



(an exploration stage company)

Unaudited Interim Condensed Financial Statements

**For the six months ended
August 31, 2012 and 2011**



(an exploration stage company)

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Waseco Resources Inc. [the "Company"] are the responsibility of the management and have been approved by the Board of Directors of the Company.

The unaudited interim condensed financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies as disclosed in the notes to the unaudited interim condensed financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim financial statements have been prepared fairly, in all material respects and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim condensed financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim condensed financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

As the Company is a Venture Issuer (as defined under under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) (“NI 52-109”), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures (“DC&P”) and/or ICFR, as defined in NI 52-109.

“Richard Williams”
President

“James (Jay) Richardson”
Chief Financial Officer

NOTICE TO READER

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim condensed financial statements for the three months ended August 31, 2012 and 2011 have not been reviewed by the Company's auditors.



Unaudited Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(an exploration stage company)

As at	August 31, 2012	February 29, 2012
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	438,926	914,267
Refundable provincial exploration tax credit	18,858	18,858
Sales taxes recoverable	27,770	19,943
Accounts and advances receivable	4,326	4,326
Short-term loan receivable - secured (Note 8.)	101,750	-
Total Assets	591,630	957,394
Liabilities		
Current liabilities		
Accounts payable and accruals	134,664	58,000
Exploration deposits received, net	116,382	118,546
	251,046	176,546
Shareholders' Equity		
Share capital	5,777,662	5,777,662
Share payment reserves	170,802	170,802
Deficit	(5,607,880)	(5,167,616)
Total Shareholders' Equity	340,584	780,848
Total Liabilities and Shareholders' Equity	591,630	957,394

Nature of Operations and Going Concern (Note 1)

Commitments and Contingencies (Note 2)

Approved by the Board:

("Signed") James (Jay) Richardson

CFO & Director

("Signed") Richard Williams

CEO & Director

The accompanying notes are an integral part of these financial statements



Unaudited Interim Statements of Comprehensive Loss and Deficit
(Expressed in Canadian Dollars)

(an exploration stage company)

	Six month period ended		Three month period ended	
	August 31,		August 31,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Expenses				
General and administrative	442	3,250	383	438
Shareholder relations and regulatory fees	17,495	11,032	16,871	5,253
Professional fees	17,888	22,304	9,388	16,540
Management fees	30,000	36,000	15,000	18,000
Exploration and evaluation expenditures	380,688	35,649	287,132	-
	446,513	108,235	328,774	40,231
Loss before other income	(446,513)	(108,235)	(328,774)	(40,231)
Other income:				
Miscellaneous income	2,164	45,741	2,164	45,741
Interest	4,085	4,799	2,445	2,549
	6,249	50,540	4,609	48,290
Net comprehensive (loss)/gain for the period	(440,264)	(57,695)	(324,165)	8,059
Deficit at the beginning of the period	(5,167,616)	(5,016,088)	(5,283,715)	(5,081,842)
Deficit at the end of the Period	(5,607,880)	(5,073,783)	(5,607,880)	(5,073,783)
Loss per share - basic	(0.015)	(0.002)	(0.011)	0.000
Loss per share - fully diluted	(0.015)	(0.002)	(0.010)	0.000
Weighted average number of shares outstanding - fully diluted	30,311,155	30,311,155	30,311,155	30,311,155

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



Statements of Changes in Equity
(Expressed in Canadian Dollars)

(an exploration stage company)

	Capital Stock		Reserves		Total
	Number of shares	Amount	Share based payments	Retained earnings (Deficit)	
		\$	\$	\$	\$
Balance at March 1, 2011	30,511,155	5,777,662	128,902	(5,016,088)	890,476
Net income (loss) and comprehensive loss for the period	-	-	-	(151,528)	(151,528)
Share based compensation	-	-	41,900	-	41,900
Balance at February 29, 2012	30,511,155	5,777,662	170,802	(5,167,616)	780,848
Net loss for the six months	-	-	-	(440,264)	(440,264)
Balance at August 31, 2012	30,511,155	5,777,662	170,802	(5,607,880)	340,584

	Capital Stock		Reserves		Total
	Number of shares	Amount	Share based payments	Retained earnings (Deficit)	
		\$	\$	\$	\$
Balance at March 1, 2011	30,511,155	5,777,662	128,902	(5,016,088)	890,476
Net loss for the six months	-	-	-	(57,695)	(57,695)
Balance at August 31, 2011	30,511,155	5,777,662	128,902	(5,073,783)	832,781

