Global Hunter Corp.

Condensed Consolidated Interim
Financial Statements

Six months ended August 31, 2012 and 2011

(Unaudited – Expressed in Canadian dollars)

NOTICE TO READER

These condensed consolidated interim financial statements of Global Hunter Corp. have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these interim financial statements, notes to the financial statements and the related Management Discussion and Analysis.

Global Hunter Corp.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars - unaudited)

	Notes	August 31, 2012 - $ -	February 29, 2012 - $ -
ASSETS			
Current assets			
Cash and cash equivalents	*4*	431,814	945,541
Receivables	*5*	54,295	76,410
Prepaid expenses	*6*	1,077	1,077
Marketable securities	*7*	2,000	1,500
		489,186	1,024,528
Property, plant and equipment	*8*	77,503	83,539
Exploration and evaluation assets	*9*	15,655,898	15,023,801
Deposits	*10*	29,530	29,530
		16,252,117	16,161,398
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	*11*	440,689	357,149
Loans payable	*12*	3,292,229	2,892,262
Due to related parties	*13*	75,709	110,054
		3,808,627	3,359,465
SHAREHOLDERS' EQUITY			
Share capital	*14*	27,248,407	26,537,407
Shares to be issued (receivable)	*14*	(46,500)	(46,500)
Share-based payment reserves	*14*	3,559,140	3,559,140
Equity component of convertible debt reserve	*14*	564,407	564,407
Accumulated other comprehensive loss		(24,000)	(24,500)
Deficit		(18,857,963)	(17,788,021)
		12,443,490	12,801,933
		16,252,117	16,161,398

Nature of operations and going concern	*1*
Commitments	*17*
Subsequent events	*19*

Approved by Directors:
"Rudy Brauer"
"Gurminder Sangha"

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

Global Hunter Corp.

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three and six months ended August 31

(Expressed in Canadian dollars - unaudited)

		Three months ended August 31,		Six months ended August 31,	
		2012	2011	2012	2011
	Notes	- $ -	- $ -	- $ -	- $ -
Expenses					
Consulting	*15*	26,805	306,362	111,157	375,815
Depreciation		5,397	321	10,794	642
Insurance		6,209	3,004	15,670	5,844
Interest and finance charges	*13,15*	205,278	197,324	400,990	361,472
Management fees	*15*	78,000	70,444	149,750	200,062
Office and miscellaneous	*15*	60,956	53,884	100,658	85,527
Professional fees		29,903	289,664	52,183	323,472
Rent	*15*	43,804	22,346	65,181	41,839
Travel		89,291	68,208	136,450	116,368
Transfer agent and filing fees		5,234	12,318	18,460	32,849
Loss from operations		550,877	1,023,875	1,061,293	1,543,890
Other items					
Interest income		(786)	-	(2,532)	-
Loss (gain) on foreign exchange		(20,181)	(10,214)	11,181	(8,024)
Net loss for the period		529,910	1,013,661	1,069,942	1,535,866
Other comprehensive (income) loss					
Unrealized loss (gain) on marketable securities		(1,750)	5,000	500	6,500
Comprehensive loss for the period		528,160	1,018,661	1,070,442	1,542,366
Basic and diluted loss per share		0.00	0.00	0.00	0.01
Weighted average number of common shares outstanding		270,315,485	264,981,659	275,369,833	255,485,528

