



AUGUSTINE VENTURES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2012

Dated: May 29, 2012

## INTRODUCTION

The following management's discussion and analysis ("MD&A") of Augustine Ventures Inc. ("Augustine" or the "Company") is dated May 29, 2012 and provides an analysis of the Company's performance and financial condition for the three months ended February 29, 2012 as well as an analysis of future prospects. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee, comprised of independent directors. The audit committee reviews this disclosure and recommends its approval by the Board of Directors.

This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited condensed interim financial statements of the Company for the three months ended February 29, 2012, as well as the audited consolidated financial statements for the year ended November 30, 2011, together with the notes thereto. All amounts are in Canadian dollars unless otherwise specified. The financial statements along with Certifications of Annual and Interim Filings and news releases, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

On December 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS"). The unaudited condensed interim financial statements for the three months ended February 29, 2012 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and using accounting policies consistent with IFRS. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Readers should refer to the "Changes in Accounting Policies" section below for a discussion of IFRS and its effect on the Company's financial presentation.

The comparative financial information for the periods ended February 28, 2011 and the year ended November 30, 2011 has been restated to conform to IFRS, unless otherwise stated.

## FORWARD-LOOKING STATEMENTS

This MD&A may contain forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Company are set out below under "Risk Factors". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

## OVERALL PERFORMANCE

### Principal Business and Corporate History

Augustine is a Canadian junior gold exploration company engaged in the acquisition, evaluation and exploration of mineral properties in Canada. The Company was established in 1997 as Black Mountain Minerals Inc. by statutory amalgamation of Triangle Capital Energy Corp. and Per-X Minerals Inc. pursuant to the provisions of the Business Corporations Act (Ontario). The Company's name was changed from Black Mountain Minerals Inc. to Augustine Ventures Inc. on November 30, 2006. The Company is listed on the Canadian National Stock Exchange ("CNSX") and commenced

trading under the symbol "WAW" on June 14, 2011.

Augustine is currently engaged in gold exploration in Wawa, Ontario. The property interest consists of an option to earn a 60% interest in the Wawa Gold Project which encompasses 2,345 hectares in McMurray Township, southeast of the town of Wawa. Over 95 percent of the property consists of leases and/or patents for both mineral and surface rights that are easily accessible. The property has a known depth extension to 600 meters, a history of past production from the known deposits and a large number of untested but documented gold occurrences on the property.

In September 2011, Augustine closed an agreement with Kalac Holdings Ltd. for the purchase of 22 mining claims comprising 161 claim units or 2,576 hectares, known as the Oakley Lake Property, in McMurray and Naveau Townships near Wawa.

On January 12, 2012, Augustine appointed Messrs. Robert B. Dodds and Dexter John to the Board of Directors of the Company. Mr. Wayne Isaacs resigned as Chairman and Mr. Dodds was appointed as Chairman of the Board of Directors. Mr. Isaacs remains on the board as Executive Director and continues as the Company's President and Chief Executive Officer. On the same day, Mr. Khurram R. Qureshi was appointed as Chief Financial Officer of the Company. (for additional information about the Company's current management and directors, please refer to the Company's news release dated January 13, 2012).

## **Results of operations – Projects review**

### *Surluga Project, Wawa, Ontario*

Augustine acquired an option on the Surluga Property pursuant to the terms of an option agreement dated September 22, 2010 (the "Option Agreement"), as amended by an amending agreement dated November 25, 2010, entered into between the Company, Delta Uranium Inc. ("Delta") and Delta Precious Metals (Ontario) Inc. ("DPMI") and also pursuant to the terms of an assignment agreement dated September 15, 2010 (the "Assignment Agreement") entered into between the Company, Delta, DPMI, Citadel Gold Mines Inc. ("Citadel") and Citabar Limited Partnership ("Citabar").

The Company recently completed a National Instrument 43-101 (the "NI 43-101") Mineral Resource Estimate on the Surluga Property. A full description of the property is found in the NI 43-101 report dated October 25, 2011 entitled, "A Technical Review and Mineral Resource Estimate for the Jubilee - Surluga Property, Near Wawa, Ontario, Canada for Augustine Ventures Inc.", by Clifford J. Duke, P. Eng. of Watts, Griffis and McQuat (amended November 21, 2011), (the "WGM Report").

A summary of the WGM Report is provided below.

#### Project Location and Description:

The Surluga Property is located around 47.98°N 84.75°W, about two kilometres east of the Town of Wawa, Ontario. The Property lies entirely within McMurray Township, astride highway 101. The Property is accessed off of highway 101 by a gravel road that was the road to the formerly producing Jubilee and Surluga Mines.

The Surluga Property consists of three contiguous groups. The largest block, consisting of 150 Patented Claims and Crown Leases, and one Unpatented claim, extends from Wawa lake south to include Bond and Mountain Lakes. A second small block of three Crown Leases touches the main

block corner to corner, and extends west under Anderson Lake up to the town of Wawa. The third block of 7 patented claims lies immediately to the south of the main block. The total area of the Property is 2,022.73 ha.

Augustine holds surface rights to about 1,900 ha of the mineral deposits. The surface rights generally cover old mine areas including shafts and tailings impoundments. The surface rights have been severed from some small areas within the claims. Augustine continues to hold the timber rights to a small number of claims.

#### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Town of Wawa is located on the Trans-Canada highway, 225 km north of Sault Ste. Marie, near the north shore of Lake Superior. Highway 101 leads east from the Trans-Canada highway toward Timmins. The property is accessed off of highway 101 by a gravel road that was the road to the formerly producing Jubilee and Surluga mines.

Lake Superior has a moderating effect on the local weather. Temperatures are highest in August, averaging 14.9°C, and lowest in January, averaging -14.8°C. Total annual precipitation averages 1,002 mm, with 329 mm falling as snow between September and May.

