Global Hunter Corp.

Consolidated Financial Statements

Year ended February 28, 2013

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Global Hunter Corp.

We have audited the accompanying consolidated financial statements of Global Hunter Corp., which comprise the consolidated statements of financial position as at February 28, 2013 and February 29, 2012, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's 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 auditor's 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 that we have obtained in our audits 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 Global Hunter Corp. as at February 28, 2013 and February 29, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Note 1 also describes a loan that is in default and is secured by a pledge of shares of the Company's subsidiary that holds the rights to the Company's primary exploration and evaluation asset.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
June 28, 2013

Global Hunter Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian)

	Notes		February 28, 2013		February 29, 2012 (Note 4)		February 28, 2011 (Note 4)
ASSETS							
Current assets							
Cash and cash equivalents	*5*	$	77,714	$	945,541	$	4,466,039
Receivables	*6*		14,641		76,410		83,715
Prepaid expenses			-		1,077		1,079
Marketable securities	*7*		2,250		1,500		15,500
			94,605		1,024,528		4,566,333
Restricted cash			-		-		517,338
Property, plant and equipment	*8*		75,096		83,539		39,968
Exploration and evaluation assets	*9*		1,561,864		2,076,200		2,036,952
Deposits			13,495		29,530		8,000
		$	1,745,060	$	3,213,797	$	7,168,591
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	*10*	$	963,563	$	467,203	$	852,438
Loans payable	*11*		3,490,428		2,892,262		523,566
			4,453,991		3,359,465		1,376,004
Non-current liabilities							
Loans payable			-		-		2,189,466
			4,453,991		3,359,465		3,565,470
SHAREHOLDERS' EQUITY							
Share capital	*13*		27,155,681		26,537,407		22,976,407
Shares to be issued (receivable)	*13*		(46,500)		(46,500)		2,910,000
Share-based payment reserve	*13*		3,738,978		3,559,140		2,712,956
Equity component of convertible debt reserve	*13*		628,535		564,407		564,407
Accumulated other comprehensive loss			-		(24,500)		(10,500)
Deficit			(34,185,625)		(30,735,622)		(25,550,149)
			(2,708,931)		(145,668)		3,603,121
		$	1,745,060	$	3,213,797	$	7,168,591

Approved and authorized on behalf of the Board of Directors on June 28, 2013:

"Rudy Brauer"
"Gurminder Sangha"

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

Global Hunter Corp.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

		Years ended	
	Notes	February 28, 2013	February 29, 2012 (Note 4)
Expenses			
Consulting	*12*	$ 214,829	$ 406,174
Depreciation		21,264	16,118
Exploration and evaluation expenditures	*9*	1,092,195	1,618,426
Impairment of exploration and evaluation assets	*9*	514,336	-
Insurance		16,065	14,904
Interest and finance charges	*11, 12*	520,984	806,816
Management fees	*12*	240,000	307,887
Office and miscellaneous	*12*	194,860	218,399
Professional fees		146,506	469,704
Rent	*12*	143,699	117,777
Transfer agent and filing fees		47,864	72,240
Travel		273,492	299,686
Loss from operations		3,426,094	4,348,131
Other items			
Interest and other income		(51,226)	(14,537)
Impairment of marketable securities	*7*	23,750	-
Loss on foreign exchange		10,753	37,857
Gain on debt settlement		-	(47,188)
Bad debt		-	15,026
Net loss for the year		3,409,371	4,339,289
Other comprehensive (income) loss			
Unrealized loss (gain) on marketable securities		(750)	14,000
Unrealized loss on marketable securities recognized in net loss	*7*	(23,750)	-
Comprehensive loss for the year		$ 3,384,871	$ 4,353,289
Basic and diluted loss per share		$ (0.25)	$ (0.33)
Weighted average number of common shares outstanding - basic and diluted		13,825,729	13,023,987