The accompanying notes are an integral part of these financial statements



Unaudited Interim Statements of Cash Flow
(Expressed in Canadian Dollars)

(an exploration stage company)

	Six month period ended		Three month period ended	
	August 31,		August 31,	
	2012	2011	2012	2011
Operating activities				
Net comprehensive (loss)/gain for the period	(440,264)	(57,695)	(324,165)	8,059
Impact on cash flow of net changes in non-cash working capital items:				
Sales taxes recoverable	(7,608)	(3,570)	(5,707)	(3,198)
Accounts receivable	(2,164)	(1,801)	(2,164)	(700)
Accounts payable and accruals	76,445	(28,205)	74,543	(95,432)
	(373,591)	(91,271)	(257,493)	(91,271)
Investing				
Short term loan receivable - secured (Note 8.)	(101,750)	-	(1,750)	-
	(101,750)	-	(1,750)	-
Increase (decrease) in cash and cash equivalents	(475,341)	(91,271)	(259,243)	(91,271)
Cash and cash equivalents, beginning of period	914,267	1,067,629	698,169	1,067,629
Cash and Cash Equivalents at End of Period	438,926	976,358	438,926	976,358

The accompanying notes are an integral part of these financial statements



Notes to Unaudited Interim Condensed Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended August 31, 2012 and 2011

(an exploration stage company)

1. NATURE OF OPERATIONS AND GOING CONCERN

Waseco Resources Inc. ("Waseco" or the "Company") was continued in Ontario. The principal business activity of the Company is mineral exploration in Canada and Nevada, U.S.A. as more particularly described in Note 9. The Company's registered office is Suite 1500, 2 Queen Street East, Toronto, Ontario, M5C 3G5.

As at August 31, 2012, the Company had working capital of \$340,584 (February 28, 2012 - \$780,848), had accumulated losses of \$5,607,880 (February 28, 2012 - \$5,167,616) and expects to incur future losses in the development of its business, all of which casts significant doubt on the Company's ability to continue as a going concern. These financial statements have been prepared on the basis that the Company will continue as a going concern and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, unregistered claims, and non-compliance with regulatory and environmental requirements.

Management plans to secure necessary financing, as and when needed, through a combination of the issue of new equity or debt instruments and the entering into of joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

For further comments on the Company's liquidity risk refer to Note 4 (ii) below.



Notes to Unaudited Interim Condensed Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended August 31, 2012 and 2011

(an exploration stage company)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unaudited interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited interim condensed financial statements were authorized by the Board of Directors of the Company on October 30, 2012.

2.2 Basis of presentation and functional and presentation currency

These unaudited interim condensed financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's February 29, 2012 audited annual financial statements.

The financial statements are presented in Canadian Dollars, which is the functional currency of the Company.

2.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, IFRS, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2012. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- IFRS 7 '*Financial Instruments, Disclosures*' - effective for annual periods beginning on or after January 1, 2013, IFRS 7 has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting or similar arrangements.
- IFRS 9 '*Financial Instruments: Classification and Measurement*' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.



Notes to Unaudited Interim Condensed Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended August 31, 2012 and 2011

(an exploration stage company)

2 BASIS OF PREPARATION (continued)

2.3 Adoption of new and revised standards and interpretations (continued)

- IFRS 10 '*Consolidated Financial Statements*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 1 '*Presentation of Financial Statements*' - the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially re-classifiable to profit or loss.
- IAS 12 '*Income Taxes*' – In December 2010, effective for annual periods beginning on or after January 1, 2012, IAS 12 Income Taxes was amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, *Income Taxes – recovery of revalued non-depreciable assets*, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. This is not expected to have any impact on the Company.
- IAS 19 '*Employee Benefits*' - effective for annual periods beginning on or after January 1, 2013, a number of amendments have been made to IAS 19, which included eliminating the use of the “corridor” approach and requiring re-measurements to be presented in Other Comprehensive Income. The standard also includes amendments related to termination benefits as well as enhanced disclosures.
- IAS 27 '*Separate Financial Statements*' - effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 '*Investments in Associates and Joint Ventures*' - effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for



Notes to Unaudited Interim Condensed Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended August 31, 2012 and 2011

(an exploration stage company)

2 BASIS OF PREPARATION (continued)

2.3 Adoption of new and revised standards and interpretations (continued)

- investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee
- IAS 32 '*Financial instruments, Presentation*' – In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

3. CAPITAL MANAGEMENT

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 and to ensure it continues as a going concern. 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.

