

RUGBY MINING LIMITED

FINANCIAL STATEMENTS

February 28, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF RUGBY MINING LIMITED

We have audited the accompanying consolidated financial statements of Rugby Mining Limited, which comprise the consolidated balance sheets as at February 28, 2011 and 2010, and the consolidated statements of net loss and comprehensive loss and deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rugby Mining Limited as at February 28, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
June 23, 2011

RUGBY MINING LIMITED
CONSOLIDATED BALANCE SHEETS

	<u>February 28, 2011</u>	<u>February 28, 2010</u>
ASSETS		
Current		
Cash	\$ 7,970,579	\$ 955,959
Accounts receivable and prepaids	<u>65,310</u>	<u>10,544</u>
	\$ 8,035,889	\$ 966,503
Property and equipment (Note 6)	<u>33,648</u>	<u>-</u>
	<u>\$ 8,069,537</u>	<u>\$ 966,503</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 209,928	\$ 41,207
Due to related parties (Note 10)	<u>116,544</u>	<u>102,437</u>
	\$ 326,472	\$ 143,644
Shareholders' equity		
Obligation to issue shares	-	615,000
Share capital (Note 7)	10,823,456	1,817,110
Contributed surplus (Note 9)	2,045,567	196,735
Deficit	<u>(5,125,958)</u>	<u>(1,805,986)</u>
	<u>7,743,065</u>	<u>822,859</u>
	<u>\$ 8,069,537</u>	<u>\$ 966,503</u>

Basis of presentation (Note 2)
Commitments (Note 13)

Approved on behalf of the Board:

"Yale Simpson"
..... Director

"Cecil Bond"
..... Director

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

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

Year Ended February 28,	2011	2010
EXPENSES		
Administrative (Note 7)	\$ 478,411	\$ 115,962
Amortization	3,090	-
Bank charges	5,910	1,640
Directors' fees (Note 7)	1,045,287	134,574
Foreign exchange loss	10,519	-
Insurance	12,452	-
Professional fees	114,081	55,043
Project evaluation (Note 5 and 7)	1,612,672	1,111,622
Shareholder communications	13,905	131
Stock exchange and filing fees	21,944	28,864
Transfer agent filing fees	14,514	16,549
Travel	9,238	10,340
Interest income	(22,051)	(121)
Net loss and comprehensive loss for the year	3,319,972	1,474,604
Deficit, beginning of year	1,805,986	331,382
Deficit, end of year	\$ 5,125,958	\$ 1,805,986
Basic and diluted loss per share	\$ 0.14	\$ 0.08
Weighted average number of common shares outstanding	24,110,591	18,349,932

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

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended February 28, 2011	Year ended February 28, 2010
Operating Activities		
Net loss for year	\$ (3,319,972)	\$ (1,474,604)
Items not requiring an outlay of cash:		
Amortization	3,090	-
Obligation to issue shares for option payment	-	615,000
Stock-based compensation (Note 7)	1,859,085	196,735
	(1,457,797)	(662,869)
Changes in non-cash working capital		
Accounts receivable and prepaids	(54,766)	14,030
Accounts payable and accrued liabilities	168,721	(35,956)
Due to related parties	14,107	46,186
Cash used in operating activities	(1,329,735)	(638,609)
Financing Activities		
Issue of share capital for cash (Note 7)	8,607,250	776,000
Share issue costs (Note 7)	(226,157)	(9,371)
Cash provided by financing activities	8,381,093	766,629
Investing Activity		
Acquisition of property and equipment	(36,738)	-
Net increase in cash	7,014,620	128,020
Cash beginning of year	955,959	827,939
Cash end of year	\$ 7,970,579	\$ 955,939
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for taxes	\$ -	\$ -

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

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2011 AND 2010

1. NATURE OF BUSINESS

Rugby Mining Limited (the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on January 24, 2007, and together with its subsidiaries is engaged in the acquisition and exploration of mineral properties in Australia, Colombia, Philippines and Argentina. The Company’s common shares were listed and called for trading on the TSX Venture Exchange (the “TSX-V”) on August 7, 2007.

2. BASIS OF PRESENTATION

These consolidated 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. The financial statements do not include any adjustments to the classification and amounts of assets and liabilities that may be required should the Company be unable to continue in business.

