

## **RANDBURG INTERNATIONAL GOLD CORP.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED JANUARY 31, 2012**

The objective of this Management Discussion and Analysis Report ("MD&A") released by Randsburg International Gold Corp. (the "Company" or "Randsburg") is to allow the reader to assess our operating results as well as our financial position for the year ended January 31, 2012 compared to the year ended January 31, 2011. This report is based on all available information up to May 30, 2012 and should be read in conjunction with the consolidated financial statements for the year ended January 31, 2012, as well as the accompanying notes. The January 31, 2012 consolidated financial statements are the Company's first annual financial statements prepared under IFRS. Consequently, the comparative figures for 2011 have been restated from Canadian GAAP, to comply with IFRS. The reconciliations from the previously published Canadian GAAP financial statements are summarized in note 15 to consolidated financial statements. In addition IFRS allows certain exemptions from retrospective application of IFRS in the opening statement of financial position. Where these exemptions have been used they have also been explained in note 15 to the consolidated financial statements. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company discloses, on a regular basis, additional information on its operations, which is recorded on the System for Electronic Document Analysis and Retrieval ("SEDAR") in Canada at [www.sedar.com](http://www.sedar.com).

#### **Forward Looking Statement**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

The document may contain forward-looking statements that reflect management's current expectations with regards to future events. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ from expected results. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.

#### **Nature of Activities and Continuation of Exploration Activities**

Randsburg International Gold Corp. (the "Company") was incorporated under the laws of British Columbia. Its principal business activity is the acquisition and exploration of mineral property interests in Canada and South America. The Company has not determined whether its properties contain ore reserves which are economically recoverable. The recovery of the amounts shown for mining properties is dependent upon the existence of economically ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of its properties.

The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing or maintaining continued support from its Shareholders and creditors. The Company has not determined whether its properties contain ore reserves that are economically recoverable. The application of IFRS on a going concern basis may be inappropriate, since there is doubt as to the appropriateness of the going concern assumption.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the 2012 Consolidated Financial Statements. .

The shares of the Company are listed on the TSX Venture Exchange and are traded under the symbol RGZ.

## Highlights of the Period

During the period under review, Randsburg International Gold Corp. (the “Company”) continued to evaluate its Titan Project in Flett and Angus Townships in Ontario, Canada.

On August 11, 2011 the Company signed a Memorandum of Understanding (“MOU”) in respect of its Flett Project 100% interest in 10 claims covering an area of 5,440 acres. Under the terms of the MOU the purchaser can acquire an 80% interest in the property after a 45 day due diligence period by paying Randsburg \$50,000 upon signing a definitive agreement, making payments of \$90,000 in the first year, and \$25,000 per month thereafter up to \$2,000,000. In addition the purchaser must spend a minimum of \$200,000 on exploration and development work prior to June 30, 2012. The parties have been in discussions to conclude a definitive agreement; however to date the parties have been unable to reach a definitive agreement and there can be no assurance that the project will be funded by the purchaser.

### Titan Iron-Titanium-Vanadium Project - Flett and Angus Townships, Ontario, Canada

The Titan Project is an Iron-Titanium-Vanadium project located in Flett and Angus Townships in Ontario. The Titan Project comprises 1,310 contiguous hectares (3,240 acres) of 4 claims (123 units) and 17 patents. Flett and Angus Townships are located 120 kilometres northeast of Sudbury, Ontario and 50 kilometres north of the City of North Bay. The Project is subject to a 3% NSR that can be purchased by the Company for \$ 1,500,000.

On January 15, 2010 the Company announced that it had entered into a definitive agreement with Prophecy Resource Corp. (TSX-V: PCY) whereby Prophecy has been granted the option to earn an 80% interest in its Titan Project.

Under the agreement, Prophecy has the right to acquire an 80% interest in the Titan Project by paying Randsburg an aggregate of \$500,000 and incurring \$200,000 in Exploration Expenditures by December 31, 2010. Randsburg has the option to sell its remaining 20% interest in the project to Prophecy until December 31, 2012 for \$150,000 or 400,000 common shares of Prophecy. The Company has received \$500,000 in respect of the option, however Prophecy incurred \$85,258 in Exploration Expenditures in 2010 and agreed to pay Randsburg \$114,742 in lieu of the balance of the contractual 2010 Exploration Expenditures. Due to delays in development, the company wrote off costs of \$1,936,201, leaving the property at its net realizable value of \$350,000 as at January 31, 2011.

The Company has completed a NI43-101 Technical Report on the Titan Project (the “MDA Report”). The MDA Report, titled “Technical Report, Titan Project, Ontario Canada, dated November 7, 2006, Revised February 12, 2007, and Ownership Revised February 26, 2010”, was authored by Neil Prenn, P. Eng. of Mine Development Associates (Reno, Nevada) (“MDA”) as the Company disclosed in its news release of March 18, 2010. MDA stated that only inferred resources can be calculated for the project since the drill holes have not been surveyed and the recovery of saleable products and economics of the project have not been defined. The inferred resources for the project total 49.0 million tonnes grading 48% Fe<sub>2</sub>O<sub>3</sub> (iron oxide), 14.8% TiO<sub>2</sub> (titanium dioxide), and 0.24% V (vanadium). The estimate was prepared at a cut-off grade of 40% Fe<sub>2</sub>O<sub>3</sub> and a specific gravity of 4.29 g/cm<sup>3</sup>. The MDA Report was filed on Sedar and readers can access it at [www.sedar.com](http://www.sedar.com). The results of the vanadium and titanium dioxide independent resource estimate are summarized in the following table:

<b>Mineral Resource Estimate for Titan (at a cut-off of 40% Fe<sub>2</sub>O<sub>3</sub>)</b>					
Resource Category	Tonnes (millions)	V Grade (%)	TiO <sub>2</sub> Grade (%)	Vanadium Contained Lbs*	TiO <sub>2</sub> Contained Tonnes*
Inferred	49.0	0.24	14.82	259,174,729	7,259,310

- Metal recoveries were assumed to be 100% for both vanadium and titanium oxide.

