

RUGBY MINING LIMITED
(an exploration stage company)

INTERIM FINANCIAL STATEMENTS
November 30, 2010 and 2009
(Expressed in CDN Dollars)

Unaudited – Prepared by Management

RUGBY MINING LIMITED

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, Canada

January 13, 2011

RUGBY MINING LIMITED
BALANCE SHEETS

(Unaudited – Prepared by Management)

	<u>November 30, 2010</u>	<u>February 28, 2010</u>
ASSETS		
Current		
Cash	\$ 8,706,558	\$ 955,959
Prepaid expenses and other receivables	<u>80,236</u>	<u>10,544</u>
	8,786,794	966,503
Property and equipment		
	<u>19,694</u>	
	\$ 8,806,488	\$ 966,503
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 441,903	\$ 41,207
Due to related parties (Note 9)	<u>157,489</u>	<u>102,437</u>
	599,392	143,644
Shareholders' equity		
Obligation to issue shares (Note 5)	-	615,000
Share capital (Note 7)	10,746,851	1,817,110
Contributed surplus (Note 8)	614,153	196,735
Deficit	<u>(3,153,908)</u>	<u>(1,805,986)</u>
	8,207,096	822,859
	\$ 8,806,488	\$ 966,503

Basis of presentation (Note 2)

RUGBY MINING LIMITED
STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited – Prepared by Management)

	Three Months ended November 30		Nine Months ended November 30	
	2010	2009	2010	2009
EXPENSES				
Administrative	\$ 64,975	\$ 34,584	\$ 149,788	\$ 73,449
Amortization	820	-	2,318	-
Bank charges, net of interest	471	413	2,669	1,226
Director fees (Note 7)	53,731	53,839	165,049	53,839
Insurance	3,054	-	8,692	-
Professional fees	20,732	1,913	68,076	21,628
Project evaluation (Note 5 and 7)	735,230	104,891	921,931	441,742
Shareholder communications	3,955	-	8,702	131
Stock exchange listing and filing fees	8,149	(1,100)	11,444	11,139
Transfer agent	2,621	2,851	7,997	15,015
Travel	796	-	1,256	10,340
Net loss and comprehensive loss for the period	\$ 894,534	\$ 197,391	\$ 1,347,922	\$ 628,509
Deficit, beginning of period	\$ 2,259,374	\$ 762,500	\$ 1,805,986	\$ 331,382
Deficit, end of period	\$ 3,153,908	\$ 959,891	\$ 3,153,908	\$ 959,891
Basic & diluted loss per share	\$ 0.04	\$ 0.01	\$ 0.06	\$ 0.03
Weighted average number of common shares outstanding	22,366,429	19,658,767	21,556,679	18,369,753

RUGBY MINING LIMITED
STATEMENTS OF CASH FLOWS

(Unaudited – Prepared by Management)

	Three Months ended		Nine Months ended	
	November 30		November 30	
	2010	2009	2010	2009
Operating Activities				
Net loss for the period	\$ (894,534)	\$ (197,391)	\$ (1,347,922)	\$ (628,509)
Items not requiring an outlay of cash:				
Amortization	820	-	2,318	-
Stock based compensation	235,344	78,707	427,671	78,707
Changes in non-cash working capital				
Prepaid expenses and other receivables	(29,653)	(879)	(69,692)	16,785
Accounts payable and accrued liabilities	336,667	55,093	400,696	13,138
Due to related parties	100,803	-	55,052	-
	(250,553)	(64,470)	(531,877)	(519,879)
Financing Activities				
Issue of share capital for cash (Note 7)	8,522,500	142,500	8,522,500	762,500
Share issue costs	(218,012)	-	(218,012)	(9,371)
	8,304,488	142,500	8,304,488	753,129
Investing Activities				
Acquisition of property and equipment	(624)	-	(22,012)	-
Net increase in cash and cash equivalents	8,053,311	78,030	7,750,599	233,250
Cash and cash equivalents - beginning of period	653,247	983,159	955,959	827,939
Cash and cash equivalents - end of period	\$ 8,706,558	\$ 1,061,189	\$ 8,706,558	\$ 1,061,189
Cash and cash equivalents consist of:				
Cash	\$ 8,706,558	\$ 1,061,189	\$ 8,706,558	\$ 1,061,189
Cash paid during the period for interest	\$ -	\$ -	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -	\$ -	\$ -