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

Global Hunter Corp.
Condensed Consolidated Interim Statements of Cash Flows
For the three months and six months ended August 31
(Expressed in Canadian dollars - unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2012	2011	2012	2011
	- $ -	- $ -	- $ -	- $ -
Cash from (used in)				
Operating Activities:				
Net loss	(529,910)	(1,013,661)	(1,069,942)	(1,535,866)
Items not involving cash:				
Depreciation	10,274	321	15,671	642
Accrued interest	75,000	101,719	150,000	177,335
Accretion on convertible loan	129,788	95,605	249,967	184,137
Change in non-cash working capital items:				
Receivables	39,450	(26,824)	22,115	(54,234)
Prepaid expenses	-	(5,711)	-	(141,313)
Accounts payable and accrued liabilities	88,706	(3,069)	83,540	(50,916)
Cash used in operating activities	(186,692)	(851,620)	(548,649)	(1,420,215)
Investing activities				
Additions to property, plant and equipment	(3,032)	(7,871)	(9,636)	(9,826)
Expenditures on exploration and evaluation assets	(322,420)	(372,653)	(632,097)	(679,378)
Cash used in investing activities	(325,452)	(380,524)	(641,733)	(689,204)
Financing activities				
Restricted cash	-	-	-	517,338
Repayment of loans	-	-	-	(125,000)
Share capital issued for cash, net of costs	711,000	(10,000)	711,000	51,000
Exercise of warrants	-	600,000	-	600,000
Share subscriptions receivable	(665,000)	(449,385)	-	(272,500)
Advances from (repayment to) related parties	(11,004)	(59,106)	(34,345)	2,408
Cash provided in financing activities	34,996	81,509	676,655	773,246
Change in cash for the period	(477,148)	(1,150,635)	(513,727)	(1,336,173)
Cash and cash equivalents, beginning	908,962	4,280,501	945,541	4,466,039
Cash and cash equivalents, ending	431,814	3,129,866	431,814	3,129,866

Supplementary disclosure with respect to cash flows – Note 18

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

Global Hunter Corp.
Condensed Consolidated Interim Statements of Changes in Equity
For the six months ended August 31
(Expressed in Canadian dollars - unaudited)

	Notes	Number of Shares	Share capital	Shares to be issued (receivable)	Share-based payment reserves	Equity component of convertible debt	Accumulated other comprehensive income (loss)	Deficit	Total Shareholder's equity
			- $ -	- $ -	- $ -	- $ -	- $ -	- $ -	- $ -
Balance, February 28, 2012		265,261,137	26,537,407	(46,500)	3,559,140	564,407	(24,500)	(17,788,021)	12,801,933
Private placements, net of issuance costs	*14*	15,500,000	711,000	-	-	-	-	-	711,000
Net loss		-	-	-	-	-	-	(1,069,942)	(1,069,942)
Unrealized gain on investments available-for-sale		-	-	-	-	-	500	-	500
Balance, August 31, 2012		280,761,137	27,248,407	(46,500)	3,559,140	564,407	(24,000)	(18,857,963)	12,443,491
Balance, February 28, 2011		226,261,137	22,976,407	2,910,000	2,712,956	564,407	(10,500)	(14,152,207)	15,001,063
Private placements, net of issuance costs	*14*	33,000,000	2,961,000	(2,910,000)	-	-	-	-	51,000
Exercise of warrants		6,000,000	600,000	-	-	-	-	-	600,000
Share subscriptions received	*14*	-	-	(272,500)	-	-	-	-	(272,500)
Net loss		-	-	-	-	-	-	(1,535,866)	(1,535,866)
Unrealized gain on investments available-for-sale		-	-	-	-	-	(6,500)	-	(6,500)
Balance, August 31, 2011		265,261,137	26,537,407	(272,500)	2,712,956	564,407	(17,000)	(15,688,073)	13,837,197

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 and its subsidiary are engaged in the acquisition and exploration of mineral properties located in Canada and Chile. The Company is listed on the Toronto Stock Exchange Venture ("TSX-V") under the symbol BOB-V.

These condensed consolidated interim financial statements have been prepared on the assumption the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. At August 31, 2012, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. During the six months ended August 31, 2012, the Company had net loss of $1,069,942 and at August 31, 2012, had a working capital deficiency of $3,319,441. Should the Company be unable to continue as a going concern, significant adjustments to asset values may be necessary. The ability of the Company to continue as a going concern is dependent upon the Company being able to raise sufficient financing to complete exploration and development activities, the discovery of economically recoverable reserves, and upon future profitable operations or proceeds from disposition of exploration and evaluation assets. The Company presently, has not yet determined whether its exploration and evaluation assets contain economically recoverable resources. Management intends to finance operating costs over the next twelve months with funds on hand and future private placements.

