MEGASTAR DEVELOPMENT CORP.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 29, 2012

EXPRESSED IN CANADIAN DOLLARS

Tel: 604 688 5421
Fax: 604 688 5132
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Megastar Development Corp.

We have audited the accompanying financial statements of Megastar Development Corp. which comprises the statements of financial position as at February 29, 2012, February 28, 2011 and March 1, 2010, and the statements of operations and comprehensive income (loss), cash flows and changes in equity for the years ended February 29, 2012 and February 28, 2011 which includes a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

(signed) “BDO Canada LLP”

Chartered Accountants

Vancouver, BC
June 26, 2012

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MEGASTAR DEVELOPMENT CORP.
STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED FEBRUARY 29, 2012
(EXPRESSED IN CANADIAN DOLLARS)

	Notes	February 29 2012	February 28 2011 (Note 19)	March 1, 2010 (Note 19)
ASSETS				
Current assets				
Cash		$ 389,758	$ 120,689	$ 347,410
Marketable securities	5	156,325	290,200	164,000
Other securities	10	-	6,300,000	-
Taxes recoverable	4	29,630	34,625	5,492
Prepaid expenses and deposits	6	6,067	6,842	47,789
Total current assets		581,780	6,752,356	564,691
Non-current assets				
Equipment	7	2,263	2,199	1,512
Exploration and evaluation assets	8	586,564	700,686	1,934,440
Total non-current assets		588,827	702,885	1,935,952
		$ 1,170,607	$ 7,455,241	$ 2,500,643
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	9	$ 490,725	$ 518,826	$ 424,594
Share capital distribution payable	10	-	6,300,000	-
Due to related parties	14	15,850	54,850	46,500
Total current liabilities		506,575	6,873,676	471,094
Long-term liabilities				
Deferred income tax liability	9 and 18	-	123,000	-
Total liabilities		506,575	6,996,676	471,094
Shareholders' equity				
Share capital	10	4,133,551	9,046,836	8,549,397
Share capital distribution	10	-	(6,300,000)	-
Reserves	11	225,601	122,713	148,378
Accumulated other comprehensive gain (loss)		(84,925)	88,950	48,750
Deficit		(3,610,195)	(2,499,934)	(6,716,976)
Total shareholders' equity		664,032	458,565	2,029,549
		$ 1,170,607	$ 7,455,241	$ 2,500,643

Approved and authorized for issue on behalf of the Board on June 26, 2012

"Dusan Berka" Director
Dusan Berka

"Gary Musil" Director
Gary Musil

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

MEGASTAR DEVELOPMENT CORP.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED FEBRUARY 29, 2012
(EXPRESSED IN CANADIAN DOLLARS)

	Notes	Year ended February 29, 2012	February 28, 2011 (Note 19)
Expenses			
Accounting and audit fees		$ 69,676	$ 78,374
Administrative fees	14	-	5,445
Amortization		787	699
Bank charges and interest		1,883	934
Consulting fees	14	63,000	211,030
Filing fees		14,472	17,015
Insurance		14,120	14,129
Investor relations and promotion		106	92,827
Legal fees		42,566	11,345
Management fees	14	156,500	123,500
Office, telephone and miscellaneous	14	8,068	13,544
Rent	14	16,500	15,000
Shareholder information		6,552	9,898
Share-based payments	11 and 14	175,350	97,924
Transfer agent fees		10,318	12,224
Travel		14,667	26,011
Loss before other income (expenses)		(594,565)	(729,899)
Other income (expenses):			
Loss on share distribution	10	(700,000)	-
Interest income		287	425
Write down of equipment		-	(1,201)
Interest and penalties		(11,445)	(9,457)
Gain on sale of mineral properties	8	-	5,019,024
Income (loss) before income taxes		(1,305,723)	4,278,892
Income tax recovery (expense)		123,000	(123,000)
Net income (loss) for the year		(1,182,723)	4,155,892
Other comprehensive income (loss)			
Unrealized gain (loss) on marketable securities, net of tax		(173,875)	40,200
Total comprehensive income (loss) for the year		(1,356,598)	4,196,092
Weighted average number of common shares outstanding (basic and diluted)		14,935,717	9,924,925
Basic and diluted net loss per share		$ (0.08)	$ 0.42

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

MEGASTAR DEVELOPMENT CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 29, 2012
(EXPRESSED IN CANADIAN DOLLARS)

	Notes	Year ended February 29, 2012	February 28, 2011 (Note 19)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) for the period		$ (1,182,723)	$ 4,155,892
Adjustments to reconcile loss to net cash used in operating activities:			
Amortization and depreciation		787	699
Gain on sale of mineral property	8	-	(5,128,991)
Loss on writedown of equipment		-	1,201
Income tax expense (recovery)		(123,000)	123,000
Interest income		(287)	-
Loss on share capital distribution		700,000	-
Share-base payments		175,350	97,924
		(429,873)	(750,275)
Changes in assets and liabilities:			
Decrease (increase) in taxes recoverable		4,995	(29,133)
Decrease in prepaid expenses and other current assets		775	40,947
Increase (decrease) in accounts payable and accrued liabilities		(28,101)	94,232
Increase (decrease) in due to related parties		(39,000)	8,350
Cash used in operating activities		(491,204)	(635,879)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuing of common shares		686,715	435,000
Cash provided by financing activities		686,715	435,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		287	-
Evaluation and exploration costs		(26,998)	(31,755)
Evaluation and exploration costs recovered		101,120	-
Investments		-	8,500
Purchase of equipment		(851)	(2,587)
Cash provided by (used in) investing activities		73,558	(25,842)
Net change in cash		269,069	(226,721)
Cash, beginning balance		120,689	347,410
Cash, ending balance		$ 389,758	$ 120,689

Supplemental disclosure with respect to cash flows (Note 15)

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

MEGASTAR DEVELOPMENT CORP.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED FEBRUARY 29, 2012
(EXPRESSED IN CANADIAN DOLLARS)