The Company has incurred operating losses since inception. As at February 28, 2011, the Company had working capital of \$7,709,417 (2010 - \$822,859) and had a deficit of \$5,125,958 (2010 - \$1,805,986).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of presentation

These consolidated financial statements include the accounts of the following significant subsidiaries:

	Incorporation	Percentage of Ownership %
Compañía Rugby Argentina S.A.	Argentina	100
Wallaby Corporation	Philippines	100

(b) Cash and cash equivalents

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

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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.

(d) 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 share capital.

(e) 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. All shares subject to escrow are included for earnings (loss) per share calculations as the release of such shares is based on the passage of time.

(f) 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 rates of amortization of equipment, balance of accrued liabilities, the determination of the assumptions used in the calculation of stock-based compensation expense, the determination of asset retirement and environmental obligations, the valuation allowance for future income tax assets and the valuation of warrants issued. Actual results could differ from those estimates used in the financial statements.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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.

(h) 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.

(i) Financial instruments

Financial instruments are classified as one of the following: loans and receivables, held-to-maturity, held-for-trading, available-for-sale and other financial liabilities. Financial instruments will be measured on the balance sheet at amortized cost or fair value depending on the classification. Loans and receivables, held-to-maturity and other financial liabilities are accounted for at amortized cost. Held-for-trading and available-for-sale financial instruments are recorded at fair value. Changes in fair value of held-for-trading financial instruments are recognized in operations while changes in fair value of available-for-sale financial instruments are initially recorded in other comprehensive income or loss.

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 of such instruments.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirect (i.e. derived from prices), or
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2011 AND 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Property and Equipment

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

<u>Canada</u>	
Computer equipment	Declining balance - 30%
Website	Declining balance - 30%
Leasehold improvements	Straight-line - 5 years
<u>Australia</u>	
Computer equipment	Declining balance - 30%
Office equipment	Declining balance - 20%

(k) Unit Offerings

Proceeds from the issue of units is allocated between common shares and share purchase warrants on a residual 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.

(l) Future changes in accounting policies

(i) Business Combinations

The CICA issued Handbook Sections 1582 – Business Combinations; 1601 – Consolidated Financial Statements and 1602 – Non-Controlling Interests. Section 1582 replaces Section 1581 – Business Combinations and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Sections 1601 and 1602 replace Section 1600 – Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. The Company has early adopted these policies effective March 1, 2010 and concluded that there is no material impact to the financial statements.

(ii) Conforming amendments

CICA 1625, Comprehensive Revaluation of Assets and Liabilities, has been amended as a result of issuing CICA 1582, 1601 and 1602 as described above. The amendment is effective prospectively for comprehensive revaluations of assets and liabilities occurring in years beginning on or after January 1, 2011. CICA 3251, Equity, has been amended as a result of issuing CICA 1602. Amendments apply to entities that have adopted CICA 1602. The Company has adopted CICA 3251 effective March 1, 2010 in conjunction with the adoption of CICA 1582, 1601 and 1602. There is no material impact on the financial statements from the adoption of this amendment.

4. CAPITAL MANAGEMENT

The Company’s objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2011 AND 2010

4. CAPITAL MANAGEMENT (continued)

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay dividends.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from continuing operations

5. PROJECT EVALUATION

The tables below show the Company's project evaluation expenditures for the fiscal years 2011 and 2010.

	Year ended February 28, 2011					
	Generative	Comita	Mabuhay	Hawkwood	Interceptor	Total
Assays	\$ 811	\$ -	\$ -	\$ -	\$ -	\$ 811
Drilling	-	-	21,663	-	-	21,663
Environmental	-	2,861	-	-	-	2,861
Field camp	1,622	3,151	25,248	8,106	-	38,127
Geological**	465,462	319,853	95,330	15,939	15,586	912,170
Geophysics	-	-	24,842	-	-	24,842
Legal	126,325	32,802	15,333	1,130	24,941	200,531
Office operations**	9,333	92,924	3,024	52	26,241	131,545
Resource development	3,758	-	-	-	-	3,758
Signature fee & option payments	51,330*	-	71,536	-	-	122,866
Travel	106,845	15,298	29,320	-	2,006	153,498
Exploration and evaluation costs	\$765,486	\$ 466,889	\$ 286,296	\$ 25,227	\$ 68,774	\$ 1,612,672
Cumulative exploration and evaluation costs	\$960,703	\$ 466,889	\$ 286,296	\$ 972,673	\$ 68,774	\$ 2,755,335

* Includes US\$50,000 (\$51,330) for the right to the Interceptor option.

