RUGBY MINING LIMITED

FINANCIAL STATEMENTS
(unaudited – prepared by management)

August 31, 2010

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

Vancouver, Canada

October 28, 2010

RUGBY MINING LIMITED
BALANCE SHEETS

(Unaudited – Prepared by Management)

	August 31, 2010	February 28, 2010
ASSETS		
Current		
Cash	**$ 653,247**	$ 955,959
Prepaid expenses and other receivables	**50,583**	10,544
	703,830	966,503
Property and equipment	**19,890**	-
	$ 723,720	$ 966,503
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**$ 105,236**	$ 41,207
Due to related parties (Note 8)	**56,686**	102,437
	161,922	143,644
Shareholders' equity		
Obligation to issue shares (Note 5)	**-**	615,000
Share capital (Note 6)	**2,432,110**	1,817,110
Contributed surplus (Note 7)	**389,062**	196,735
Deficit	**(2,259,374)**	(1,805,986)
	561,798	822,859
	$ 723,720	$ 966,503

Basis of presentation (Note 2)

Subsequent events (Note 10)

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

RUGBY MINING LIMITED
STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited – Prepared by Management)

	Three Months ended August 31		Six Months ended August 31	
	2010	2009	**2010**	2009
EXPENSES				
Administrative	**$ 19,595**	$ 20,249	**$ 41,896**	$ 38,865
Professional fees	**22,662**	4,026	**47,344**	19,715
Bank charges, net of interest	**1,969**	554	**2,198**	813
Insurance	**3,087**	-	**5,638**	-
Amortization	**905**	-	**1,498**	-
Project evaluation (Note 5)	**110,974**	275,207	**148,609**	336,851
Stock based compensation	**126,749**	-	**192,327**	-
Stock exchange listing and filing fees	**3,295**	3,950	**3,295**	12,239
Transfer agent	**3,283**	4,333	**5,376**	12,164
Shareholder communications	**4,747**	-	**4,747**	131
Travel	**460**	8,510	**460**	10,340
Net loss and comprehensive loss for the period	**$ 297,726**	$ 316,829	$ **453,388**	$ 431,118
Deficit, beginning of period	**$ 1,961,648**	$ 445,671	**$ 1,805,986**	$ 331,382
Deficit, end of period	**$ 2,259,374**	$ 762,500	**$ 2,259,374**	$ 762,500
Basic & diluted loss per share	**$ 0.01**	$ 0.02	**$ 0.02**	$ 0.03
Weighted average number of common shares outstanding	**21,695,000**	17,467,391	**21,154,016**	16,733,696

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

RUGBY MINING LIMITED
STATEMENTS OF CASH FLOWS

(Unaudited – Prepared by Management)

	Three Months ended August 31		Six Months ended August 31	
	2010	2009	**2010**	2009
Operating Activities				
Net loss for the period	**$ (297,726)**	$ (316,829)	**$ (453,388)**	$ (431,118)
Items not requiring an outlay of cash:				
Amortization	**905**	-	**1,498**	-
Stock based compensation	**126,749**	-	**192,327**	-
Changes in non-cash working capital				
Prepaid expenses and other receivables	**(34,088)**	-	**(35,864)**	-
Accounts payable and accrued liabilities	**33,625**	14,119	**59,854**	(41,954)
Due to related parties	**17,627**	-	**(45,751)**	-
	(152,908)	(305,820)	**(281,324)**	(455,409)
Financing Activities				
Issue of share capital for cash (Note 6)	-	620,000	-	620,000
Share issue costs	-	(9,371)	-	(9,371)
	-	610,629	-	610,629
Investing Activities				
Acquisition of property and equipment	**(11,898)**	-	**(21,388)**	-
Net increase (decrease) in cash and cash equivalents	**(164,806)**	304,809	**(302,712)**	155,220
Cash and cash equivalents - beginning of period	**818,053**	678,350	**955,959**	827,939
Cash and cash equivalents - end of period	**$ 653,247**	$ 983,159	**$ 653,247**	$ 983,159
Cash and cash equivalents consist of:				
Cash	**$ 653,247**	$ 983,159	**$ 653,247**	$ 983,159
Cash paid during the period for interest	**$ -**	$ **-**	**$ -**	$ **-**
Cash paid during the period for income taxes	**$ -**	$ **-**	**$ -**	$ **-**

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

1. NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments to the classifications and amounts of assets and liabilities that may be required should the Company be unable to continue in existence.