The MDA Report used the following methodologies and key assumptions: Grades for Fe<sub>2</sub>O<sub>3</sub>, TiO<sub>2</sub>, and V were interpolated by ordinary kriging into 5 x 5 x 10 metre blocks from 10 metre composites from mineralized zones. These kriged block grades were compared to grades estimated by inverse distance methods and were essentially the same globally. A minimum of one composite and a maximum of nine composites were used to interpolate grades. Since the economics and recoveries of the different materials contained in the mineralized zone have not been defined all of the material estimated within the high-grade mineralization boundary (approximately a 40% Fe<sub>2</sub>O<sub>3</sub> cutoff grade) and within the variogram range of 108 metres from a composite has been defined as an inferred resource.

The MDA Report concludes that the next phase of work should concentrate on the metallurgy of the deposit. Testing utilizing both Altairnano's new technology and conventional technology should be completed. The metallurgical program should be designed by an independent metallurgist after reviewing the data. The drill holes and project area should be surveyed to obtain more accurate drill hole coordinates and site topography. A surface geologic map should be completed utilizing methods to clear the soil and till to expose the surface geology where required. Additional surface drilling should be completed in open areas. This work should lead to a preliminary assessment of the Titan Project.

The Titan Property is well located in terms of infrastructure. The Ontario Northland Railway main line runs right next to the property, a major high voltage transmission line is 7 kilometres away and Highway 11, the major highway linking Northern and Southern Ontario is 18 kilometres to the west. There is a large work force available in the area and the property is close to major North American markets for iron and titanium.

Titan is located at the extreme northeast end of the Fall Lake intrusive and is delineated by very high magnetic susceptibility. The airborne magnetic signature shows a sub-circular surface expression that is 1,000 by 800 metres in area. The mineralization is known to be located in the northern portion of the magnetic anomaly, and it has a steep plunge towards the south-southeast.

The Titan mineralization is formed by the hydrothermal replacement of mafic to ultramafic rock complex that is a younger part of the Grenville Metamorphic Terrain. The host rock is a fine-grained olivine gabbro, with possible troctolitic overtones. Magnetite, ilmenite and a vanadium mineral make up most of the economic minerals that are present in the mineralized system. There is also the potential for the occurrence of platinum group metals along the margins of the mafic and ultramafic intrusives in Angus Township and adjacent Flett Township. At Titan, slightly anomalous values for platinum, palladium and gold have been returned in assays.

Exploration findings during 2004 and 2005 included:

- The magnetite-ilmenite mineralization is present as a body that plunges steeply towards the southeast. Its character south of 5190100N is little known due to relatively widespread wet ground. Relatively strong magnetism extends southeasterly.
- Titanium and Vanadium are present in the intrusive complex away from the areas of pronounced magnetite content although in lower amounts.
- Susceptibility and assay data generally correlate directly.
- At present the mineralization is open, in part, towards the east, towards the west, the south and to depth.

Prophecy conducted an exploration program on the Titan Project encompassing geophysics and geological mapping during the summer of 2010. The program comprised approximately 22 line kilometres of line cutting that extended the existing grid west and southwest of the Titan deposit. A ground magnetometer survey was conducted over this extension to close off the airborne magnetic anomaly associated with the deposit, and to test the broader extensions highlighted in the airborne survey.

The grid provided control for geological mapping that was conducted to ascertain any trends with focus on determining the nature of the Platinum-Palladium mineralization intersected in previous drilling, and whether there are any expressions of this mineralization at surface. All work conducted is in preparation for drilling targeted to increase the existing 49 million tonne inferred resource, and possibly discover other zones of exploration interest.

The Titan Project is being conducted under the supervision of Ken Germundson, Ph.D, Professional Geoscientist, the Company's Qualified Person under the meaning of National Instrument 43-101. The drill logs, cores and assay results have been reviewed and verified by Dr. Germundson.

**Flett and Angus Township, Ontario Canada**

The Company holds a 100% interest, subject to a 3% NSR, in certain claims located in Flett Township contiguous to the Titan Project.

**Blue Falcon Property**

On February 18, 2009, the Company's 85% owned subsidiary company Blue Falcon Mineracao Ltda. entered into an agreement to acquire a 50% to 75% interest in certain mining claims located in Goias State, Brazil from a private Brazilian company. In addition the Company would acquire a 50% interest in related plant and equipment.

The Company has declared "force majeure" in respect of its obligations under an option agreement which has expired due to flooding on the claims caused by a hydroelectric project. The Company expects that the delay caused by "force majeure" to be determined by legal clarification of allowable mineral exploration and mining activities on the claims in the circumstances. The Company is required to pay up to US\$120,000 in additional fees in order to acquire its interest in the claims. The Company has advised its partner that no further payments will be made until the issue of "force majeure" is resolved to the Company's satisfaction. During the fourth quarter of 2011 the Company has written off its interests in these claims in the amount of \$214,283. The Company still maintains other claims at a cost of \$30,000 as at January 31, 2011.