The Town of Wawa has a population of 3,204. There are an equal number of people living in the surrounding region, including the towns of Chapleau, White River, Dubreuilville, and six First Nation communities. The town of Wawa has a rich mining heritage going back to the late 1800s. Iron mining in Wawa stopped in 1998, leaving behind much of the infrastructure necessary to support a mining operation, including power lines, railways, harbour, and an airport. The Algoma Central Railway provides regular service between Sault Ste. Marie and Hawk Junction, about 15 km from the site. The Michipicoten harbour is a natural deep water harbour formerly used to ship iron ore to market.

The mining infrastructure on the site has been removed as part of Citadel closure plan. The tailings pond at Minto Lake is present and maintained subject to the closure plan. The original all weather access road to the Surluga mine site is in place and in good condition.

Wawa is located in the Canadian Shield, at an elevation of about 287 m above sea level ("ASL"). The terrain is hilly, with local steep ridges, and local elevations vary between 260 m and 400 m ASL. The property is forested predominantly with spruce, pine, birch and poplar.

#### Environmental Liabilities

The Surluga Property is the site of considerable historical production. There have been a number of shafts sunk, and a tailings facility has been developed at Minto Lake. The previous owners, Citadel have completed a program of environmental cleanup, removed the mining infrastructure, and filed a closure plan with the MNDMF. MNDMF has allowed the transfer of ownership of the property from Citadel to Citabar, and indicated that an amendment to the closure plan filed by Citadel is not required.

#### History

Prior to 2007 exploration drilling along the Jubilee Shear consisted of 49,549 m of diamond drilling in 279 surface holes, and 48,768 m in 1,502 underground diamond drill holes. In 1998, the Ontario Geological Survey flew the Surluga Property as part of a helicopter-borne geophysical survey. Magnetic and three frequency electromagnetic data were recorded. A mining history of the property was summarized by Rupert (1990). It is outlined below:

1880s	Numerous mining locations acquired in the area by "Princes of Commerce". Very few technical records.
1895	The Ontario government adopted a claiming system to encourage mining title acquisition by other classes of citizens.
1897-1902	A staking rush occurs in the Wawa area. Most local prospects are reported as legally defined new discoveries in this period.
1901	Grace Mine (Algoma Commercial Co.) started operations.
1899-1903	Mariposa and Minto shafts are sunk.
1902	Longbottom and other veins are located near the Parkhill mine but their development is deterred by property boundaries.
1901-1912	Intermittent production from the Grace mine.
1910-1922	Many claims in the area are abandoned.
1922-1926	The area is restaked and heavily promoted, primarily by the Power and Mines Syndicate and Corporation, owner of the Grace mine, the Michael Syndicate, part owner of the Parkhill, Minto, and Jubilee mines, the Pioneer Mining Corporation, part owner of the Parkhill mine, and Cooper Gold Mines Limited, part owner of the Minto and Jubilee mines.
1930-1938	Parkhill Gold Mines Limited sank a shaft and produced gold from the Parkhill mine.
1930-1934	The Minto mine produced gold for Minto Gold Mines Limited.
1934-1939	The Jubilee mine was operated by Minto Gold Mines Limited.
1934-1937	Darwin Gold Mines Ltd. produced gold from the Grace mine.
1961-1987	Surluga Gold Mines (later renamed Citadel Gold Mines) explored the property north of Ward Lake, and developed the Surluga mine. Production began in 1969. Over 350 surface and 900 underground diamond drill holes were bored.
1980-1986	Dunraine Mines Limited acquires the Parkhill mine and the Vansickle mine, and drilled 39 additional diamond drill holes. The Parkhill mine is partially dewatered.
1980-1983	Dunraine Mines Limited acquires the Grace mine property and drills 37 diamond drill holes.
1988	Citadel purchases the Parkhill and Grace mine properties.
1987	Citadel options the Vashaw Claims.
1988-1990	Citadel conducts surface stripping programs on the Parkhill, Darwin and Vashaw claim groups.
1987-1989	Citadel diamond drill program includes one hole along the Darwin Shear and 5 holes along a suspected splay off the Darwin Shear, north of Ward Lake.

- 1989 Citadel produces gold from the Surluga mine for 8 months. The tailings area is developed at Minto Lake. On closing the remaining resources were estimated at 710,000 short tons at a grade of 0.125 oz/short ton. WGM has not audited this estimate. This estimate is considered historical as it pre-dates the NI 43-101 standard. This historical estimate is presented here for historical completeness, and should not be relied upon.
- 1989 Van-Ollie Mines Limited acquires the neighboring Vansickle mine property. An extensive stripping program is conducted on the Vansickle, Sunrise and Mickelson veins, and 5,113 feet is diamond drilled in 30 holes.

#### Geological Setting - The regional, local and property geology

The Archean Age Superior Province form the centre of the North American continent, the collision zones along which elements of the Precambrian Canadian Shield were amalgamated. The rocks are primarily Mesoarchean and Neoarchean in age, and have been significantly affected by post-Archean deformation along the boundaries marked by Proterozoic orogens, such as the Trans-Hudson and Grenville orogens. Major internal fault zones, such as the Kapuskasing Structural Zone also cross the province. Proterozoic and younger activity consists of rifting along the margins, the emplacement of mafic dyke swarms, compressional reactivation, and large scale rotations. Trends in the Superior Province are generally easterly in the southern areas. The great potential for base metals, gold, and other commodities in the Superior Province continues to attract mineral exploration.

The Surluga Property is located in the Wawa sub-province. The 2.745 Ga Wawa assemblage seems to reflect an oceanic origin. Mineralization occurs in the Michipicoten- Mishubishu belt, mainly as gold and iron deposits, with minor nickel and copper vein deposits. Iron deposits are oxide, sulphide, and carbonate facies, and lie stratigraphically above the Wawa assemblage.