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

Global Hunter Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended February 28, 2013	February 29, 2012 (Note 4)
Cash from (used in)		
Operating Activities:		
Net loss	$ (3,409,371)	$ (4,339,289)
Items not involving cash:		
Depreciation	21,264	16,118
Non-cash interest	519,500	695,551
Impairment of exploration and evaluation assets	514,336	-
Impairment of marketable securities	23,750	-
Bad debt	-	15,026
Gain on settlement of debt	-	(47,188)
Change in non-cash working capital items:		
Receivables	61,769	7,305
Deposits	16,035	-
Prepaid expenses	1,077	2
Accounts payable and accrued liabilities	496,360	(81,175)
Cash used in operating activities	(1,755,280)	(3,733,650)
Investing activities		
Additions to property, plant and equipment	(12,821)	(59,690)
Expenditures on exploration and evaluation assets	-	(39,248)
Cash used in investing activities	(12,821)	(98,938)
Financing activities		
Restricted cash	-	517,338
Repayment of loans	-	(681,725)
Share capital issued for cash, net of costs	695,774	51,000
Exercise of warrants	-	553,500
Deposit		(21,530)
Loan advances	204,500	-
Advances from (repayment to) related parties	-	(106,493)
Cash provided in financing activities	900,274	312,090
Change in cash and cash equivalent for the year	(867,827)	(3,520,498)
Cash and cash equivalents, beginning	945,541	4,466,039
Cash and cash equivalents, ending	$ 77,714	$ 945,541

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

Global Hunter Corp.

Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Notes	Number of Shares	Share capital	Shares to be issued (receivable)	Share-based payment reserve	Equity component of convertible debt	Accumulated other comprehensive income (loss)	Deficit	Total Shareholder's equity (Note 4)
Balance, February 29, 2012	4	13,263,058	$ 26,537,407	$ (46,500)	$ 3,559,140	$ 564,407	$ (24,500)	$(30,735,622)	$ (145,668)
Share issues:									
Private placements, net of issuance costs	13	775,000	618,274	-	77,500	-	-	-	695,774
Extension of term of warrants	13	-	-	-	40,632	-	-	(40,632)	-
Extension of Convertible Loan	11	-	-	-	-	64,128	-	-	64,128
Warrants to be issued on extension of Convertible Loan	11	-	-	-	61,706	-	-	-	61,706
Net loss		-	-	-	-	-	-	(3,409,371)	(3,409,371)
Unrealized gain on marketable securities classified as available-for-sale		-	-	-	-	-	750	-	750
Impairment recognized on marketable securities classified as available-for-sale	7	-	-	-	-	-	23,750	-	23,750
Balance, February 28, 2013		14,038,058	$ 27,155,681	$ (46,500)	$ 3,738,978	$ 628,535	$ -	$(34,185,625)	$ (2,708,931)
Balance, February 28, 2011	4	11,313,058	22,976,407	2,910,000	2,712,956	564,407	(10,500)	(25,550,149)	3,603,121
Share issues:									
Private placements, net of issuance costs	13	1,650,000	2,961,000	(2,910,000)	-	-	-	-	51,000
Exercise of warrants	13	300,000	600,000	-	-	-	-	-	600,000
Share subscriptions received	13	-	-	(46,500)	-	-	-	-	(46,500)
Extension of terms of warrants	13	-	-	-	846,184			(846,184)	-
Net loss		-	-	-	-	-	-	(4,339,289)	(4,339,289)
Unrealized loss on marketable securities classified as available-for-sale		-	-	-	-	-	(14,000)	-	(14,000)
Balance, February 29, 2012	4	13,263,058	$ 26,537,407	$ (46,500)	$ 3,559,140	$ 564,407	$ (24,500)	$(30,735,622)	$ (145,668)

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

1. Nature of Operations and Going Concern

Global Hunter Corp. (the "Company") is an exploration stage enterprise incorporated under the laws of British Columbia. The Company is listed on the Toronto Stock Exchange Venture ("TSX-V") under the symbol BOB-V. The Company and its subsidiary are engaged in the acquisition and exploration of mineral properties located in Canada and Chile. The Company is considered to be in the exploration stage and is not able to finance day to day activities through operations. The head office, registered and principal address and records office of the Company are located at 502-535 Thurlow Street, Vancouver, British Columbia, Canada.

During the year ended February 28, 2013, the Company completed a 20:1 share consolidation (Note 13). All references to number of shares and per share amounts have been retroactively restated to reflect the share consolidation.

As a result of the Company not making required payments of principal and interest owing on the outstanding Convertible Loan (Note 11 b)) the Convertible Loan is in default as at February 28, 2013 and as of the date that these consolidated financial statements were approved. As a result of being in default, the loan has become repayable on demand. As at February 28, 2013, the amount owing on the loan, including principal and interest, was $3,490,428. The principal and interest relating to this loan is secured by a pledge of the shares of the Company's subsidiary, Global Hunter Chile Ltda. This subsidiary holds the rights to the Company's primary exploration and evaluation asset, La Corona de Cobre Project (Note 9). Within the going concern assertion it is presumed that the Company will be able to remedy the loan default and continue to control the subsidiary and therefore the primary Chilean asset. As of the date the board of directors approved these consolidated financial statements, the lender has not taken action to obtain control of the shares of the subsidiary.