	Share Capital			Reserves	Accmulated other comprehensive loss		
	Number of shares issued	Amount	Share Capital Distribution	Share based payments	Unrealized marketable securities gain (loss)	Deficit	Total
		$	$	$	$	$	$
Balance, March 1, 2010	9,184,307	$8,549,397	-	148,378	48,750	(6,716,976)	2,029,549
Comprehensive income:							
Income after income tax	-	-	-	-	-	4,155,892	4,155,892
Unrealized gain on marketable securities	-	-	-	-	40,200	-	40,200
	9,184,307	8,549,397	-	148,378	88,950	(2,561,084)	6,225,641
Share-based payments	-	-	-	97,924	-	-	97,924
Options expired/cancelled	-	-	-	(61,150)	-	61,150	-
Options exercised for cash	322,500	135,000	-	-	-	-	135,000
Options exercised	-	62,439	-	(62,439)	-	-	-
Warrants exercised	1,025,000	300,000	-	-	-	-	300,000
Share capital distribution	-	-	(6,300,000)	-	-	-	(6,300,000)
Balance, February 28, 2011	10,531,807	9,046,836	(6,300,000)	122,713	88,950	(2,499,934)	458,565
Comprehensive income:							
Loss on share distribution	-	-	700,000	-	-	-	700,000
Loss after income tax	-	-	-	-	-	(1,182,723)	(1,182,723)
Unrealized loss on marketable securities	-	-	-	-	(173,875)	-	(173,875)
	10,531,807	9,046,836	(5,600,000)	122,713	(84,925)	(3,682,657)	(198,033)
Shares issued for cash - private placements (Note 10)	6,715,265	671,527	-	-	-	-	671,527
Share issued for finder's fee	437,144	43,714	-	-	-	-	43,714
Share issue costs (Note 10)	-	(43,714)	-	-	-	-	(43,714)
Share-based payments (Note 10)	-	-	-	175,350	-	-	175,350
Options cancelled (Note 10 and 11)	-	-	-	(72,462)	-	72,462	-
Share capital distribution	-	(5,600,000)	5,600,000	-	-	-	-
Warrants exercised	112,500	15,188	-	-	-	-	15,188
Balance, February 29, 2012	17,796,716	4,133,551	-	225,601	(84,925)	(3,610,195)	664,032

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

1. NATURE OF OPERATIONS

The Company, incorporated in British Columbia on September 24, 1984, is an exploration stage public Company listed on the TSX Venture Exchange and the Frankfurt Stock Exchange. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying properties, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under mineral property agreements and to complete the development of the properties, and upon future profitable production or the sale thereof.

The Company is listed as a Tier 2 mining exploration issuer. The Company operates in a single business segment focusing on mineral exploration in Quebec and British Columbia, Canada. At February 29, 2012, the Company had no revenue producing operations and accumulated losses of $3,610,195 since inception. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

During the year ended February 28, 2011, the Company's shareholders approved a 4 to 1 consolidation of the Company's common shares at its Special Meeting held on December 20, 2010. The Company's shares commenced trading on a post-consolidation basis on May 4, 2011.

The head office, principal address of the Company is Suite 1130, 789 West Pender Street, Vancouver, BC Canada V6C 1H2. The Company's registered and records address is at the Corporate Solicitor's office, McMillan LLP, Barristers and Solicitors, 1500 Royal Centre – 1055 W. Georgia Street, Vancouver, BC, V6E 4N7.

These year-end financial statements ("financial statements") have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The operations of the Company were primarily funded by the issuance of share capital. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. The Company's future capital requirements will depend on many factors, including operating costs, the current capital market environment and global market conditions.

2. BASIS OF PRESENTATION

Statement of compliance and transition to International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company adopted IFRS effective March 1, 2011, with a transition date of March 1, 2010. IFRS 1, first time adoption of IFRS, has been applied.

2. BASIS OF PRESENTATION (cont'd...)

An explanation of how the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 19.

The accounting policies set out in Note 3 have been applied consistently to all periods presented and in preparing the opening statement of financial position at March 1, 2010 for purposes of transition to IFRS.

Basis of measurement

The audited financial statements have been prepared on an accrual basis except for cash flow information and are based on historical costs, as modified by the revaluation of available for sale financial assets. The audited financial statements are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise noted.

Significant accounting judgments, estimates and assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

ii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

2. BASIS OF PRESENTATION (cont'd...)

Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

iv) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash consist of cash on hand, deposits held at call with banks, and short-term highly liquid investments with original maturities of three months or less.

Property and equipment

Recognition and measurement

On initial recognition, property and equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Gains and losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Depreciation

Equipment is recorded at cost less accumulated amortization. As at February 29, 2012, amortization is calculated on a declining balance basis at 30% per annum for office equipment. One half the normal amortizations are taken in the year of acquisition.

Depreciation is recognized in profit or loss. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Income taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other exploration and evaluation assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Provisions (cont'd...)

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

Flow-through shares

The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates the flow-through share into 1) share capital based on the fair value of the Company's shares at the date of announcement , and 2) a flow-through share premium, equal to the residual value of the units issued, if any, which is recognized as a liability. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced (or expected to be renounced) to the shareholders. The premium is recognized as deferred tax recovery and the related deferred tax liability is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares must be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-Back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense.

Earnings/Loss per share

Loss per share is calculated on the basis of the weighted average number of common shares outstanding during the period. The Company follows the treasury share method to calculate the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Existing share options and share purchase warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the periods presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital.

If the warrants are issued as share issuance costs, the fair value should be recorded as warrant reserve using the Black-Scholes option pricing model. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and Evaluation Assets

Pre-exploration costs are expensed in the period in which they are incurred.

Costs incurred to acquire the legal right to explore a property are capitalized. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized on a property-by-property basis. These direct expenditures include such costs as surveying costs, drilling costs, labor and contractor costs, materials used and licensing and permit fees.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined the property is considered to be under development and is classified as development properties. The carrying value of exploration and evaluation assets is transferred to development properties after being tested for impairment.

Once commercial production has commenced all capitalized costs related to the property are transferred to producing properties and the costs of acquisition, exploration and development will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the acquisition, deferred exploration and development costs will be written off to operations.

Currently, all mineral properties of the Company are at exploration stage.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Management reviews capitalized costs on its mineral properties when facts and circumstance suggest that the carrying amount of an asset may exceed its recorded amount. If the recorded amount is higher than the asset's fair value cost to sell, management will recognize impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property sale of the property.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized; however, for corporate income tax purpose the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present of future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Payments on mineral property option agreement are made at the discretion of the Company and, accordingly, are recorded on as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mining tax credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in Quebec, Canada and are recorded as a reduction of the related deferred exploration expenditures.

Impairment of assets

The carrying amount of intangible assets with indefinite useful economic lives is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income, except to the extent they reverse gains previously recognized in accumulated other comprehensive income (loss).