The Surluga Property lies within the Michipicoten greenstone belt, a structurally and stratigraphically complex assemblage of volcanic, sedimentary and intrusive rocks that have been metamorphosed to greenschist and amphibolite facies. Several suites of plutonic rocks ranging in composition from gabbro to monzogranite and syenite occur in and around the Michipicoten greenstone belt. The rocks have been repeatedly deformed and metamorphosed. Early structures include major recumbent folds, thrusts and associated cleavages. Later upright folds were superimposed, and the latest structures include northeast trending shear zones that host auriferous vein systems and northerly trending sinistral faults.

The Surluga Property is located over the Jubilee Stock, interpreted as an intrusion emplaced within a caldera structure of the host felsic to intermediate volcanic rocks. A intrusive event consisting of abundant dykes and irregular bodies of mafic to intermediate composition post dates the stock.

Both volcanics and intrusives were folded and deformed prior to the development of several gold bearing planar faults. The Jubilee Shear and Darwin Shear are prominent northeast-southwest trending fault structures, possibly related to each other as they appear offset by the Parkhill Fault. The Parkhill Fault trends southeast-northwest, beneath the town of Wawa, and is associated with a diabase dyke. The Parkhill Shear strikes eastward, perpendicular to the Parkhill Fault. These shear structures host the gold mineralization on the property, although their role in the formation of the gold deposits is not clear. The Jubilee Shear, which hosts the Surluga mine, swells from 6m to 60m in width, and dips about -45° to the northeast at surface, flattening to -30° at depth. Widths of the shear zone are greatest in the diorites, and less in areas of volcanic

units. Most wall rocks of the Jubilee Shear are dioritic intrusive with inclusion of andesite flows or felsic tuff. In a few places, the sheared wall rocks are gabbros.

A late Proterozoic intrusion of hypabyssal diabase, carbonatite, and lamprophyre completes the assemblage.

### Mineralization

Gold production from the Surluga Property has been associated with quartz veins and silicification within shear zones. The character of these veins varies between locations, and appears to be related to the host rock type, width and intensity of shearing. The Jubilee Shear is a series of sub-parallel segments in en-echelon arrangement. The mineralization ranges from 6 m to 60 m in width where parts of the en-echelon zones overlap. The shear zone contains mostly sericitic or mylonitized wall rock with some sodic alteration. Gold rich zones in the Jubilee Shear are elongated and plunge to the south. They consist of poorly defined thin brown lenses of alteration, surrounding smoky to white quartz veins. These lenses are small, typically a few centimetres to 6 m wide, and carry 2-4% fine pyrite, and lesser amounts of arsenopyrite and copper. Gold bearing quartz veins are often banded, drag folded and deformed. They appear to be the oldest quartz vein component in the shear zone. Several generations of more abundant younger quartz veins are barren of gold, including the "pinto", or quartz-tourmaline veins. From these observations, Helmstaedt (1988) concluded that the deposition of the auriferous gold and the accompanying potassic alteration are distinctly earlier events that predated the ductile deformation stage of the Jubilee zone.

### Deposit Type

The Surluga deposit is the product of an auriferous quartz rich hydrothermal system that has seen considerable post-deposition deformation. An early fault in the volcanic caldera was the site of hydrothermal deposition of an auriferous quartz stockwork. Post-deposition ductile shearing of the stockwork deformed the deposit into rod-shaped gold rich lenses. Later periods of additional movement along the Jubilee Shear resulted in salmon red alteration along fractures and local fault gouges. The significant body of low grade gold dispersed within the Jubilee Shear is likely the product of extensively deformed auriferous quartz veinlets from the original stockwork that have been extensively fractured and dislocated, and are no longer recognizable.

### Exploration

Prior to 2007, exploration drilling along the Jubilee Shear consisted of 49,549 m of diamond drilling in 279 surface holes, and 48,768 m in 1,502 underground diamond drill holes. In 1998, the Ontario Geological Survey flew the Surluga Property as part of a helicopter-borne geophysical survey. Magnetic and three frequency electromagnetic data were recorded.

Mr. Peter Irwin of Resource Data Management Inc. ("RDM") compiled a three dimensional model of the Surluga mine for Citabar in 2004. RDM used the existing drill hole database, and digitized the mine levels from mine plans. Mineralized zones greater than 1 g Au/t were outlined. The model highlighted the potential for mineralization down plunge to the southeast of the existing mine workings. Citabar drilled 9,282 m in 14 diamond drill holes to test the model. The Jubilee Shear appears to continue to dip to the east at depth, along the southern section of the shear. Augustine intends to relog and resample the core before assessing the results of the drill program.

In January of 2011, 412 km of helicopter borne electromagnetic-magnetic survey were flown by Geotech Ltd using a VTEM® system (Figures 5 and 6). The lines were flown east-west at 100 m intervals, and tied together with north-south lines at 1,000 m intervals.

### Drilling

Prior to 2007 exploration drilling along the Jubilee Shear consisted of 49,549 m of diamond drilling in 279 surface holes, and 48,768 m in 1,502 underground diamond drill holes. Most of the holes are documented on plans and sections that were drawn in the course of mine production. In addition, Augustine has been able to locate some surface drill hole collars where there are records of surface holes being drilled. This suggests good survey control of the historical drilling in the database. The underground workings are not currently accessible, so the quality of the underground drilling must be inferred from the quality of the available data, which seems to be good.

There were 12 diamond drill holes, and three wedged holes, drilled in the summer and fall of 2007. A total of 8,401 m of core was drilled. All the holes were NQ size, except for hole 07-393B which was reduced to BQ size because of problems with the wedging procedure. The drill holes targeted the down dip extension of the Jubilee Shear zone.