All of the properties in which the Company currently has an interest are in the exploration stage with no operating revenues; as such the Company may be dependent on external financing to fund its activities. If, however, the joint venture decides to continue the exploration in Quebec then the Company would have a source of revenue. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

There has been significant market turbulence worldwide due to the credit crisis and potential of a global recession. These market conditions have and are expected to continue to have an adverse impact on the ability of junior mining exploration companies to secure equity funding. The Company has historically relied, beyond revenue amounts generated, on equity financing to raise capital and expects to be able to continue to do so, but its ability to do so may be impacted by the current global situation and economic uncertainties. Management has considered how these conditions have impacted the Company's viability given its current capital structure and considers that until the outcome of future financing activities is known there is considerable uncertainty about the appropriateness of the use of the going concern basis of accounting but management is confident of the sufficiency of its present working capital to meet its needs for at least the next twelve months to October 2013.

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 August 31, 2012. The Company is not subject to externally imposed capital requirements.



Notes to Unaudited Interim Condensed Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended August 31, 2012 and 2011

(an exploration stage company)

4. FINANCIAL INSTRUMENTS

Fair value

The Company has designated its cash and cash equivalents as Fair Value Through Profit and Loss ("FVTPL"), which are measured at fair value. Trade and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables, trade and other payables and due to related parties are determined from transaction values which were derived from observable market inputs.

As at August 31, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments is reflected below:

i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the balance sheet.

- a. **Cash and cash equivalents** – Cash and cash equivalents are held with major Canadian banks and therefore the risk of loss is minimal.
- b. **Trade and other receivables** – The Company is not exposed to significant credit risk as this amount is due from the Canadian government.

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. At August 31, 2012, the Company had working capital of \$340,584 (February 28, 2012 – \$780,848). In order to meet its longer-term working capital and property exploration expenditures, the Company would, if necessary, attempt to secure further financing to ensure that those obligations were properly discharged. Management believes that the Company has sufficient working capital to discharge its current and anticipated obligations for a minimum of one year. There can be no assurance that Waseco will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Waseco may change and shareholders may suffer additional dilution.



Notes to Unaudited Interim Condensed Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended August 31, 2012 and 2011

(an exploration stage company)

4. FINANCIAL INSTRUMENTS (continued)

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

iv) Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

5. CASH AND CASH EQUIVALENTS

The balance at August 31, 2012, consists of \$438,926 (February 29, 2012 - \$914,267) on deposit with two major Canadian banks.

6. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from one main source which is Harmonized Sales Taxes ('HST') receivable from government taxing authorities.

	As at	
	August 31, 2012	February 29, 2012
Refundable provincial exploration tax credit	18,858	18,858
Sales taxes recoverable	27,770	19,943
Accounts and advances receivable	4,326	4,326
	50,954	43,127

At August 31, 2012, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 4. The Company holds no collateral at August 31, 2012 against these receivables.



Notes to Unaudited Interim Condensed Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended August 31, 2012 and 2011

(an exploration stage company)

7. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally amounts owing for operating activities and deposit received re the AREVA joint venture.

	As at	
	August 31, 2012	February 29, 2012
Accounts payable and accruals	134,664	58,000
Exploration deposits received, net	116,382	118,546
	251,046	176,546

The following is an aged analysis of the trade and other payables:

	As at	
	August 31, 2012	February 29, 2012
Less than one month	108,890	35,576
Over three months	142,156	140,970
	251,046	176,546

8. RELATED PARTY TRANSACTIONS

The financial statements include no balances and transactions with directors and/or officers of the Company other than management fee payments and reimbursements of out of pocket amounts paid by them on behalf of the Company. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties which are not in excess of fair market values.

During the six months ended August 31, 2012, the Company paid \$30,000 (2011 - \$36,000) to officers of the Company for management fees.

On April 18, 2012, the Company provided Sparton Resources Inc. ("Sparton") with a \$100,000 loan for one year as part of the terms of an option agreement with Sparton as detailed further in Note 9 below. The loan is secured by the remaining 25% interest in the lease and is interest bearing at 7% per annum. Mr. Williams, the Company President and C.E.O., is a director of Sparton and as such Sparton is a related party. He abstained from voting on the transaction.