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Financial instruments

The Company classifies its financial assets and liabilities into one of the following categories, depending on the purpose for which the financial instrument was acquired. The Company's accounting policy for each category is as follows:

Loans and receivables and other financial liabilities

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Available-for-sale financial assets

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

The Company classified its financial instruments as follows:

- Cash is classified as *loans and receivables*.
- Marketable securities are classified as *available for sale*.
- Accounts payable and accrued liabilities have been classified as *other financial liabilities*.
- Amounts due from related parties are classified as *other financial liabilities*.

Transaction costs related to financial instruments other than FVTPL are capitalized as part of the cost of the financial instrument.

The Company does not use any derivative or hedging instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Accounting standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2011 or later years. None of these are expected to have a significant effect on the financial statements.

The following standards and interpretations have been issued but are not yet effective:

IFRS 9 Financial Instruments – IFRS 9 is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This new standard is effective for annual periods beginning on or after January 1, 2015. The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

IFRS 10 ***Consolidated Financial Statements*** - 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 power 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.*

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, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

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.

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.

IFRS 20 Stripping Costs in the Production Phase of a Surface Mine - In International Financial Reporting Interpretations Committee ("IFRIC") 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. TAXES RECOVERABLE

	February 29, 2012	February 28, 2011	March 1, 2010
Taxes recoverable	$ 29,630	$ 34,625	$ 5,492

As at February 29, 2012, amounts receivable consisted of $8,214 of Harmonized Sales Tax receivable and $21,416 of Quebec Sales Tax receivable.

As at February 28, 2011, amounts receivable consisted of $13,380 of Harmonized Sales Tax receivable and $21,245 of Quebec Sales Tax receivable.

As at March 1, 2010, amounts receivable consisted of $5,492 of Goods and Services Tax receivable.

5. MARKETABLE SECURITIES

	February 29, 2012		February 28, 2011		March 1, 2010	
	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost
Canada Zinc Metals Corp.	$ 44,200	$ 104,975	$ 61,200	$ 104,975	$ 59,000	$ 123,500
Eloro Resources Ltd.	35,625	56,250	135,000	56,250	105,000	56,250
Rio Grande Mining Corp.	76,500	22,500	94,000	22,500	-	-
	$ 156,325	$ 183,725	$ 290,200	$ 183,725	$ 164,000	$ 179,750

Pursuant to an option agreement on the Company's interest in the Sedex Zinc Property in BC with Canada Zinc Metals Corp. (previously Mantle Resources Inc.), the Company received 100,000 shares of Canada Zinc Metals Corp. as partial consideration for Canada Zinc Metals Corp. earning up to 60% interest in the Sedex Zinc Property in BC. The agreement was mutually terminated after Feb 28, 2008. During the year ended February 28, 2011, the Company disposed of 15,000 of the shares.

Pursuant to an option agreement on the Company's interest in the Simkar Property in Quebec with Eloro Resources Ltd., the Company received 187,500 shares of Eloro Resources Ltd. to earn up to 50% interest in the Simkar Property in Quebec.

An additional 187,500 shares was received from Eloro Resources Ltd. during the year ended February 28, 2011. On August 12, 2011, the shares of Eloro Resources Ltd. were rolled back 4:1. The number of shares of Eloro received reflects the 4:1 rollback.

Pursuant to an option agreement on the Company's interest in the Sedex Zinc Property in BC with Rio Grande Mining Corp., the Company received 100,000 shares of Rio Grande Mining Corp. as partial consideration for Rio Grande Mining Corp. earning up to 60% interest in the Sedex Zinc Property in BC. An additional 50,000 shares was received from Rio Grande Mining Corp. and then all shares were split on the basis of one old share for two new shares in the year 2011.

As of February 29, 2012, the fair market value of the marketable securities was $156,325 (February 28, 2011 - $290,200): Canada Zinc Metals Corp. $0.52 per share (February 28, 2011 - $0.72); Eloro Resources Ltd. $0.10 per share (February 28, 2011 - $0.09); Rio Grande Mining Corp. $0.255 per share (February 28, 2011 - $0.47) based on the closing bid price of shares on the TSX Venture Exchange.

During the year ended February 29, 2012, the Company recorded $173,875 as an unrealized loss (February 29, 2011 – unrealized gain of $40,200) in the market value. The unrealized gain/loss of marketable securities is reflected in other comprehensive gain/loss during the reporting period.

6. PREPAID EXPENSES AND DEPOSITS

	February 29, 2012	February 28, 2011	March 1, 2010
Prepaid expenses and deposits	$ 6,067	$ 6,842	$ 47,789

As at February 29, 2012, prepaid expenses consisted of $207 of office supplies and $5,860 of insurance.

As at February 28, 2011, prepaid expenses consisted of $132 of office supplies, $5,915 of insurance and $795 of rental fees.

As at March 1, 2010, prepaid expenses consisted of $541 of office supplies, $7,007 of insurance and $40,241 of investor relations fees.

7. EQUIPMENT

	Office equipment
Cost:	
At February 28, 2011	$ 2,588
Additions	851
Disposals	-
At February 29, 2012	$ 3,439
Depreciation:	
At February 28, 2011	389
Charges for the period	787
Eliminated on disposal	-
At February 29, 2012	1,176
Net book value:	
At February 28, 2011	2,199
At February 29, 2012	$ 2,263

	Office equipment
Cost:	
At March 1, 2010	$ 2,966
Additions	2,588
Disposals	(2,966)
At February 28, 2011	$ 2,588
Depreciation:	
At March 1, 2010	1,454
Charge for the period	699
Eliminated on disposal	(1,764)
At February 28, 2011	389
Net book value:	
At March 1, 2010	1,512
At February 28, 2011	$ 2,199

8. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition and exploration costs on its mineral properties.