Down hole surveys were carried out 4 or 5 times in each hole, more often when wedging was being attempted. Deviation was within reasonable limits. Core logging was completed on site by three different geologists. Augustine has noted that there is a large discrepancy between the nomenclature used by each of the geologists, and proposes to relog and resample the core. A lack of storage space prompted Citabar to dispose of some of the core that was considered to be unmineralized.

In the spring of 2011, Augustine conducted an 18 hole drill program to verify the historical data on the Surluga claims. Five of the holes were set to target the mineralization around the Citadel Jubilee mine, while the remaining 13 holes were designed to twin existing diamond drill holes. Discovery Diamond Drilling Ltd. of Morinville AB was contracted to drill 2,944 m of NQ size core. The holes were surveyed every 10 m down the hole using a Flex- IT® down hole survey tool. The drill hole collar locations were located with a SXBlue WAS Area based GPS survey instrument. The core was transported by Augustine personnel by truck to the core shack in Wawa, where it was logged and sampled.

A summary of the compliant resource found in the WGM Report is provided below:

Cutoff	Tonnage	Au	Contained Au
Grade Au g/t	(t x 1,000)	(g Au/t)	(oz x 1,000)
5	378	7.69	94
2	4,651	3.33	498
1	12,503	2.11	847
0.5	22,355	1.49	1,072
0.2	32,169	1.14	1,182

### SELECTED ANNUAL FINANCIAL INFORMATION

The following is selected financial information from the Company's three most recently completed fiscal years:

ANNUAL INFORMATION	Year Ended November 30, 2011 (\$)	Year Ended November 30, 2010 (\$)	Year Ended November 30, 2009 (\$)
Total revenue	-	-	-
Net loss	(873,302)	(169,028)	(111,984)
Basic and diluted loss per share	(0.04)	(0.03)	(0.17)
Total assets	2,702,689	196,601	2,347
Total liabilities	245,677	112,046	79,418
Shareholders' equity (deficiency)	2,457,012	84,555	(77,071)

All of the above annual results were calculated pursuant to GAAP.

### SELECTED QUARTERLY INFORMATION

The following tables show selected financial information related to the Company for the periods indicated. The information contained in these tables should be read in conjunction with the Company's financial statements. An analysis of the information contained in these tables is set out below under "Results of Operations" and "Liquidity and Capital Resources".

Three Months Ended	Total Revenues (\$)	Net Profit (Loss)		Total Assets (\$)	Total Long Term Liabilities (\$)
		Total (\$)	Per Share (\$)		
February 29, 2012 <sup>(a)</sup>	Nil	(381,272)	(0.01)	2,711,900	Nil
November 30, 2011 <sup>(b)</sup>	Nil	(219,373)	(0.01)	2,702,689	Nil
August 31, 2011 <sup>(b)</sup>	Nil	(243,682)	(0.01)	2,310,324	Nil
May 31, 2011 <sup>(b)</sup>	Nil	(288,258)	(0.01)	2,580,982	Nil
February 28, 2011 <sup>(b)</sup>	Nil	(121,989)	(0.01)	2,336,895	Nil
November 30, 2010 <sup>(b)</sup>	Nil	(72,808)	(0.01)	196,601	Nil
August 31, 2010 <sup>(b)</sup>	Nil	(22,855)	(0.00)	2,347	Nil
May 31, 2010 <sup>(b)</sup>	Nil	(45,331)	(0.01)	2,347	Nil

(a) Calculated pursuant to IFRS

(b) Calculated pursuant to GAAP

### RESULTS OF OPERATIONS

The Company has no revenue or operating cash flow and relies on external financings to generate capital. As a result of its activities, the Company continues to incur net losses. For the three months ended February 29, 2012, the Company's net loss was \$381,272 versus a net loss of \$121,989 for the three months ended February 28, 2011.

For the three months ended February 29, 2012, the Company expensed \$1,970 in depreciation as compared to \$nil as the Company did not have any depreciable assets in the corresponding period of the preceding year. General and administrative expenses were \$9,664 for the 2012 period as compared to \$15,583 in 2011 due to reduced exploration activity during the quarter. For the period ended February 29, 2012, the Company recorded a total of \$70,750 in management fees which covered three senior officers for a three month period vs. \$46,667 for the same period last year, which covered two senior officers for a two month period. During the 2012 period, the Company expensed an additional \$5,000 for accrued and unbilled professional fees. For the three months ended February 29, 2012, the Company paid \$22,500 in rent and occupancy cost, which is

on a month to month basis at a rate of \$7,500 per month as compared to \$15,000 for a two month period ended February 28, 2011. Salaries and benefits expenses were \$34,604 for the three months ended February 29, 2012 as compared to \$22,184 for the three months ended in 2011, which covered a two month period. Stock based compensation expensed for options to directors, officers, employees and consultants that vested during three months ended February 29, 2012 amounted to \$215,150 as compared to \$nil for the same period in 2011 as no options were granted or vested in that comparative period.

## LIQUIDITY AND CAPITAL RESOURCES

The Company is not in commercial production on any of its mineral resource properties, and accordingly, the Company has no revenues. The Company finances its operations by raising capital in the equity markets.

As at February 29, 2012, the Company had a working capital deficiency of \$95,107 (as compared to working capital deficiency of \$79,459 as at November 30, 2011) which included cash and cash equivalents of \$57,930 (November 30, 2011 - \$100,426). The cash will be used to satisfy the Company's requirements under its option on the Surluga Project (see "Commitments and Contingencies" below) and for routine administrative expenses.

The Company will need to raise additional capital to fund ongoing operations and exploration activities. Uncertainty exists as to the ability of the Company to raise additional capital as required. Future cash requirements will depend primarily on the extent of future expenditures on the Company's exploration programs. The cost and duration of future exploration programs will depend on the results of the recently completed exploration program and therefore, the Company is not able to forecast future cash requirements at this time.

