JIULIAN RESOURCES INC.

FINANCIAL STATEMENTS

For the Year Ended February 29, 2012

Expressed in Canadian Dollars

JAMES STAFFORD

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Jiulian Resources Inc.

We have audited the accompanying financial statements of Jiulian Resources Inc., which comprise the statements of financial position as at 29 February 2012, 28 February 2011 and 1 March 2010, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended 29 February 2012 and 28 February 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation 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 and fair presentation 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 overall presentation of the financial statements.

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Jiulian Resources Inc. to continue as going concern.

Chartered Accountants

Vancouver, Canada
20 June 2012

Jiulian Resources Inc.

Canadian Funds

Statements of Financial Position

	Note	February 29, 2012	February 28, 2011	March 1, 2010
		$	$	$
ASSETS			(Note 19)	(Note 19)
Current Assets				
Cash and cash equivalents		2,472	-	55,334
Term deposits	5	947,527	1,293,347	1,532,285
Prepaid expenses		339	5,422	2,905
GST/HST receivable		23,222	18,454	8,272
Total Current Assets		973,560	1,317,223	1,598,796
Non-Current Assets				
Equipment	6	11,713	16,111	21,912
Exploration and evaluation properties	7	357,932	-	84,368
Total Non-Current Assets		369,645	16,111	106,280
Total Assets		1,343,205	1,333,334	1,705,076
EQUITY AND LIABILITIES				
Current Liabilities				
Bank indebtedness		-	1,640	-
Accounts payable and accrued liabilities	9	7,917	13,537	11,875
Deferred income		-	27,900	-
Total Current Liabilities		7,917	43,077	11,875
Non-Current Liabilities				
Decommissioning liabilities	8	-	-	5,000
Total Non-Current Liabilities		-	-	5,000
Total Liabilities		7,917	43,077	16,875
Equity				
Share capital	11	2,202,200	1,995,950	1,984,950
Contributed surplus	12	100,171	72,559	35,500
Accumulated deficit		(967,083)	(778,252)	(332,249)
Total Equity		1,335,288	1,290,257	1,688,201
Total Equity and Liabilities		1,343,205	1,333,334	1,705,076

Jiulian Resources Inc.

Canadian Funds

Statements of Loss and Comprehensive Loss

	Note	Year Ended February 29, 2012	Year Ended February 28, 2011 (Note 19)
Administrative Expenses			
Accounting		$ 22,950	$ 12,730
Amortization	6	5,006	6,784
Automobile		91	-
Bank charges and interest		185	168
Consulting fees	10	92,525	89,364
Filing and transfer agent fees		23,759	16,259
Legal	10	14,808	10,830
Licenses, dues and subscriptions		500	-
Meals and entertainment		2,045	854
Office and administration		2,565	10,986
Rent		10,777	14,400
Salaries and benefits		26,117	52,894
Share-based payments	12	27,612	37,059
Telephone and internet		806	1,902
Travel		1,794	9,004
Loss Before Other Items		$ (231,540)	$ (263,234)
Other Items			
Interest income		$ 14,809	$ 17,102
Consulting income		27,900	24,300
Write-off of exploration and evaluation property	7	-	(223,010)
Foreign exchange translation loss		-	(1,161)
Net and Comprehensive Loss for the Year		$ (188,831)	$ (446,003)
Loss Per Share - Basic and Diluted	13	$ (0.02)	$ (0.05)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted		10,906,644	9,671,507

Jiulian Resources Inc.

Canadian Funds

Statements of Changes in Equity

	Share Capital		Contributed	Deficit Accumulated During the	Total
	Shares	**Amount**	**Surplus**	**Exploration Stage**	**Equity**
		$	**$**	**$**	**$**
Balance, March 1, 2010 (Note 19)	**9,620,000**	**1,984,950**	**35,500**	**(332,249)**	**1,688,201**
Shares issued for exploration and evaluation properties	100,000	11,000	-	-	11,000
Share-based payments	-	-	37,059	-	37,059
Net loss for the year	-	-	-	(446,003)	(446,003)
Balance, February 28, 2011 (Note 19)	**9,720,000**	**1,995,950**	**72,559**	**(778,252)**	**1,290,257**
Shares issued for exploration and evaluation properties	1,875,000	206,250	-	-	206,250
Share-based payments	-	-	27,612	-	27,612
Net loss for the year	-	-	-	(188,831)	(188,831)
Balance, February 29, 2012	**11,595,000**	**2,202,200**	**100,171**	**(967,083)**	**1,335,288**

Jiulian Resources Inc.