	Sedex Zinc Property British Columbia, Canada	Ralleau Project Quebec, Canada	Total
Balance of costs			
Total acquisition costs	$ 235,000	$ 88,222	$ 323,222
Total exploration advance	(183,500)	-	(183,500)
Total cost recovery	(72,000)	-	(72,000)
Total deferred exploration costs	68,258	564,706	632,964
Balance, February 28, 2011	47,758	652,928	700,686
Acquisition costs			
Cash	-	8,321	8,321
Current year acquisition costs	-	8,321	8,321
Exploration costs			
Reports and field	500	3,800	4,300
Taxes and assessment fees	14,377	-	14,377
Current year deferred exploration costs	14,877	3,800	18,677
Cost recovery			
Quebec mining tax credit received	-	(101,120)	(101,120)
Option payments received			
Shares	(40,000)	-	(40,000)
Current year cost recovery	(40,000)	(101,120)	(141,120)
Balance of costs			
Total acquisition costs	235,000	96,543	331,543
Total exploration advance	(183,500)	-	(183,500)
Total cost recovery	(112,000)	(101,120)	(213,120)
Total deferred exploration costs	83,135	568,506	651,641
Balance, February 29, 2012	**$ 22,635**	**$ 563,929**	**$ 586,564**

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

	Simkar Property	Sedex Zinc Property	Ralleau Project	
	Quebec, Canada	British Columbia, Canada	Quebec, Canada	Total
Balance of costs				
Total acquisition costs	$ 551,200	$ 235,000	$ 86,210	$ 872,410
Exploration advance	-	(183,500)	-	(183,500)
Total deferred exploration costs	830,450	67,133	347,947	1,245,530
Balance, March 1, 2010	1,381,650	118,633	434,157	1,934,440
Acquisition costs				
Cash	-	-	2,012	2,012
Current year acquisition costs	-	-	2,012	2,012
Exploration costs				
Assay	-	-	4,288	4,288
Geological	-	-	181,065	181,065
Miscellaneous	-	-	6,605	6,605
Reports and field	-	1,125	103,787	104,912
Taxes and assessment fees	-	-	-	-
Current year deferred exploration costs	-	1,125	295,745	296,870
Cost recovery:				
Quebec mining tax credit received	(50,641)	-	(78,986)	(129,627)
Sales of exploration and evaluation asset	(1,171,009)	-	-	(1,171,009)
Option payments received				
Cash	(100,000)	(37,500)	-	(137,500)
Shares	(60,000)	(34,500)	-	(94,500)
Current year cost recovery	(1,381,650)	(72,000)	(78,986)	(1,532,636)
Balance of costs				
Total acquisition costs	-	235,000	88,222	323,222
Total exploration advance	-	(183,500)	-	(183,500)
Total cost recovery	-	(72,000)	-	(72,000)
Total deferred exploration costs	-	68,258	564,706	632,964
Balance, February 28, 2011	**$ -**	**$ 47,758**	**$ 652,928**	**$ 700,686**

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

a) Simkar Property, Quebec, Canada

Until August 2009, the Company had a 100% interest in two contiguous mining concessions totalling 557 acres located in Louvicourt Township, Quebec.

On August 14, 2009, the Company entered into a joint venture agreement with Eloro Resources Ltd. ("Eloro") whereby Eloro was granted the option to earn a 50% undivided interest in the Property by making cash payments totalling $350,000 (received $150,000); the issuance 4,500,000 common shares (received 1,500,000 shares); and incurring $4,000,000 in exploration expenditures over six years of which $750,000 is to be incurred in the first year (incurred), $1,250,000 in the second year and $2,000,000 in the third year. Eloro would be the project manager and operator of the joint venture.

On November 18, 2010, the Company and Eloro entered into an Asset Purchase Agreement whereby the Company agreed to transfer its 100% interest in the Property in exchange for 70,000,000 Eloro shares. The transfer of this Property resulted in a gain of $5,019,024, net of transaction costs of $109,967.

b) Ralleau Project, Quebec, Canada

The Company has a 100% interest in 220 mineral claims situated in the Quevillon area of Quebec that are subject to a 2% net smelter royalty return of which 1% can be purchased by the Company at any time for $1,000,000.

c) Sedex Zinc Property, British Columbia, Canada

At February 28, 2011, the Company had a 100% interest in 33 mineral claims located in the Omineca Mining Division, BC. The claims are subject to a 2% net smelter returns royalty of which the Company can purchase 1% for $1,000,000. During the year ended February 29, 2012, the Company abandoned 8 mineral claims, leaving the company with a 100% interest in 25 mineral claims, totaling 10,705 hectares.

Pursuant to an agreement dated November 5, 2008 and amended January 19, 2012, the Company granted an option to Rio Grande Mining Corp. ("Rio Grande") whereby Rio Grande could earn up to a 60% interest in the claims.

For Rio Grande Mining Corp to earn a 60% interest in the Sedex claims, it must pay to the Company cash of $89,055, 200,000 common shares and incur $800,000 in exploration expenditures as follows:

- Pay $10,000 to the Company (received) within 10 days of execution of the letter of intent;
- Incur minimum exploration expenditures of $100,000 on or before January 31, 2009;
- Pay $17,500 to the Company (received) and 50,000 pre-split common shares (received) which were valued at their fair value of $22,500, on or before the earlier of (i) 7 days after the listing date, or (ii) May 31, 2010;
- Pay $20,000 to the Company (received) and 50,000 pre-split common shares (received) which were valued at their fair market value of $12,000, incur minimum exploration expenditures of $200,000 on or before the earlier of (i) 12 months after the listing date, or (ii) July 31, 2010;
- Pay $16,555 to the Company (received) on June 1, 2011;
- Issue 100,000 post-split common shares (received) which were valued at their fair market value of $40,000 within five days of full execution of the Amending Letter Agreement dated January 19, 2012;

8. EXPLORATION AND EVALUATION ASSETS (cont'd...)

c) Sedex Zinc Property, British Columbia, Canada (cont'd...)

- Pay $25,000 to the Company (outstanding) and incur minimum exploration expenditures of $500,000 on or before January 31, 2013.

As of February 29, 2012, the Company received the total cash payments of $64,055 and 300,000 post-split common shares from Rio Grande Mining Corp. (On December 1, 2010, the shares received were split 2:1).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	February 29, 2012		February 28, 2011		March 1, 2010	
Accounts payable	$	30,908	$	91,054	$	18,279
Accrued liabilties		40,600		30,000		18,000
Unearned revenue		10,000		-		-
Tax payable		97,705		97,705		97,705
Interest & penalties		311,512		300,067		290,610
Total	$	490,725	$	518,826	$	424,594

As at February 29, 2012, the accounts payable and accrued liabilities consisted of $71,508, including $12,365 for property expenditures, $45,699 for professional fees, $5,824 for filing fees, $775 for consulting fees, $3,331 for investor relations and promotion, $1,901 for transfer agent fees, $580 for refunds of private placement overpayment, $922 for travel, and $111 for telephone expenses. $10,000 of unearned revenue consisted of a payment of future options for which the service had not been rendered as at February 29, 2012. The tax related payables consisted of $97,705 part XII.6 tax payable and $311,512 in tax penalties and interest.

