Alpha Gold Corp.

(An Exploration Stage Corporation)
CONDENSED
INTERIM FINANCIAL STATEMENTS
For the period ended
November 30, 2011

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

November 30, 2011

Alpha Gold Corp.

Condensed Interim Statements of Comprehensive Loss
(Unaudited – prepared by management)
Expressed in Canadian dollars

	3 months ended November 30, 2011	3 months ended November 30, 2010	9 months ended November, 2011	9 months ended November, 2010
Revenue	$ -	$ -	$ -	$ -
Expenses				
Amortization	5,261	12,680	17,196	36,890
Automotive		753	826	7,691
Consulting and management fees (note 8)	30,768	26,000	48,377	61,500
Insurance	-	-	10,829	5,945
Office, printing and miscellaneous (note 8)	10,965	13,156	33,072	38,424
Professional fees	7,717	32,055	36,497	68,535
Regulatory and transfer fees	7,835	2,761	14,969	15,098
Rent	1,500	1,500	4,500	4,500
Shareholder relations	11,856	24,485	36,095	70,250
Share-based compensation (notes 7 and 8)	15,200	43,281	65,486	80,281
Telephone	250	968	608	3,764
Travel and promotion		6,490	48	16,015
	91,352	**164,129**	**268,503**	**408,893**
Loss before other items and income taxes	**(91,352)**	**(164,129)**	**(268,503)**	**(408,893)**
Other income				
Interest income	895	561	3,773	-
Gain on disposal of property, plant and equipment	-	-	26,960	-
Other expenses				
Interest, bank charges and foreign exchange	(39)	(59)	(172)	(188)
	856	**502**	**30,561**	**(188)**
Net loss before income taxes	**(90,496)**	**(163,627)**	**(237,942)**	**(409,081)**
Deferred income taxes recovery	**18,819**	**30,086**	**49,854**	**100,535**
Loss and comprehensive loss for the period	**$ (71,677)**	**$ (133,541)**	**$ (188,088)**	**$ (308,546)**
Basic and diluted loss per share	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.01)**
Weighted average number of shares outstanding	**47,236,701**	**47,236,701**	**47,236,701**	**42,299,418**

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

Alpha Gold Corp.

Condensed Interim Statements of Financial Position
(Unaudited – prepared by management)
Expressed in Canadian dollars

		November 30, 2011		February 28, 2011
Assets				
Current				
Cash and cash equivalents	$	428,644	$	919,854
Accounts receivable		36,720		12,936
		465,364		932,790
Prepaid expense		**12,550**		10,758
Reclamation bond		**30,000**		30,000
Exploration and evaluation assets (note 4 and Schedule)		**11,831,746**		11,457,658
Property, plant and equipment (note 5)		**53,991**		103,766
	$	**12,393,651**	$	12,534,972
Liabilities and Shareholders' Equity				
Current				
Accounts payable and accrued liabilities	$	70,508	$	39,373
		70,508		39,373
Deferred income tax liability (note 9)		**1,199,632**		1,249,486
		1,270,140		1,288,859
Shareholders' Equity				
Share capital (note 6)		15,183,024		15,183,024
Reserve		646,228		580,742
Deficit		(4,705,741)		(4,517,653)
		11,123,511		11,246,113
	$	**12,393,651**	$	12,534,972

Nature and Continuance of Operations (note 1)

Approved on behalf of the Directors:

"Carl Pines" **Director**

"Mary P. Webster" **Director**

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

Alpha Gold Corp.

Condensed Interim Statements of Changes in Shareholders' Equity
(Unaudited – prepared by management)
Expressed in Canadian dollars