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

As at August 31, 2010, the Company had working capital of $541,908 (February 28, 2010 - $822,859) and a deficit of $2,259,374 (February 28, 2010 - $1,805,986). The Company’s ability to continue in operation is dependent on its ability to secure additional financing to fund planned exploration and its ongoing administrative expenditures, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Cash

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income taxes

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

(c) Stock-based compensation

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

(d) Earnings (loss) per share

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

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

(e) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include accrued liabilities, the determination of the assumptions used in the calculation of stock-based compensation expense and the valuation allowance for future income tax assets. Actual results could differ from those estimates used in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Mineral property interests

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

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

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

(g) Foreign currency transaction

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

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

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

(h) Financial instruments

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property and equipment

Property and equipment are carried at cost less accumulated amortization. Amortization is calculated at the following annual rates:

Computer equipment	Declining balance - 30%
Office equipment	Declining balance - 20%

(j) Unit offerings

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

(k) Future changes in accounting policies

i) Business Combinations

In January 2009, the CICA issued Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”. These sections replace the former Handbook Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of financial statements. These new sections apply to interim and annual financial statements relating to the Company’s fiscal years beginning on or after March 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

4. CAPITAL MANAGEMENT

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

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

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

There were no changes in the Company's approach to capital management during the six month period ended August 31, 2010. The Company is not subject to externally imposed capital requirements.

5. PROJECT EVALUATION

The tables below show the Company's project exploration and evaluation expenditures for the six months ended August 31, 2010 and 2009.

			Six Months ended August 31, 2010
	Generative	**Hawkwood**	**Total**
Assays	**$ 427**	**$ -**	**$ 427**
Field camp	**953**	**7,132**	**8,085**
Geological	**62,940**	**8,198**	**71,138**
Legal	**11,130**	**-**	**11,130**
Signature fee	**20,466**	**-**	**20,466**
Resource development	**3,758**	**-**	**3,758**
Travel	**33,576**	**29**	**33,605**
Exploration and evaluation costs	**$ 133,250**	**$ 15,359**	**$ 148,609**
Cumulative exploration and evaluation costs	**$ 328,467**	**$ 962,805**	**$ 1,291,272**

			Six Months ended August 31, 2009
	Generative	Hawkwood	Total
Assays	$ -	$ 6,684	$ 6,684
Consultants and contractors	-	28,048	28,048
Field camp	-	15,969	15,969
Geological	79,946	206,204	286,150*
Exploration and evaluation costs	$ 79,946	$ 256,905	$ 336,851
Cumulative exploration and evaluation costs	$ 83,616	$ 303,501	$ 387,117

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

5. PROJECT EVALUATION (continued)

Hawkwood Property Australia

Pursuant to agreements dated July 10, 2008 and December 2, 2008 between Sunland Properties Limited ("Sunland") and Rowen Company Limited ("Rowen") a company controlled by Bryce Roxburgh, a director of the Company, and subsequent amendment dated December 31, 2009, the Company has the option (the "Option") to acquire up to 90% of the issued and outstanding shares of Sunland. Sunland's wholly owned subsidiary, Rugby Mining Pty Ltd., owns the Hawkwood property in Queensland Australia. Previously the Company had the right to earn up to a 60% interest in Sunland.

Under the Option, the Company paid to Rowen A$25,000 ($22,388) as a non-refundable deposit and a further A$200,000 ($183,202) to repay a portion of a loan advanced to Sunland by Rowen. In addition, pursuant to the amendment dated December 31, 2009 the Company was required to issue 1.5 million shares with a deemed value of $615,000 to Rowen, the shares were issued subsequent to the year ended February 28, 2010, during the period ended August 31, 2010 following approval from the TSX-V on January 25, 2010, and is required to incur exploration expenditures as follows:

(i) In order to exercise the option to acquire an initial 60% interest in Sunland:
A$300,000 ($284,400) by December 31, 2010
A$200,000 ($189,600) by December 31, 2011
A$500,000 ($474,000) by December 31, 2013

(ii) In order to exercise the option to acquire an additional 30% interest in Sunland, the Company must incur an additional A$3.0 ($2.8) million in expenditures on the property for a total of A$4.0 ($3.8) million before December 31, 2017 and issue an additional 3 million shares of the Company to Rowen.

Part of the Hawkwood property is subject to a 2% net smelter royalty payable to Newcrest Operations Limited.