RUGBY MINING LIMITED
Notes to the Interim Financial Statements
Nine Months ended November 30, 2010
(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS

Rugby Mining Limited (the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on January 24, 2007. The Company’s common shares were listed and called for trading on the TSX Venture Exchange (the “TSX-V”) on August 7, 2007. Following the completion of its qualifying transaction on March 5, 2009, the Company is classified as a “Mineral Exploration and Development” company and continues to acquire and evaluate mineral properties.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The preparation of these interim financial statements is based on accounting principles and practices consistent with those used in the preparation of the Company’s annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim financial statements should be read together with the Company’s most recent audited financial statements and the accompanying notes. In the opinion of the Company, these unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim period presented.

The Company has relied principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company’s ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company, particularly in view of current market conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company’s functional and reporting currency is the Canadian dollar.

(a) Cash

The Company classifies highly liquid short-term investments that are readily convertible into known amounts of cash and have maturities of 90 days or less from the date of acquisition as cash equivalents.

(b) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between financial statement carrying values and their corresponding tax values (temporary differences) and tax loss carry forwards. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply when the temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized, if any, is limited to the amount that, in the opinion of management, is more likely than not to be realized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged to operations, with the offset credit to contributed surplus. For directors and employees, the fair value is recognized over the vesting period, and for non-employees the fair value is recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

(d) Earnings (loss) per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding. During the year ended February 28, 2010, the Company completed its qualifying transaction, consequently all shares currently subject to escrow are included in the earnings (loss) per share calculations.

(e) Use of estimates

The preparation of financial statements in conformity with GAAP 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 stock-based compensation expense and the valuation allowance for future income tax assets. Actual results could differ from those estimates used in the financial statements.

(f) Mineral property interests

Exploration expenditures and option payments incurred prior to the determination of the feasibility of mining operations and the decision to commence development are charged to operations as incurred.

Pre-development costs incurred prior to a development decision and the receipt of all necessary permits and licenses for sustained mining operations are charged to operations as incurred.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Development expenditures incurred subsequent to the commencement of commercial production to increase productive capacity or to extend the life of existing production will be capitalized under mine development costs.

(g) Foreign currency transactions

Where applicable, foreign currency transactions and balances are translated into Canadian dollars as follows:

- i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of assets or assumption of liabilities; and
- iii) Expenses, at the rate of exchange at the time of the transaction.

Gains and losses arising from the translation of foreign currency are included in the determination of net loss for the period.

(h) Financial instruments

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

Transaction costs that are directly attributable to the acquisition or issuance of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value.

Comprehensive income or loss is defined as the change in equity from transactions and other events from sources other than the Company's shareholders. Other comprehensive income or loss refers to items recognized in comprehensive income or loss that are excluded from net income or loss calculated in accordance with Canadian GAAP.

The Company has no items of other comprehensive income in any period presented. Therefore, net loss as presented in the Company's statements of operations equals comprehensive loss.

(i) 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%

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Unit offerings

Proceeds from the issue of units is allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds.

(k) Future changes in accounting policies

i) Business Combinations, Consolidated Financial Statements and Non-controlling interest

For interim and annual financial statements relating to its fiscal year commencing on or after March 1, 2011, the Company will be required to adopt new CICA Section 1582 “Business Combinations”, Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests”. Section 1582 replaces existing Section 1581 “Business Combinations”, and Sections 1601 and 1602 together replace Section 1600 “Consolidated Financial Statements.” The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 “Business Combinations” and International Accounting Standard IAS 27 “Consolidated and Separate Financial Statements” respectively. The impact of adopting these new standards is not expected to have a material impact on the Company’s financial statements.

4. CAPITAL MANAGEMENT

The Company considers its capital to be all components of shareholders equity. The Company manages its capital structure and makes adjustments to it, based on the funds available, in order to support its activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business.