The head office, registered and principal address and records office of the Company are located at 502-535 Thurlow Street, Vancouver, British Columbia, Canada.

2. Significant accounting policies and basis of presentation

These condensed consolidated interim financial statements were authorized for issue on October 30, 2012 by the directors of the Company.

Statement of compliance

These condensed consolidated interim financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements do not include all of the disclosures required by IFRS for annual financials statements, it is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the annual consolidated financial statements of the Company for the year ended February 29, 2012, which were prepared in accordance with IFRS as issued by the IASB.

Basis of presentation

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of their application as the most recent annual consolidated financial statements of the Company for the year ended February 29, 2012. These condensed consolidated interim 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. These condensed consolidated financial statements are presented in Canadian dollars, unless otherwise indicated.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its controlled entity. Details of controlled entity is as follows:

		Percentage owned	
	Country of incorporation	August 31, 2012	February 29, 2012
Global Hunter Chile Ltd.	Chile	100%	100%

Inter-company balances and transactions are eliminated on consolidation.

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

Significant accounting judgments, estimates and assumptions

The presentation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the useful lives of equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Foreign and presentation currency

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

3. Accounting standards issued but not yet effective

A number of standards, amendments to standards and interpretations are not yet effective as of August 31, 2012 and have not been applied in preparing these condensed consolidated interim 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.

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 IAS 31, "Interests in Joint Ventures", and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturer. IFRS 11 is effective for annual period beginning on or after January 1, 2013.

(Presented in Canadian dollars – unaudited)

3. Accounting standards issued by not yet effective (continued)

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.

New interpretation IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

This new IFRIC clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

4. Cash and cash equivalents

	August 31, 2012	February 29, 2012
	- $ -	- $ -
Canadian dollar denominated deposits held in Canada	205,084	750,070
US dollar denominated deposits held in Canada	16,502	15,648
US dollar denominated deposits held in Chile	34,366	39,033
Chilean peso denominated deposits held in Chile	175,862	140,790
Total	431,814	945,541

5. Receivables

	August 31, 2012	February 29, 2012
	- $ -	- $ -
Amounts due from the Government of Canada pursuant to HST input tax credits	53,985	76,410
Amounts due from Canadian financial institutions	310	-
Total	54,295	76,410

6. Prepaid expenses

	August 31, 2012	February 29, 2012
	- $ -	- $ -
Prepaid expenses in Canada	1,077	1,077
Total	1,077	1,077

(Presented in Canadian dollars – unaudited)

7. Marketable Securities

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

	August 31, 2012	February 29, 2012
	- $ -	- $ -
Balance, beginning	1,500	15,500
Less unrealized gain (loss)	500	(14,000)
Balance, ending	2,000	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 August 31, 2012. At that date, the closing price was $0.04 per share (February 29, 2012 - $0.03).

8. Property, plant and equipment

	August 31, 2012			February 29, 2012		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	- $ -	- $ -	- $ -	- $ -	- $ -	- $ -
	0					
Furniture and fixtures:	46,097	(12,386)	33,711	21,930	(2,181)	19,749
Office and other equipment:	81,658	(37,867)	43,792	96,191	(32,401)	63,790
	127,755	(50,253)	77,503	118,121	(34,582)	83,539

9. Exploration and evaluation assets

	February 29, 2012	Addition (disposal)	August 31, 2012
	- $ -	- $ -	- $ -
La Corona de Cobre, Chile:			
Acquisition costs	1,561,861	-	1,561,861
Logistics and support	2,247,580	(65)	2,247,515
Assaying	646,707	-	646,707
Drilling	1,904,276	-	1,904,276
Exploration	2,424,484	376,553	2,801,036
Geological	2,748,190	138,969	2,887,158
Licensing & permitting	629,512	116,641	746,153
	12,162,609	632,097	12,794,707
Rabbit South, Canada:			
Acquisition costs	514,337	-	514,337
Logistics and support	670,729	-	670,729
Assaying	99,708	-	99,708
Drilling	1,095,040	-	1,095,040
Exploration	309,162	-	309,162
Geological	239,370	-	239,370
BC Mineral Tax Credit	(67,156)	-	(67,156)
	2,861,190	-	2,861,190
Other	2	-	2
	15,023,801	632,097	15,655,898