**Selected Annual Information**

	<b>Years ended January 31</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
Interest revenue	-	-
Income (Loss)	(36,961)	(2,281,640)
Per share-basic and fully-diluted	(0.00)	(0.10)
Total assets	232,691	413,454

**Results of Operations**

*For the Years ended January 31*

	<b>2012</b>	<b>2011</b>
	\$	\$
Amortization	195	544
Consulting fees	29,664	24,194
Financing fees	1,450	-
Listings and transfer agents fees	27,104	17,256
Interest and bank charges	23,088	25,417
Interest on loan payable	16,764	24,254
Management fees	144,000	156,000
Office and miscellaneous	12,423	19,440
Professional fees	63,500	122,300
Share-based payments	35,650	-
General exploration expenditures	26,384	-
	<u>(380,222)</u>	<u>(389,405)</u>
<b>Other items</b>		
Gain (loss) on sale of marketable securities	-	4,155
Option payment	114,742	-
Write off of mineral property interests	-	(2,150,484)
Cost recoveries	228,519	254,094
Loss and comprehensive loss for the year	<u>(36,961)</u>	<u>(2,281,640)</u>

Comparison of 2012 results to 2011 results:

- a) The decrease in operating expenses in 2012 as compared to 2011 is primarily due to a general reduction in operating expenses including a reduction in professional fees by \$58,800 which is offset by a stock-based compensation of \$35,650 granted during the year.
- b) In addition the Company received an option payment of \$114,742 which has been recorded as income because the property had been written down to \$350,000 in fiscal 2011.

Comparison of 2011 results to 2010 results: The reduction in expenses in 2011 as compared to the previous year was due to the following factors:

- a) Finders' fees of \$25,561 were charged in 2010 for the term loan secured by the Titan property.
- b) A decrease in stock-based compensation of \$104,128 for stock options as none were granted or vested in 2011.
- c) An increase in Cost recoveries of \$224,501 from accounts payable and accrued liabilities greater than 2 years old as compared to \$29,593 in 2010.
- d) During 2011, the Company wrote off its investments in its Flett & Angus Township Property by \$1,936,201 and it's Blue Falcon Property by \$214,283 to their net realizable value. In 2010, the Company wrote off its Victory Strike property by \$2,308,161.

***For the three months ended January 31, 2012 and 2011:***

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Amortization	45	304
Consulting fees	2,050	6,194
Financing charges	1,450	-
General exploration expenditures	26,384	-
Listings and transfer agents fees	8,784	308
Interest and bank charges	4,863	15,704
Interest on loan payable	-	3,912
Management fees	36,000	39,000
Office and miscellaneous	(14,311)	8,674
Professional fees	25,000	71,170
Stock-based payments	13,800	-
	<u>(104,065)</u>	<u>(145,266)</u>
<b>Other items</b>		
Gain (loss) on sale of marketable securities	-	4,155
Option payment	114,742	-
Foreign exchange gain(loss)	-	(6)
Gain on sale of property interest	(200,000)	-
Cost recoveries	228,519	254,094
Write off of mineral property interests	-	(2,150,484)
<b>Income/Loss and comprehensive income/loss for the period</b>	<u><b>39,196</b></u>	<u><b>(2,037,507)</b></u>

Comparison of 2012 results to 2011 results:

- a) The decrease in operating expenses in 2012 as compared to 2011 is primarily due to a general reduction in operating expenses including a reduction in professional fees by \$46,710.
- b) In addition Cost Recoveries of \$228,519 were recorded as compared to \$254,094 in fiscal 2011.

Comparison of 2011 results to 2010 results:

- a) There were no interest charges on the loan payable in the quarter ending in 2011 as the loan was discharged on April 30, 2011.
- b) Professional fees were lower by \$22,130 in 2011.

**Summary of Quarterly Results**

	<b>Q4-12</b>	<b>Q3-12</b>	<b>Q2-12</b>	<b>Q1-12</b>	<b>Q4-11</b>	<b>Q3-11</b>	<b>Q2-11</b>	<b>Q1-11</b>
<b>Revenue</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Net income (loss) (\$)</b>	39,196	(66,311)	73,437	(83,283)	(2,037,507)	(60,071)	(99,632)	(84,430)
<b>Per share (\$)</b>	0.0010	(0.003)	0.003	(0.003)	(0.088)	(0.003)	(0.005)	(0.004)

The income in the fourth quarter of 2012 reflects a continuing reduction in general operating expenses. The loss for the third quarter of 2012 reflect a reduction from 2011 due primarily to the settlement of the loan payable in quarter 2 of 2011. The net income for the second quarter of 2012 reflects a gain of \$200,000 due to an option payment received in the quarter. The loss for the first quarter of fiscal 2012 which is slightly less than the same quarter in

2011 which includes interest on the loan payable of \$16,764 as compared to \$8,489 in 2011. The loss for the fourth quarter of fiscal 2011 is primarily due to the write down of the Flett & Angus and Blue Falcon Property for \$2,150,484 offset by cost recoveries of \$254,094 from writing off debt more than two years old which management believes are unenforceable. The loss for the third quarter of 2011 is due to ongoing management fees and interest charges. The loss for the second quarter of 2011 is due to an increase in management and professional fees. The loss in the first quarter of 2011 is primarily due to an increase in management and professional fees.

### **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.

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 current exploration programs and therefore, the Company is not able to forecast future cash requirements. The Company will require additional financing to fund its operations and complete exploration programs in 2012 and future years.