The Company has not generated any revenue since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The Company has not yet established the technical feasibility and commercial viability of extracting mineral resources from its exploration and evaluation assets. The recoverability of the amounts incurred to acquire rights to exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties.

These consolidated financial statements have been prepared on the assumption the Company will continue as a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Management believes that the Company does not have sufficient funds to meet planned expenditures over the next twelve months and will need to seek additional equity financing. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties raise significant doubt regarding the Company's ability to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. Significant accounting policies and basis of presentation

These consolidated financial statements were authorized for issue on June 28, 2013, by the directors of the Company.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard 1, Presentation of Financial Statements ("IAS 1") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on International Financial Reporting Standards ("IFRS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") issued and outstanding as at June 28, 2013, the date the board of directors approved these annual consolidated financial statements for issue.

2. Significant accounting policies and basis of presentation (continued)

Basis of presentation

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments which are measured at fair value and are presented in Canadian dollars, unless otherwise indicated.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Chilean subsidiary, Global Hunter Chile Ltd.. Inter-company balances and transactions are eliminated on consolidation.

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(i) Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical accounting estimates made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Estimated useful lives of property, plant and equipment

The estimated useful lives of property, plant and equipment which are included in the consolidated statements of financial position will impact the amount and timing of the related depreciation included in profit or loss.

Share-based compensation

The fair value of stock options and certain warrants issued with Canadian dollar exercise prices are subject to the limitation of the Black- Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the statements are, but are not limited to, the following:

Determination of functional currency

In accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates” management determined that the functional currency of the Company and its Chilean subsidiary is the Canadian dollar.

Impairment indicators for exploration and evaluation assets

In accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources*, the Company use judgment to assess whether or not facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

2. Significant accounting policies and basis of presentation (continued)

Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company and its subsidiary's functional and presentation currency.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Exploration and evaluation assets

The Company capitalizes all direct costs related to the acquisition of exploration and evaluation assets. Exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and a decision to proceed with development are charged to operations as incurred.

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

The Company's criteria for testing impairment includes, but is not limited to, when:

(i) Exploration rights for a specific area have expired or are expected to expire in the near future and these rights are not expected to be renewed;

(ii) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;

(iii) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and / or

(iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an impairment test is performed and, as a result of this test, it is determined that the carrying amount of an exploration and evaluation asset exceeds its recoverable amount, a provision is made for the decline in value and charged against operations in the year.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

2. Significant accounting policies and basis of presentation (continued)

Share-based payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to share-based payment reserves. The fair value of options is determined using a Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share

The Company presents basic and diluted loss per share (“LPS”) data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is calculated by dividing the loss by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company’s case, diluted LPS is the same as basic LPS, as the effect of outstanding share options and warrants on LPS would be anti-dilutive.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company has not financial assets classified at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Financial assets classified as loans and receivables include cash and cash equivalents and deposits.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no held-to-maturity investments.

2. Significant accounting policies and basis of presentation (continued)

Financial instruments (continued)

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. Financial assets classified as available-for-sale includes marketable securities.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's non-derivative financial liabilities include accounts payable, the liability component of the convertible loan and loans payable.

Regular purchases and sales of financial assets are recognized on the trade-date, being the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's cash and cash equivalents and marketable securities are classified as level 1.

Impairment of assets

The carrying amount of the Company's non-financial assets, other than deferred tax assets if any, is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2. Significant accounting policies and basis of preparation (continued)

Impairment of assets (continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company’s estimates of restoration costs could change as a result of changes in regulatory requirements. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company’s estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

2. Significant accounting policies and basis of preparation (continued)

Restoration and environmental obligations (continued)

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

The Company has no material restoration, rehabilitation and environmental obligations as any environmental disturbance to date has been minimal.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of a significant replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	Depreciation rate
Furniture and fixtures	20%
Office and other equipment	20%

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

Comparative figures

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

3. New standards, interpretations and amendments issued but not yet effective

A number of standards, amendments to standards and interpretations are not yet effective as of February 28, 2013 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

3. New standards, interpretations and amendments issued but not yet effective (continued)

New standard IFRS 10 "Consolidated Financial Statements"

This new standard will replace IAS 27 "Consolidated and Separate Financial Statements", and SIC-12 "Consolidation –Special Purpose Entities". Concurrent with IFRS 10, the IASB issued IFRS 11 "Joint Ventures"; IFRS 12 "Disclosures of Involvement with Other Entities"; IAS 27 "Separate Financial Statements", which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 "Investments in Associates and Joint Ventures", which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013.