9. Exploration and evaluation assets (continued)

a) La Corona de Cobre Project

By an Option Agreement dated March 2, 2005, the Company acquired a 100% interest in mineral claims located near La Serena, Chile for consideration of:

Cash payments totaling $782,646 as follows:

- US$460,928 on or before December 31, 2005 as repayment of costs (paid);
- US$90,000 on or before June 30, 2005 (paid);
- US$100,000 on or before October 31, 2005 (paid); and
- US$110,000 on or before February 28, 2006 (paid).

Issue 1,000,000 shares of the Company capital stock as follows:

- 350,000 shares of the Company's capital stock to be issued within ten days of TSX acceptance of the Agreement (issued);
- 325,000 shares on or before March 2, 2006 (issued); and
- 325,000 shares on or before March 2, 2007 (issued).

Incur exploration and development expenditures totaling $3,500,000 as follows:

a) $500,000 on or before December 31, 2005 (incurred);
b) $1,000,000 on or before June 30, 2006 (incurred); and
c) $2,000,000 on or before June 30, 2007, amended to September 30, 2007 by amendment agreement dated February 25, 2007 (incurred).

Sale of mineral claims at La Corona de Cobre Project

On April 29, 2009, the Company entered into an option agreement with Minera Activa Uno SPA, the terms of which provide Mineral Activa Uno SPA the option to acquire seven concessions currently held by the Company at La Corona de Core Project in La Serena, Chile.

The consideration was US$300,000, which Minera Activa Uno paid over a two year period:

a) US$100,000 - during the first 20 days after this was entered into (received);
b) US$100,000 - during the first 18 months after this was entered into (received); and
c) US$100,000 - during the first 24 months after this was entered into (received).

b) Rabbit South Properties

By an Option Agreement dated January 26, 2004, (as amended) the Company was granted the right and option to acquire a 100% interest (subject to a 3% Net Smelter Royalty ("NSR") in fifteen mineral claims located in British Columbia, Canada for consideration of:

Cash payments totaling $300,000 as follows:

- $25,000 on execution of the Agreement (paid);
- $40,000 on or before January 20, 2005 (paid);
- $50,000 on or before January 20, 2006 (paid);
- $50,000 on or before February 27, 2007 (paid);
- $50,000 on or before January 20, 2008 (paid); and
- $85,000 on or before January 20, 2009 (paid).

(Presented in Canadian dollars – unaudited)

9. Exploration and evaluation assets (continued)

Issue 300,000 shares of the Company's capital stock as follows:

- 100,000 shares of Company's capital stock to be issued within ten days of TSX acceptance of the agreement (issued);
- 100,000 shares on or before January 20, 2005 (issued); and
- 100,000 shares on or before January 20, 2006 (issued).

Incur exploration and development expenditures totaling $1,500,000 as follows:

- $200,000 on or before January 20, 2005 (incurred);
- $250,000 on or before January 20, 2006 (incurred);
- $300,000 on or before June 30, 2007 (incurred);
- $375,000 on or before January 20, 2008; amended to April 19, 2008 (incurred); and
- $375,000 on or before January 20, 2009 (incurred).

Pursuant to an amendment dated February 19, 2007, the Company issued an additional 100,000 common shares and paid $50,000 to delay the work commitment to June 30, 2007.

On August 17, 2009, the Company signed an amended agreement with the optionor whereby the Company agreed to issue 200,000 common shares of the Company (issued) and a cash payment of $85,000 (paid) to satisfy an earlier agreement dated February 19, 2007, in which the Company had requested an extension of time to make certain work expenditures.

Further consideration includes the payment of advance royalties of $30,000 per annum commencing November 30, 2008. The annual advance royalties were paid in December 2010 and 2011.