Eastern Iron Joint Venture Agreement

The Company entered into an agreement (the "Eastern Agreement") dated January 13, 2010 between Eastern Iron Limited ("Eastern Iron") and Sunland subsidiary, Rugby Mining Pty Ltd. with respect to certain portions of exploration permit 15289 and exploration permit application 17099 (the "Exploration Area") which comprises a part of the Company's Hawkwood Project. Under the terms of the Eastern Agreement, Eastern Iron can earn a 50% interest in the Exploration Area by funding an A$200,000 ($189,600) work program within the first 12 months and thereafter incurring an additional A$500,000 ($474,000) in exploration expenditures within the following 2 years ("Phase One"). Eastern Iron can increase its interest in the Exploration Area to 80% by incurring an additional A$3.6 ($3.4) million in expenditures and completing a bankable feasibility study within the following 5 years (Phase Two"). Exploration permit 15289 is subject to a 2% net smelter royalty held by Newcrest Operations Limited. Eastern is required to incur expenditures and complete a bankable feasibility study to earn its interest as follows:

Phase One
(i) A$200,000 (minimum commitment by February 10, 2011);
(ii) A$200,000 by February 10, 2012; and
(iii) additional A$300,000 by February 10, 2013
for total Phase One expenditures of A$700,000.

Phase Two
(i) additional A$300,000 by February 10, 2014
(ii) additional A$300,000 by February 10, 2015
(iii) additional A$1 million by February 10, 2016
(iv) additional A$1 million by February 10, 2017
(v) additional A$1 million by February 10, 2018,
for total Phase Two expenditures of A$3.6 million and cumulative expenditures of A$4.3 million.

6. SHARE CAPITAL

(a) Authorized and issued

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

The Company has issued common shares as follows:

	August 31, 2010			February 28, 2010		
	Number of Shares		**Amount**	Number of Shares		Amount
Balance, beginning of year	**20,195,000**	**$**	**1,817,110**	16,000,000	$	984,265
Issued during the period for:						
Cash - equity financing	-		-	3,000,000		600,000
- options exercised	-		-	950,000		142,500
- agent warrants exercised	-		-	200,000		20,000
- warrants exercised	-		-	45,000		13,500
Option payment (Note 5)	**1,500,000**		**615,000**	-		-
Contributed surplus allocated	-		-	-		66,216
Share issue costs	-		-	-		(9,371)
Balance, end of period/year	**21,695,000**	**$**	**2,432,110**	20,195,000	$	1,817,110

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

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

(b) Escrow shares

At August 31, 2010, 6,260,000 shares (February 28, 2010 – 7,812,500) issued prior to the qualifying transaction were held in escrow. The shares will be released from escrow as follows:

1,552,500 on September 5, 2010 (released)
1,552,500 on March 5, 2011
1,552,500 on September 5, 2011
1,602,500 on March 5, 2012

6. SHARE CAPITAL (continued)

(c) Stock option plan

The Company has adopted an incentive stock option plan (the "Plan"), the essential elements of which are as follows: the aggregate number of common shares of the Company's share capital issuable pursuant to options granted under the Plan may not exceed 20% of the total number of issued and outstanding shares of the Company on a non-diluted basis. The total number of options approved for issue is 4,339,000. Options granted under the Plan may have a maximum term of five years. The exercise price of options granted under the Plan will not be less than the discounted market price of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the grant date, less the maximum discount permitted by the TSX-V), or such other price as may be agreed to by the Company and accepted by the TSX-V. Options granted under the Plan are generally exercisable immediately following the grant; however, certain options may be subject to vesting at times as determined by the directors of the Company and the TSX-V.

The status of options granted under the Plan as of August 31, 2010 and changes during the period then ended is as follows:

	August 31, 2010			February 28, 2010		
	Number of Options	Weighted Average Exercise Price	Expiry Date	Number of Options	Weighted Average Exercise Price	Expiry Date
Outstanding, beginning of year	1,535,000	$0.30		950,000	$0.15	July 24, 2012
Granted – October 9, 2009	-	-		1,125,000	$0.30	October 9, 2014
Granted – October 10, 2009	-	-		410,000	$0.30	October 10, 2014
Granted – July 7, 2010	600,000	0.42	July 7, 2015			
Granted – July 20, 2010	1,375,000	0.50	July 20, 2015			
Exercised	-	-		(950,000)	$0.15	
Outstanding, end of period	3,510,000	$0.40		1,535,000	$0.30	
Weighted average remaining contractual life of options		4.54 years			4.61 years	

(d) Stock-based compensation

The fair value of options granted during the period ended August 31, 2010 was estimated at the grant date using the Black-Scholes option pricing model, with the following weighted average assumptions:

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

The total fair value of stock options granted during the period ended August 31, 2010 was $641,827 of which $192,327 was expensed during the six month period ended August 31, 2010.