Based upon the Company’s stage of development, it is dependent on external financing to fund its activities. In order to carry out the planned operations and pay for administrative costs, the Company will continue to spend its existing working capital and be required to raise additional amounts as needed.

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

There were no changes in the Company's approach to capital management during the nine month period ended November 30, 2010. The Company is not subject to externally imposed capital requirements.

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5. PROJECT EVALUATION

The tables below show the Company's project exploration and evaluation expenditures for the nine months ended November 30, 2010 and 2009.

	Nine Months ended November 30, 2010				
	Generative	Comita	Mabuhay	Hawkwood	Total
Assays	\$ 811	\$ -	\$ -	\$ -	\$ 811
Field camp	1,622	-	6,839	7,841	16,302
Geological**	337,255	166,367	16,864	13,904	534,390
Legal	114,336	5,756	7,853	-	127,945
Office Operations	-	23,586	-	-	23,586
Resource development	3,758	-	-	-	3,758
Signature fee & Option payments	51,330*	-	71,536	-	122,866
Travel	74,967	9,520	7,757	29	92,273
Exploration and evaluation costs	\$ 584,079	\$ 205,228	\$ 110,849	\$ 21,774	\$ 921,931
Cumulative exploration and evaluation costs	\$ 779,296	\$ 205,228	\$ 110,849	\$ 969,220	\$ 2,064,594

* Includes US\$50,000 (\$51,330) for the right to the Interceptor option.

** Includes stock based compensation as reflected below:

	Nine Months ended November 30, 2010				
	Generative	Comita	Mabuhay	Hawkwood	Total
Geological	\$ 47,385	\$ 139,064	\$ -	\$ -	\$ 186,449
Total	\$ 47,385	\$ 139,064	\$ -	\$ -	\$ 186,449

	Nine Months ended November 30, 2009				
	Generative	Comita	Mabuhay	Hawkwood	Total
Assays	\$ 650	\$ -	\$ -	\$ 6,684	\$ 7,334
Consultants and contractors	-	-	-	28,048	28,048
Field camp	-	-	-	20,397	20,397
Geological**	155,975	-	-	229,988	385,963*
Exploration and evaluation costs	\$ 156,625	\$ -	\$ -	\$ 285,117	\$ 441,742
Cumulative exploration and evaluation costs	\$ 160,295	\$ -	\$ -	\$ 331,712	\$ 492,007

* Includes A\$200,000 (\$183,202) paid to Rowen Company Limited for the re-imbursement of expenditures.

** Includes stock based compensation as reflected below:

	Nine Months ended November 30, 2009				
	Generative	Comita	Mabuhay	Hawkwood	Total
Geological	\$ 7,691	\$ -	\$ -	\$ -	\$ 7,691
Total	\$ 7,691	\$ -	\$ -	\$ -	\$ 7,691

(a) 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 amendment 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 (\$22,388) as a non-refundable deposit and a further A\$200,000 (\$183,202) to repay a portion of a loan advanced to Sunland by Rowen. In addition, pursuant to

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5. PROJECT EVALUATION (continued)

the amendment dated December 31, 2009, the Company was required to issue 1.5 million common shares with a deemed value of \$615,000 to Rowen, the shares were issued subsequent to the year ended February 28, 2010, following approval from the TSX-V on January 25, 2010, and is required to incur exploration expenditures as follows:

(i) In order to exercise the option to acquire an initial 60% interest in Sunland:

A\$300,000 (\$295,800) by December 31, 2010 (completed)

A\$200,000 (\$197,200) by December 31, 2011

A\$500,000 (\$493,000) 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 (\$3.0) million in expenditures on the property for a total of A\$4.0 (\$3.9) 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% net smelter royalty (“NSR”) payable to Newcrest Operations Limited.

(b) 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 Sunland subsidiary, Rugby Mining Pty Ltd. with respect to certain portions of exploration permit 15289 and exploration permit application 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 (\$197,200) work program by February 10, 2011 and thereafter incurring an additional A\$500,000 (\$493,000) in exploration expenditures by February 10, 2013 (“Phase One”). Eastern Iron can increase its interest in the Exploration Area to 80% by incurring an additional A\$3.6 (\$3.5) 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 Operations Limited. Eastern is required to incur expenditures and complete a bankable feasibility study to earn its interest as follows:

Phase One

(i) A\$200,000 (\$197,200 minimum commitment by February 10, 2011); (completed)

(ii) A\$200,000 (\$197,200) by February 10, 2012 and

(iii) additional A\$300,000 (\$295,800) by February 10, 2013,
for total Phase One expenditures of A\$700,000 (\$690,200).