The Company may at any time purchase one third of the 3% NSR for $1,000,000.

10. Deposits

	August 31, 2012 - $ -	February 29, 2012 - $ -
Office rent security deposit	29,530	29,530
Total	29,530	29,530

11. Accounts payable and accrued liabilities

	August 31, 2012 - $ -	February 29, 2012 - $ -
Trade and other payables in Canada	414,461	341,579
Trade and other payables in Chile	26,228	15,569
Total	440,689	357,148

(Presented in Canadian dollars – unaudited)

12. Loans Payable

	August 31, 2012 - $ -	February 29, 2012 - $ -
Loans payable - current:		
Emerald Fortune Ltd. (a)	7,245	7,245
Convertible loan (b)	-	2,885,017
Total loans payable - current	7,245	2,892,262
Loans payable - non-current:		
Convertible loan (b)	3,284,984	-
Total loans payable - non-current	3,284,984	-
Total loans payable	3,292,229	2,892,262

a) At August 31, 2012 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 proceeds from the loan were used by the Company to fund project expenses and for general working capital purposes.

The loan has an eighteen month term and the loan principal will be convertible at the option of the lender in whole or in part into units ("Principal Units") of the Company until eighteen months from the date of the loan advance at the price of $0.06 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 $0.10 at any time until eighteen months from the date of the loan advance. The loan bears interest at the rate of 12% per annum, payable on maturity, and accrued and unpaid interest will be convertible at the option of the lender in whole or in part into units ("Interest Units") of the Company until eighteen months from the date of the loan advance at the market price of the shares. 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 loan principal and accrued interest is secured by a pledge of the shares of the Company's subsidiary, Global Hunter Chile Ltda., and may be repaid without penalty or bonus on 30-day notice. All shares issued on any conversion of loan principal or interest will be subject to a four month hold period from the date of advance of loan proceeds. A finder's fee equal to 6% of the loan proceeds was paid in cash.

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 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 to repay by October 31, 2012. The remaining balance of the loan principle and accrued interest will become due and payable without demand on October 1, 2013. The conversion period of the loan principal in whole or in part into Principal Units has been amended and extended until October 1, 2015. The conversion price of the loan has been amended from $0.06 to $0.10 per Principal Unit. As consideration for the loan extension and new conversion price, the Company will issue the lender detachable warrants exercisable to purchase up to 20,833,333 shares at $0.10 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 amended convertible loan agreement is subject TSX-V approval.

The loan is a compound financial instrument as it includes both liability and equity components. 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

(Presented in Canadian dollars – unaudited)

12. Loans Payable (continued)

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.

	August 31, 2012 - $ -	February 29, 2012 - $ -
Balance, beginning of period	2,885,017	2,189,446
Interest expense accrual	150,000	300,616
Accretion expense	249,967	-
Balance, end of period	3,284,984	2,885,017

13. Related Party Transactions

a) Due to related parties

	August 31, 2012 - $ -	February 29, 2012 - $ -
Due to the President of the Company	-	4,746
Due to the Vice President Development and Exploration	-	4,149
Due to former President & Director of the Company	75,709	71,972
Due to company related to President of the Company	-	29,187
	75,709	110,054

Amounts due to related parties are unsecured, non-interest-bearing and are repayable on demand.

b) Transactions with related parties

The Company was charged the following amounts by directors or companies with directors in and companies owned in whole or in part by executive officers and directors for the three and six months ended August 31, 2012 and 2011 as follows:

	Three months ended		Six months ended	
	August 31, 2012 - $ -	August 31, 2011 - $ -	August 31, 2012 - $ -	August 31, 2011 - $ -
Consulting fees:				
Companies controlled by former President	-	2,051	-	2,051
Management fees:				
President and Chief Executive Officer	48,000	30,000	96,000	52,500
Director	12,000	12,200	24,000	29,750
Chief Financial Officer	3,000	3,000	6,000	6,000
Company controlled by former President	-	25,244	-	111,812
Vice President of Development and Exploration	-	30,000	-	32,083
Office and miscellaneous:				
Company controlled by former President	-	16,457	-	16,995
Rent:				
Company controlled by former President	-	1,584	-	11,968
Interest and finance charges:				
Companies controlled by former President	-	67,806	-	67,806
Total	63,000	188,342	126,000	330,965