Notes to Unaudited Interim Condensed Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended August 31, 2012 and 2011

(an exploration stage company)

9. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenses for the Company are broken down as follows:

	Six months ended		Cumulative to date
	August 31, 2012	August 31, 2011	
Quebec-Labrador Trough	-	34,644	\$ 2,096,222
Jams Bay Lowlands	-	-	170,324
Battle Mountain Nevada	380,688	-	380,688
Other	-	1,005	-
	380,688	35,649	\$ 2,647,234

The Company has interests in the following properties:

1. Quebec-Labrador Trough – The Company controls these uranium properties which consist of multiple blocks. The Company has a joint venture agreement with AREVA and to date the joint venture partners have spent \$2,096,222 on the properties of which the Company’s monetary contribution has been \$43,900 in addition to the underlying properties.
2. James Bay Lowlands – The Company acquired a 5% interest in 2003 in a 2,440 acre claim block adjacent to the DeBeers Victor mine in the Attawapiskat Region in Northern Ontario. The property is subject to a 2% net smelter return (“NSR”), with the Company and its joint venture partners having a right of first refusal to buy out 1%.
3. On April 18th, 2012, the Company signed a letter agreement whereby it optioned from Sparton Resources Inc., a 75% interest in a lease covering 29 claims on the Battle Mountain Gold Trend in Lander County, Nevada. In order to satisfy the terms of the option, the Company is to maintain the property in good standing by making quarterly lease payments of \$4,250, paying the annual advanced royalty payments of US\$75,000 (paid for 2012) and by pending \$900,000 on exploration over three years. Approximately \$381,000 has been spent towards satisfying this obligation. The Company has also agreed to provide a \$100,000 loan for one year, secured by the remaining 25% interest in the lease. The loan is interest bearing at 7% per annum. (Refer to Note 8. above.)
4. The Company has made application for certain alluvial gold properties in Kalimantan, Indonesia; however, the current status of these properties has been brought into question by virtue of a government imposed regional moratorium. Until the treatment of the applications and the rights upon receipt are better understood, management has elected not to reflect an asset interest in respect of these prospects.



Notes to Unaudited Interim Condensed Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended August 31, 2012 and 2011

(an exploration stage company)

10. CAPITAL STOCK

Share Capital

Waseco is authorized to issue an unlimited number of common shares. The issued and outstanding share capital consists of common shares.

An analysis of movements in Capital Stock is set out in the Equity analysis (Page 5) above.

Stock-Based Compensation Plan

Waseco has established a stock option plan to provide additional incentive to its directors, officers, employees, service providers, or consultants in their efforts on behalf of the Company in the conduct of its affairs. The total number of shares which may be issued thereunder shall not exceed 10% of the then issued and outstanding shares of the Company. Under the terms of the plan, options shall vest immediately except those options granted to consultants or persons employed in investor relations activities, which are to vest over a twelve month period. All options expire on the fifth anniversary from the grant date, unless specified otherwise in a Director's Resolution.

The exercise price of each option issued shall not be less than the closing market price of the Company's stock on the day immediately preceding the date of grant.

The following table summarizes stock options issued:

Six months ended	August 31, 2012		August 31, 2011	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
Outstanding at beginning of period	\$0.10	1,000,000	\$0.25	1,000,000
Transactions during the period				
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	\$0.25	(1,000,000)
Outstanding at end of period	\$0.10	1,000,000	-	-
Exercisable at end of period	\$0.10	1,000,000	-	-

11. RESERVE FOR SHARE BASED PAYMENTS

An analysis of movements in Share Based Payments is set out in the Equity analysis above.



Notes to Unaudited Interim Condensed Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended August 31, 2012 and 2011

(an exploration stage company)

12. INCOME TAXES

At February 29, 2012, the Company had \$193,200 (2011 - \$186,400) in non-capital losses carried forward for which no benefit has been recognized in the accounts. If these losses are not utilized, they will expire between 2028 and 2032.

The Company also had, at February 29, 2012, \$4,558,600 (2011 - \$3,074,000) of unused CCEE, CCDE, FEDE and CFRE expenses and capital losses of \$312,400 (2011 - \$312,400). The tax benefits pertaining to these expenses are available to be carried forward.

13. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. Certain commitments pertaining to the Nevada property are detailed in Note 9 above and in Note 16 below.

16. SUBSEQUENT EVENTS

On July 16, 2012, the Company entered into a core drilling contract to drill approximately 5,500 feet on the Battle Mountain gold prospect lease in Nevada for approximately \$380,000, inclusive of supervision and assay costs. Drilling has recently been completed and the results are being evaluated as the assays are received.