On December 30, 2011, Augustine closed an offering of 1,075,000 flow through units at the price of \$0.20 per unit for gross proceeds of \$215,000. Each flow through unit consisted of one flow through share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.50 expiring on December 29, 2013. The Company paid a cash commission of \$10,500 and 52,500 compensation options.

On March 22, 2012, the Company completed a non-brokered private placement of 1,000,000 units at the price of \$0.20 per unit in the capital of the Company for gross proceeds of \$200,000 (the "March Offering"). The securities issued pursuant to the March Offering are subject to a statutory four month hold period until July 23, 2012.

## COMMITMENTS AND CONTINGENCIES

The following table summarizes the Company's requirements to earn its 60% interest in the Surluga property:

To earn 60% interest on the Surluga property		Cash payments (\$)	Issuance of common shares <sup>(1)</sup>	Exploration expenditures (\$)
December 22, 2010	Paid/Issued	100,000	4,060,000	-
November 10, 2011	Paid/Issued	-	250,000	500,000
February 1, 2012	Paid	35,000 **	-	-
November 10, 2012		-	250,000	1,500,000
February 1, 2013		35,000 **	-	-
November 10, 2013		-	250,000	2,000,000
November 10, 2014		-	-	4,000,000
Totals			4,810,000	8,000,000

\*\* Payable in U.S. Funds.

- (i) Pursuant to the terms of the Assignment Agreement, Citabar and Citadel consented to Delta and DPMI assigning their rights under an option agreement dated April 16, 2009, as amended, (the "Delta Option Agreement") whereby Delta and DPMI granted DPMI the exclusive right to earn an undivided 60% interest in the Surluga Property. In consideration for Citabar's consent, the Company has agreed to issue an aggregate of 1,000,000 common shares to Citabar as follows:
- (a) 250,000 common shares on the date that the Ontario Ministry of Northern Development, Mines and Forestry consents to the transfer of the Surluga Property from Citadel to Citabar (the "Consent Date"), of which the 250,000 common shares have been issued on December 22, 2010; and
- (b) an additional 250,000 common shares on each of the first, second and third year anniversary of the Consent Date. The 250,000 common shares pertaining to the first anniversary were issued on November 21, 2011.

Pursuant to the Option Agreement, the Company has agreed to pay Delta and aggregate of \$100,000 and issue an aggregate of 3,810,000 common shares of which the \$100,000 has been paid and the common shares have been issued. This Transaction is considered a related party transaction because Delta and the Company have common officer, directors, and Delta is a significant shareholder of the Company after they received shares from the option agreement.

## GOING CONCERN

At present, the Company's operations do not generate cash flow and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in obtaining financing in recent months, there is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. The annual and interim financial statements do not include any adjustments to the recoverability and classification of reduced asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations. These adjustments could be material. The Company is not subject to material externally-imposed capital constraints.

## SHARE CAPITAL

As at May 29, 2012, the Company had the following outstanding share capital:

Common Shares Issued and Outstanding	31,576,790
Stock Options	3,492,500
Warrants	17,234,915
Compensation Options	1,152,500

*Common shares summary:*

Date		Number of Common Shares
November 30, 2010	Balance	8,139,290
December 22, 2010	Issued for mineral property	4,060,000
December 22, 2010	Private placement <sup>(1)</sup>	6,150,000
February 8, 2011	Private placement <sup>(2)</sup>	3,900,000
March 23, 2011	Private placement <sup>(3)</sup>	2,700,000
March 24, 2011	Exercised of options <sup>(8)</sup>	100,000
April 27, 2011	Private placement <sup>(4)</sup>	922,500
June 13, 2011	Private placement <sup>(5)</sup>	585,000
July 28, 2011	Private placement <sup>(6)</sup>	405,000
September 26, 2011	Issued for mineral property <sup>(7)</sup>	2,000,000
November 7, 2011	Exercise of options <sup>(8)</sup>	40,000
November 21, 2011	Issued for mineral property <sup>(9)</sup>	250,000
November 30, 2011	Balance	29,251,790
December 30, 2011	Private placement <sup>(10)</sup>	1,075,000
January 3, 2012	Exercise of options <sup>(11)</sup>	250,000
March 22, 2012	Private placement <sup>(12)</sup>	1,000,000
May 29, 2012	Balance	31,576,790

- (1) On December 22, 2010, Augustine closed a first tranche of financing for 2,150,000 flow through units and 4,000,000 non flow through Units at the price of \$0.20 per unit for gross proceeds of \$1,230,000. Each flow through unit consisted of one common share and one half common share purchase warrant, and each non flow through Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.40 expiring on December 22, 2012. The Company paid a cash commission of \$98,400 and 492,000 Compensation Options.
- (2) On February 8, 2011, Augustine closed a second tranche of financing for 775,000 flow through units and 3,125,000 non flow through units at the price of \$0.20 per unit for gross proceeds of \$780,000. Each flow through unit consisted of one common share and one half common share purchase warrant, and each non flow through unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.40 expiring on February 8, 2013. The Company paid a cash commission of \$62,400 and 312,000 Compensation Options.
- (3) On March 23, 2011, Augustine closed a third tranche of financing for 800,000 flow through units and 1,900,000 non flow through units at the price of \$0.20 per Unit for gross proceeds of \$540,000. Each flow through unit consisted of one common share and one half common share purchase warrant, and each non flow through unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.40 expiring on March 23, 2013. The Company paid a cash commission of \$43,200 and 216,000 Compensation Options.
- (4) The Company issued a total of 922,500 units equal to 15% of the total units to the subscribers of a private placement that closed on December 22, 2010 due to the delay of listing on the TSX or TSX Venture Exchanges, which include 60,000 non flow through units and 322,500 flow through units. Each non flow through unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at \$0.40 expiring on April 27, 2013.
- (5) The Company issued a total of 585,000 units equal to 15% of the total units to the subscribers of a private placement that closed on February 8, 2011 due to the delay of listing on the TSX or TSX

Venture Exchanges, which include 468,750 Non flow through units and 116,250 flow through units. Each non flow through unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at \$0.40 expiring on June 13, 2013.