(Presented in Canadian dollars – unaudited)

13. Related Party Transactions

c) Key management personnel compensation

The remuneration of directors and other members of key management personnel, including amounts disclosed in Note 13 a), during the three and six months ended August 31, 2012 and 2011 were as follows:

	Three months ended		Six months ended	
	August 31, 2012 - $ -	August 31, 2011 - $ -	August 31, 2012 - $ -	August 31, 2011 - $ -
Consulting fees	-	2,051	-	2,051
Management fees	63,000	100,444	126,000	232,145
Total	63,000	102,495	126,000	234,196

14. Share Capital

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At August 31, 2012, the Company had 286,161,137 issued and outstanding common shares (February 29, 2012 - 265,261,137).

See the Condensed Consolidated Interim Statements of Changes in Equity for a summary of changes in share capital and reserves for the six months ended August 31, 2012.

Fiscal 2013

On July 3, 2012, the Company completed a non-brokered private placement of 15,500,000 units at the price of $0.05 per unit for gross proceeds of $775,000. Each unit will be 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 $0.10 until June 8, 2013. The net share subscription receivable was $270,000. The Company paid or accrued finders' fees of $64,000 in connection with the private placement, in accordance with TSX Venture Exchange Policy. All securities issued pursuant to the private placement will be subject to a four-month hold period from the closing date. The proceeds from the private placement will be used to finance exploration activities and for general corporate expenses.

Fiscal 2012

In April 2011, the Company completed a private placement of 33,000,000 units at $0.10 per unit. 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 $0.15 until October 6, 2012. The Company did not separately attribute a value to the warrants. The Company paid $339,000 as finders' fees for this private placement.

During the period ended August 31, 2011, the Company received $600,000 for exercise of 6,000,000 warrants at $0.10 per share.

(Presented in Canadian dollars – unaudited)

14. Share Capital (continued)

c) Share Purchase Warrants

The continuity for the Company's share purchase warrants for the six months ended August 31, 2012 and for the year ended February 29, 2012 is as follows:

	August 31, 2012		February 29, 2012	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning	69,342,732	$0.11	82,508,321	$0.10
Issued	7,750,000	0.10	16,500,000	0.15
Exercised	-	-	(6,000,000)	0.10
Expired	(52,842,732)	0.10	(23,665,589)	0.10
Balance, ending	24,250,000	$0.13	69,342,732	$0.11

The following table summarizes information concerning outstanding warrants at August 31, 2012:

Exercise Price	Warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life in years
$0.15	16,500,000	$0.15	0.10
$0.10	7,750,000	$0.10	0.77
	24,250,000	$0.13	0.31

The following table summarizes information concerning outstanding warrants at February 29, 2012:

Exercise Price	Warrants outstanding	Weighted average exercise Price	Weighted average remaining contractual life in years
$0.10	4,642,732	$0.10	0.11
$0.10	2,200,000	$0.10	0.16
$0.10	2,000,000	$0.10	0.33
$0.10	24,000,000	$0.10	0.36
$0.10	20,000,000	$0.10	0.29
$0.15	16,500,000	$0.15	0.60
	69,342,732	$0.11	0.37

On December 1, 2011, the Company extended the term of 20,000,000 outstanding share purchase warrants for six 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 24,000,000 outstanding share purchase warrants by six 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.

(Presented in Canadian dollars – unaudited)

14. Share Capital (continued)

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 Venture Exchange Policy), or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange. 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, six and twelve months after the date of grant.