Canadian Funds

Statements of Cash Flows

	Year Ended February 29, 2012	Year Ended February 28, 2011
	$	$ (Note 19)
Cash Used in Operating Activities		
Net loss for the year	(188,831)	(446,003)
Items not affecting cash:		
Accrued interest on term deposits	6,027	(9,388)
Amortization	5,006	6,784
Share-based payments	27,612	37,059
Write-off of exploration and evaluation property	-	223,010
Changes In Non-Cash Working Capital		
Prepaid expenses	5,083	(2,517)
GST/HST receivable	(4,768)	(10,182)
Accounts payable and accrued liabilities	(5,620)	1,662
Deferred income	(27,900)	27,900
	(183,391)	(171,675)
Cash From Investing Activities		
Redemption of term deposits	339,793	248,326
Purchase of equipment	(608)	(983)
Acquisition and exploration of exploration and evaluation properties	(151,682)	(132,642)
	187,503	114,701
Increase (Decrease) In Cash and Cash Equivalents	4,112	(56,974)
Cash and Cash Equivalents (Bank Indebtedness), Beginning of Year	(1,640)	55,334
Cash and Cash Equivalents (Bank Indebtedness), End of Year	2,472	(1,640)

Supplemental cash flow information (Note 18)

1. Corporate Information

Jiulian Resources Inc. (the “Company”) was incorporated on October 17, 2006 under the laws of British Columbia. The Company was a capital pool Company as defined in the TSX Venture Exchange (the “Exchange”) Policy 2.4. On July 28, 2009, the Exchange accepted for filing the Company’s Qualifying Transaction, as a result, the Company resumed trading as a Tier 2 mining company under the symbol “JLR”, on August 26, 2009. The Company is now pursuing opportunities in the acquisition, exploration and development of mineral resource properties.

The Company is in the process of exploring its exploration and evaluation properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral property and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the reserve, the achievement of profitable production, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. In addition, although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The Company’s exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The head office, principal address and registered and records office is located at Suite 906-595 Howe Street, Vancouver, B.C. V6C 2T5.

2. Basis of Preparation

a) Basis of presentation

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in Note 17, and are presented in Canadian dollars except where otherwise indicated.

b) Statement of Compliance

The financial statements of the Company, including comparative, have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

c) Going Concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

There are several adverse conditions that cast significant doubt upon the soundness of this assumption. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of resource property expenditures is dependent upon several factors. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity’s ability to continue as a going concern. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation properties.

Consistent with other companies, in the sector of mineral exploration, the Company has incurred operating losses since inception, has no stable source of revenue, is unable to self-finance operations and has significant cash requirements to meet its overhead and maintain its mineral interests. The Company incurred a net loss of $188,831 (February 28, 2011: $446,003) during the year ended February 29, 2012 and, as of that date the Company’s deficit was $967,083 (February 28, 2011: $778,252). However, the Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration and evaluation properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and the development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. There is, however, no assurance that any such initiatives will be sufficient and, as a result, there is significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

d) New and revised standards and interpretations

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised standards, amendments and interpretations which are not yet effective during the year ended February 29, 2012.

- IFRS 9 '*Financial Instruments: Classification and Measurement*' is a new financial instruments standard effective for annual periods beginning on or after January 1, 2015 that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities.

- IFRS 11 '*Joint Arrangements*' is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces IAS 31 and SIC-13.

- IFRS 12 '*Disclosure of Interests in Other Entities*' is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31.

- IFRS 13 '*Fair Value Measurement*' is a new standard effective for annual periods beginning on or after January 1, 2013 that replaces fair value measurement guidance in other IFRSs.

- IAS 1 (Amendment) '*Presentation of Financial Statements*' is effective for annual periods beginning on or after July 1, 2012 and includes amendments regarding presentation of items of other comprehensive income.

- IAS 19 (Amendment) '*Employee Benefits*' is effective for annual periods beginning on or after January 1, 2013 and revises recognition and measurement of post-employment benefits.

- IAS 27 (Amendment) '*Separate Financial Statements*' is effective for annual periods beginning on or after January 1, 2013 that prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

- IAS 28 (Amendment) '*Investments in Associates and Joint Ventures*' is effective for annual periods beginning on or after January 1, 2013 that prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

- IFRIC 20 '*Stripping Costs in the Production Phase of a Surface Mine*' is a new interpretation effective for annual periods beginning on or after January 1, 2013 that prescribes the accounting for stripping costs in the production phase of a surface mine.