Phase Two

(i) additional A\$300,000 (\$295,800) by February 10, 2014

(ii) additional A\$300,000 (\$295,800) by February 10, 2015

(iii) additional A\$1.0 (\$1.0) million by February 10, 2016

(iv) additional A\$1.0 (\$1.0) million by February 10, 2017 and

(v) additional A\$1.0 (\$1.0) million by February 10, 2018,

for total Phase Two expenditures of A\$3.6 (\$3.5) million and cumulative expenditures of A\$4.3 (\$4.2) million.

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5. PROJECT EVALUATION (continued)

(c) Mabuhay Gold project, Philippines

On October 5, 2010, the Company 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 Gold Project in the Philippines. The agreement with Pelican Resources Limited (“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, the Company will be required to make staged payments to Pelican and All-Acacia totalling US\$900,000 (\$923,940) over three years and incur staged expenditures of US\$6.5 (\$6.7) million over six years. In addition, the Company has paid Pelican a signature fee of US\$20,000 (\$20,466). Pelican will be paid a further US\$5.0 (\$5.1) million if commercial production commences at Mabuhay.

A pre-feasibility study on Mabuhay must also be completed. Upon the exercise of the Mabuhay Option, All-Acacia and the Company will 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 (\$205,320) to All-Acacia towards All-Acacia’s pro-rata share of expenditures until commencement of production from the Mabuhay Project.

(d) Comita Porphyry Copper Gold Project, Colombia

On October 12, 2010, the Company entered into an agreement (the “Comita Agreement”) with Rio Tinto Mining and Exploration Colombia (“Rio Tinto”), over the Comita Porphyry Copper Gold Project in Colombia (the “Comita Project”), granting it 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 Rio Tinto, 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 a 40% interest in Newco for the Comita Project by incurring US\$10.0 (\$10.3) million in exploration expenditures which include at least 10,000 metres of drilling as follows:

(i) US\$250,000 (\$256,650) on or before October 21, 2011, the first anniversary date of the Comita Agreement.

(ii) Thereafter the Company has the option, but not the obligation to incur US\$9.75 (\$10.0) million over the following four years with minimum annual expenditures of US\$250,000 (\$256,650) until such time the Comita Project is removed from the forestry reserve, following which the minimum annual expenditure increases to US\$1.0 (\$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 (\$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 Rio Tinto with notice that it has met the requirements to acquire the initial 40% interest in Newco following which Rio Tinto has 90 days to elect to resume management of the Comita Project. In the event that Rio Tinto elects to resume management of the Comita Project, a joint venture will be formed and dilution provisions will apply.

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5. PROJECT EVALUATION (continued)

Should Rio Tinto 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 Comita Project by incurring an additional US\$15.0 (\$15.4) million in expenditures, including 20,000 metres of drilling with minimum annual expenditures of US\$1.0 (\$1.0) million.

(e) Interceptor Gold Copper Project, Argentina

On November 23, 2010, the Company entered into an option agreement (the “Interceptor Agreement”) with Miranda S.A., an Argentine company (“Miranda”) to acquire 100% of the Interceptor Porphyry Gold Copper project in Catamarca Province, Argentina. The Interceptor Agreement, which is subject to TSX-V approval, grants the Company a 6 year option to acquire 100% of the Interceptor project upon payment of an initial US\$50,000 (\$51,330) and thereafter the payment of an annual option fee of US\$50,000 (\$51,330) for 3 years, followed by payments of US\$62,500 (\$64,613); US\$75,000 (\$76,995) and US\$87,500 (\$89,828) for years 4 to 6. 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 (\$1.0) million and no greater than US\$5.0 (\$5.1) million. Miranda 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 from Miranda. There are no minimum annual expenditure or work commitments.