New standard IFRS 11 "Joint Arrangements"

This new standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes lAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers. IFRS 11 is effective for annual period beginning on or after January 1, 2013.

New standard IFRS 12 "Disclosure of Interests in Other Entities"

This new standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 is effective for annual period beginning on or after January 1, 2013.

New standard IFRS 13 "Fair value measurement"

This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Change in accounting policy

As permitted by IFRS, during the year ended February 28, 2013, the Company retrospectively changed its accounting policy for exploration and evaluation expenditures. Previously, the Company capitalized acquisition costs of exploration and evaluation assets and deferred exploration and evaluation expenditures directly to the specific exploration and evaluation assets, net of recoveries received.

Under the new policy, exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and prior to a decision to proceed with development are charged to operations as incurred. As required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the Company included the restated consolidated statement of financial position as at February 28, 2011.

Management considers this accounting policy is more in line with the IFRS conceptual framework.

(Presented in Canadian dollars)

4. Change in accounting policy (continued)

The financial statement impact as at February 28, 2011 is as follows:

	As previously reported	Effect of change in accounting policy	Restated
Consolidated statement of financial position			
Exploration and evaluation assets	$ 13,344,788	$ (11,307,836)	$ 2,036,952
Deficit	(14,242,313)	(11,307,836)	(25,550,149)

The financial statement impact as at February 29, 2012 is as follows:

	As previously reported	Effect of change in accounting policy	Restated
Consolidated statement of financial position			
Exploration and evaluation assets	$ 15,023,801	$ (12,947,601)	$ 2,076,200
Deficit	(17,788,021)	(12,947,601)	(30,735,622)
Consolidated statement of comprehensive loss			
Depreciation	$ 8,137	$ 7,981	$ 16,118
Exploration and evaluation expenditures	-	1,618,426	1,618,426
Loss on foreign exchange	24,500	13,357	37,857
Net loss for the year	2,699,525	1,639,764	4,339,289
Comprehensive loss	2,713,525	1,639,764	4,353,289
Loss per share - basic and diluted	$ 0.21	$ 0.12	$ 0.33
Consolidated statement of cash flows			
Cash used in operating activities	$ (2,108,866)	$ (1,624,784)	$ (3,733,650)
Cash used in investing activities	(1,730,722)	1,631,784	(98,938)

5. Cash and cash equivalents

	February 28, 2013	February 29, 2012
Cash	$ 72,539	$ 488,041
Term deposit	5,175	457,500
Total	$ 77,714	$ 945,541

6. Receivables

Receivables are comprised of Canadian refundable input tax credits.

(Presented in Canadian dollars)

7. Marketable Securities

The Company's marketable securities consist of 50,000 shares in Goldbank Mining Corp.:

		February 28, 2013		February 29, 2012
Balance, beginning	$	1,500	$	15,500
Increase (decrease) fair value		750		(14,000)
Balance, ending	$	2,250	$	1,500

The fair value of the shares has been determined by reference to the closing price of the shares on the TSX-V on February 28, 2013. At that date, the closing price was $0.045 per share (February 29, 2012 - $0.03).

During the year ended February 28, 2013, the Company determined that, as a result of a significant and prolonged decline in the value of the shares, the investment was impaired and therefore recognized a charge of $23,750 in net loss.

8. Property, plant and equipment

	February 28, 2013			February 29, 2012		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Furniture and fixtures:	$ 21,983	$ (7,718)	$ 14,265	$ 21,930	$ (2,181)	$ 19,749
Office and other equipment:	108,959	(48,128)	60,831	96,191	(32,401)	63,790
	$ 130,942	$ (55,846)	$ 75,096	$ 118,121	$ (34,582)	$ 83,539

9. Exploration and evaluation assets

Exploration and evaluation assets deferred to the statement of financial position are as follows:

	La Corona de Cobre Project, Chile	Rabbit South Project, Canada	Other	Total
Acquisition costs				
Balance, February 28, 2011	$ 1,561,861	$ 475,089	$ 2	$ 2,036,952
Additions	-	39,248	-	39,248
Balance, February 29, 2012	1,561,861	514,337	2	2,076,200
Impairment	-	(514,336)	-	(514,336)
Balance, February 28, 2013	$ 1,561,861	$ 1	$ 2	$ 1,561,864

(Presented in Canadian dollars)

9. Exploration and evaluation assets (continued)

Exploration expenditures included in the loss for the year ended February 28, 2013, and February 29, 2012 are as follows:

a) La Corona de Cobre Project, La Serena, Chile

The Company acquired its 100% interest in the mineral claims of the La Corona de Cobre project directly through a March 2, 2005 option agreement by which the Company paid $782,646, issued 50,000 common shares and incurred $3,500,000 in exploration and development expenditures. On April 29, 2009, the Company entered into an option agreement and disposed of seven of the concessions at the La Corona de Cobre project for consideration of US$300,000 which was received over a two year period.