During the year ended January 31, 2010, the Company sold an 80% interest in its Titan project to Prophecy which is mortgaged as collateral on the above loan. Accordingly, the Company is to receive an additional \$200,000 from Prophecy to be against the final payment on the loan. Prophecy made the payment of \$200,000 in settlement of the loan on May 17, 2011.

	2012	2011
<b>Loan Payable</b>	\$ -	\$ 205,000
<b>Valuation of warrants</b>	-	(43,183)
<b>Accretion</b>	-	21,419
	<u>\$ -</u>	<u>\$ 183,236</u>

As at January 31, 2012, the Company had working capital deficit of \$677,010, a contingent liability of \$63,451 for its failure to make required flow-through expenditures (see "Contingencies") and cash of \$16,722. This compares to a working capital deficit of \$911,139 and cash of \$406 as at January 31, 2011. The decrease in the working capital deficit is primarily due to a private placement of \$220,000 and the use of funds from operations of \$232,795. The proceeds from an option payment received in the year of \$200,000 was used to repay the loan payable which had an original face value of \$205,000.

### **Risks and Uncertainties**

The Company is in the exploration stage and has not yet determined whether its mineral resource properties contain reserves that are economically recoverable. In addition, the Company has a working capital deficit of \$677,010 and a contingent liability for its failure to make required flow-through expenditures (see "Contingencies"). The continued operations of the Company and the recoverability of amounts shown for mineral resource properties is dependent upon the ability of the Company to obtain financing to finance its operations and to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties.

The Company is subject to numerous risk factors that may affect its business prospects in the future. These risks include, but are not limited to, the Company's access to additional capital to fund future activities, the loss of mineral properties or the inability to obtain mining licenses, the inherently risky nature of the Company's activities and its lack of experience in bringing an exploration property into production, foreign exchange fluctuations, the political stability and economic uncertainty of those areas in which the Company carries on operations and the lack of infrastructure in those areas, title risks, the risks and uncertainties associated with joint ventures and the Company's reliance on third parties, statutory and regulatory compliance, the adequacy and availability of insurance coverage, the Company's dependence upon employees and consultants and fluctuations in mineral prices.

## Significant Accounting Policies

### Basis of preparation, adoption of IFRS and going concern

IFRS has replaced Canadian generally accepted accounting principles ("Canadian GAAP") for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011. These are the Company's first audited annual consolidated financial statements for the year ended January 31, 2012 to be presented in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). IFRS 1 First-Time Adoption of IFRS ("IFRS 1") has been applied and the impact of the transition from Canadian GAAP to IFRS is explained in note 15 of the Company's 2012 Audited Annual Consolidated Financial Statements..

The accounting policies set out below have been applied consistently to all periods presented, including the opening statement of financial position at February 1, 2010 for purposes of transition to IFRS.

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial reporting periods beginning on or after January 1, 2011. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these financial statements the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet in effective for the relevant reporting periods.

- IFRS 9 '*Financial Instruments: Classification and Measurement*' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements*' – effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements*' effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, require the disclosure of information that enables the user 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.
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, provides guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 1 – Presentation of financial statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.



- In October 2011, the IASB issued International Financial Reporting Interpretation Committee (IFRIC) 20 Stripping Costs in the production Phase of a Surface Mine. This interpretation requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. Retrospective application of this interpretation is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this interpretation.

The Company has not early adopted these standards, amendments and interpretations however, the Company is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company.

### **Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its 85% interests in Diadem Mineraco Ltda. (“Diadem”) and Blue Falcon Extracao Mineral Ltda. (“Blue Falcon”), located in Brazil. All inter-company balances and transactions have been eliminated upon consolidation.

### **Share based payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of the grant, using the Black-Scholes pricing model, and is recognized over vesting period. Consideration paid for the shares on the exercise of the stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods and services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods and services received.

### **Marketable securities**

Marketable securities are valued at fair value using the last bid price.

### **Mineral property interests**

The Company records its mining assets, including wholly-owned mining properties, undivided interests in mining properties and deferred exploration costs, at cost less certain recoveries.

Exploration costs are capitalized on the basis of specific mining property or areas of geological interest until the mining assets to which they relate are placed into production, sold or are allowed to lapse.

General exploration costs not related to specific mining assets are expensed in the statement of comprehensive loss as incurred.

The recoverability of the amounts recorded under mining properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing needed to complete development, and future profitable production or proceeds from disposal of these assets. The amounts shown for mining properties and deferred exploration costs are not necessarily indicative of present or future values.

## **Equipment**

Equipment is recorded at cost. Amortization based on the estimated useful life of the assets, is provided as follows:

Geological & satellite communication equipment	20% declining balance
--	-----------------------

## **Impairment of assets**

Mining properties and exploration costs are tested for impairment when events or changes in circumstances indicate that the carrying may be impaired. If management has not enough information to estimate future cash flows to evaluate recoverability of capitalized amounts, the management compares the fair value and the carrying value. Management also considers whether results for exploration work justify further investments, the confirmation of the interest of the Company in the mining claims, the ability of the Company to obtain the necessary financing to complete the future development or if the disposal of the properties for proceeds is in excess of their carrying value.

## **Income taxes**

Income tax on profits or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates, enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the asset and liabilities, using the tax rates enacted or substantially enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## **Basic and diluted loss per share**

The Company presents basic loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. The effect of potential issuances of shares under stock options and warrants would be anti-dilutive, and accordingly basic and diluted loss per share are the same.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash and term deposits with original maturity dates of less than three months.