6. CONTRACTUAL OBLIGATIONS

At November 30, 2010, the Company had the following obligations arising from the option agreements it has entered into:

	2011	Total
Comita	US\$ 250,000	US\$ 250,000
Total US\$	US\$ 250,000	US\$ 250,000
CAD Equivalent	\$ 256,650	\$ 256,650

7. SHARE CAPITAL

(a) Authorized and issued

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

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7. SHARE CAPITAL (continued)

The Company has issued common shares as follows:

	November 30, 2010		February 28, 2010	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	20,195,000	\$ 1,817,110	16,000,000	\$ 984,265
Issued during the period for:				
Cash - equity financing	10,000,000	8,500,000	3,000,000	600,000
- options exercised	50,000	15,000	950,000	142,500
- agent warrants exercised	-	-	200,000	20,000
- warrants exercised	25,000	7,500	45,000	13,500
Option payment (Note 5)	1,500,000	615,000	-	-
Contributed surplus allocated	-	10,253	-	66,216
Share issue costs	-	(218,012)	-	(9,371)
Balance, end of period/year	31,770,000	\$ 10,764,851	20,195,000	\$ 1,817,110

On November 24th, 2010, the Company completed a non-brokered private placement consisting of 10,000,000 common shares issued 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.

During the nine month period ended November 30, 2010, the Company issued 50,000 shares pursuant to the exercise of options at a price of \$0.30 per share, 25,000 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 deemed value of \$615,000. Contributed Surplus allocated to share capital upon the exercise of stock options was \$10,253.

In July 2009, the Company completed a non-brokered private placement consisting of 3,000,000 units ("Units") at \$0.20 per Unit for gross proceeds of \$600,000. Each Unit consisted of one common share ("Share") and one transferable share purchase warrant ("Warrant"). Each Warrant is exercisable to acquire an additional Share of the Company until July 17, 2011, at a price of \$0.30 per Share. Costs of \$9,371 associated with the placement have been charged to share capital.

In addition, during the year ended February 28, 2010, the Company issued 200,000 shares pursuant to the exercise of agent warrants at a price of \$0.10 per share, issued 950,000 shares pursuant to the exercise of options at a price of \$0.15 per share and issued 45,000 shares pursuant to the exercise of Warrants at a price of \$0.30 per share.

(b) Escrow shares

At November 30, 2010, 4,707,500 shares (February 28, 2010 – 7,812,500) issued prior to the qualifying transaction were held in escrow. The shares will be released from escrow as follows:

- 1,552,500 on March 5, 2011
- 1,552,500 on September 5, 2011
- 1,602,500 on March 5, 2012

(c) 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

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7. SHARE CAPITAL (continued)

a non-diluted basis. The total number of options approved for issue is 4,339,000. Options granted under the Plan may have a maximum term of five 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 the 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.

The status of options granted under the Plan as of November 30, 2010 and changes during the period then ended is as follows:

	November 30, 2010			February 28, 2010		
	Number of Options	Weighted Average Exercise Price	Expiry Date	Number of Options	Weighted Average Exercise Price	Expiry Date
Outstanding, beginning of year	1,535,000	\$0.30		950,000	\$0.15	July 24, 2012
Granted – October 9, 2009	-	-		1,125,000	0.30	October 9, 2014
Granted – October 10, 2009	-	-		410,000	0.30	October 10, 2014
Granted – July 7, 2010	600,000	0.42	July 7, 2015	-	-	
Granted – July 20, 2010	1,375,000	0.50	July 20, 2015	-	-	
Granted – October 22, 2010	200,000	0.85	October 22, 2015	-	-	
Exercised	(50,000)	0.30		(950,000)	0.15	
Outstanding, end of period	3,660,000	\$0.42		1,535,000	\$0.30	
Weighted average remaining contractual life of options		4.33 years			4.61 years	

(d) Stock-based compensation

The fair value of options granted during the period ended November 30, 2010 was estimated at the grant date using the Black-Scholes option pricing model, with the following assumptions:

Expected annual volatility	125%
Risk-free interest rate	1.37% -1.55%
Expected life	2.5 years
Expected dividend yield	0.00%

The total fair value of stock options granted during the nine month period ended November 30, 2010 was \$755,561 of which \$427,671 was expensed during the period.