6. SHARE CAPITAL (continued)

(e) Warrants

At August 31, 2010 and February 28, 2010, the Company had outstanding warrants exercisable to acquire 2,955,000 common shares as follows:

Number	Exercise Price	Expiry Date
2,955,000	$ 0.30	July 17, 2011

7. CONTRIBUTED SURPLUS

		August 31, 2010		February 28, 2010
Balance, beginning of period/year	**$**	**196,735**	$	66,216
Stock based compensation		**192,327**		196,735
Contributed surplus allocated		**-**		(66,216)
Balance, end of period/year	**$**	**389,062**	$	196,735

8. RELATED PARTY TRANSACTIONS

Amounts due to related parties of $56,686 at August 31, 2010 (February 28, 2010 - $102,437) is for administrative support fees, management, consulting and exploration fees, and for expenses incurred while conducting the Company's business.

During the period ended August 31, 2010, related party transactions not otherwise disclosed in these financial statements are as follows:

(a) Paid or accrued project evaluation costs of $52,340 (August 31, 2009 - $55,380) to a company controlled by the Chief Executive Officer of the Company. As at August 31, 2010, the Company had amounts owing of $40,225 (February 28, 2010 – $32,783) to this company;

(b) Paid or accrued administrative support fees of $30,000 (August 31, 2009 - $30,000) to a company with common directors. As at August 31, 2010, the Company had amounts owing of $16,461 (February 28, 2010 - $5,250) to this company; and

(c) As at August 31, 2010, the Company had amounts owing of $nil (February 28, 2010 - $64,404) to a company controlled by a director for exploration expenditures incurred.

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

9. FINANCIAL INSTRUMENTS

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

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

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

(a) Credit risk

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

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

	August 31, 2010	February 28, 2010
Cash	**$ 653,247**	$ 955,959
	$ 653,247	$ 955,959

Concentration of credit risk exists as the Company's cash at August 31, 2010 of $653,247 is held at a single major Canadian financial institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company normally maintains sufficient cash and cash equivalents to meet the Company's business requirements. The Company had cash at August 31, 2010 in the amount of $653,247 in order to meet short-term business requirements. At August 31, 2010, the Company had current liabilities of $161,922, all of which fall due for payment within three months of the balance sheet date.

9. FINANCIAL INSTRUMENTS (continued)

(c) Market risk

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

i) Interest rate risk

The Company's cash and cash equivalents consist of cash held in bank accounts and cashable GIC's that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of August 31, 2010. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The Company's sensitivity analysis suggests that a 1% change in interest rates would not have a material effect on interest income.

ii) Foreign currency risk

The Company is exposed to foreign currency risk as monetary financial instruments are denominated in US and Australian currencies. The Company has not entered into any foreign currency contracts to mitigate this risk, as it believes this risk is minimized by the minimal amount of cash currently held in US currency. The Company's foreign currency risk is increasing with the increased expenditures being incurred and the related increases in foreign currency payables. The Company's sensitivity analysis suggests that a consistent 5% change in the absolute rate of exchange in all foreign jurisdictions would not have a material impact on these financial statements.

iii) Other price risk

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

10. SUBSEQUENT EVENTS

(a) On October 5, 2010, the Company announced that, subject to regulatory and exchange approval, it had entered into agreements with Pelican Resources Limited, an ASX listed company, and All-Acacia Resources Inc., a Philippine company, over the Mabuhay Gold project in the Philippines granting it the right to earn up to an 80% interest in the project.

(b) On October 12, 2010, the Company announced that, subject to regulatory and exchange approval, it had entered into an agreement with Rio Tinto Mining and Exploration Colombia ("Rio Tinto"), over the Comita Porphyry Copper Gold Project in Colombia granting it the right to earn up to a 60% interest in the project. This agreement calls for a minimum exploration commitment of US$250,000 ($266,625) on or before October 21, 2011.

(c) On October 26, 2010, the Company announced that, subject to regulatory acceptance, it had arranged a non-brokered private placement consisting of up to 10,000,000 common shares ("Shares") at $0.85 per Share for gross proceeds of up to $8,500,000.