	Share Capital				Total
	Shares	Amount	Reserves	Deficit	Equity
Balance, March 1, 2010	36,867,814	$14,373,006	$ 374,822	$(3,834,266)	$10,913,562
Shares issued	10,368,887	933,200	-	-	933,200
Share issue costs	-	(73,339)	-	-	(73,339)
Fair value of finder's options/warrants	-	(40,532)	40,532	-	-
Share-based payments	-	-	80,281	-	80,281
Total comprehensive loss for the period	-	-	-	(308,546)	(308,546)
Balance, November 30, 2010	47,236,701	15,192,335	495,635	(4,142,812)	11,545,158
Share issue costs	-	18,335	-	-	18,335
Fair value of finder's options/warrants	-	(27,646)	27,646	-	-
Share-based payments	-	-	57,461	-	57,461
Total comprehensive loss for the period	-	-	-	(374,841)	(374,841)
Balance, February 28, 2011	47,236,701	15,183,024	580,742	(4,517,653)	11,246,113
Share-based payments	-	-	65,486	-	65,486
Total comprehensive loss for the period	-	-	-	(188,088)	(188,088)
Balance, November 30, 2011	**47,236,701**	**$15,183,024**	**$ 646,228**	**$(4,705,741)**	**$11,123,511**

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

Alpha Gold Corp.

Condensed Interim Statements of Cash Flows
(Unaudited – prepared by management)
Expressed in Canadian dollars

	9 months ended November 30, 2011	9 months ended November 30, 2010
Cash flows provided by (used in)		
Operating activities		
Net loss for the period	$ (188,088)	$ (308,546)
Items not affecting cash:		
Amortization	17,196	36,890
Deferred income taxes	(49,854)	(100,535)
Share based compensation	65,486	80,281
Gain on disposal of property, plant and equipment	(26,960)	-
	(182,220)	(291,910)
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	(23,784)	(48,746)
Increase (decrease) in accounts payable	(515)	1,043
	(206,519)	(47,703)
Financing activities		
Proceeds on issuance of shares, net	-	859,861
	-	859,861
Investing activities		
Prepaid expense	(9,259)	-
Exploration properties	(334,971)	(1,148,659)
Purchase of equipment	(1,032)	(32,296)
Proceeds from disposal of equipment	60,571	-
	(284,691)	(1,180,955)
Net decrease in cash and cash equivalents	**(491,210)**	(660,707)
Cash and cash equivalents, beginning of the period	**919,854**	**1,262,827**
Cash and cash equivalents, end of the period	**$ 428,644**	$ **602,120**
Cash and cash equivalents comprise:		
Bank deposits	**$ 78,644**	$ **212,136**
Term deposit	**$ 350,000**	$ **389,984**
Supplemental cash flow information		
Interest received	**$ 3,773**	$ **477**
Income taxes received	**$ -**	$ **-**

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

1. Nature and Continuance of Operations

Alpha Gold Corp. (the “Company”) was incorporated under the laws of British Columbia, Canada on February 25, 1985. The Company is primarily engaged in the acquisition, exploration and development of mineral properties located in Canada.

The Company’s corporate office and principal place of business is 410 Donald Street, Coquitlam, British Columbia, Canada.

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

The investment in and expenditures on exploration properties comprise a significant portion of the company’s assets. Realization of the Company’s investment in these assets is dependent upon obtaining the necessary financing to continue exploration and development of the properties, the attainment of successful production from the properties or from the proceeds of their disposal.

The continuing operations of the Company are dependent upon its ability to continue to raise capital to funds its exploration and development programs. The Company has suffered recurring losses from operations that raise doubt about its ability to continue as a going concern. Management has assessed that the Company’s ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is dependent upon its ability to attain profitable operations or obtain adequate financing. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Basis of preparation

a) Statement of Compliance

The financial statements for the Company for the year-ending February 29, 2012 will be prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), having previously been prepared in accordance with Canadian Generally Accepted Accounting Principles. These condensed interim financial statements for the nine month period ended November 30, 2011 have been prepared in accordance with IAS 34 - *Interim Financial Reporting* and as they are part of the Company’s first IFRS annual reporting period, IFRS 1 - *First-time Adoption of International Financial Reporting Standards* has been applied. These condensed interim financial statements do not include all of the information required for full annual financial statements. However, they have been prepared in accordance with accounting policies the Company expects to adopt in its February 29, 2012 financial statements.

These condensed interim financial statements should be read in conjunction with the Company’s 2011 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 12.

2. Basis of preparation - continued

a) Statement of Compliance - continued

These condensed interim financial statements were authorized for issue by the Board of Directors on January 27, 2012.

b) Basis of Measurement

These condensed interim financial statements have been prepared on a historical cost basis except for financial instruments classified as FVTPL and available-for-sale which are stated at their fair value.

These condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

c) Use of Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Financial results as determined by actual events could differ from these estimates.

The estimates and underlying assumptions are continuously evaluated and reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant areas requiring the use of management estimates include impairment of mineral properties; impairment of property and equipment; useful lives for amortization of property and equipment; reclamation and environmental obligations; determining the provision for deferred income taxes and contingencies reported in the notes to the financial statements.

Areas of significant judgment include the classification of financial instruments and the classification of exploration and evaluation expenditures, which requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements and in preparing the opening IFRS statement of financial position at March 1, 2010 for the purposes of the transition to IFRS. The accounting policies have been applied consistently by the Company.

The condensed interim financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, term deposits and investments with maturities of three months or less from the date of purchase that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

b) Financial instruments

Financial instruments recognized in the balance sheet include cash and cash equivalents, accounts receivables, reclamation bond and accounts payable and accrued liabilities.

Financial assets

Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit and loss.

The Company has classified cash and cash equivalents as FVTPL.

Available-for-sale financial assets (“AFS”)

Investments in marketable securities are classified as AFS financial assets. Investments are initially recognized at fair value and are subsequently carried at fair value with changes recognized in other comprehensive income or loss. Fair value is based on closing market prices for publicly traded shares without recognizing the possible effects of price fluctuations, quantities traded and similar items.

Shares held in escrow have been valued at fair value, discounted by the put option for the length of the escrow period; which is calculated using the Black-Scholes option-pricing model.

Equity instruments for which there is no quoted market price in an active market are accounted for at cost. However, if fair value can be reliably measured for an equity instrument not traded on an active market, it will be measured at fair value.

The Company has classified reclamation deposits as AFS.

3. Significant Accounting Policies - continued

b) Financial instruments- continued

Loans and receivables

Trades receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

The Company has classified accounts receivable as loans and receivables.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

Where impairment has occurred, the cumulative loss is recognized in the income statement.

Financial liabilities

Financial liabilities primarily consist of payables and accruals and are measured at amortized cost.

The Company holds various financial instruments. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Company has designated its cash and cash equivalents as FVTPL, which are measured at fair value. Reclamation bond is classified as AFS, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Transaction costs are expensed as incurred.

Expressed in Canadian dollars

3. Significant Accounting Policies - continued

b) Financial instruments- continued

The carrying amounts and fair values of financial assets and liabilities are as follows:

	November 30, 2011		February 28, 2011	
	Carrying Value $	**Estimated Fair Value $**	Carrying Value $	Estimated Fair Value $
FVTPL				
Cash and cash equivalents	**428,644**	**428,644**	919,854	919,854
Loans and receivables				
Accounts receivable	**36,720**	**36,720**	12,936	12,936
Available-for-sale financial assets				
Reclamation bond	**30,000**	**30,000**	30,000	30,000
Financial liabilities				
Payables and accrued liabilities	**70,508**	**70,508**	39,373	39,373

c) Exploration and evaluation expenditures

Pre -exploration costs
Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures
Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transfee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or other consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess consideration accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

3. Significant Accounting Policies – continued

d) Exploration and evaluation expenditures- continued

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties. As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

e) Mineral tax credit

The Federal and Provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company accounts for these credits as a reduction of exploration and evaluation expenditures in the period that the credits are received. These credits are subject to review by the relevant authorities and by their nature are subject to measurement uncertainty. Adjustments if any, resulting from such a review are recorded in the period that the tax filings are amended.

f) Property, plant and equipment

Property, plant and equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items. The amortization method, useful life and residual values are assessed annually.

Property, plant and equipment are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is determined using the declining balance method, using the rates below which approximate the estimated useful life of the asset:

Computer equipment	- 30% & 45% per annum
Furniture and fixtures	- 20% per annum
Machinery & equipment	- 30% per annum
Trucks	- 30% per annum

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statement of comprehensive income or loss.

3. Significant Accounting Policies - continued

g) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The impairment loss is recognized in the income statement for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit and loss.

h) Rehabilitation obligations

The Company recognizes the fair value of a legal or constructive liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of comprehensive income (loss). Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have significant asset retirement obligations.

i) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

3. Significant Accounting Policies - continued

i) Income taxes - continued

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. If the warrants expire unexercised, the value attributed to the warrants is transferred to deficit.

Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until qualifying expenditures are incurred.

3. Significant Accounting Policies - continued

k) Per share amounts

Basic income per common share is computed by dividing the net income for the year by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the period.

l) Share based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Expressed in Canadian dollars

3. Significant Accounting Policies – continued

l) Share based payments- continued

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

m) New accounting pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the November 30, 2011 reporting period. The following standard is assessed not to have any impact on the Company's financial statements:

- IFRS 9, Financial Instruments: effective for accounting periods commencing on or after January 1, 2013.

4. Exploration and Evaluation Assets

	November 30, 2011	February 28, 2011
Acquisition costs	$ 513,682	$ 513,682
Deferred expenditures (Schedule)	11,318,064	10,943,976
	$ 11,831,746	$ 11,457,658

a) Lust Dust Claims

i) On July 15, 1989, the Company acquired a 100% interest in certain mineral claims located in the Omineca Mining Division, British Columbia for cash of $170,000. The vendor retains a royalty of 3% of net smelter returns.

ii) On February 21, 1992, the Company acquired a 100% interest in certain mineral claims located in the Omineca Mining Division, British Columbia for $100,000 cash and 200,000 shares of the company at a deemed consideration of $0.60 each (previously subject to a 5% net profit interest to a maximum of $100,000 and a royalty of 2% of net smelter returns). In July 2003, the company acquired the retained "5% net profit interest and the 2% net smelter return royalty" for $150,000 cash.

Expressed in Canadian dollars

5. Property, Plant and Equipment

	Computer Equipment	Furniture & fixtures	Machinery & equipment	Trucks	Total
Cost					
Balance, March 1, 2010	$ 7,288	$ 17,375	$ 65,328	$ 228,644	$ 318,635
Additions	1,590	-	-	23,343	24,933
Disposals	-	-	(41,586)	-	(41,586)
Balance, February 28, 2011	8,878	17,375	23,742	251,987	301,982
Additions	-	1,032	-	-	1,032
Disposals			-	(53,979)	(53,979)
Balance, November 30, 2011	$ 8,878	$ 18,407	$ 23,742	$ 198,008	$ 249,035
Depreciation					
Balance, March 1, 2010	$ 6,376	$ 16,089	$ 9,799	$ 133,414	$ 165,678
Depreciation for the year	631	257	15,197	31,195	47,280
Disposals	-	-	(14,742)	-	(14,742)
Balance, February 28, 2011	7,007	16,346	10,254	164,609	198,216
Depreciation for the period	421	206	3,034	13,535	17,196
Disposals	-	-	-	(20,368)	(20,368)
Balance, November 30, 2011	$ 7,428	$ 16,552	$ 13,288	$ 157,776	$ 195,044
Carrying amounts					
As at February 28, 2011	$ 1,871	$ 1,029	$ 13,488	$ 87,378	$ 103,766
As at November 30, 2011	$ 1,450	$ 1,855	$ 10,454	$ 40,232	**$ 53,991**

6. Share Capital

a) Authorized

100,000,000 common shares with no par value

b) Share issuances

There were no current period share issuances.

During the year ended February 28, 2011:

The Company completed two private placements, issuing 9,948,887 flow-through units and 420,000 non-flow-through units, at $0.09 per unit. Each flow-through unit consists of one flow-through common share and one common share purchase warrant. Each non-flow-through unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share for a period of 24 months from the date of issuance at an exercise price of $0.25 during the first 12 months and at a price of $0.35 during the last 12 months.

Expressed in Canadian dollars

6. Share Capital- continued

b) Share issuances

During the year ended February 28, 2011:

In connection with the June, 2010 private placement (8,888,887 flow-through units) the Company paid a cash commission equal to 6.5% of the proceeds and issued 622,222 finder's options equal to 7% of the flow-through units sold. Each finder's option will be exercisable for a period of 24 months, at a price of $0.09 per unit and will consist of one common share and one common share purchase warrant ('finder's warrant'). Each finder's warrant is exercisable for a period of 24 months from the date of issuance at an exercise price of $0.25 during the first 12 months and at a price of $0.35 during the last 12 months. The finder's options were valued at $0.11 per option for a total value of $65,506, recorded as share issue costs with a corresponding increase to contributed surplus. The Company incurred an additional $10,750 of share issue costs in relation to this financing.