As at February 28, 2011, the accounts payable and accrued liabilities consisted of $121,054, including $23,194 for property expenditures, $57,355 for professional fees, $6,315 for filing fees, $14,979 for consulting fees, $1,001 for investor relations and promotion, $1,880 for transfer agent fees, $3,381 for refunds of private placement overpayment, $2,729 for travel with the remaining balance for general office expenses. The tax related payables consisted of $97,705 part XII.6 tax payable and $300,067 in tax penalties and interest.

As at March 1, 2010, the accounts payable and accrual liabilities consisted of $36,279, including $3,367 for property expenditures, $18,000 for professional fees, $3,675 for consulting fees, $6,378 for investor relations and promotion, $492 for transfer agent fees, $3,371 for refunds of private placement overpayment, $996 for travel. The tax related payables consisted of $97,705 part XII.6 tax payable and $290,610 in tax penalties and interest.

The Company may be required to indemnify flow-through investors for the amount of increased tax payable by the flow-through investor as a consequence of the failure of the Company to incur qualifying exploration expenditures previously renounced to the flow-through investors. Previously renounced and unspent exploration amounts of $335,466 relating to the 2006 flow-through shares offering may be subject to such indemnification. The Company estimates that the potential liability is $300,067 as at February 28, 2011 and has accrued a provision for this, recorded in interest and penalties. An additional $11,445 in estimated potential liability has been accrued for the year ended February 29, 2012 for a total estimated liability of $311,512. The outcome of the amount of actual claims, if any, is contingent on future assessments to the investors.

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issuance of share capital

At February 29, 2012, there were 17,796,716 issued and fully paid common shares (February 28, 2011 - 10,531,807).

	Number of shares		Share capital
Balance, March 1, 2010	9,184,307	$	8,549,397
Options exercised	322,500		135,000
Fair value of options issued	-		62,439
Warrants exercised	1,025,000		300,000
Balance, February 28, 2011	10,531,807		9,046,836
Shares issued for private placement	6,715,265		671,527
Share issued for finders' fee	437,144		43,714
Shares issued cost (agent's warrants)	-		(43,714)
Warrants excercised	112,500		15,188
Share capital distribution	-		(5,600,000)
Balance, February 29, 2012	17,796,716	$	4,133,551

All current and comparative share capital amounts have been restated to account for the 4 to 1 common share consolidation.

<u>During the year ended February 29, 2012</u>,

a) On May 4, 2011, the Company's issued capital was altered by consolidating on a 4:1 basis for all of the 42,127,233 issued common shares without par value into 10,531,807 common shares without par value. The basic and diluted loss per share figures and the weighted average number of shares outstanding have been retroactively restated on the statements of operations. The common share consolidation was approved by the shareholders at the Company's Special Meeting held on December 20, 2010.

b) On July 22, 2011, the Company closed the non-brokered private placement and raised $671,527. A total of 6,715,265 units at a price of $0.10 per unit were issued. Each unit consists of one common share and one transferable share purchase warrant. Each warrant entitled the holder to purchase one additional common share of the Company at a price of $0.135 per share until July 20, 2013. The Company paid share issuance costs of 437,144 units under the same terms as the units above representing 6.5% of the total proceeds raised under the private placement financing. Directors, officers, and insiders of the company subscribed for $37,500 of the offering, representing 375,000 units or 5.6% of the above financing. All shares issued under the offering were subject to a four-month hold period expiring November 21, 2011.

c) Received $15,188 as a result of 112,500 warrants being exercised at $0.135 per share.

10. SHARE CAPITAL (cont'd...)

During the year ended February 28, 2011,

a) Received $135,000 as a result of 272,500 options being exercised at $0.40 per share and 50,000 options exercised at $0.52 per share.

b) Received $300,000 as a result of 687,500 warrants being exercised at $0.24 per share and 337,500 warrants being exercised at $0.40 per share.

Share capital distribution

Pursuant to the Asset Purchase Agreement with Eloro, the Company agreed to distribute the 70,000,000 shares of Eloro to its shareholders on a pro rata basis which were valued at $6,300,000 at February 28, 2011 based on the trading price of the shares on that date. During year ended February 29, 2012, the Company cancelled all of its issued and outstanding shares and immediately reissued new shares in the same amount together with the Eloro shares, which were distributed at a ratio of 1.6616329869 Eloro shares for each share of the Company held by the shareholders of record on January 7, 2011. The share distribution was settled on March 17, 2011, at which date the Eloro shares were valued at $5,600,000.

The $700,000 recorded as a loss relates to the difference between the Eloro shares recorded on the date of the share capital distribution payable and the fair market value of the Eloro shares on the date of distribution.

Share Options

The Company adopted a share option plan (the "Share Option Plan") under which it may grant options to employees, officers, directors, consultants for up to 10% of the issued and outstanding common shares. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee in a twelve-month period is limited to 5% of the issued shares of the Company. Under the plan, the exercise price of an option may not be less than the discounted market price. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

For share options granted to employees, directors, and consultants, the Company recognizes as an expense, the estimated fair value of the share options granted. The fair value of each share option granted was estimated on the date of grant using the Black-Scholes option-pricing model.

During the year ended February 29, 2012:

On July 22, 2011, the Company granted its directors, officers, and consultants options to purchase 1,050,000 common shares at a price of $0.25 per share for a period of five years. The fair value of share options granted July 22, 2011 was estimated at the grant date using the Black – Scholes option pricing model with estimated volatility of 131.42%, risk free rate of 1.68%, annual rate of dividends of zero and expected life of 5 years. With these assumptions, the fair value of options was determined to be $175,350 which has been expensed with a corresponding credit to share-based payment reserve.

The weighted average grant date fair value of options granted during the year ended February 29, 2012 was $0.25 (2011 - $0.52).

10. SHARE CAPITAL (cont'd...)

Share options (cont'd...)

A summary of share options outstanding as at February 29, 2012 is as follows:

	Granted date	Number of Options	Weighted Average Exercise Price $	Weighted Average Number of Years to Expiry
Balance - March 1, 2010		618,750	0.52	1.63
Options forfeited/expired		(280,000)	0.48	
Options granted	4-Mar-10	250,000	0.52	
Options granted	13-Jul-10	50,000	0.40	
Options exercised		(322,500)	0.40	
Balance - February 28 2011		316,250	0.52	1.53
Options forfeited/expired		(160,000)	0.58	
Options granted	22-Jul-11	1,050,000	0.25	
Balance - February 29, 2012		1,206,250	0.28	3.89

All share option figures have been adjusted to reflect 4 to 1 consolidation of the Company's common shares during the year ended February 29, 2012.