The rights to this exploration and evaluation asset are held by the Company's subsidiary, Global Hunter Chile Ltda. The principal and interest relating to the Convertible Loan (Note 11b)) is secured by a pledge of the shares of this subsidiary. At February 28, 2013 this loan was in default.

Certain of the concessions that form part of the La Corona de Cobre project are subject to an ongoing legal dispute between the Company and a third party. The dispute has gone to trial and has completed the evidentiary stage. The outcome of this legal dispute cannot be determined at this time.

b) Rabbit South project, British Columbia, Canada

The Company acquired 100% interest in fifteen mineral claims of the Rabbit South project directly through an option agreement dated January 26, 2004, amended August 17, 2009, subject to a 3% Net Smelter Royalty ("NSR"), by which the Company paid $435,000, issued 30,000 common shares and incurred $1,500,000 in exploration and evaluation expenditures.

Further consideration includes the payment of advance royalties of $30,000 per annum commencing November 30, 2008. The annual advance royalty due December 30, 2012, has not yet been paid. The Company may at any time purchase one third of the 3% NSR for $1,000,000.

In February 2013, due to the uncertainties in financing further exploration work on the mineral claims, management concluded that an impairment had occurred and the mineral property interest was written down to $1.

	For the years ended			
		February 28, 2013		February 29, 2012
La Corona de Cobre, Chile				
Assays	$	(285)	$	47,011
Communication		2,621		2,743
Drilling		1,600		14,720
Environment		37,221		25,184
Exploration		188,214		249,636
Geological		220,878		496,357
Licensing and permitting		123,270		131,008
Logistics and support		309,825		400,275
Salaries		77,039		107,804
Professional fee		104,612		80,710
Travel and accommodation		10,504		32,485
Vehicle costs		15,853		28,493
		1,091,352		1,616,426
Rabbit South, Canada				
Logistics and support		-		2,000
Licensing and permitting		843		-
		843		2,000
Exploration and evaluation expenditures	$	1,092,195	$	1,618,426

(Presented in Canadian dollars)

10. Accounts payable and accrued liabilities

	February 28, 2013	February 29, 2012
Trade payables	$ 656,940	$ 315,955
Accrued expenses and other	161,898	41,194
Amounts due to related parties (Note 12)	144,725	110,054
Total	$ 963,563	$ 467,203

11. Loans Payable

	February 28, 2013	February 29, 2012
Loans payable - current:		
Emerald Fortune Ltd. (a)	$ 7,245	$ 7,245
Convertible loan (b)	3,266,414	2,885,017
Mara Management Ltd. (c)	42,643	-
Pro Group Services Ltd. (d)	12,854	-
RMP Trading Ltd. (e)	161,272	-
Total loans payable	$ 3,490,428	$ 2,892,262

a) At February 28, 2013, the Company had a balance owing to Emerald Fortune Ltd. in the amount of $7,245 (February 29, 2012 - $7,245). The loan is unsecured, non-interest bearing and does not have a fixed term of repayment.

b) On October 1, 2010, the Company received a $2,500,000 loan ("Convertible Loan") to advance its Corona de Cobre project in Chile. The Convertible Loan had an eighteen month term and the principal was convertible at the option of the lender in whole or in part into units ("Principal Unit") of the Company until eighteen months from the date of the loan advance at the price of $1.20 per Principal Unit. Each Principal Unit is comprised of one common share and one-half of a non-transferable warrant. Each whole warrant is exercisable to purchase one additional common share for $2.00 at any time until eighteen months from the date of the loan advance. The Convertible Loan bears interest at the rate of 12% per annum, payable on maturity, and accrued and unpaid interest was convertible at the option of the lender in whole or in part into units ("Interest Unit") of the Company until eighteen months from the date of the loan advance at the market price of Interest Unit. Each Interest Unit will be comprised of one common share and one-half of a non-transferable warrant. Each whole warrant is exercisable to purchase one additional common share for 150% of the market price of the Company's shares at any time until eighteen months from the date of the loan advance. The Convertible Loan principal and accrued interest is secured by a pledge of the shares of the Company's subsidiary, Global Hunter Chile Ltda. (Note 9a)), and may be repaid without penalty or bonus on 30-day notice. All shares issued on any conversion of principal or interest will be subject to a four month hold period from the date of advance of loan proceeds.