The Company has not early adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

3. Summary of Significant Accounting Policies

a) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

b) Exploration and Evaluation Properties

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Option payments received are treated as a reduction of the carrying value of the related exploration and evaluation properties and deferred costs until the receipts are in excess of costs incurred, at which time they are credited to income. Option payments are at the discretion of the optionee, and accordingly, are recorded on a cash basis.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

c) Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to brining the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item.

Amortization is provided at rates calculated to write off the cost of equipment, less their estimated residual value, using the declining-balance method over the following expected useful lives:

Vehicles	30%
Computer Equipment	45%

One-half of the above rates are taken in the year of acquisition.

d) Decommissioning, Restoration and Similar Liabilities

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of exploration and evaluation properties and 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 cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset, and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

The Company's estimates of reclamation 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 the related asset with a corresponding entry to the provision.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. The net present value of reclamation costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of reclamation 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 properties.

e) Financial Assets

Financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVTPL

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Transaction costs associated with financial assets at FVTPL are expensed as incurred. Cash and cash equivalents and term deposits are included in this category of financial assets.

Held-to-maturity and loans and receivables

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the financial asset classified in this category are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired. Transaction costs are included in the initial carrying amount of the asset. Available-for-sale assets include short term investments in equities of other entities.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

Derivatives designated as hedging instruments in an effective hedge

The Company does not hold or have any exposure to derivative instruments.

f) Impairment of Financial Assets

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Available-for-sale

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income.

g) Financial Liabilities

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. Transaction costs on financial liabilities at FVTPL are expensed as incurred. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Accounts payables are included in this category of financial liabilities.

Derivatives designated as hedging instruments in an effective hedge

The Company does not hold or have any exposure to derivative instruments.

h) De-recognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

i) Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

j) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

k) Foreign currencies

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

l) Taxation

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred 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 the tax rates that have been enacted or substantively enacted at the reporting date.

m) Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the contributed surplus. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

5. Term Deposits

The term deposits are Guaranteed Investment Certificates at a chartered Canadian Bank and interest is accrued at interest rates ranging between 1.1% and 2.3% per annum, maturing between June 7, 2012 and March 18, 2013 (Note 8).

6. Equipment

	Vehicles	Computers	Total
	$	$	$
COST OR DEEMED COST			
Balance at March 1, 2010	25,143	2,160	27,303
Additions	-	983	983
Balance at February 28, 2011	25,143	3,143	28,286
Additions	-	608	608
Balance at February 29, 2012	25,143	3,751	28,894
AMORTIZATION AND IMPAIRMENT LOSSES			
Balance at March 1, 2010	3,771	1,620	5,391
Amortization for the year	6,412	372	6,784
Balance at February 28, 2011	10,183	1,992	12,175
Amortization for the year	4,488	518	5,006
Balance at February 29, 2012	14,671	2,510	17,181
CARRYING AMOUNTS			
At March 1, 2010	**21,372**	**540**	**21,912**
At February 28, 2011	**14,960**	**1,151**	**16,111**
At February 29, 2012	**10,472**	**1,241**	**11,713**

7. Exploration and Evaluation Properties

	Hawk Property	Big Kidd Property	Little Fort Property	Total
	$	$	$	$
Balance at March 1, 2010	**84,368**	**-**	**-**	**84,368**
Exploration costs				
Assays	2,834	-	-	2,834
Consulting fees	12,587	-	-	12,586
Field supplies	2,418	-	-	2,418
Licenses, dues and insurance	1,948	-	-	1,948
Drilling, surveying and mapping	89,796	-	-	89,796
Travel	3,059	-	-	3,060
Acquisition costs				
Cash	20,000	-	-	20,000
Common shares (Note 11)	11,000	-	-	11,000
Revision to decommissioning liabilities	(5,000)			(5,000)
Write-off of exploration and evaluation properties	(223,010)	-	-	(223,010)
Balance at February 28, 2011	**-**	**-**	**-**	**-**
Exploration costs				
Assays	-	331	3,460	3,791
Automobile	-	1,395	1,131	2,526
Consulting fees	-	22,567	24,442	47,009
Field supplies	-	1,073	1,605	2,678
Geological	-	7,040	2,800	9,840
Storage fees	-	2,565	750	3,315
Telephone	-	314	2,505	2,819
Travel	-	4,704	-	4,704
Acquisition costs				
Cash	-	65,000	35,000	100,000
Common shares (Note 11)	-	134,063	72,187	206,250
Cost recovery	-	(25,000)	-	(25,000)
Balance at February 29, 2012	**-**	**214,052**	**143,880**	**357,932**