In connection with the August, 2010 private placement (1,060,000 flow-through units and 420,000 non-flow-through units) the Company paid $5,009 in share issue costs and issued 49,000 finder's warrants. Each finder's warrant is exercisable for a period of 24 months from the date of issuance at an exercise price of $0.25 during the first 12 months and at a price of $0.35 during the last 12 months. The finder's warrants were valued at $0.05 per option for a total value of $2,672, recorded as share issue costs with a corresponding increase to contributed surplus.

The weighted average fair value of the finder's options and warrants granted was estimated on the date of grant with the following assumptions: risk free interest rate of 2.44%, expected volatility of 138%, expected life of the options/warrants of 2 years, and expected dividend rate of 0%.

c) Warrants outstanding

Warrant transactions for the respective years are summarized as follows:

	Number of warrants	Exercise price	Expiry date
Balance, February 28, 2010	-	$ -	
Warrants issued	8,888,887	$ 0.25-0.35	June 7, 2012
Warrants issued	1,480,000	$ 0.25-0.35	August 18, 2012
Finder's warrants	49,000	$ 0.25-0.35	August 18, 2012
Balance, February 28, 2011 and November 30, 2011	10,417,887		

Expressed in Canadian dollars

6. Share Capital- continued

d) Options outstanding

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. The options granted under the Plan may not exceed 10% of the Company's issued and outstanding shares of the Company at the award date. Options granted under the Plan may have a maximum term of five years. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant.

	Number of options	Weighted average exercise price
Balance, February 28, 2010	1,700,000	$ 0.20
Options granted	2,400,000	0.10
Finder's options granted	622,222	0.09
Options cancelled	(400,000)	(0.13)
Balance, February 28, 2011	4,322,222	$ 0.14
Options granted	1,000,000	0.10
Options forfeited	(500,000)	(0.13)
Balance, November 30, 2011	4,822,222	$ 0.13

A summary of the Company's options outstanding at November 30, 2011 are as follows:

Number of options outstanding	Number of options exercisable	$ per share	Expiry date
622,222	622,222	$ 0.09	June 7, 2012
1,450,000	1,450,000	$ 0.20	July 20, 2014
1,750,000	1,325,000	$ 0.10	July 23, 2015
1,000,000	500,000	$ 0.10	May 30, 2016

7. Share-based Compensation

During the period ended November 30, 2011, the Company granted 1,000,000 stock options to directors, officers, employees and consultants of the Company. The fair value of stock options granted of $0.04 was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: Dividend yield Nil, expected volatility 119%; risk-free interest rate 2.32%; and weighted average life of 5 years.

During the year ended February 28, 2011, the Company granted 2,400,000 stock options to directors, officers, employees and consultants of the Company. The fair value of stock options granted of $0.07 was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: Dividend yield Nil, expected volatility 108%; risk-free interest rate 2.4%; and weighted average life of 5 years.

Based on the fair values for the options vested during the period, compensation expense of $65,486 (2010 – $80,281) was recorded in operations for the period, and credited to contributed surplus.

Expressed in Canadian dollars

8. Related Party Transactions

During the period, the Company paid fees of $46,150 (2010 - $23,500) for contract negotiation, property investigation, property acquisition, site investigation and management of field program, $48,377 (2010 – $61,500) for directors and management fees, $2,250 (2010 - $nil) for shareholder relations, $31,500 (2010 - $31,500) for secretarial and bookkeeping services, and $4,500 (2010 - $4,500) for office rental, and $65,486 (2010 - $80,281) in share-based payments, to directors and officers of the Company or companies controlled by directors of the Company.

All related party transactions in the normal course of business have been measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties.