- (6) The Company issued a total of 405,000 units equal to 15% of the total units to the subscribers of a private placement that closed on March 23, 2011 due to the delay of listing on the TSX or TSX Venture Exchanges, which include 285,000 non flow through units and 120,000 flow through units. Each non flow through unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at \$0.40 expiring July 28, 2013.
- (7) On September 27, 2011, the Company closed an agreement to purchase an additional 22 mining claims comprising 161 claim units or 2,576 hectares located in McMurray and Naveau Townships near Wawa, Ontario.

Under the terms of the agreement, the Company acquired a 100% undivided interest in and to the Oakley Lake Property subject to a royalty of 2% of Net Smelter Returns ("Net Smelter Royalty") for and in consideration of \$30,000 cash and the issuance of 2,000,000 shares in the capital stock of the Company, which shares have been issued at a value of \$0.22 per common share (being \$440,000 in the aggregate) based on the most recent closing price of the Company's common shares as traded on the Canadian National Stock Exchange at that time. The Company also has the option to purchase one-half of the Net Smelter Royalty (i.e. 1% of Net Smelter Returns) at any time up to the commencement of commercial production from the Oakley Lake Property for the price of \$1,000,000.

- (8) Exercise of a total of 140,000 options at the exercise price of \$0.10 per common share.
- (9) Issuance of 250,000 common shares at the price of \$0.25 per common share with regard to the Delta Option Agreement.
- (10) On December 30, 2011, Augustine closed a non-brokered private placement of 1,075,000 flow through units at the price of \$0.20 per flow through unit for gross proceeds of \$215,000. Each flow through units consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.50 expiring on December 29, 2013. The Company paid a finder's fee of \$10,500 in cash and 52,500 in compensation options.
- (11) Exercise of 250,000 options at the exercise price of \$0.10 per common share.
- (12) On March 22, 2012, Augustine closed a non-brokered private placement of 1,000,000 units at the price of \$0.20 per flow through unit for gross proceeds of \$200,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.25 expiring on March 22, 2016. The Company paid a finder's fee of \$16,000 in cash and 80,000 in compensation options.

*Stock options summary:*

No. of Options <sup>(1)</sup>	Exercise Price	Expiry Date
90,000	\$0.10	November 24, 2014
185,000	\$0.10	November 11, 2012
770,000	\$0.20	April 1, 2013
945,000	\$0.20	October 1, 2013
472,500	\$0.20	January 1, 2014
1,030,000	\$0.20	June 1, 2014

- (1) On April 12, 2012, 290,000 options expired due to the resignation of a director.

### *Option plan details*

The Company has an incentive stock option plan (the "Plan") enabling the Board of Directors to grant options to employees, directors and officers of the Company and persons providing ongoing services to the Company. The purpose of the Plan is to attract, retain and motivate management, staff, consultants and other qualified individuals by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and benefit from its growth.

The maximum number of common shares which may be set aside for issue under the Plan is initially 5,284,800 common shares, provided that the board has the right, from time to time, to increase such number subject to the approval of the shareholders of the Company. Any shares subject to an option which for any reason is cancelled or terminated prior to exercise will be available for a subsequent grant under the Plan. The option price of any common shares cannot be less than the closing price of the shares on the day immediately preceding the day upon which the option is granted. Options granted under the Plan may be exercised during a period not exceeding five (5) years, subject to earlier termination upon the optionee ceasing to be an employee, senior officer, director or consultant of the Company or any of its affiliates, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. The options are non-transferable. The Plan contains provisions for adjustment in the number of shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the common shares, a merger or other relevant changes in the Company's capitalization. The board of directors may from time to time amend or revise the terms of the Plan or may terminate the Plan at any time.

### *Options granted*

The following table summarizes changes in options from December 1, 2010 to February 29, 2012:

Grant Date	Expiry Date	Exercise Price (\$)	Opening Balance	Granted	Exercised	Expired / Forfeited	Closing Balance	Vested and Exercisable	Unvested
Nov. 24, 2009	Nov. 24, 2014	0.10	367,196	-	(133,598)	(143,598)	90,000	90,000	-
Nov. 10, 2010	Nov. 11, 2012	0.10	491,402	-	(256,402)	-	235,000	235,000	-
Apr. 25, 2011	Apr. 1, 2013	0.20	-	845,000	-	(20,000)	845,000	730,000	115,000
Jan. 12, 2012	Oct. 1, 2013	0.20	-	1,055,000	-	-	1,055,000	836,665	218,335
Jan. 12, 2012	Jan. 1, 2014	0.20	-	527,500	-	-	527,500	309,165	218,335
Jan. 12, 2012	June 1, 2014	0.20	-	1,030,000	-	-	1,030,000	250,000	780,000
			858,598	3,477,500	(390,000)	(163,598)	3,782,500	2,450,830	1,331,670
Weighted average exercise price (\$)			0.10	0.20	0.10	0.11	0.19	0.19	0.20

### *Warrants summary:*

Issuance Date	No. of Warrants	Exercise Price	Expiry Date
November 1, 2010	2,639,290	\$0.20	November 1, 2012
December 22, 2010	5,075,000	\$0.40	December 22, 2012
February 8, 2011	3,512,500	\$0.40	February 8, 2013
March 23, 2011	2,300,000	\$0.40	March 23, 2013
April 27, 2011	761,250	\$0.40	April 27, 2013
June 13, 2011	526,875	\$0.40	June 13, 2013
July 28, 2011	345,000	\$0.40	July 28, 2013
December 29, 2011	1,075,000	\$0.50	December 29, 2013
March 22, 2012	1,000,000	\$0.25	March 22, 2016

*Compensation options summary:*

<u>Issuance Date</u>	<u>No. of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
December 22, 2010	492,000	\$0.20	December 22, 2012
February 8, 2011	312,000	\$0.20	February 8, 2013
March 23, 2011	216,000	\$0.20	March 23, 2013
December 29, 2011	52,500	\$0.20	December 29, 2013
March 22, 2012	80,000	\$0.20	March 22, 2016

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements or obligations other than mineral property option payments and exploration expenditures commitments.