a) Hawk Property

On March 31, 2009, the Company entered into an option agreement with Happy Creek Minerals Ltd. ("Happy Creek Minerals") to acquire up to a 65% interest in the Hawk Property, located in the south-central Cariboo region of British Columbia (which includes the Grey Property), subject to an existing 2.5% Net Smelter Royalty ("NSR") on the Hawk Property and an existing 2% NSR on the Grey Option. The Grey Property adjoins the Hawk Property to the south.

Consideration for an initial 55% interest consisted of cash payments of $150,000 ($45,000 paid), issuing an aggregate of 700,000 shares (200,000 shares issued) to Happy Creek (Note 11) and incurring aggregate exploration expenditures on the Hawk Project of $700,000 over a period of three years. The Company had the exclusive option right to acquire an additional 10% interest in the Hawk Project by incurring additional exploration expenditures of $500,000 on the project on or before August 25, 2013.

During the year ended February 28, 2011, management decided not to continue work on the Hawk Property. As a result, acquisition and exploration costs in the amount of $223,010 were written off.

b) Big Kidd and Little Fort Properties

On January 25, 2011 and subsequently amended on March 30, 2011, the Company entered into a purchase, sale and option agreement to acquire the Big Kidd Property and Little Fort Property from Gunpoint Exploration Ltd. ("Gunpoint"). For consideration, the Company was required to make a cash payment of $100,000 (paid) and issue 1,875,000 common shares of the Company (issued) (Note 11). The Company prepared a work plan for the Big Kidd property and submitted the Notice of Work for an 18 km IP survey and 2000 metre drilling on July 14, 2011 after compiling historical exploration data, inspecting the property and checking historic drill cores.

On October 18, 2011, the Company entered into an agreement with Xstrata Copper Canada, a business unit of Xstrata Canada Corporation, ("Xstrata") allowing Xstrata the option to earn up to a 75% interest in the Company's Big Kidd property, located in the Quesnel Trough region of southern British Columbia. The 4055.77 ha property is road accessible and is located approximately 20 km southeast of the city of Merritt.

Under the terms of the agreement, Xstrata may earn an initial 51% interest by making staged cash payments to the Company totalling $180,000 ($25,000 received) and incurring cumulative exploration expenditures totalling $3 million over a four year period. Upon vesting at a 51% interest in the property, a joint venture will be formed and Xstrata will maintain the right to earn a further 24% interest (75% interest total) by funding the completion of a feasibility study or incurring $15 million in expenditures towards the completion of a prefeasibility study and a feasibility study on the property.

8. Decommissioning Liabilities

	Rehabilitation	Total
	$	**$**
Balance at March 1, 2010	**5,000**	**5,000**
Change in liability estimate	(5,000)	(5,000)
Accretion of interest	-	-
Balance at February 28, 2011	**-**	**-**
Change in liability estimate	-	-
Accretion of interest	-	-
Balance at February 29, 2012	**-**	**-**

The Company's decommissioning liabilities consists of reclamation and closure costs related to its Hawk Property. The present value of the estimated obligations related to Hawk Property is $Nil as at February 29, 2012 (February 28, 2011: $Nil, March 1, 2010: $5,000).

In relation to these reclamation obligations, the Company, as at February 29, 2012, had a redeemable deposit of $5,000 (February 28, 2011: $5,000, March 1, 2010: $Nil) related to a Safekeeping Agreement dated March 16, 2010 at an interest rate of 1.1% in Year 1, 1.5% in Year 2 and 2.25% in Year 3 and maturing on March 18, 2013 which has been included in term deposits (Note 5).