9. Income Taxes

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

		November 30, 2011		February 28, 2011
Income (loss) for the period before income taxes	$	(237,942)	$	(570,118)
Statutory Canadian corporate rates		26,25%		28.17%
Anticipated tax expense (recovery)	$	(62,460)	$	(160,583)
Effect of tax rate change		2,493		13,692
Items not deductible for tax purposes		10,113		38,796
Tax benefits not recognized		-		-
Actual income tax recovery	**$**	**(49,854)**	$	(108,095)

The significant components of the Company's deferred income tax assets and liabilities are as follows:

		November 30, 2011		February 28, 2011
Deferred income tax assets:				
Non-capital loss carry-forwards	$	565,115	$	507,478
Property and equipment		86,884		82,585
Share issue costs		14,380		26,462
Capital losses		1,531		1,531
Unrecognized deferred tax assets		(76,146)		(76,146)
		591,764		541,910
Deferred income tax liability:				
Mineral properties		**(1,791,396)**		(1,791,396)
Net deferred income tax liability	**$**	**(1,199,632)**	$	(1,249,486)

Expressed in Canadian dollars

9. Income Taxes- continued

At November 30, 2011, subject to confirmation by income tax authorities, the Company has available non-capital losses of approximately $2,259,000, Cumulative Canadian Exploration Expenses of approximately $3,130,000, Cumulative Canadian Development Expenses of approximately $691,000 and Cumulative Foreign Exploration and Development Expenses of approximately $844,500 which may be carried forward to reduce taxable income in future years. The non-capital losses expire as follows:

2015	$ 136,000
2016	168,000
2027	217,000
2028	406,000
2029	273,000
2030	381,000
2031	448,000
2032	230,000
	$ 2,259,000

10. Capital Management

The Company includes cash and cash equivalents and equity, comprising of issued common shares, contributed surplus and deficit, in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The property in which the Company currently has an interest is in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds 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 period ended November 30, 2011. The Company is not subject to externally-imposed capital requirements.

Expressed in Canadian dollars

11. Financial Instruments

All financial instruments measured at fair value are categorized into a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or 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 indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

November 30, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 428,644	$ -	$ -	$ 428,644
Reclamation bond	30,000	-	-	30,000
	$ 458,644	$ -	$ -	$ 458,644

February 28, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 919,854	$ -	$ -	$ 919,854
Reclamation bond	30,000	-	-	30,000
	$ 949,854	$ -	$ -	$ 949,854

11. Financial Instruments- continued

As disclosed in Note 3 (b), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to concentration risk, credit risk, currency risk and price risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.The types of risk exposure and the way in which such exposures are managed are as follows:

Credit Risk - The Company's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

Liquidity Risk – The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short and long term cash requirements. The Company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs.

Market Risk – The significant market risk exposures to which the Company is exposed are interest rate risk and commodity price risk. For the period ended November 30, 2011, every 1% fluctuation in interest rates up or down would have impacted net income up or down by approximately $4,000 before income taxes.

Interest rate risk – In respect to the Company's financial assets, the interest rate mainly arises from the interest rate impact on our cash and cash equivalents and reclamation deposits.

Commodity price risk – The value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

12. Transition to IFRS

First time adoption of IFRS - The Company's financial statements for the year ending February 29, 2012 will be the first annual financial statements prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was March 1, 2010 (the ""Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all IFRS standards as of the reporting date, which for the Company will be February 29, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for the first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

12. Transition to IFRS- continued

The Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

The IFRS applicable exemptions and exceptions applied in the conversion to IFRS are as follows:

Share-based payments – IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date. As a result of the transition method elected, the Company reversed the historical Canadian GAAP share-based compensation charges impacting shareholders' equity from retained earnings to capital.

IFRS 2 requires stock option payments to employees be measured based on fair values of the awards. For share options granted to employees, in many cases market prices are not available, because the options granted are subject to terms and conditions that do not apply to traded options. As a result, the fair value of the options granted shall be estimated by applying an option pricing model.

The Company issues stock-based awards in the form of stock options that vest over a one to five year period. Under IFRS 2 the fair value of each tranche of the award is considered a separate grant based on the vesting period with the fair value of each tranche determined separately and recognized as compensation expense over the term of its respective vesting period.

Property, Plant and Equipment - Under IAS 16 an entity can elect to account for each class of property, plant and equipment using either the cost model or the revaluation model. The Company has chosen to use the cost model where an item of property, plant and equipment is carried at its cost less any accumulated amortization and any accumulated impairment losses.