### **Provisions, Contingent liabilities and contingent assets**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

### **Decommissioning, restoration and similar liabilities (“Asset retirement obligation” or “ARO”)**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations including those associated with the reclamation of mineral properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the asset. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production or the straight-line method as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

### **Equity**

Share capital represents the amount received on the issuance of shares, less issue costs.

Reserve for share based payments includes charges related to share-based payments until the exercise of options issued as compensation and it also includes warrants granted until the exercise of these warrants.

Deficit includes all current and prior period losses, except for other comprehensive losses that are included in accumulated other comprehensive income or loss.

### **Flow-through shares**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without the flow-through feature at the time of issue is credited to other liabilities and as a reduction of deferred tax expense when the obligation is fulfilled, at the time the eligible expenditures are incurred and there is intention to renounce.

### **Functional currency and foreign operations**

IFRS requires that the functional currency of each entity in the consolidated Group be determined separately in accordance with the indicators as per IAS 21 – *Foreign exchange* and should be measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The group’s functional currency is the Brazilian real (“Real”) for operations in Brazil and the Canadian dollar (“CDN”) for operations in Canada. The consolidated financial statements are presented in Canadian dollars which is the group’s presentation currency.

Under IFRS, the results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive loss and the cumulative effect as a separate component of equity.

### **Financial instruments**

#### **Financial assets:**

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Measurement in subsequent periods depends on the classification of the financial instrument.

Financial assets are classified into the following categories: financial assets ‘at fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity investments’, ‘available-for-sale’ and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### **i) Financial assets at fair value through profit or loss (FVTPL)**

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of loss.

The Company’s financial assets classified as FVTPL include cash and cash equivalents and its marketable securities. The Company does not currently hold any derivative instruments or apply hedge accounting.

#### **ii) Available-for-sale financial assets**

Financial assets are classified as available-for-sale when so designated by management. Financial assets classified as available-for-sale are measured at fair value, with changes recognized in the other comprehensive income.

#### **iii) Loans and receivables**

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Receivables are classified as loans and receivables.

#### **Financial liabilities:**

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

#### **Other financial liabilities:**

Other financial liabilities are financial liabilities that are not classified as FVTPL and are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, other financial liabilities that are not subject to hedge accounting, are measured at amortized cost using the effective interest method.

Amounts payable and other liabilities, Liability related to flow-through shares, due to related parties, and loan payable are classified as other financial liabilities. The Company does not currently apply hedge accounting.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

The Company's financial instruments consist of the following:

<b>Financial assets:</b>	<b>Classification:</b>
Cash and cash equivalents	FVTPL
Marketable securities	FVTPL
Receivables	Loans and receivables
<b>Financial liabilities: Classification:</b>	
Accounts payable and other liabilities	Other financial liabilities
Liability related to flow-through shares	Other financial liabilities
Due to related parties	Other financial liabilities
Loan payable	Other financial liabilities

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When an accounts or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). As of January 31, 2012 and January 31, 2011, the only financial assets or liability measured at fair value is the Company's cash and cash equivalents. As of February 1, 2010, the financial assets or liability measured at fair value were the Company's cash and cash equivalents and it marketable securities.

Cash and cash equivalents are considered Level 1 for purposes of the fair value hierarchy.

### **Accounting estimates and critical judgments**

The preparation of financial statements requires management to make estimates, assumptions and judgements about future events. These estimates and judgements are constantly challenged. They are based on past experience and other factors, particularly, forecasts of future events that are reasonable in the circumstances. The actual results are likely to differ from the estimates, assumptions and judgments made by management, and may not equal estimated results.

The following paragraphs describes the most critical management estimates and assumptions in the recognition of assets, liabilities and expenses and the most critical management judgement's in applying accounting policies:

#### **Impairment of assets**

An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its fair value. Management reviews on a regular basis the impairment assessment of its Mineral property interests without a recovery test as disclosed in the Company's 2012 Annual Consolidated Financial Statements.

#### **Share based payments**

The estimation of share-based payment costs require the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share price, the probable life of options, the time of exercise of those options and expected extinguishments. The valuation model used by the Company is Black-Scholes.

#### **Income taxes and deferred taxes**

The Company is subject to taxes from different tax jurisdictions. It maintains allowances for uncertain tax positions that, in its opinion, appropriately reflect the risks related to the tax positions related to the tax positions subject to discussions, audits, differences of opinion and appeals with the tax authorities or that are otherwise uncertain. These allowances are determined using best estimates of the amounts payable based on a qualitative assessment of all relevant information. These allowances are reassessed at the end of each financial reporting period to determine if the amount is sufficient. However, audits by the tax authorities could subsequently result in an additional liability.

## Transition to IFRS

The Company's financial statements for the year ended **January 31, 2012** are the Company's first annual financial statements that comply with IFRS. These consolidated financial statements were prepared as described in note 2 of the financial statements, including the applicable IFRS 1. The effect of the transition to IFRS on equity, comprehensive income and cash flows is presented and described in this note, and is explained in greater detail in the notes associated with the tables.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was **February 1, 2010** (the "transition date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS as of the end of the reporting date, which for the Company will be **January 31, 2012**. However, it also provides for certain optional exemptions and certain mandatory exemptions.

### *Overview*

As stated in Significant Accounting Policies, which are summarized above, the consolidated financial statements, were prepared in accordance with IFRS as issued by the IASB.