(Presented in Canadian dollars)

11. Loans Payable (continued)

On June 18, 2012, the Company entered into a first amending agreement and on September 19, 2012, entered into a second amending agreement, collectively being the Amended Convertible Loan Agreement to the Convertible Loan agreement dated October 1, 2010. The terms of repayment of the Convertible Loan have been amended such that up to half of the principal and 100% of the accrued interest will be due and payable on January 31, 2013, if lender gives notice of the requirement of repayment by December 31, 2012. The remaining balance of the principle and accrued interest will become due and payable without demand on October 1, 2013. The conversion price has been amended from $1.20 to $2.00 per Principal Unit. As consideration for the extension and new conversion price, the Company will issue the lender detachable warrants exercisable to purchase up to 625,000 shares at $2.00 per share until the earlier of October 1, 2015 and the time of repayment of that portion of the principal in respect of which such detachable warrants would be issuable if such detachable warrants were a conversion warrant. The Company recognized a finance charge of $61,706 relating to the obligation to issue these warrants determined using the Black-Scholes option pricing model with the following assumptions: Expected dividend – 0; Expected stock price volatility – 132%; Risk-free interest rate –1.04%; Expected life – 0.83 years

The Company received notice from the lender requiring payment of up to one-half of the Convertible Loan plus accrued interest by January 31, 2013. The Company did not make this payment and therefore the Convertible Loan is in default.

The loan is a compound financial instrument as it includes both liability and equity components. On initial recognition, the Company determined the fair value of the liability component on the date of issue to be $1,935,593. The fair value of the liability was determined by calculating the fair value of the future cash flows of the loan assuming a discount rate of 30%. The equity component was determined to be $564,407 which is the residual of the proceeds less the liability component. The debt component of the convertible loan is accreted over the term to maturity, with the accretion charge included in interest expense.

As a result of extending the maturity date of the Convertible Loan, the Company charged $64,128 to the carrying value of the liability representing the incremental increase in the fair value of the equity component determined using the Black-Scholes option pricing model with the following assumptions: Expected dividend – 0; Expected stock price volatility – 132%; Risk-free interest rate – 1.03%; Expected life – 0.83 years

		February 28, 2013		February 29, 2012
Balance, beginning of year	$	2,885,017	$	2,189,466
Increase in value of equity component on extension		(64,128)		-
Value of warrants issued on extension		(61,706)		
Interest expense accrual		341,688		300,616
Accretion expense		165,543		394,935
Balance, end of year	$	3,266,414	$	2,885,017

c) On January 29, 2013, the Company entered into a loan agreement for $42,000 with Mara Management Ltd. The loan has a term of 10 months and 16 days and bears interest at the rate of 18% per annum, payable monthly. The principal amount is due on December 13, 2013.

d) On January 3, 2013, the Company entered into a loan agreement for $12,500 with Pro Group Geological Ltd. The loan has a term of 12 months and bears interest at the rate of 18% per annum, payable monthly. The principal amount is due on February 14, 2014.

e) On October 4, 2012, the Company entered into a loan agreement for $150,000 with RMP Trading Ltd. The loan has a term of 12 months and bears interest at the rate of 16.5% per annum, payable monthly. The principal amount is due on October 4, 2013.

(Presented in Canadian dollars)

12. Related Party Transactions and Balances

a) The Company was charged the following amounts by directors officers or companies owned by current and former officers and directors for the years ended February 28, 2013, and February 29, 2012, as follows:

	Years ended	
	February 28, 2013	February 29, 2012
Management fees:		
Directors and officers	$ 240,000	$ 164,650
Company related to a former director and officer of the Company	-	111,812
Office and miscellaneous:		
Company related to a former director and officer of the Company	-	41,726
Rent:		
Company related to a former director and officer of the Company	-	14,923
Exploration and evaluation expenditures:		
Geological services by a company related to a former director and officer of the Company	-	140,000
Directors and officers	-	85,671
Interest and finance charges		
Company related to a former director and officer of the Company	-	75,709
Total	$ 240,000	$ 634,491

b) Key management personnel compensation

The remuneration of directors and other members of key management personnel, including amounts disclosed in Note 12 a), during the years ended February 28, 2013, and February 29, 2012, were as follows:

	Years ended	
	February 28, 2013	February 29, 2012
Short-term benefits	$ 240,000	$ 502,133

c) Amounts due to related parties

	February 28, 2013	February 29, 2012
Due to the president of the Company	$ 71,228	$ 4,746
Due to a director of the Company	13,440	-
Due to an officer of the Company	-	4,149
Due to a former officer and director of the Company	-	71,972
Due to companies related to a former officer and director of the Company	-	29,187
Due to a company with directors and officers in common	60,057	-
	$ 144,725	$ 110,054

13. Share Capital

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

On January 23, 2013, the shares of the Company were consolidated on a 20:1 share basis. All share figures, number of options and warrants have been presented on a post consolidation basis.