<u>During the year ended February 28, 2011:</u>

The Company granted its directors, officers and consultants options to acquire 200,000 shares at a price of $0.52 per share for a period of three years from March 4, 2010. The fair value of $77,504 was recorded as share-based payments using the Black-Scholes option pricing model based on a risk free interest rate of 1.63%, expected volatility of 129.77%, expected dividend rate of 0% and expected life of 3 years.

The Company granted its investor relations consultant options to acquire 50,000 shares at a price of $0.52 per share for a period of two years from March 4, 2010. The fair value of $18,777 was recorded as share-based payments using the Black-Scholes option pricing model. The share options granted will vest as to 25% per quarter. Black-Scholes option pricing is based on a risk free interest rate of 1.63%, expected volatility of 152.02%, expected dividend rate of 0% and expected life of 2 years. With these assumptions, the fair value options of $18,777 of which $9,780 was expensed during the year ended February 28, 2011 with a corresponding credit to contributed surplus based on the rule of IFRS graded vesting.

The Company granted its consultant options to acquire 50,000 shares at a price of $0.40 per share for a period of two years from July 13, 2010. The fair value of $14,555 was recorded as share-based payments using the Black-Scholes option pricing model. Black-Scholes option pricing is based on a risk free interest rate of 1.39%, expected volatility of 154.04%, expected dividend rate of 0% and expected life of 2 years.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company' share options granted.

During the year ended February 28, 2011, 300,000 options were granted, 322,500 options were exercised and 280,000 options expired.

10. SHARE CAPITAL (cont'd...)

Share options (cont'd...)

As at February 29, 2012, the following incentive share options are outstanding and exercisable:

Number of Options outstanding	Expiry date
62,500	October 23, 2012
93,750	March 4, 2013
1,050,000	July 22, 2016
1,206,250	

Warrants

A summary of changes in warrants outstanding as at February 29, 2012 is as follows:

	Warrants outstanding	Weighted average exercise price -$-	Weighted average number of year to expiry
Balance, March 1, 2010	1,400,000	0.24	1.49
Warrants exercised	(1,025,000)	0.28	
Balance, February 28, 2011	375,000	0.40	0.49
Warrants expired	(375,000)		
Warrants exercised	(112,500)		
Warrants granted with private placement	6,715,265	0.135	1.39
Finders fee warrants	437,144	0.135	1.39
Balance - February 29, 2012	7,039,909	0.135	1.39

Warrants have been adjusted to reflect 4 to 1 consolidation of the Company's common shares.

Details of warrants outstanding as at February 29, 2012 are as follows:

Number of Warrants outstanding	Expiry date
6,602,765	20-Jul-13
437,144	20-Jul-13
7,039,909	

11. RESERVES

Share-based payment reserve

The share-based payment reserve records share options recognized as share-based payments expense until such time that the share options are exercised, at which time the corresponding amount will be transferred to share capital.

Balance, March 1, 2010	$	148,378
Share-based payment - granted March 4, 2010		96,281
Share-based payment - granted July 13, 2010		14,555
Share options exercised		(62,439)
Share options forfeited/expired		(74,062)
Balance, February 28, 2011		122,713
Share-based payment - granted July 22, 2011		175,350
Share options forfeited/expired		(72,462)
Balance, February 29, 2012	$	225,601

12. CAPITAL DISCLOSURE

The Company considers its capital structure to include net residual equity of all assets, less liabilities. Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to (i) maintain sufficient working capital to meet current financial obligations and continue as a going concern; (ii) maintain a capital structure to allow the Company to raise equity funding to finance its capital expenditures and acquisition activities; (iii) maintain creditworthiness and maximize returns for shareholders over the long term; (iv) maintain capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic circumstances. The capital for expansion was mostly from proceeds from the issuance of common shares. The net proceeds raised will be used to fund the Company's working capital and exploration activities.

13. FINANCIAL INSTRUMENTS AND RISKS

Fair values

Per IFRS 7, a three-level hierarchy that reflects the significance of inputs used in making fair value adjustments is required. The three levels of fair value hierarchy are as follows:

a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 – Input for assets or liabilities that are not based on observable market data.

13. FINANCIAL INSTRUMENTS AND RISKS (cont'd...)

Financial Instrument Risks

The following table outlines the Company's financial assets and liabilities measured at fair value by level with the fair value hierarchy described above. Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair measurement.

As at February 29, 2012	
Assets	
Cash	$ 389,758
Marketable securities	156,325
Total	$ 546,083

As at February 28, 2011	
Assets	
Cash	$ 120,689
Marketable secuirites	290,200
Total	$ 410,889

The Company's cash and marketable securities are valued using quoted market prices in active markets, and therefore are classified as Level 1.

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at February 29, 2012, the Company had working capital of $75,205 as the Company's current assets of $581,780 offset its current liabilities of $506,575. The payment terms for accounts payable and accrued liabilities from vendors are generally 30 days or due on receipt.

13. FINANCIAL INSTRUMENTS AND RISKS (cont'd...)

Financial Instrument Risks (cont'd...)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company's marketable securities bear market price risk. The maximum exposure to this risk is equal to the carrying value of the investment.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. The Company has no significant interest rate risk. As of February 29, 2012, the Company had a cash balance of $389,758.

Foreign currency risk

The Company does not have any assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

14. RELATED PARTY TRANSACTIONS

The amounts due to related parties are amounts due to directors and officers. The balances are unsecured, non-interest bearing and have no specific terms for repayment. Accordingly, the fair value cannot readily be determined. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due to related parties

As at February 29, 2012, $15,850 (February 28, 2011 - $54,850; March 1, 2010 - $46,500) was due to directors and officers of the Company for accrued management fees.

	February 29, 2012	February 28, 2011	March 1, 2010
Company controlled by CEO	$ -	$ 6,000	$ -
Corporate Secretary	2,000	39,000	-
Directors	13,850	9,850	46,500
	$ 15,850	$ 54,850	$ 46,500

During the twelve months ended February 29, 2012 and February 28, 2011, the Company entered into the following transactions with related parties:

14. RELATED PARTY TRANSACTIONS (cont'd...)

Due to related parties (cont'd...)