** Includes stock based compensation as reflected below:

	Year ended February 28, 2011					
	Generative	Comita	Mabuhay	Hawkwood	Interceptor	Total
Geological	\$ 111,290	\$ 279,175	\$ 17,621	\$ -	\$ -	\$ 408,086
Office operations	-	39,648	-	-	22,917	62,565
Total	\$ 111,290	\$ 318,823	\$ 17,621	\$ -	\$ 22,917	\$ 470,651

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2011 AND 2010

5. PROJECT EVALUATION (continued)

	Year ended February 28, 2010		
	Hawkwood	Generative	Total
Assays	\$ 6,684	\$ 449	\$ 7,133
Consultants and contractors	28,048	-	28,048
Field camp	21,046	-	21,046
Geological	230,073*	210,322**	440,395
Option payment (Note 7(b))	615,000	-	615,000
	<u>\$ 900,851</u>	<u>\$ 210,771</u>	<u>\$ 1,111,622</u>

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

** Includes \$19,225 in stock-based compensation.

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 amendments dated December 31, 2009, the Company has the option (the “Hawkwood 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.

Under the Hawkwood Option, the Company paid A\$25,000 (\$22,388) to Rowen 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 issued 1.5 million common shares with a fair value of \$615,000 to Rowen, (issued on June 5, 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 (\$295,800) by December 31, 2010 (completed)
 - A\$200,000 (\$198,160) by December 31, 2011
 - A\$500,000 (\$495,400) 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 (\$3.0) million in expenditures on the property for a total of A\$4.0 (\$4.0) million before December 31, 2017 and issue an additional 3 million common shares to Rowen.

Part of the Hawkwood property is subject to a 2% net smelter royalty (“NSR”) payable to Newcrest Operations Limited.

Eastern Iron Joint Venture Agreement

The Company entered into an agreement (the “Eastern Agreement”) dated January 13, 2010 between the Company and 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 (granted subsequent to year end) (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 (\$198,160) work program by February 10, 2011 (completed) and thereafter incurring an additional A\$500,000 (\$495,400) in exploration expenditures by February 10, 2013 (“Phase One”). Eastern Iron can increase its interest in the Exploration Area to 80% by incurring an additional A\$3.6 (\$3.6) million in expenditures and completing a bankable feasibility study by February 10, 2018 (Phase Two”).

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2011 AND 2010

5. PROJECT EVALUATION (continued)

Exploration permit 15289 is subject to a 2% NSR held by Newcrest Operations Limited. Eastern Iron is required to incur expenditures and complete a bankable feasibility study to earn its interest as follows:

Phase One

- (i) A\$200,000 (\$197,200 minimum commitment by February 10, 2011); (completed)
- (ii) A\$200,000 (\$198,160) by February 10, 2012 and
- (iii) additional A\$300,000 (\$297,240) by February 10, 2013,
for total Phase One expenditures of A\$700,000 (\$693,560).

Phase Two

- (i) additional A\$300,000 (\$297,240) by February 10, 2014
- (ii) additional A\$300,000 (\$297,240) by February 10, 2015
- (iii) additional A\$1.0 (\$1.0) million by February 10, 2016
- (iv) additional A\$1.0 (\$1.0) million by February 10, 2017 and
- (v) additional A\$1.0 (\$1.0) million by February 10, 2018,
for total Phase Two expenditures of A\$3.6 (\$3.6) million and a cumulative expenditures of A\$4.3 (\$4.3) million.

Mabuhay Gold Project, Philippines

On October 5, 2010, the Company announced it had entered into agreements with Pelican Resources Limited (“Pelican”), an ASX listed company, and All-Acacia Resources Inc. (“All-Acacia”), a Philippine company over the Mabuhay project in the Philippines. The agreement with Pelican and its Philippine subsidiary, SunPacific Resources Philippines, Inc. (“SunPacific”), together with the agreement with All-Acacia (collectively, the “Mabuhay Agreement”) grant the Company the right and option (“Mabuhay Option”) to earn an 80% interest in the Mabuhay project.