#### RELATED PARTY TRANSACTIONS

During the period ended February 29, 2012, the Company entered into the following transactions with related parties:

- (a) The Company paid or accrued fees to its senior officers totaling \$70,750 (2011 - \$46,667). Included in due to related parties are amounts of \$44,844 (2011 - \$6,162) due to the senior officers with respect of such fees. These amounts are non-interest bearing and are due on demand.
- (b) The Company accrued directors fees totaling \$15,500 (2011 - \$nil) to directors of the Company for their services as directors. Included in due to related parties are amounts of \$75,000 (2011 - \$8,000) due to current and former directors as a group with respect of such fees. These amounts are non-interest bearing and are due on demand.
- (c) During the year ended November 30, 2010, the Company entered into an Assignment Agreement with Delta Uranium Inc. ("Delta") whereby the Company would acquire and assume Delta's interests and obligations in the Surluga Property (see "Results of Operations - Project Review" above). Also during that year, the Company entered into an agreement with Delta (the "Delta Augustine Agreement") whereby the Company agreed to pay the following consideration to Delta:

I - \$100,000 cash on execution of the Delta Augustine Agreement (which amount was paid in December 2010); and

II - 3,810,000 common shares in the capital of the Company valued at an estimated fair value of \$381,000, which shares were issued to Delta in December 2010.

The Company and Delta are related due to common officers, directors, shareholders and that Delta currently holds greater than 10% of the issued and outstanding common shares of the Company.

As at February 29, 2012, the Company extended a demand loan to Delta and the amount of \$299,840 (2011 - \$76,221) was due and receivable to the Company at period end. The indebtedness is unsecured, non interest bearing and due on demand.

The Company currently subleases its office space from Delta on a month to month basis at a rate of \$7,500 per month and is included in the rent and occupancy costs totaling \$22,500 (2011 - \$15,000).

(d) Key management personnel compensation during the period is comprised of:

	February 29, 2012	February 28, 2011
	(\$)	(\$)
Management and director fees	86,250	44,844
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
Share based payments	167,308	-

All transactions were in the normal course of operations and were recorded at exchange values established, which the consideration is agreed upon by the related parties.

## PROPOSED TRANSACTIONS

As is typical of the minerals exploration and development industry, the Company continues to review property and competitor company information in search of future opportunities in terms of new property acquisitions and business partnerships. Although no transactions are in progress currently, the Company endeavours to continue research into potential opportunities, and to keep business relationships open should opportunities arise.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ACCOUNTING POLICIES

### Critical Accounting Estimates and Judgements

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- (i) the recoverability of accounts receivable that are included in the unaudited condensed interim statements of financial position;
- (ii) the recoverability of exploration and evaluation expenditures incurred on the Company's property interests;
- (iii) 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 and such properties may be subject to prior agreements or transfers and title may be affected by undetected defects;
- (iv) the estimated useful lives and residual value of property and equipment which are included in the unaudited condensed interim statements and the related depreciation included in profit or loss;
- (v) the inputs used in accounting for share based payment transactions and in valuation of warrants included in financial assets at fair value through profit or loss;
- (vi) management's judgment in determining the functional currency of the Company as Canadian Dollars; and
- (vii) management's assumption that no material restoration, rehabilitation and environmental provisions were necessary, based on the facts and circumstances that existed during the period.

### Significant Accounting Policies

Please refer to Note 3 to the Company's unaudited condensed interim financial statements for a full discussion of its significant accounting policies.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The accounting policies set out in Note 3 in the Company's unaudited condensed interim financial statements have been applied consistently to all periods presented in these unaudited condensed interim financial statements. They also have been applied in preparing an opening IFRS statement of financial position at December 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1.

These unaudited condensed interim financial statements have been prepared on the basis of IFRS standards that are expected to be effective on November 30, 2012, the Company's first annual reporting date under IFRS. The Company has made certain assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ended November 30, 2012.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2010. Many are not applicable or do not have a significant impact on the Company and so have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company:

- (i) IFRS 9 Financial Instruments ("IFRS 9") - was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.
- (ii) IFRS 11 Joint Arrangements ("IFRS 11") - was issued by the IASB in May 2011 and will replace IAS 31 Interests in Joint Ventures and SIC Interpretation 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 is effective for annual period beginning on or after January 1, 2013.
- (iii) IFRS 12 Disclosure of Interests in Other Entities - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- (iv) IFRS 13 Fair Value Measurement - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash, sundry receivables, advances to a related party, accounts payable and accrued liabilities and due to related parties.

The fair value measurement of assets and liabilities recognized on the balance sheet are categorized into levels within a fair value hierarchy based on the nature of valuation inputs.

The fair value hierarchy has the following levels:

Level 1:	Quoted prices in active markets for identical assets or liabilities;
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3:	Inputs for the asset or liability that are not based on observable market data.

Cash is classified as Level 1 within the fair value hierarchy.

The fair values of sundry receivable and accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity of these instruments. The advances to related party and the amount due to related parties are non-interest bearing with no specific terms of repayment and due on demand. The fair values of these amounts have not been disclosed because the cash flow streams of the related party amounts are not determinable.

As of February 29, 2012, November 30, 2011 and December 1, 2010, the fair value of the Company's instruments, other than 'financial assets at fair value through profit and loss', approximate their carrying values due to their short-term nature.