	Three Months ended November 30		Nine Months ended November 30	
	2010	2009	2010	2009
Administration salaries and consulting	\$ 33,256	\$ 17,177	\$ 76,173	\$ 17,177
Directors' fees	53,731	53,839	165,049	53,839
Project evaluation	148,357	7,691	186,449	7,691
Total	\$ 235,344	\$ 78,707	\$ 427,671	\$ 78,707

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7. SHARE CAPITAL (continued)

(e) Warrants

At November 30, 2010 and February 28, 2010, the Company had outstanding warrants exercisable to acquire 2,930,000 common shares as follows:

Number	Exercise Price	Expiry Date
2,930,000	\$ 0.30	July 17, 2011

8. CONTRIBUTED SURPLUS

	November 30, 2010	February 28, 2010
Balance, beginning of period/year	\$ 196,735	\$ 66,216
Stock based compensation	427,671	196,735
Contributed surplus allocated	(10,253)	(66,216)
Balance, end of period/year	\$ 614,153	\$ 196,735

9. RELATED PARTY TRANSACTIONS

Amounts due to related parties of \$157,489 at November 30, 2010 (February 28, 2010 - \$102,437) is for administrative support fees, management, consulting and exploration fees, and for expenses incurred while conducting the Company's business.

During the nine month period ended November 30, 2010, related party transactions not otherwise disclosed in these financial statements are as follows:

- (a) Paid or accrued project evaluation costs of \$184,276, which included a bonus of \$100,000 (November 30, 2009 - \$89,512) to a company controlled by the Chief Executive Officer of the Company. As at November 30, 2010, the Company had amounts owing of \$145,300 (February 28, 2010 – \$32,783) to this company; and
- (b) Paid or accrued administrative support fees of \$45,000 (November 30, 2009 - \$45,000) to a company with common directors. As at November 30, 2010, the Company had amounts owing of \$12,189 (February 28, 2010 - \$5,250) to this company; and
- (c) Paid or accrued rent expense of \$7,724 (November 30, 2009 - \$nil) to a company controlled by a Director of the Company.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. FINANCIAL INSTRUMENTS

The Company classifies its cash as held-for-trading; its other receivables as other financial assets, and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of cash and cash and other receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

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10. FINANCIAL INSTRUMENTS (continued)

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

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk, in respect of cash and cash equivalents by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution in accordance with the Company's investment policy. The credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed with major Canadian financial institutions with strong investment-grade ratings by a primary ratings agency.

The Company's concentration of credit risk and maximum exposure thereto is as follows relating to financial assets:

	<u>November 30, 2010</u>	<u>February 28, 2010</u>
Cash	<u>\$ 8,706,558</u>	<u>\$ 955,959</u>
	<u>\$ 8,706,558</u>	<u>\$ 955,959</u>

Concentration of credit risk exists as the Company's cash at November 30, 2010 of \$8,706,558 is held at a single major Canadian financial institution.

(b) 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 from operations and anticipated investing and financing activities. The Company normally maintains sufficient cash and cash equivalents to meet the Company's business requirements. The Company had cash at November 30, 2010 in the amount of \$8,706,558 in order to meet short-term business requirements. At November 30, 2010, the Company had current liabilities of \$599,392, all of which fall due for payment within three months of the balance sheet date.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risk.

i) Interest rate risk

The Company's cash and cash equivalents consist of cash held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of November 30, 2010. Future cash flows from interest income on cash and cash

equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity

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10. FINANCIAL INSTRUMENTS (continued)

ii) Foreign currency risk

The Company is exposed to foreign currency risk as monetary financial instruments are denominated in US and Australian currencies. The Company has not entered into any foreign currency contracts to mitigate this risk, as it believes this risk is minimized by the minimal amount of cash currently held in US currency.

The Company's foreign currency risk is increasing with the increased expenditures being incurred and the related increases in foreign currency payables. The Company's sensitivity analysis suggests that a consistent 5% change in the absolute rate of exchange in all foreign jurisdictions would not have a material impact on these financial statements.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company has no financial instruments exposed to such risk.