Under the Mabuhay Agreement, the Company will be required to make staged payments to Pelican and All-Acacia totalling US\$900,000 (\$876,510) over three years, incur staged expenditures of US\$6.5 (\$6.3) million over six years and complete a pre-feasibility study to earn its interest and exercise its option to the Mabuhay project. In addition, the Company has paid Pelican a signature fee of US\$20,000 (\$20,466). Pelican will be paid a further US\$5.0 (\$4.9) million if commercial production commences at Mabuhay.

Upon the exercise of the Mabuhay Option, All-Acacia and the Company will form a joint venture with respect to the development of and conduct of mining operations on the property and on each anniversary date thereafter, the Company must pay an additional US\$200,000 (\$194,780) to All-Acacia towards All-Acacia’s pro-rata share of expenditures until commencement of production from the Mabuhay project.

Comita Porphyry Copper Gold Project, Colombia

On October 12, 2010, the Company announced it had entered into an option agreement (the “Comita Agreement”) with Rio Tinto Mining and Exploration Colombia (“Rio Tinto”), over the Comita Porphyry Copper Gold project in Colombia (“Comita”), granting it the right to earn up to a 60% interest in the project. Under the terms of the Comita Agreement, the Company can earn the 60% interest in the Comita project if it completes the obligations set out in the two options as follows:

RUGBY MINING LIMITED
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5. PROJECT EVALUATION (continued)

Option 1: the Company has an initial 5 year option to acquire a 40% interest in the Comita project by incurring US\$10.0 (\$9.7) million in exploration expenditures as follows:

(i) US\$250,000 (\$243,475) on or before October 21, 2011,

(ii) Thereafter the Company has the option, but not the obligation to incur US\$9.75 (\$9.50) million over the following four years with minimum annual expenditures of US\$250,000 (\$243,475). Once the Comita project is removed from the forestry reserve, the minimum annual expenditure increases to US\$1.0 (\$1.0) million.

Excess expenditure in any given year may be carried forward to the next year however such carry forward is limited to US\$1.0 (\$1.0) million at the end of the initial 5 year option. Upon incurring the expenditures set out above, the Company is required to provide Rio Tinto with notice that it has met the requirements to acquire the initial 40% interest in the Comita project following which Rio Tinto has 90 days to elect to resume management of the Comita project. In the event that Rio Tinto elects to resume management of the Comita project, a joint venture will be formed and dilution provisions will apply.

Should Rio Tinto elect not to resume management of the Comita project, the Company will be granted a second option to acquire a further 20% indirect interest in the Comita project as set out below.

Option 2: Upon the Company being granted the second option it will have 3 years to acquire an additional 20% interest in the Comita project for a total 60% indirect interest by incurring an additional US\$15.0 (\$14.6) million in expenditures, with minimum annual expenditures of US\$1.0 (\$1.0) million on or before October 21, 2018.

Interceptor Gold Copper Project, Argentina

On November 23, 2010, the Company entered into an option agreement (the "Interceptor Agreement") with Miranda S.A., an Argentine company ("Miranda") to acquire 100% of the Interceptor Porphyry Gold Copper project in Catamarca Province, Argentina. The Interceptor Agreement, grants the Company a 6 year option to acquire 100% of the Interceptor project upon payment of an initial US\$50,000 (\$51,330) and thereafter the payment of an annual option fee of US\$50,000 (\$48,695) for 3 years, followed by payments of US\$62,500 (\$60,868); US\$75,000 (\$73,043) and US\$87,500 (\$85,216) for years 4 to 6. In addition, in order to exercise the option, the parties will negotiate the option exercise price, which will not be less than US\$1.0 (\$1.0) million and no greater than US\$5.0 (\$4.9) million. Miranda will also retain a 2% NSR over the properties. If the Company exercises the option to acquire the properties it will be required to pay escalating advance royalty payments until the property is put into production. The Company also has an option to purchase the NSR from Miranda for an amount to be negotiated between the parties. There are no minimum annual expenditure or work commitments.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2011 AND 2010

6. PROPERTY AND EQUIPMENT

	2011		
	Cost	Accumulated Amortization	Net Book Value
Canada			
Computer equipment	\$ 9,490	\$ 1,424	\$ 8,066
Leasehold improvements	14,727	-	14,727
Website	7,260	1,088	6,172
	<u>31,477</u>	<u>2,512</u>	<u>28,965</u>
Australia			
Computer equipment	1,034	155	879
Office equipment	4,227	423	3,804
	<u>5,261</u>	<u>578</u>	<u>4,683</u>
	<u>\$ 36,738</u>	<u>\$ 3,090</u>	<u>\$ 33,648</u>

7. SHARE CAPITAL

(a) Authorized and issued

The authorized share capital consists of an unlimited number of common shares without par value.