		Twelve months ended		
		February 29, 2012		February 28, 2011
Expenses paid or accrued to directors of the Company, senior officers and companies with common directors and a former director:				
Administrative fees	$	-	$	5,445
Consulting fees		5,000		90,250
Management and Directors fees		156,500		123,500
Accounting fees		14,750		-
Office, telephone and miscellaneous		3,500		15,000
Rent		12,500		4,200
Share-based payments		175,350		62,996
Total	$	367,600	$	301,391

During the year ended February 29, 2012, the Company incurred $156,500 of management fees (February 28, 2011 - $123,500), $5,000 of Consulting fees (February 28, 2011 – $90,250), $14,750 of Professional fees and $175,350 of Share-based payments (February 28, 2011 – 62,996) to officers and directors of the Company.

During the year ended February 29, 2012, the Company paid $16,000 rent and office expenses (February 28, 2011 - $19,200) to a company with a director in common.

Management compensation consisted of the following:

		Twelve months ended		
		February 29, 2012		February 28, 2011
Company controlled by CEO	$	72,000	$	72,000
CFO		15,000		-
Directors		69,500		51,500
	$	156,500	$	123,500

Consulting and professional fees consisted of the following:

		Twelve months ended		
		February 29, 2012		February 28, 2011
CFO		14,750		-
Directors		5,000		90,250
	$	19,750	$	90,250

On July 22, 2011, the Company closed the non-brokered private placement and raised $671,526. A total of 6,715,265 units at a price of $0.10 per unit were issued. Directors, officers, and insiders of the company subscribed for $37,500 of the offering, representing 375,000 units or 5.6% of the above financing.

14. RELATED PARTY TRANSACTIONS (cont'd…)

	Number of shares subscribed	Amount
CEO	100,000	$ 10,000
Company controlled by CEO	50,000	5,000
CFO	112,500	11,250
Directors	112,500	11,250
	375,000	$ 37,500

The following share options were granted to management,

	February 29, 2012		February 28, 2011	
	Number of Options	Options Valuation	Number of Options	Options Valuation
President and CEO and Chairman	450,000	75,150	275,000	$ 26,642
Director	200,000	33,400	150,000	12,122
Director	200,000	33,400	75,000	7,266
Director, Treasurer and Secretary	200,000	33,400	-	-
Total:	1,050,000	$ 175,350	500,000	$ 46,030

15. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended February 29, 2012, the Company recognized unrealized losses on marketable securities of $173,875 (2011 – unrealized gain of $40,200), a loss from share capital distribution of $700,000(2011 - $Nil), and share-based payments of $175,350 (2011- $97,924). The Company reclassified to deficit unexercised share options of $72,462 (2011- $61,150).

During the year ended February 29, 2012, the Company received marketable securities valued at $40,000 pursuant to an option agreement on its mineral properties. The value was determined by the quote price of the securities when received.

16. COMMITMENTS AND CONTINGENCIES

As at February 29, 2012, the Company has consulting and management agreements that can be terminated by the Company by giving 30 days notice. The aggregate amount of these agreements is $13,500 monthly.

The Company is in arrears on filing certain of its statutory tax forms. The Company has exposure to late filing penalties and related interest. The Company has included a provision of $9,457 during the year ended February 28, 2011 to accrue for such liabilities.

17. SEGMENTED INFORMATION

The Company currently operates in a single reportable operating segment –the acquisition, exploration and development of mineral properties is in British Columbia and Quebec, Canada. All of the Company's assets and expenditures are located in Canada.

18. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	December 31, 2012 $	February 28, 2011 $
Profit/(loss) before income taxes	**(1,305,723)**	**4,278,892**
Tax charge/(recovery) based on the statutory rate of 28.15% (2011: 29.65%)	(368,000)	1,269,000
Change in tax rates on deferred tax	22,000	37,000
Non-deductible expenses	863,000	(852,000)
Non-taxable portion of capital gains	(733,000)	-
Mineral Property	-	(99,000)
Other	(34,000)	24,000
Changes in unrecognized tax assets	127,000	(256,000)
Total income tax expense / (recovery)	**(123,000)**	**123,000**

Effective January 1, 2012, the Canadian Federal corporate tax rate decreased from 16.5% to 15% and the Quebec provincial tax rate remained unchanged at 11.9%.

Deferred Tax Assets and Liabilities

The nature and tax effect of the taxable temporary differences giving rise to deferred tax liabilities are summarized as follows:

	February 29, 2012 $	February 28, 2011 $	March 1, 2010 $
Loss carry forwards	56,000	678,000	508,000
Mineral Property	40,000	40,000	(264,000)
Other Securities	-	(841,000)	-
Other temporary differences	31,000	-	12,000
Unrecognized tax assets	(127,000)	-	(256,000)
	-	**123,000**	**-**

Tax Losses

As at February 29, 2012, the Company has estimated capital and non-capital losses for Canadian income tax purposed that may be carried forward to reduce taxable income derived in future years. The Company has $212,000 in non-capital Canadian losses expiring in 2032.

19. TRANSITION TO IFRS

As a result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", March 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under Canadian GAAP have been restated in accordance with IFRS.

No reconciliation of cash flow for the year ended February 28, 2011 have been presented as there were no adjustments to cash provided or used in operating, investing, or financing activities as a result of the transition to IFRS.

Exemptions applied

A) The Company has applied the following optional transition exemption to not apply full retrospective application of IFRS:

- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS, March 1, 2010, which has been accounted for in accordance with Canadian GAAP.

B) IAS 39 permits a financial asset to be designated on initial recognition as available for sale. The Company is permitted to make an available-for-sale designation on their marketable securities at the date of transition to IFRSs, however, any revaluation gain is recognized as a separate component of income. IAS 39 requires the Company to retrospectively account for the available-for-sale investment that has changed designation on transition to IFRS.