(Presented in Canadian dollars)

13. Share Capital (continued)

b) Issued share capital (continued)

At February 28, 2013, the Company had 14,038,058 issued and outstanding common shares (February 29, 2012 – 13,263,058).

See the Consolidated Statement of Changes in Equity for a summary of changes in share capital and reserves for the fiscal years ended February 28, 2013, and February 29, 2012.

Fiscal 2013

On July 3, 2012, the Company completed a non-brokered private placement of 775,000 units ("Unit") at the price of $1.00 per unit for gross proceeds of $775,000. Each unit is comprised of one common share and one-half of one transferable share purchase warrant. Each whole warrant will entitle the holder to purchase one common share for a period of one year at the exercise price of $2.00 until June 8, 2013. The Company allocated $77,500 of the proceeds to the share-based payment reserve, being the implicit value of the warrants determined as being the difference between the issue price and the market price of the Company's shares on the date the Units were issued. The Company paid finders' fees of $64,000 in connection with the private placement. Cash share issue costs were $15,226.

Fiscal 2012

In April 2011, the Company completed a private placement of 1,650,000 units ("Unit') at $2.00 per unit for gross proceeds of $3,300,000. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share for a period of one year at the exercise price of $3.00 until October 6, 2012. The value of the warrants was determined to be $Nil. The Company paid $339,000 as finders' fees for this private placement. As at February 28, 2013 and February 29, 2012, $46,500 of the proceeds has not been received.

During the year ended February 29, 2012, the Company received $600,000 for exercise of 300,000 warrants at $2.00 per share.

c) Share purchase warrants

The continuity for the Company's share purchase warrants for the years ended February 28, 2013, and February 29, 2012, is as follows:

	February 28, 2013		February 29, 2012	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning	3,467,137	$2.20	4,125,416	$2.00
Issued	387,500	2.00	825,000	3.00
Exercised	-	-	(300,000)	2.00
Expired	(3,467,137)	2.20	(1,183,279)	2.00
Balance, ending	387,500	$2.00	3,467,137	$2.20

The following table summarizes information concerning outstanding warrants at February 28, 2013:

Expiry Date	Exercise Price	Warrants outstanding	Weighted average exercise price
June 8, 2013	$2.00	387,500	$2.00

Subsequent to February 28, 2013, these warrants expired unexercised.

(Presented in Canadian dollars)

13. Share Capital (continued)

c) Share purchase warrants (continued)

On December 1, 2011, the Company extended the term of 1,000,000 outstanding share purchase warrants for nine months from December 15, 2011 to June 15, 2012. The incremental fair value of the extension was determined to be $406,948 and was charged to share-based payment reserve and deficit. The following assumptions were used for the Black-Scholes valuation of the extension: Expected dividend – 0; Expected stock price volatility – 124%; Risk-free interest rate – 1.01%; Expected life of warrants – 0.54 years.

On December 5, 2011, the Company extended the term of 1,200,000 outstanding share purchase warrants by nine months from January 9, 2012, to July 9, 2012. The incremental fair value of the extension was determined to be $439,236 and was charged to share-based payment reserve and deficit. The following assumptions were used for the Black-Scholes valuation of the extension: Expected dividend – 0; Expected stock price volatility – 127%; Risk-free interest rate – 0.91%; Expected life of warrants – 0.59 years.

On April 5, 2012, the Company extended the term of 825,000 outstanding share purchase warrants by six months from April 6, 2012 to October 6, 2012. The incremental fair value of the extension was determined to be $40,632 and was charged to share-based payment reserve and deficit. The following assumptions were used for the Black-Scholes valuation of the extension: Expected dividend – 0; Expected stock price volatility – 88%; Risk-free interest rate – 1.13%; Expected life of warrants – 0.5 years.

d) Stock Options

The Company has adopted an incentive stock option plan (the “Plan”). The Plan provides that the aggregate number of shares of the Company’s capital stock issuable pursuant to options granted under the plan may not exceed ten percent of the issued and outstanding shares of the Company at the relevant time. 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 shares (defined as the last closing market price of the Company’s shares immediately preceding the grant date, less the maximum discount permitted by TSX-V Policy), or such other price as may be agreed to by the Company and accepted by the TSX-V. Stock options granted to consultants providing investor relations activities under the Plan are subject to vesting restrictions such that one-quarter of the option shall vest on each of the date of grant and three, nine and twelve months after the date of grant.

