of ongoing exploration, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the acquisition of additional properties, and other factors, many of which are beyond the Company's control. The sources of financing the Company may use for these purposes include public or private offerings of equity or debt. In addition, the Company may enter into strategic alliance, sell certain of its assets or utilize a combination of all of these alternatives. There can be no assurance that financing will be available on acceptable terms, or at all.

Recent global market events and conditions including disruptions in the Canadian, United States, European and other international credit markets and other financial systems may, among other things, impede the Company's access to capital or increase the cost of capital, both of which could have an adverse effect on the Company's ability to fund its operating, exploration and other requirements. These unprecedented disruptions in the credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies. The Company may not be able to access capital on acceptable terms to the Company, or at all. If we are unable to obtain sufficient financing in the future, we might have to dramatically slow exploration efforts and/or lose control of our projects. If equity financings are required, then such financings could result in significant dilution to existing or prospective shareholders.

### *Political and economic uncertainties*

The Company's property interests and exploration activities are carried out in foreign countries, principally Colombia, the Philippines, Argentina and Australia. Accordingly, the Company's activities are subject to political, economic and other uncertainties, including the risk of expropriation, nationalization, the rights of indigenous peoples and local communities, renegotiation or nullification of existing contracts, mining licenses and permits or other agreements, changes in laws or taxation policies, currency exchange restrictions and fluctuations, changing political conditions and international monetary fluctuations. Future government actions concerning the economy, taxation, or the operation and regulation of nationally important resources and facilities such as mineral resources and mines, could have a significant effect on us. Any changes in regulations or shifts in political attitudes are beyond our control and may adversely affect our business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on foreign ownership of mineral resources, future exploitation and production, price controls, export controls, foreign exchange controls, income and/or mining royalties and taxes, expropriation of property, environmental legislation and mine and/or site safety. No assurances can be given that our plans and operations will not be adversely affected by future developments in the countries in which our company operates. The Company does not maintain political risk insurance.

Some of the Company's properties are located in countries which have experienced difficult personal security environments where some acts of kidnapping, terrorism and extortion have been reported. The cost of operating in such environments is increased by the need for site and personnel security and support.

### *Title to properties*

In certain countries, the ownership of mining rights and, in particular, foreign ownership, is limited or is subject to interpretation of various laws. In the event of such interpretation being found to be different, it could negatively affect the Company's ability to retain or secure ownership of mineral properties.

Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties it owns, controls or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unrecorded agreements or transfers or native land claims and title may be affected by undetected defects. There may be valid challenges to the title of the Company's properties, which, if successful, could impair development and/or operations. In addition, mineral properties may be leased and may be subject to defects in title. Only a preliminary legal survey of the boundaries of some of our properties has been done and, therefore, in accordance with the laws of the jurisdictions in which these properties are situated, their existence and area could be in doubt. If title is disputed, we will have to defend our ownership through the courts. In the event of an adverse judgment, we would lose our property rights.

### *The natural resource industry is highly competitive*

We compete with other exploration resource companies which have similar operations, and many competitors have operations, financial resources and industry experience greater than ours. This may place us at a disadvantage in acquiring, exploring and developing properties. These other companies could outbid us for potential projects or produce minerals at lower costs which would have a negative effect on our operations.

### *Dependence on key personnel*

We depend on the business and technical expertise of our management and key personnel, including Paul Joyce, the President and Chief Executive Officer. It is unlikely that this dependence will decrease in the near term. As our operations expand, additional general management resources will be required. We may not be able to attract and retain additional qualified personnel and this would have a negative effect on our operations. We have entered into a formal services agreement with Paul Joyce, our President and Chief Executive Officer. We maintain no "key man" life insurance on any members of our management or directors.

### *Conflicts of interest*

Certain of our directors and officers are also directors and/or officers and/or shareholders of other natural resource companies. While we are engaged in the business of exploring for and, if appropriate, exploiting mineral properties, such associations may give rise to conflicts of interest from time to time. Our directors are required by law to act honestly and in good faith with a view to uphold the best interests of the Company and to disclose any interest that they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of our board of directors, any

director in a conflict must disclose his interest and abstain from voting on the matter. In determining whether or not we will participate in any project or opportunity, our directors will primarily consider the degree of risk to which we may be exposed and our financial position at the time.

*The market for our common shares is subject to volume and price volatility which could negatively affect a shareholder's ability to buy or sell our common shares.*

The market for our common shares may be highly volatile for reasons both related to our performance or events pertaining to the industry (i.e. mineral price fluctuation/high production costs/accidents) as well as factors unrelated to us or our industry such as economic recessions and changes to legislation in the countries in which we operate. In particular, market demand for products incorporating minerals in their manufacture fluctuates from one business cycle to the next, resulting in changes in demand for the mineral and an attendant change in the price for the mineral. Since our listing on the TSX Venture Exchange, the price of our common shares has fluctuated between \$0.18 and \$1.98. Our common shares can be expected to be subject to volatility in both price and volume arising from market expectations, announcements and press releases regarding our business, and changes in estimates and evaluations by securities analysts or other events or factors. In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly small-capitalization companies such as the Company, have experienced wide fluctuations that have not necessarily been related to the operations, performances, underlying asset values, or prospects of such companies. For these reasons, our common shares can also be subject to volatility resulting from purely market forces over which we will have no control such as that experienced recently resulting from the on-going credit crisis centered in the United States and Europe. Further, despite the existence of a market for trading our common shares in Canada, our shareholders may be unable to sell significant quantities of our common shares in the public trading markets without a significant reduction in the price of the stock.

### **Management's Responsibility for the Financial Statements**

The preparation and presentation of the accompanying Consolidated Financial Statements, MD&A and all financial information in the financial statements are the responsibility of management and have been approved by the Audit Committee of the Board of Directors. The Financial Statements have been prepared in accordance with IFRS. Financial statements, by nature are not precise since they include amounts based upon estimates and judgments. When alternative treatments exist, management has chosen those it deems to be the most appropriate in the circumstances. The financial information presented elsewhere in the Financial Statements is consistent with that in the Consolidated Financial Statements.

Management, under the supervision of and with the participation of the CEO and the CFO, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian securities regulations. The CEO and CFO will certify the annual filings with the CSA as required in Canada by National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings). The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the Consolidated Financial Statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management. The Audit Committee is appointed by the Board of Directors and reviews the Consolidated Financial Statements and MD&A; considers the report of the external auditors; assesses the adequacy of management's assessment over internal controls described below; examines and approves the fees and expenses for the audit services; and recommends the independent auditors to the Board for the appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with it to discuss their audit work, our internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board of Directors for consideration when approving the Consolidated Financial Statements for issuance to the shareholders and also Management's Report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting.

### **Controls and Procedures:**

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the CEO and CFO of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under NI 52-109, the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

### **Disclosure Controls and Procedures**

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

TSX-V listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s IFRS.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **Additional Information**

As at June 22, 2012 the Company had 34,700,000 common shares issued and outstanding, and had outstanding options as follows:

	<b><u>Number</u></b>	<b><u>Weighted Average Exercise Price</u></b>
Options:	6,535,000	\$0.70

#### **Directors and Officers**

Directors:

Paul Joyce  
Bryce Roxburgh  
Yale Simpson  
Robert Reynolds  
Cecil Bond  
Louis Montpellier

Officers:

Paul Joyce, President and CEO  
Darcy Daubaras, CFO

#### ***Contact Person***

Darcy Daubaras  
Telephone: (604) 688-4941  
Facsimile: (604) 688-9532

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).