9. Accounts Payable and Accrued Liabilities

The Company's accounts payable and accrued liabilities consist of the following amounts:

	As at February 29, 2012	As at February 28, 2011	As at March 1, 2010
	$	**$**	**$**
Accounts payables	417	1,537	-
Accrued liabilities	7,500	12,000	11,875
Total accounts payables and accrued liabilities	**7,917**	**13,537**	**11,875**

10. Related Party Transactions

The remuneration of directors and other members of key management were as follows:

	Year Ended February 29, 2012	Year Ended February 28, 2011
	$	$
Short-term benefits – Consulting and legal fees	90,673	91,693
Share-based payments	23,930	27,374
Total key management personnel compensation	**114,603**	**119,067**

11. Share Capital

a) Common Shares

The Company is authorized to issue an unlimited number of shares, issuable in series, with no par value.

On July 13, 2011, the Company issued 1,875,000 common shares valued at $206,250 ($0.11 per common share) to Gunpoint related to the Big Kidd and Little Fort properties (Note 7).

On August 25, 2010,, the Company issued 100,000 common shares valued at $11,000 ($0.11 per common share) to Happy Creek Minerals related to the Hawk property (Note 7).

b) Escrow Shares

As of February 29, 2012, the Company had 405,000 (February 28, 2011: 1,215,000, March 1, 2010: 2,430,000) common shares in escrow.

The shares are to be released from escrow upon issuance of a notice of final acceptance of a Qualifying Transaction by the Exchange. Such releases will either be over a period of 18 months or 3 years depending on the determination as to the Tier upon which the Company's shares are listed. While escrowed, the escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the Exchange.

12. Share-Based Payments

Option Plan Details

The Board of Directors of the Company may from time to time, in its discretion, and in accordance with Exchange requirements, grant to directors and officers of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company, exercisable for a period of up to five years, from the date of grant. There are no vesting requirements under the stock option plan. The Board may, however, add such provisions in its discretion on a grant by grant basis.

The following is a summary of changes in options from March 1, 2010 to February 29, 2012:

	Year Ended February 29, 2012		Year Ended February 28, 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	920,000	$0.14	390,000	$0.12
Granted	300,000	$0.15	530,000	$0.15
Exercised	-	-	-	-
Forfeited	(210,000)	$0.13	-	-
Outstanding, end of year	**1,010,000**	**$0.14**	**920,000**	**$0.14**
Exercisable, end of year	**1,010,000**	**$0.14**	**920,000**	**$0.14**

Fair Value of Options Issued During the Year

The weighted average fair value at grant date of options granted during the year ended February 29, 2012 was $0.0920 per option (February 28, 2011: $0.0699)

Share-Based Payments

Share-based payments for the following options granted by the Company will be amortized over the vesting period, of which $27,612 was recognized in the year ended February 29, 2012 (February 28, 2011: $37,059):

	Fair value	Amount vested in 2012	Amount vested in 2011
	$	$	$
Grant date			
April 21, 2010	37,059	-	37,059
November 14, 2011	27,612	27,612	-
Total	**64,671**	**27,612**	**37,059**

The Black-Scholes Option model inputs for options granted during the years ended February 29, 2012 and February 28, 2011 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
Apr. 21, 2010	Apr. 21, 2013	$0.12	$0.15	2.20%	3	100%	0%
Nov. 14, 2011	Nov. 14, 2014	$0.14	$0.15	1.03%	3	111%	0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The following table summarizes information regarding stock options outstanding and exercisable as at February 29, 2012.

Exercise price	Number of options outstanding	Weighted-average remaining contractual life (years)	Weighted average exercise price
Options outstanding			
$0.01 - $0.19	970,000	1.39	$0.14
$0.20 - $0.39	40,000	0.38	$0.36
Total options outstanding	**1,010,000**	**1.35**	**$0.14**
Options exercisable			
$0.01 - $0.19	970,000	1.39	$0.14
$0.20 - $0.39	40,000	0.38	$0.36
Total options exercisable	**1,010,000**	**1.35**	**$0.14**

13. Loss Per Share

The calculation of basic and diluted loss per share is based on the following data:

	Year Ended February 29, 2012	Year Ended February 28, 2011
	$	**$**
Net loss for the year	(188,831)	(446,003)
Weighted average number of shares – basic and diluted	10,906,644	9,671,507
Loss per share, basic and diluted	**(0.02)**	**(0.05)**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if dilutive. All of the stock options were anti-dilutive for the years ended February 29, 2012 and February 28, 2011.