Exploration and Evaluation Expenditures - Under IFRS 6: Exploration and Evaluation of Mineral Resources, mining companies are allowed to retain their existing policies for the capitalization of exploration and evaluation costs until guidance that is more definitive is developed in this area. The Company has in the past capitalized exploration and evaluation costs prior to the establishment of ore reserves which would support the economic viability of the project and will continue this policy.

Expressed in Canadian dollars

12. Transition to IFRS- continued

Reconciliation of IFRS to GAAP

IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However, there are important differences with respect to recognition, measurement and disclosure. The restatement from Canadian GAAP to IFRS had no significant effect on the reported cash flows generated by the Company. The reconciling items between Canadian GAAP presentation and IFRS presentation have no net effect on the cash flows generated. However, adoption of IFRS resulted in changes to the Company's Statement of Financial Position, Statement of Income (Loss) and Statement in Changes in Equity as set out below.

Notes to the reconciliations:

(a) There is an option to apply IFRS 2, Share-Based Payments, to all equity instruments granted on or before November 7, 2002, and to those granted after November 7, 2002 only if they had not vested by the transition date. The Company has applied IFRS 2 to all equity instruments granted after November 7, 2002 that had not vested as of March 1, 2010.

(b) Flow-through shares
Under pre-changeover Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Reconciliation of Equity:

	As at November 30, 2010		
Shareholders' equity	**Previous Canadian GAAP**	**Effect of Transition to IFRS**	**IFRS**
Share capital	$ 15,192,335	-	$ 15,192,335
Reserves	495,635	-	495,635
Deficit	(4,142,812)	-	(4,142,812)
Total shareholders' equity	$ 11,545,158	-	$ 11,545,158

Expressed in Canadian dollars

12. Transition to IFRS- continued

Reconciliation of comprehensive income (loss) for the period ended:

	Three months ended November 30, 2010			Nine months ended November 30, 2010		
	Previous Canadian GAAP	Effect of Transition to IFRS	IFRS	Previous Canadian GAAP	Effect of Transition to IFRS	IFRS
	$	$	$	$	$	$
Revenue						
Expenses						
Amortization	12,680	-	12,680	36,890	-	36,890
Automotive	753	-	753	7,691	-	7,691
Consulting and management fees	26,000	-	26,000	61,500	-	61,500
Insurance	-	-	-	5,945	-	5,945
Office, printing and miscellaneous	13,156	-	13,156	38,424	-	38,424
Professional fees	32,055	-	32,055	68,535	-	68,535
Regulatory and transfer fees	2,761	-	2,761	15,098	-	15,098
Rent	1,500	-	1,500	4,500	-	4,500
Shareholder relations	24,485	-	24,485	70,250	-	70,250
Stock-based compensation	43,281	-	43,281	80,281	-	80,281
Telephone	968	-	968	3,764	-	3,764
Travel and promotion	6,490	-	6,490	16,015	-	16,015
	164,129		164,129	408,893		408,893
Loss before other items and income taxes	(164,129)		(164,129)	(408,893)		(408,893)
Other income and (expenses)						
Interest income	561	-	561	-	-	-
Interest, bank charges and foreign exchange	(59)	-	(59)	(188)	-	(188)
	502		502	(188)		(188)
Net loss before income taxes	(163,627)		(163,627)	(409,081)		(409,081)
Deferred income taxes recovery	30,086	-	30,086	100,535	-	100,535
Comprehensive loss for the period	(133,541)		(133,541)	(308,546)		(308,546)

Interim Schedule of Deferred Expenditures
(Unaudited – Prepared by Management)

November 30, 2011

	9 months ended November 30, 2011	Year ended February 28, 2011
Exploration		
Assaying	$ 18,943	$ 86,650
Camp expenses	38,852	262,046
Drilling	-	433,866
Filing Fees	7,208	
Geological/geochemical work and reports	268,489	292,929
On-site management	2,000	-
Roadwork/Reclamation	33,346	85,580
Travel	5,250	31,113
	374,088	1,192,184
BC Mining tax credit	**-**	(350,949)
Expenses for the period	**374,088**	841,235
Balance, beginning of period	**10,943,976**	10,102,741
Balance, end of period	**$ 11,318,064**	$ 10,943,976