The continuity for the Company's stock options for the six months ended August 31, 2012 and for the year ended February 29, 2012 is as follows:

	August 31, 2012		February 29, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning and end of period	2,025,000	$0.30	2,025,000	$0.30

The following table summarizes information concerning outstanding and exercisable options at August 31, 2012:

Exercise Price	Options outstanding	Weighted average exercise price	Weighted average remaining contractual life in years
$0.30	2,025,000	$0.30	0.09
	2,025,000	$0.30	0.09

The following table summarizes information concerning outstanding and exercisable options at February 29, 2012:

Exercise Price	Options outstanding	Weighted average exercise price	Weighted average remaining contractual life in years
$0.30	2,025,000	$0.30	0.60
	2,025,000	$0.30	0.60

(Presented in Canadian dollars – unaudited)

15. Segmented Information

The Company is involved in one industry segment comprising the acquisition and exploration of mineral properties 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 August 31, 2012:

	Property, plant and equipment - $ -	Exploration and evaluation assets - $ -	Total - $ -
Canada	31,042	2,861,192	2,892,234
Chile	46,461	12,794,706	12,841,167
	77,503	15,655,898	15,733,401

At February 29, 2012:

	Property, plant and equipment - $ -	Exploration and evaluation assets - $ -	Total - $ -
Canada	36,128	2,861,192	2,897,320
Chile	47,411	12,162,609	12,210,020
	83,539	15,023,801	15,107,340

16. Financial Instruments and Risk 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. The Company's secondary exposure to risk is on its sales tax receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

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

	August 31, 2012 - $ -	February 29, 2012 - $ -
Bank accounts – Canada	221,586	765,718
Bank accounts – Chile	210,228	179,823
	431,814	945,541

(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. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

16. Financial Instruments and Risk Management (continued)

Historically, the Company's source of funding has been the issuance of equity securities for cash, primarily through private placements, loans and advances from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding, nor continued support from related parties by way of loans or advances.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at August 31, 2012:

	Within one year	Between one and five years	More than five years
	- $ -	- $ -	- $ -
Accounts payables	440,689	-	-
Loans payable	7,245	3,284,984	-
Due to related parties	75,709	-	-
	523,643	3,284,984	-

(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.

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 August 31, 2012, one Canadian dollar was equal to 1.017 US dollars and 487 Chilean Pesos.

As at August 31, 2012, the Company has financial instruments denominated in foreign currencies as below and is exposed to currency risk as follows:

	USD	Chilean Peso	Canadian dollar equivalent
Cash	50,868	85,577,555	227,600
Accounts payable and accrued liabilities	(143,897)	(12,762,467)	(170,125)
Net monetary assets	(93,029)	72,815,088	57,475

Based on the above net exposures, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar and the Chilean Peso would result in an increase or decrease of approximately $5,745 in the Company's reported loss in the period.

(Presented in Canadian dollars – unaudited)

16. Financial Instruments and Risk Management (continued)

d) 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.

e) Fair value

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 following is an analysis of the Company's financial assets measured at fair value at August 31, 2012 and February 29, 2012:

	As at August 31, 2012		
	Level 1 -$-	Level 2 -$-	Level 3 -$-
Cash and cash equivalents	431,814	-	-
Marketable securities	2,000	-	-
	433,814	-	-

	As at February 29, 2012		
	Level 1 -$-	Level 2 -$-	Level 3 -$-
Cash and cash equivalents	945,541	-	-
Marketable securities	1,500	-	-
	947,041	-	-

(Presented in Canadian dollars – unaudited)

17. Commitments

Operating leases commitments

At August 31, 2012, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	August 31, 2012 - $ -
Within one year	109,000
Between two to five years	312,000
Total	421,000

Operating lease payments represent rentals payable by the Company for its office premises. Leases are negotiated for a term of five years.

18. Supplemental Cash Flow Information

During the three and six months ended August 31, 2012 and 2011, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Three months ended		Six months ended	
	August 31, 2012 - $ -	August 31, 2011 - $ -	August 31, 2012 - $ -	August 31, 2011 - $ -
Cash Paid for interest	-	37,376	-	37,376
Depreciation included in exploration and evaluation assets	4,967	-	4,877	-

19. Subsequent Events

Subsequent to August 31, 2012, the Company recorded the expiration of 16,500,000 share purchase warrants and 2,025,000 options.