14. Taxes

a) Provision for income taxes

	Year Ended February 29, 2012	Year Ended February 28, 2011
	$	$
Loss before tax	188,831	446,003
Statutory tax rate	26.25%	28.17%
Expected tax recovery	49,568	125,639
Non-deductible items	(7,517)	(10,560)
Change in future tax rates	(2,004)	(12,950)
Change in valuation allowance	(40,047)	(102,129)
Tax recovery for the year	-	-

b) Deferred tax balances

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities are as follows:

	As at February 29, 2012	As at February 28, 2011
	$	$
Tax loss carry-forwards	168,737	127,277
Equipment	4,316	3,065
Exploration and evaluation properties	55,752	55,753
Share issue costs	-	2,663
	228,805	188,758
Valuation allowance	(228,805)	(188,758)
Deferred tax assets	-	-

c) Expiry dates

The Company's recognized and unrecognized deferred tax assets related to unused tax losses have the following expiry dates:

	As at February 29, 2012
	$
Non-capital losses	
2027	13,784
2028	94,885
2029	84,604
2030	126,460
2031	189,373
2032	165,841
Total non-capital losses	**674,947**
Total resource-related deduction, no expiry	**580,942**

15. Segmented Information

The Company conducts its business as a single operating segment being the mining business in Canada. All equipment and exploration and evaluation properties are situated in Canada.

16. Capital Risk Management

The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's normal operating requirements, continue the development and exploration of its exploration and evaluation properties.

The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administration costs, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company is not subject to any externally imposed capital requirements. In order to maximize ongoing development efforts, the Company does not pay dividends. There were no significant changes in the Company's approach or the Company's objectives and policies for managing its capital.

17. Financial Instruments

a) Categories of financial instruments

	As at February 29, 2012	As at February 28, 2011	As at March 1, 2010
	$	$	$
FINANCIAL ASSETS			
FVTPL, at fair value			
Cash and cash equivalents	2,472	-	55,334
Term deposits	947,527	1,293,347	1,532,285
Total financial assets	**949,999**	**1,293,347**	**1,587,619**
FINANCIAL LIABILITIES			
Other liabilities, at amortized cost			
Bank indebtedness	-	1,640	-
Total financial liabilities	**-**	**1,640**	**-**

b) Fair value

The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at February 29, 2012, the Company does not have any Level 3 financial instruments.

As at February 29, 2012	Level 1	Level 2	Total
	$	$	$
Financial assets at fair value			
Cash and cash equivalents	2,472	-	2,472
Term deposits	947,527	-	947,527
Total financial assets at fair value	**949,999**	**-**	**949,999**

As at February 28, 2011	Level 1	Level 2	Total
	$	$	$
Financial assets at fair value			
Term deposits	1,293,347	-	1,293,347
Total financial assets at fair value	**1,293,347**	**-**	**1,293,347**

As at March 1, 2010	Level 1	Level 2	Total
	$	$	$
Financial assets at fair value			
Cash and cash equivalents	55,334	-	55,334
Term deposits	1,532,285	-	1,532,285
Total financial assets at fair value	**1,587,619**	**-**	**1,587,619**

There were no transfers between Level 1 and 2 in the years ended February 29, 2012 and February 28, 2011.

c) Management of financial risks

The financial risk arising from the Company's operations are credit risk, liquidity risk, interest rate risk, currency risk and commodity price risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Company does not believe it is subject to any significant credit risk although cash is held in excess of federally insured limits, with major financial institutions. As at February 29, 2012, the total amount of financial assets subject to credit risk is $949,999.

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 liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. As at February 29, 2012, the Company had $973,560 to settle current liabilities of $7,917. As a result, liquidity risk is considered insignificant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the term deposits is limited.

Currency risk

The Company is exposed to currency risk by incurring certain expenditures and holding assets denominated in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations.

Commodity price risk

The Company is not exposed to commodity price risk as it is still in the exploration stage.

18. Supplemental Cash Flow Information

Non-cash investing activities

The Company incurred the following non-cash investing transactions:

	Year Ended February 29, 2012	Year Ended February 28, 2011
	$	$
Common shares issued for exploration and evaluation properties	206,250	11,000
Total non-cash investing activities	**206,250**	**11,000**

19. Transition to International Financial Reporting Standards

a) Initial adoption of IFRS

IFRS 1 '*First-time Adoption of International Financial Reporting Standards*' establishes guidance for the initial adoption of IFRS. The accounting policies in Note 3 have been applied consistently in preparing the financial statements for the year ended February 29, 2012. The financial statements for the year ended February 28, 2011 were prepared applying available standards under Canadian generally accepted accounting principles ("Canadian GAAP").