## RISK FACTORS

### *Natural resource sector*

Investments in natural resource companies involve a significant degree of risk. The degree of risk increases substantially where the Company's properties are in the exploration as opposed to the development stage. The Company's property is in the exploration stage and is without a known body of commercial ore. The proposed exploration programs are for exploratory searches for ore.

### *Exploration and development*

Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines.

With respect to the Company's properties, should any ore reserves exist, substantial expenditures will be required to confirm ore reserves which are sufficient to commercially mine its current properties, and to obtain the required environmental approvals and permitting required to commence commercial operations. Should any resource be defined on such properties there can be no assurance that the mineral resources on such properties can be commercially mined or that the metallurgical processing will produce economically viable saleable products. The decision as to whether a property contains a commercial mineral deposit and should be brought into production will depend upon the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and/or geologists, all of which involves significant expense. This decision will involve consideration and evaluation of several significant factors including, but not limited to: (1) costs of bringing a property into production, including exploration and development work, preparation of production feasibility studies and construction of production facilities; (2) availability and costs of financing; (3) ongoing costs of production; (4) market prices for the minerals to be produced; (5) environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); and (6) political climate and/or governmental regulation and control.

The ability of the Company to sell, and profit from the sale of any eventual production from any of the Company's properties will be subject to the prevailing conditions in the marketplace at the time of sale. The global ore marketplace is unregulated and subject to changing attitudes of

consumers and other end-users on the basis of economic conditions. Many of these factors are beyond the control of the Company therefore represent a market risk which could impact the long term viability of Company and its operations.

#### *Flow through shares of the Company*

Flow through shares are intended to provide to the holders who acquire such shares certain Canadian income tax benefits as described herein. In the event that the Company does not incur sufficient expenditures as eligible CEE within the time specified in the agreements between the Company and such holders, such holders will not receive all or a portion of such benefits at all or for a particular taxation year when they expected to use such benefits. The factors that could contribute to the Company not incurring sufficient CEE include the potential lack of drilling equipment and the shortage of labour.

#### *Capitalization and commercial viability*

The Company will require additional funds to further explore and, if successful, develop and mine the Surluga Property and any additional properties that may be acquired. The Company may not have sufficient funds to carry out the completion of its exploration program, and may have to obtain other financing or raise additional funds. The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company to carry out the completion of all the activities of its exploration program, for additional exploration or for the substantial capital that is typically required in order to place a property into commercial production. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

#### *Title matters*

While the Company has performed its own due diligence with respect to title of the Surluga Property, this should not be construed as a guarantee of title. The Surluga Property may be subject to prior unregistered agreements of transfer or aboriginal land claims, and title may be affected by undetected defects.

#### *Competition*

Significant and increasing competition exists for mining opportunities internationally. There are a number of large established mining companies with substantial capabilities and far greater financial and technical resources than the Company. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable and there can be no assurance that the Company's exploration and acquisition programs will yield any new reserves or result in any commercial mining operation.

#### *Conflicts of interest*

Certain directors and officers of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulation, rules and policies.

### *No history of earnings*

The Company has no history of earnings, and there is no assurance that the Surluga Property or any other mineral properties that it may acquire will generate earnings, operate profitably or provide a return on investment in the future. The Company has not paid dividends in the past and has no plans to pay dividends for the foreseeable future. The future dividend policy of the Company will be determined by its directors.

### *Potential profitability depends upon factors beyond the control of the Company*

The potential profitability of mineral properties is dependent upon many factors beyond the Company's control. For instance, world prices of and markets for ore are unpredictable, highly volatile, potentially subject to governmental fixing, pegging and/or controls and respond to changes in domestic, international, political, social and economic environments. Another factor is that rates of recovery of ore may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a property. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways the Company cannot predict and are beyond the Company's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of the Company.

### *Environmental risks and other regulatory requirements*

The current or future operations of the Company require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

### *Operating hazards and uninsurable risks*

In the course of exploration, development and production of mineral properties, certain risks, including unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high

premiums or other reasons. Should such liabilities arise they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the securities of the Company.

The Company is not insured against most environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. The Company periodically evaluates the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds the Company has to pay such liabilities and result in bankruptcy. Should the Company be unable to fund fully the remedial cost of an environmental problem, it might be required to enter into interim compliance measures pending completion of the required remedy.

#### *Foreign countries and regulatory requirements*

The Company may acquire properties located in other countries where mineral exploration activities may be affected by varying degrees of political instability and haphazard changes in government regulations such as tax laws, business laws and mining laws. Any changes in regulations or shifts in political conditions would be beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, and mine safety.

#### *Currency fluctuations*

The Company maintains its accounts in Canadian currency. If the Company acquires properties in other countries, its operations may be subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company does not engage in currency hedging activities.

## **DISCLOSURE OF INTERNAL CONTROLS AND PROCEDURES**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the period presented by the unaudited condensed interim financial statements, and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, financial performance and cash flow of the Company, as of the date of and for the period presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information

required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

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

#### **SUBSEQUENT EVENT**

On March 22, 2012, the Company completed a non-brokered private placement of 1,000,000 Units at the price of \$0.20 per Unit in the capital of the Company for gross proceeds of \$200,000 (the "March Offering"). The securities issued pursuant to the March Offering are subject to a statutory four month hold period until July 23, 2012.

Each Unit is comprised of one (1) common share and one (1) common share purchase warrant (the "March Warrant"). Each March Warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.25 per common share at any time up to and including March 22, 2016.

In connection with the Offering, the Company paid finder's fees totalling \$16,000 cash and a total of 80,000 compensation options (the "March Compensation Options"). Each March Compensation Option entitles the holder thereof to acquire one (1) Unit at an exercise price of \$0.20 per Unit at any time up to and including March 22, 2016. All finder's fees and March Compensation Options were paid to parties acting at arm's length to the Company.