The policies set out in the Significant Accounting Policies section have been applied in preparing the financial statements for the years ended January 31, 2012 and 2011 and in the preparation of an opening IFRS statement of financial position at February 1, 2010 (the Company's Transition Date).

### *(ii) First-time adoption of IFRS*

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at February 1, 2010, the Company's Transition Date.

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company's Transition Date IFRS consolidated statement of financial position is included as comparative information in the consolidated statements of financial position in these financial statements.

### *(iii) Changes to accounting policies*

The Company has changed certain accounting policies to be consistent with IFRS as effective on January 31, 2012, the Company's first annual IFRS reporting date. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its consolidated financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

#### Impairment of (non-financial) assets

IFRS requires a write down of assets if the recoverable amount, being the higher of (i) fair value less cost to sell and (ii) the value in use of a group of assets is less than its carrying value. Value in use is determined using

discounted estimated future cash flows. Previous Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

#### Share based payment

As stated in the section entitled "IFRS optional exemptions applied at the time of the Transition", the Company has elected to apply IFRS 2 to equity instruments that were granted before the date of transition but that were not entirely vested at the time; however there is no adjustment required.

#### Recognition of expense

*Canadian GAAP* – For grants of share-based payments with granting vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary for the award.

*IFRS* – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As a result, there is no adjustment required to expense for any share-based-payment to reflect the difference in recognition.

#### Forfeitures

*Canadian GAAP* – Forfeitures of awards are recognized as they occur.

*IFRS* – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from estimates.

On the transition date, there has been no increase or decrease in its deficit by corresponding to the increase of the share - based payment expenses which were recorded before the transition date resulting in no increase or decrease of the reserves for share-based payments by the equivalent amount. Thus, the effect on equity is nil.

#### **Reconciliation of Canadian GAAP to IFRS**

IFRS requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an impact on the total operating, financing or investing cash flows. The following presents the reconciliation from Canadian GAAP to IFRS for the respective periods noted for equity, the statement of net loss and comprehensive loss:



**Reconciliation of Equity**

For the periods ended:	<b>January 31, 2011</b>	<b>February 1, 2010</b>
Equity under Canadian GAAP	\$ (713,323)	\$ 1,568,317
Impact of the transition to IFRS:		
1. Share-based payment	-	-
2. Flow-through shares	-	-
Total (Deficiency) Equity under IFRS	\$(713,323)	\$ 1,568,317

**Reconciliation of the statement of net loss and comprehensive loss**

For the periods ended:	<b>January 31, 2011</b>
The statement of loss and comprehensive loss under Canadian GAAP	\$ (2,281,640)
Impact of the transition to IFRS:	
1. Share-based payment	-
2. Flow-through shares	-
The statement of net loss and comprehensive loss under IFRS	\$ (2,281,640)

**Reconciliation of the financial statements previously presented under Canadian GAAP to the financial statements prepared under IFRS.**

The following are reconciliations of the financial statements presented under Canadian GAAP to the financial Statements under IFRS.

**Reconciliation of the statement of financial position as at February 1, 2010**

<u>Canadian GAAP accounts</u>	Canadian GAAP balance \$	IFRS Adjustments \$	IFRS Balance \$	<u>IFRS accounts</u>
<b>ASSETS</b>				<b>Assets</b>
<b>Current assets</b>				<b>Current assets</b>
Cash and cash equivalents	72,990	-	72,990	Cash and cash equivalents
Receivables	10,671	-	10,671	Receivables
Marketable securities	<u>1,425</u>	-	<u>1,425</u>	Marketable securities
	<u>85,086</u>	-	<u>85,086</u>	
Mineral property interests	2,584,789	-	2,584,789	Mining property interests
Equipment	<u>1,596</u>	-	<u>1,596</u>	Equipment
	<u>2,586,385</u>	-	<u>2,586,385</u>	
	<u>671,471</u>	-	<u>2,671,471</u>	<b>TOTAL ASSETS</b>
<b>Liabilities</b>				<b>LIABILITIES</b>
<b>Current liabilities</b>				<b>Current liabilities</b>
Accounts payable and accrued liabilities	556,750	-	556,750	Accounts payable and accrued liabilities
Liability related to flow-through shares	256,451	-	256,451	Liability related flow-through shares
Due to related parties	<u>130,972</u>	-	<u>130,972</u>	Due to related parties
	944,173	-	944,173	
Loan payable	<u>158,981</u>	-	<u>158,981</u>	Loan payable
	<u>1,103,154</u>	-	<u>1,103,154</u>	<b>Total Liabilities</b>
<b>Shareholders' equity</b>				<b>EQUITY</b>
Capital stock	13,536,495	-	13,536,495	Share capital
Contributed surplus	3,302,704	-	3,302,704	Reserves
Deficit	<u>(15,270,882)</u>	-	<u>(15,270,882)</u>	Deficit
	<u>1,568,317</u>	-	<u>1,568,317</u>	<b>TOTAL EQUITY</b>
	<u>2,671,471</u>	-	<u>2,671,471</u>	<b>TOTAL LIABILITIES AND EQUITY</b>