For the first-time adoption of IFRS, the comparative information for the year ended February 28, 2011 and the opening IFRS statement of financial position on March 1, 2010 (the "Transition Date") have been revised where appropriate to conform with IFRS using various exemptions and options available under IFRS 1.

b) Optional exemptions from full retrospective application

Share-based payments

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 '*Share-based Payment*' 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 Transition Date. The Company elected not to apply IFRS 2 to equity instruments that vested prior to the Transition Date.

Decommissioning liabilities

IFRS 1 provides an optional exemption to elect not to retrospectively recalculate the decommissioning liabilities and the related impact on the cost of the related asset and accumulated depreciation. The Company elected to use this exemption and account for changes in decommissioning liabilities prospectively from the Transition Date.

c) Mandatory exception to full retrospective application

Estimates

In accordance with IFRS 1, the Company's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under Canadian GAAP unless there is objective evidence that those estimates were in error. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

d) Reconciliation to previously reported financial statements

IFRS 1 requires an entity to reconcile its equity, comprehensive loss and cash flows for prior periods. The reconciliations between the previously reported financial results under Canadian GAAP and the current reported financial results under IFRS are provided as follows:

Notes to the Financial Statements

Reconciliation of Statement of Financial Position as at March 1, 2010

	Note	Canadian GAAP $	IFRS Adjustments $	IFRS $
ASSETS				
Current Assets				
Cash and cash equivalents		55,334	-	55,334
Term deposit		1,532,285	-	1,532,285
Prepaid expenses		2,905	-	2,905
GST/HST receivable		8,272	-	8,272
Total Current Assets		1,598,796	-	1,598,796
Non-Current Assets				
Equipment		21,912	-	21,912
Exploration and evaluation properties	(a)	79,368	5,000	84,368
Total Non-Current Assets		101,280	5,000	106,280
Total Assets		1,700,076	5,000	1,705,076
EQUITY AND LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		11,875	-	11,875
Total Current Liabilities		11,875	-	11,875
Non-Current Liabilities				
Decommissioning liabilities	(a)	-	5,000	5,000
Total Non-Current Liabilities		-	5,000	5,000
Total Liabilities		11,875	5,000	16,875
Equity				
Share capital		1,984,950	-	1,984,950
Contributed surplus		35,500	-	35,500
Accumulated deficit		(332,249)	-	(332,249)
Total Equity		1,688,201	-	1,688,201
Total Equity and Liabilities		1,700,076	5,000	1,705,076

Reconciliation of Statement of Financial Position as at February 28, 2011

The transition to IFRS did not have a significant impact on the Company's statement of financial position as at February 28, 2011.

Reconciliation of Statement of Loss and Comprehensive Loss
For the year ended February 28, 2011

The transition to IFRS did not have a significant impact on the Company's statement of loss and comprehensive loss for the year ended February 28, 2011.

Reconciliation of Statement of Cash Flows
For the year ended February 28, 2011

The transition to IFRS did not have a significant impact on the Company's statement of cash flows for the year ended February 28, 2011.

Differences between Canadian GAAP and IFRS

a) Decommissioning Liabilities

IAS 37 '*Provisions, Contingent Liabilities and Contingent Assets*' requires that:

- a provision be recognized when an entity has a present obligation (legal or constructive) as a result of a past event; it is probable that outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation;

- the amount recognized as a provision be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and

- the discount rate be a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

IFRIC 1 '*Changes in Existing Decommissioning, Restoration and Similar Liabilities*' requires re-measurement of the decommissioning liabilities at each period end to reflect changes due to changes in various assumptions, including the discount rate which reflects current market assessment of the time value of money and risk specific to the liability.

Canadian GAAP excludes constructive obligations from its scope, which is limited to legal obligations; requires that an asset retirement obligation be measured on initial recognition at its fair value; and requires that the credit-adjusted risk-free rate for discounting the cash flows be the rate determined on initial recognition. Change in the discount rate alone did not result in a re-measurement of the asset retirement obligation.

The change in accounting policy related to decommissioning liabilities resulted in an increase in exploration and evaluation properties of $5,000 and an increase in decommissioning liabilities by an equal amount as at the Transition Date.

20. Events After the Reporting Period

There are no reportable events for the period from February 29, 2012 to the date the financial statements were available to be issued.

21. Approval of the Financial Statements

The financial statements of the Company for the year ended February 29, 2012 were approved and authorized for issue by the Board of Directors on June 20, 2012.