The Company has issued common shares as follows:

	February 28, 2011		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 year for:				
Cash – equity financing	10,000,000	8,500,000	3,000,000	600,000
– options exercised	50,000	15,000	950,000	142,500
– agent warrants exercised	-	-	200,000	20,000
– warrants exercised	307,500	92,250	45,000	13,500
Option payment	1,500,000	615,000	-	-
Contributed surplus allocated	-	10,253	-	66,216
Share issue costs	-	(226,157)	-	(9,371)
Balance, end of year	32,052,500	\$ 10,823,456	20,195,000	\$ 1,817,110

During the year ended February 28, 2011, the Company conducted the following transactions:

- a) In November 2010, the Company completed a non-brokered private placement consisting of 10,000,000 common shares issued at a price of \$0.85 per common share for gross proceeds of \$8,500,000. A finder's fee of 5% was paid on certain portions of the offering for a total of \$167,750. Costs of \$226,157 associated with the placement were charged to share capital.
- b) Issued 50,000 common shares pursuant to the exercise of options at a price of \$0.30 per share, 307,500 common shares pursuant to the exercise of warrants at a price of \$0.30 per share and 1,500,000 shares pursuant to the Hawkwood option agreement with a fair value of \$615,000. Contributed surplus allocated to share capital upon the exercise of stock options was \$10,253.

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7. SHARE CAPITAL (continued)

During the year ended February 28, 2010, the Company conducted the following transactions:

- a) 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 were charged to share capital.
- b) 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 February 28, 2011, 4,707,500 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 March 5, 2011(released)
1,552,500 on September 5, 2011
1,602,500 on March 5, 2012

(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. 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 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.

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7. SHARE CAPITAL (continued)

The status of options granted under the Plan as of February 28, 2011 and February 28, 2010 and changes during the years then ended is as follows:

	February 28, 2011			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 8, 2010	600,000	0.42	July 8, 2015	-	-	
Granted – July 21, 2010	1,375,000	0.50	July 21, 2015	-	-	
Granted – October 15, 2010	200,000	0.85	October 15, 2015	-	-	
Granted – December 6, 2010	2,075,000	1.81	December 6, 2015	-	-	
Granted – February 16, 2011	300,000	1.31	February 16, 2016	-	-	
Exercised	(50,000)	0.30		(950,000)	0.15	
Outstanding, end of year	6,035,000	\$0.95		1,535,000	\$0.30	
Weighted average remaining contractual life of options		4.37	years		4.61	years

The weighted average fair market value of options granted during the year calculated using the Black-Scholes option pricing model was \$0.81

The following table summarizes information about the stock options outstanding and exercisable at February 28, 2011:

Outstanding Options				Exercisable Options		
Range of Prices (\$)	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
0.00 - 1.00	3,660,000	4.08	\$ 0.41	2,572,500	3.98	\$ 0.38
1.01 - 2.00	2,375,000	4.79	1.75	336,250	4.77	1.81
	6,035,000	4.37	\$ 0.95	2,908,750	4.04	\$ 0.54

(d) Stock-based compensation

The fair value of options granted during the year ended February 28, 2011, was estimated at the grant date using the Black-Scholes option pricing model, with the following weighted average assumptions:

Expected annual volatility	103%
Risk-free interest rate	1.65-2.34%
Expected life	5 years
Expected dividend yield	0.00%

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7. SHARE CAPITAL (continued)

The fair value of the 4,550,000 options granted during the year is \$3,412,517. Stock based compensation expense of \$1,859,085 (2010 - \$196,735) related to the stock options vested was recognized during the year ended February 28, 2011. The expense was allocated to contributed surplus and expenditures as follows:

	2011	2010
Administration salaries and consulting	\$ 343,147	\$ 42,936
Directors' fees	1,045,287	134,574
Project evaluation expenditures	470,651	19,225
Total	\$ 1,859,085	\$ 196,735

At February 28, 2011, \$1,671,492 of stock based compensation expense remains to be recognized.