**Reconciliation of the statement of net loss and comprehensive loss for the year ended January 31, 2011**

<u>Canadian GAAP accounts</u>	Canadian GAAP <u>balance</u> \$	IFRS <u>adjustments</u> \$	IFRS <u>Balance</u> \$	<u>IFRS accounts</u>
<b>Administrative Expenses</b>				<b>Administrative expenses</b>
Amortization	544	-	544	Amortization
Consulting	24,194	-	24,194	Consulting
Interest and bank charges	25,417	-	25,417	Interest and bank charges
Interest on loan payable	24,254	-	24,254	Interest on loan payable
Listing and transfer agents fees	17,256	-	17,256	Listing and transfer agent's fees
Management fees	156,000	-	156,000	Management fees
Office and miscellaneous	19,440	-	19,440	Office and miscellaneous
Professional fees	<u>122,300</u>	<u>-</u>	<u>122,300</u>	Professional fees
	<u>( 389,405)</u>	<u>-</u>	<u>(389,405)</u>	<b>OPERATING LOSS</b>
<b>Other income (expenses)</b>				<b>Other income</b>
Gain on sale of marketable securities	4,155	-	4,155	Gain on sale of marketable securities
Cost recoveries	254,094	-	254,094	Cost recoveries
Write off of mineral property				Write off of mineral property
Interests	<u>(2,150,484)</u>	<u>-</u>	<u>(2,150,484)</u>	Interests
Net loss and comprehensive loss	<u>(2,281,640)</u>	<u>-</u>	<u>(2,281,640)</u>	<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>
Basic and diluted loss per share	<u>(0.100)</u>	<u>-</u>	<u>(0.100)</u>	<b>BASIC ( LOSS) PER SHARE</b>
Weighted average number of shares outstanding	<u>23,873,940</u>	<u>-</u>	<u>23,873,940</u>	<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>

**Reconciliation of the statement of financial position as at January 31, 2011**

<u>Canadian GAAP accounts</u>	Canadian GAAP <u>balance</u> \$	IFRS <u>adjustments</u> \$	IFRS <u>Balance</u> \$	<u>IFRS accounts</u>
<b>ASSETS</b>				<b>ASSETS</b>
<b>Current assets</b>				<b>Current assets</b>
Cash and cash equivalents	406	-	406	Cash and cash equivalents
Receivables	<u>31,996</u>	-	<u>31,996</u>	Receivables
	<u>32,402</u>	-	<u>32,402</u>	
Mineral property interests	380,000	-	380,000	Mining property interests
Equipment	<u>1,052</u>	-	<u>1,052</u>	Equipment
	<u>381,052</u>	-	<u>381,052</u>	
	<u>413,454</u>	-	<u>413,454</u>	<b>TOTAL ASSETS</b>
<b>LIABILITIES</b>				<b>LIABILITIES</b>
<b>Current liabilities</b>				<b>Current liabilities</b>
Accounts payable and accrued Liabilities	412,672	-	412,672	Accounts payable and accrued liabilities
Liability related to flow-through shares	256,451	-	256,451	Liability related to flow-through shares
Due to related parties	<u>274,418</u>	-	<u>274,418</u>	Due to related parties
	943,541	-	943,451	
Loan payable	<u>183,236</u>	-	<u>183,236</u>	Loan payable
	<u>1,126,777</u>	-	<u>1,126,777</u>	<b>TOTAL LIABILITIES</b>
<b>Shareholders' equity</b>				<b>EQUITY</b>
Capital stock	13,536,495	-	13,536,495	Share capital
Contributed surplus	3,302,704	-	3,302,704	Reserves
Deficit	<u>17,552,522</u>	-	<u>(17,552,522)</u>	Deficit
	<u>(713,323)</u>	-	<u>(713,323)</u>	<b>TOTAL EQUITY</b>
	<u>413,454</u>	-	<u>413,454</u>	<b>TOTAL LIABILITIES AND EQUITY</b>

**Reconciliation of the statement of cash flow for the year ended January 31, 2011.**

<u>Canadian GAAP accounts</u>	<u>Canadian GAAP balance</u>	<u>IFRS adjustments</u>	<u>IFRS Balance</u>	<u>IFRS accounts</u>
	\$	\$	\$	
<b>Cash flows from operating activities</b>				<b>Cash flows from operating activities</b>
Loss for the year	(2,281,640)	-	(2,281,640)	Loss for the year
Items not involving cash:				
Amortization	544	-	544	Amortization
Gain on sale of marketable securities	(4,155)	-	(4,155)	Gain on sale of marketable securities
Write off of mineral property	2,150,484	-	2,150,484	Write off of mineral property interests
Accretion on loan payable	24,255	-	24,255	Accretion on loan payable
Cost recoveries	(254,094)	-	(254,094)	Cost recoveries
Changes in non-cash working capital items:				Changes in non-cash working capital items
Capital items:				
Decrease (increase) in receivables	(21,325)	-	(21,325)	Decrease (increase) in receivables
Increase in due to related parties	143,446	-	143,446	Increase in due to related parties
(Decrease) increase in accounts payable and accrued liabilities	<u>110,016</u>	<u>-</u>	<u>110,016</u>	(Decrease) increase in accounts payable and accrued liabilities
Net cash used in operating activities	<u>(132,469)</u>	<u>-</u>	<u>(132,469)</u>	Net cash used in operating activities
Cash flows from investing activities				Cash flows from investing activities
Mineral property interests	(45,695)	-	(45,695)	Mineral property interests
Option payment	100,000	-	100,000	Option payment
Proceeds on sale of marketable activities	<u>5,580</u>	<u>-</u>	<u>5,580</u>	Proceeds on sale of marketable activities
Net cash provided by investing activities	<u>59,885</u>	<u>-</u>	<u>59,885</u>	Net cash provided by investing activities
<b>Changes in cash and cash equivalents for the year</b>	<b>(72,584)</b>	<b>-</b>	<b>(72,584)</b>	<b>Changes in cash and cash equivalents for the year</b>
<b>Cash and cash equivalents, Beginning of year</b>	<u>72,990</u>	<u>-</u>	<u>72,990</u>	<b>Cash and cash equivalents, Beginning of year</b>
<b>Cash and cash equivalents, End of year</b>	<u><u>406</u></u>	<u><u>-</u></u>	<u><u>406</u></u>	<b>Cash and cash equivalents, End of year</b>