19. TRANSITION TO IFRS (cont'd...)

Reconciliation of assets, liabilities and equity

		As at February 28, 2011			As at March 1, 2010		
	Notes	Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS
ASSETS							
Current assets							
Cash and cash equivalents		$ 120,689	$ -	$ 120,689	$ 347,410	$ -	$ 347,410
Marketable securities		290,200	-	290,200	164,000	-	164,000
Other securities		6,300,000	-	6,300,000	-	-	-
Amount receivables		34,625	-	34,625	5,492	-	5,492
Prepaid expenses and deposits		6,842	-	6,842	47,789	-	47,789
		6,752,356	-	6,752,356	564,691	-	564,691
Non-current assets							
Equipment		2,199	-	2,199	1,512	-	1,512
Exploration and evaluation assets	19(a), (d) and (e)	720,686	(20,000)	700,686	1,122,415	812,025	1,934,440
		722,885	(20,000)	702,885	1,123,927	812,025	1,935,952
TOTAL ASSETS		**$ 7,475,241**	**$ (20,000)**	**$ 7,455,241**	**$ 1,688,618**	**$ 812,025**	**$ 2,500,643**

		As at February 28, 2011			As at March 1, 2010		
	Notes	Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities		$ 518,826	$ -	$ 518,826	$ 424,594	$ -	$ 424,594
Share capital distribution payable		6,300,000	-	6,300,000	-	-	-
Deferred income tax liability		123,000	-	123,000	-	-	-
Due to related parties		54,850	-	54,850	46,500	-	46,500
TOTAL LIABILITIES		6,996,676	-	6,996,676	471,094	-	471,094
SHAREHOLDERS' EQUITY							
Share capital		9,046,836		9,046,836	8,549,397	-	8,549,397
Share capital distribution		(6,300,000)	-	(6,300,000)	-	-	-
Accumulated other comprehesnive income	19(c)	-	88,950	88,950	-	48,750	48,750
Reserves							
Share option reserves	19(b)	469,640	(346,927)	122,713	434,155	(285,777)	148,378
Deficit	19(b), (c) and (e)	(2,737,911)	237,977	(2,499,934)	(7,766,028)	1,049,052	(6,716,976)
TOTAL EQUITY		478,565	(20,000)	458,565	1,217,524	812,025	2,029,549
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**$ 7,475,241**	**$ (20,000)**	**$ 7,455,241**	**$ 1,688,618**	**$ 812,025**	**$ 2,500,643**

19. TRANSITION TO IFRS (cont'd...)

Reconciliation of loss and comprehensive loss for year ended February 28, 2011

		February 28, 2011		
	Notes	Canadian GAAP	Effect of Transition	IFRS
Expenses				
Accounting and audit fees		$ 78,374	$ -	$ 78,374
Administrative fees		5,445	-	5,445
Amortization		699	-	699
Bank charges and interest		934	-	934
Consulting fees		211,030	-	211,030
Filing fees		17,015	-	17,015
Insurance		14,129	-	14,129
Investor relations and promotion		92,827	-	92,827
Legal fees		11,345	-	11,345
Management fees		123,500	-	123,500
Office, telephone and miscellaneous		13,544	-	13,544
Rent		15,000	-	15,000
Shareholder information		9,898	-	9,898
Share-based payments		97,924	-	97,924
Transfer agent fees		12,224	-	12,224
Travel		26,011	-	26,011
		(729,899)	-	(729,899)
Other items				
Interest income		425	-	425
Write down of equipment		(1,201)	-	(1,201)
Interest and penalties		(9,457)	-	(9,457)
Gain on sale of mineral properties	19 (d)	5,851,049	(832,025)	5,019,024
Unrealized gain on marketable securities	19 (c)	40,200	(40,200)	-
Net income before income taxes		5,151,117	(872,225)	4,278,892
Income tax expense		$ (123,000)	$ -	$ (123,000)
Net income for the year		**5,028,117**	**(872,225)**	**4,155,892**
Other comprehensive income	19 (c)	-	40,200	40,200
Total comprensive income for the year		5,028,117	(832,025)	4,196,092

19. TRANSITION TO IFRS (cont'd...)

Notes to reconciliations

(a) Provision for restoration and environmental obligations

Under Canadian GAAP, asset retirement obligations are measured at fair value, incorporating market assumptions and discount rates based on the entity's credit-adjusted risk-free rate. Adjustments are made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount. However, changes in discount rates alone do not result in a re-measurement of the provision. Changes in estimates that decrease the liability are discounted using the discount rate applied upon initial recognition of the liability while changes that increase the liability are discounted using the current discount rate.

IFRS requires decommissioning provisions to be measured based on management's best estimate of the expenditures that will be made and adjustments to the provision are made in each period for changes in the timing or amount of cash flow, changes in the discount rate, and the accretion of the liability to fair value (unwinding of the discount). Furthermore, the estimated future cash flows should be discounted using the current rates. There was no impact at March 1, 2010.

(b) Share-based payment and share-based payment recovery

Under Canadian GAAP, the share options granted vest under the straight line method. Under IFRS, the share options vest under the graded vesting method. This resulted in an increase $12,531 at February 28, 2011.

Under Canadian GAAP, the cancelled or expired options did not result in any changes on contributed surplus. Under IFRS, the prorated amounts of the cancelled or expired options should be transferred to deficit. This resulted in a transfer from deficit to share-based payments recovery of $61,150 at February 28, 2011 (February 28, 2010 - $285,777).

(c) Unrealized gains on available-for-sale marketable securities

Under Canadian GAAP, the Company classified unrealized gain on marketable securities income as operating activities. Under IFRS, unrealized gains on available-for-sale marketable securities has been reclassified as activity gain through other comprehensive income. As at February 28, 2011, this resulted in a $40,200 gain being recorded in other comprehensive income. Any previously unrecognized gains on available for sale marketable securities will be reversed on transition to IFRS and accounted for under accumulated other comprehensive income. As of March 1, 2010, the Company reversed $48,750 in unrealized gains.

(d) Reversal of Impairment

The Company had previously impaired its Simkar mineral property under Canadian GAAP. IFRS allows previous impairments to be reversed if there is a change in estimates used to determine the amount of assets recoverable. As at March 1, 2010, the Company has reversed $832,025 in previously recorded impairments.

(e) Pre-exploration costs

The Company had previously capitalized $20,000 of costs on the Sedex property in advance of signing an option agreement to acquire the property. Under IFRS, costs incurred prior to obtaining the legal right to explore the property must be expensed. This resulted in a decrease at March 1, 2010 in exploration and evaluation asesets of $20,000 and a corresponding increase in deficit.

20. EVENTS AFTER THE REPORTING PERIOD

On June 5, 2012, the Company closed a non-brokered private placement of 11,000,000 units at a price of $0.10 per unit for gross proceeds of $1,100,000. These 11,000,000 units were issued as non-flow through units consisting of one common share and one transferrable share purchase warrant. The share purchase warrant entitles the holder to purchase one additional common share at a price of $0.135 per share for a period of 24 months.