8. WARRANTS

At February 28, 2011, the Company had outstanding warrants exercisable to acquire 2,647,500 (2010- 2,955,000) common shares as follows:

Number	Exercise Price	Expiry Date
2,647,500	\$ 0.30	July 17, 2011

During the year ended February 28, 2011, 307,500 (2010- 45,000) warrants were exercised for proceeds of \$92,250 (2010- \$13,500).

9. CONTRIBUTED SURPLUS

	2011	2010
Balance, beginning of year	\$ 196,735	\$ 66,216
Stock-based compensation	1,859,085	196,735
Contributed surplus allocated	(10,253)	(66,216)
Balance, end of year	\$ 2,045,567	\$ 196,735

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10. RELATED PARTY TRANSACTIONS

Amounts due to related parties of \$116,544 at February 28, 2011 (2010 - \$102,437) is for administrative support fees, management, consulting and exploration fees, and for expenses incurred while conducting the Company's business. The amounts due to related parties are non-interest bearing and have no terms of repayment.

During the year ended February 28, 2011, related party transactions not otherwise disclosed in these financial statements are as follows:

- a) Accrued project evaluation costs of \$236,770 (2010 - \$117,525) to a company controlled by the Chief Executive Officer of the Company. As at February 28, 2011, the Company has amounts owing of \$48,760 (2010 - \$32,783) to this company.
- b) Paid or accrued administrative support fees of \$137,026 (2010 - \$60,000) to a company with common directors. As at February 28, 2011, the Company has amounts owing of \$67,784 (2010 - \$5,250) to this company.
- c) Paid or accrued rent expense of \$15,578 (2010 - \$Nil) to a company controlled by a director of the Company.
- d) Amounts owing to a company controlled by a director of \$Nil (2010 - \$64,404)

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.

11. INCOME TAXES

As at February 28, 2011, the Company has Canadian non-capital losses of approximately \$837,000 that may be applied to reduce future taxable income. The potential future tax benefit of these losses has not been recorded in these financial statements. The losses expire as follows:

2027	\$ 4,000
2028	36,000
2029	225,000
2030	208,000
2031	<u>364,000</u>
	\$ <u>837,000</u>

A reconciliation of income tax provision computed at the Canadian statutory rate to the reported income tax provision is approximately as follows:

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11. INCOME TAXES (continued)

	February 28, 2011	February 28, 2010
Income tax benefit computed at statutory rate	\$ (935,000)	\$ (439,000)
Stock-based compensation and other	524,000	52,000
Reduction in future income taxes resulting from statutory rate reduction	-	44,000
Differences in tax rates in foreign jurisdictions	(4,000)	-
Non-deductible portion of investment	4,000	268,000
Change in timing differences for the year	38,000	(130,000)
Change in valuation allowance	373,000	205,000
	<u>\$ Nil</u>	<u>\$ Nil</u>

Significant components of the Company's future income tax assets, after applying enacted corporate income tax rate of 25% (2010 – 25%), are as follows:

	2011	2010
Non-capital losses	\$ 214,000	\$ 167,000
Tax basis over carrying value of mineral properties	404,000	118,000
Share issue costs	52,000	12,000
Total future tax assets	670,000	297,000
Valuation allowance	(670,000)	(297,000)
	<u>\$ Nil</u>	<u>\$ Nil</u>

The valuation allowance reflects the Company's estimate that it is more likely than not that the tax assets will not be realized.

12. FINANCIAL INSTRUMENTS

The Company classifies its cash as held-for-trading; accounts receivables as loans and receivables and accounts payable and due to related parties as other financial liabilities.

The carrying values of cash, accounts receivable, accounts payable and due to related parties approximate their fair values due to the short-term maturity of these financial instruments.

(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 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 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:

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12. FINANCIAL INSTRUMENTS (continued)

	<u>2011</u>	<u>2010</u>
Cash	\$ 7,970,579	\$ 955,959
	<u>\$ 7,970,579</u>	<u>\$ 955,959</u>

Concentration of credit risk exists as the Company's cash at February 28, 2011 of \$7,970,579 are largely 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 required by operations and anticipated investing and financing activities. The Company has cash at February 28, 2011 in the amount of \$7,970,579 in order to meet short-term business requirements. At February 28, 2011, the Company had current liabilities of \$326,472 which are due on demand or within 30 days.