The continuity for the Company’s stock options for the years ended February 28, 2013, and February 29, 2012, is as follows:

	February 28, 2013		February 29, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning	101,250	$3.00	101,250	$3.00
Expired	(101,250)	(3.00)	-	-
Balance, ending	-	-	101,250	$3.00

There are no outstanding stock options as of February 28, 2013.

(Presented in Canadian dollars)

13. Share Capital (continued)

e) Reserves

Share-based payment reserve

The share-based payment reserve record items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Equity component of convertible debt

The equity component of convertible debt reserve reflects equity component of convertible debt with liability and equity components. On conversion, the amount recorded will be transferred to share capital.

14. Segmented Information

The Company is involved in one industry segment comprising the acquisition and exploration of exploration and evaluation assets and two geographic segments: Canada and Chile. Expenses are incurred and the assets are located in both Canada and Chile. The Company's equipment and exploration and evaluation assets are distributed by geographic area as follows:

At February 28, 2013:

	Property, plant and equipment	Exploration and evaluation assets	Total
Canada	$ 30,525	$ 3	$ 30,528
Chile	44,571	1,561,861	1,606,432
	$ 75,096	$ 1,561,864	$ 1,636,960

At February 29, 2012:

	Property, plant and equipment	Exploration and evaluation assets	Total
Canada	$ 36,128	$ 514,339	$ 550,467
Chile	47,411	1,561,861	1,609,272
	$ 83,539	$ 2,076,200	$ 2,159,739

15. Income Taxes

A reconciliation of the expected tax recovery to the actual tax recovery is as follows:

	Years ended	
	February 28, 2013	February 29, 2012
Loss before income taxes	$ (3,409,371)	$ (4,339,289)
Canadian statutory income tax rate	25.00%	26.25%
Expected income tax recovery at statutory rate	(852,343)	(1,139,063)
Non-deductible expenses and other permanent differences	135,517	277,583
Effect of different foreign tax rate and tax rate changes	40,693	96,462
Temporary differences not recognized as deferred tax assets	676,133	765,018
	$ -	$ -

(Presented in Canadian dollars)

15. Income Taxes (continued)

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

		February 28, 2013		February 29, 2012
Canadian non-capital losses	$	13,571,895	$	11,797,069
Chilean tax losses		6,469,503		5,655,635
Share issuance costs		517,014		684,920
Property, plant and equipment		20,521		9,209
Marketable securities		23,750		24,500
Exploration and evaluation assets		1,979,914		1,464,735
Total	$	22,582,597	$	19,636,068

The Canadian non-capital losses expire in the following years:

2015	$	340,641
2026		558,653
2027		751,971
2028		2,541,949
2029		1,498,414
2030		1,469,296
2031		2,077,906
2032		2,558,239
2033		1,774,826
	$	13,571,895

The share issue costs are amortized into income or loss for tax purposes over a period of five years. The other deductible temporary differences may be carried forward indefinitely.

16. Risk and Capital Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and Chile. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

(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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

At February 28, 2013, the Company has liabilities of $4,453,991 that are either overdue or payable within the next twelve months. Historically, the Company's source of funding has been the issuance of equity securities for cash, primarily through private placements and loans and advances from related and third parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding, or continued support from related parties by way of loans or advances.

16. Risk and Capital Management (continued)

(c) Market Risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and other price risk. These are discussed further below:

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. This risk is considered to be minimal.

Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's Chilean subsidiary is exposed to currency risk as it incurs expenditures that are denominated in Chilean pesos and US dollars while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. At February 28, 2013, the Canadian dollar equivalent of amounts included in accounts payable and accrued liabilities that are denominated in US dollars is $116,089, and in Chilean pesos is $72,223.

Other Price Risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk, price risk or foreign exchange risk.

The Company is exposed to changes in market prices as this can impact the value of its marketable securities.

(d) Political Uncertainty

In conducting operations in Chile, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Chile, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

(e) Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of its business. The capital structure of the Company consists of share and working capital.

There were no changes in the Company's approach to capital management during the period.

The Company is not subject to any externally imposed capital requirements.

(f) Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount because of the short-term nature of these instruments.