### Related Party Transactions

During the year ended January 31, 2012 and 2011, the Company entered into the following transactions with related parties not disclosed elsewhere in the financial statements:

- a) Paid or accrued management fees of \$144,000 (2011 - \$156,000) to two directors of the Company; Michael Opara \$120,000 (2011- 120,000), and Matthew Chodorowicz – \$24,000 (2011- \$36,000).
- b) Accrued interest of \$32,702 (2011 - \$33,956) to a director, George Van Voorhis III \$22,273; (2011- \$16,516) and Elena Opara, a person related to the president of the Company \$10,429; (2011- \$17,440)

As at January 31, 2012 and January 31, 2011, due to related parties includes the following:

	January 31, 2012	January 31, 2011
Advances from a director, George Van Voorhis III of \$30,026 (2011 - \$30,026), that bears interest at an annual rate of 12%, are unsecured, and have no fixed terms of repayment. The total includes accrued interest of \$22,273 (2011 - \$16,516).	\$ 52,295	\$ 46,542
Advances net of repayment from Elena Opara, a person related to the president of the Company that bears interest at an annual rate of 18% and have no fixed terms of repayment. The advances are secured by the Company's equity interest in its subsidiary Blue Falcon, as well as a General Security. The total includes accrued interest of \$10,429; (2011 - \$17,440).	53,452	69,258
Advances due to a director, Matthew Chodorowicz that are unsecured, non-interest bearing and have no fixed terms of repayment.	68,078	64,073
Amounts due to the President and a company controlled by the president and director, Michael Opara that are unsecured, non-interest bearing and have no fix terms of repayment.	<u>131,649</u>	<u>94,545</u>
	<u>\$ 305,474</u>	<u>\$ 274,418</u>

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

### Commitments and Contingencies

During 2005, an individual brought a claim against the Company alleging entitlement to incentive stock options. The individual is seeking damages of \$500,000. In the opinion of management the claim is without merit and no provision has been made in the accounts of the Company.

In December 2005, a legal action was commenced against the Company by a company that assisted in constructing roads for the Company at its Titan project in Flett and Angus Township, Ontario. The amount of the claim is for \$106,782, plus accrued interest. While the Company has accrued for the principal of these invoices in its consolidated financial statements, the Company disputes the total amount that was charged and the quality of the work provided and has filed a defence in this action.

### Additional Disclosure for Venture Issuers without Significant Revenue

The following table sets forth a breakdown of material components of capitalized exploration and development costs:

2012	Blue Falcon Property	McClintock & Livingston Townships	Flett & Angus Townships	Victory Strike	Total
<b>Acquisition costs</b>					
Balance, beginning and end of year	\$ -	\$ -	\$ 117,000	\$ -	\$ 117,000
<b>Exploration costs</b>					
Field expenses	-	-	2,969	-	2,969
Additions in year:	-	-	2,969	-	2,969
<b>Balance, beginning of year</b>	30,000	-	233,000	-	263,000
<b>Option payment</b>	-	-	(200,000)	-	(200,000)
<b>Balance, end of year</b>	30,000	-	35,969	-	65,969
<b>Total costs</b>	\$ 30,000	\$ -	\$ 152,969	\$ -	\$ 182,969

### Disclosure of Outstanding Share Data

As of May 30 2012, the Company had 28,273,940 common shares issued and outstanding and the following stock options and warrants to acquire common shares were outstanding:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	1,150,000	\$0.10	May 20, 2013
	1,600,000	\$0.10	April 16, 2014
<b>Warrants</b>	4,400,000	\$0.10	May 20, 2013

## **SUBSEQUENT EVENTS**

Subsequent to January 31, 2012, the Company:

On March 29, 2012, the Company signed a Memorandum of Understanding ((MOU) to acquire a 100% interest in the Nathalie Phosphate Project which is located 45 kilometres north of the port of Bai-Comeau, Quebec. The MOU gives The Company the right to acquire a 100% interest subject to a 2% NSR in 53 claims comprising approximately 6,300 acres. In addition also acquired by staking, an additional 5,600 acres. In order to acquire this interest the Company must pay \$12,000 (paid) and issue 2,000,000 common shares over four years. In addition the Company must spend \$200,000 on exploration expenditures.

On April 2, 2012, the Company signed a Memorandum of Understanding ((MOU) to acquire a 90% interest in the Pokiok Settlement Project which is located 40 kilometres south-west of Fredricton, New Brunswick. .The MOU gives the Company the right to acquire a 90% interest subject to a 2% NSR in 30 claims comprising approximately 1,700 acres. In order to acquire this interest the Company must pay \$500,000 and issue 250,000 common shares over four years. In addition the Company must spend \$500,000 on exploration expenditures.

On April 5, 2012, the Company extended the expiry date on 4,400,000 warrants an additional year to May 20, 2013 which has been approved by the TSX Venture Exchange.

On April 5, 2012 the agreed to grant a total of 1,600,000 incentive stock options to officers, directors and consultants of the Company. Each stock option entitles the holder thereof to acquire one common share at an exercise price of \$0.10 for two years subject to approval by the TSX Venture Exchange.