(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 consist of cash held in bank accounts that earn interest at variable interest rates. Cash accounts earn interest based on current market interest rate which at year end was 1.20%. 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 February 28, 2011. Future cash flows from interest income on cash affected by interest rate fluctuations are minimal. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

ii) Foreign currency risk

The Company operates in a number of countries, including Canada, Argentina, Columbia and Philippines, and it is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The Company's cash, other receivables, accounts payable and accrued liabilities are held in several currencies (mainly Canadian Dollars, US Dollars, Australian Dollars, Colombian Pesos and Argentine Pesos) and are therefore subject to fluctuation against the Canadian Dollar.

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12. FINANCIAL INSTRUMENTS (continued)

The Company had the following balances in foreign currency as at February 28, 2011 and 2010:

2011				
	Argentine Pesos	Philippine Pesos	US Dollars	Australian Dollars
Cash	328,483	9,700,174	16,818	-
Accounts receivable	7,943	-	-	-
Accounts payable	(161,696)	(178,400)	(47,336)	(50,524)
Net balance	174,730	9,521,774	(30,518)	(50,524)
Equivalent in Canadian Dollars	40,939	213,288	(29,645)	(50,059)
Rate to convert to \$1.00 CDN	0.2343	0.0224	0.9714	0.9908
2010				
	Argentine Pesos	Philippine Pesos	US Dollars	Australian Dollars
Cash	-	-	1,866	-
Accounts receivable	-	-	-	-
Accounts payable	-	-	(4,301)	(40,583)
Net balance	-	-	(2,435)	(40,583)
Equivalent in Canadian Dollars	-	-	(2,563)	(38,274)
Rate to convert to \$1.00 CDN	-	-	1.0525	0.9431

Based on the above net exposures as at February 28, 2011, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Argentine peso, Philippine peso, US dollar and Australian dollar against the Canadian dollar would result in an increase/decrease of \$4,094, \$21,329, \$2,965 and \$5,006 respectively in the Company's net loss.

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 currency risk. The Company has no financial instruments exposed to such risk.

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13. CONTRACTUAL OBLIGATIONS

The Company leases office space in Canada, Colombia and Philippines. The office lease commitments are summarized in the table below:

	Total	Payments Due by Year		
		2012	2013-2014	2015-2016
Office lease				
- Canada *	\$ 216,623	\$ 42,475	\$ 87,074	\$ 87,074
- Foreign offices	26,218	26,218	-	-
Total	\$ 242,841	\$ 68,693	\$ 87,074	\$ 87,074

*The Company together with two associated companies has entered into a lease for office premises. The amount reflected above is the Company's share of the lease obligation.

14. SEGMENTED INFORMATION

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company's net assets and net losses by place of business are as follows:

February 28, 2011	Canada	Australia	Argentina	Colombia	Philippines	Total
Cash	\$7,676,719	\$ -	\$ 76,964	\$ -	\$ 216,896	\$ 7,970,579
Amounts receivable and prepaid expenses	50,148	12,093	1,952	-	1,117	65,310
Property and equipment	28,965	4,683	-	-	-	33,648
	7,755,832	16,776	78,916	-	218,013	8,069,537
Current Liabilities	(255,764)	-	(37,885)	(28,834)	(3,989)	(326,472)
	\$7,500,068	\$ 16,776	\$ 41,031	\$ (28,834)	\$ 214,024	\$ 7,743,065
Net loss – year ended February 28, 2011	\$2,684,393	\$ 58,080	\$ 114,360	\$ 207,513	\$ 255,626	\$ 3,319,972

February 28, 2010	Canada	Australia	Total
Cash	\$ 955,959	\$ -	\$ 955,959
Amounts receivable and prepaid expenses	10,544	-	10,544
	966,503	-	966,503
Current Liabilities	(79,240)	(64,404)	(143,644)
	\$ 887,263	\$ (64,404)	\$ 822,859
Net loss – year ended February 28, 2010	\$ 1,173,666	\$ 300,938	\$ 1,474,604

Certain comparative figures have been reclassified in order to conform to the current year's presentation