STRONGHOLD METALS INC.

Condensed Interim Consolidated Financial Statements (Unaudited)

For The Six Months Ended February 29, 2012 and 2011

NOTICE OF NO AUDITOR REVIEW OF CONDENSED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements have been prepared by management of the Company and have not been reviewed by the Company's independent auditor.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

STRONGHOLD METALS INC.
Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(Expressed in Canadian dollars)

	Notes	February 29 2012	August 31 2011 (Note 15)	September 1 2010 (Note 15)
ASSETS				
CURRENT				
Cash and cash equivalents	6	$ 53,931	$ 3,172,856	$ 1,242,639
Restricted cash	7	34,500	115,000	57,500
Taxes recoverable		43,017	73,204	20,880
Other receivable		100	-	-
Prepaid expenses		80,911	57,233	9,170
Due from related parties	11	916	11,200	-
		213,375	3,429,493	1,330,189
Deposits	13	221,849	232,145	-
Equipment	8	134,447	44,545	-
Mineral properties	9	8,941,586	5,902,457	945,338
Exploration advances	11	2,853	23,394	-
		$ 9,514,110	$ 9,632,034	$ 2,275,527
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities		$ 1,007,513	$ 792,572	$ 117,731
Due to related parties	11	31,293	32,580	8,891
Loans payable	12	210,000	-	-
		1,248,806	825,152	126,622
SHAREHOLDERS' EQUITY				
Capital stock	10	13,634,320	12,965,570	6,337,856
Subscription receivable		-	(9,900)	-
Commitment to issue shares		235,798	235,798	-
Contributed surplus		8,155,901	7,869,450	6,416,047
Deficit		(13,760,715)	(12,254,036)	(10,604,998)
		8,265,304	8,806,882	2,148,905
		$ 9,514,110	$ 9,632,034	$ 2,275,527

Nature of Operations and Going Concern (note 1)
Commitments (notes 9 and 13)
Subsequent events (note 16)

The condensed consolidated interim financial statements were authorized for issue by the board of directors on April 27, 2012 and were signed on its behalf by:

"Jim Heras"
Jim Heras, Director

"Yannis Tsitos"
Yannis Tsitos, Director

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

STRONGHOLD METALS INC.
Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)
(Expressed in Canadian dollars)

	Notes	Three Months Ended February 29 2012	Three Months Ended February 28 2011 (Note 15)	Six Months Ended February 29 2012	Six Months Ended February 28 2011 (Note 15)
EXPENSES					
Amortization		$ 1,759	$ (136)	$ 1,759	$ -
Insurance		4,375	4,192	8,750	8,430
Investor relations	11	64,591	93,783	146,929	153,158
Management and consulting fees	11	69,491	26,872	121,591	51,122
Office and miscellaneous	11	118,508	35,182	217,410	52,505
Professional fees	11	137,248	59,944	179,090	90,023
Salaries, benefits and director fees	11	149,575	90,542	218,052	120,542
Share-based payments	10(c)	10,844	19,098	286,451	60,617
Stock exchange and filing fees		13,179	11,431	21,425	12,931
Transfer agent fees		1,341	1,747	3,401	2,963
Travel and promotion		159,695	59,700	260,622	137,746
Loss Before Other Items		730,606	402,355	1,465,480	690,037
Mineral properties written down		19,669	59,907	19,669	59,907
Interest income		3,202	(2,965)	(5,722)	(5,417)
Interest expense		2,607	219	2,652	219
Foreign exchange loss		27,222	46,187	24,600	46,260
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		$ 783,306	$ 505,703	$ 1,506,679	$ 791,006
Loss per share, basic and diluted		$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding		65,701,290	47,487,683	64,232,112	47,487,683

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

Stronghold Metals Inc.
Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
For the Six Months Ended February 29, 2012 and 2011
(Expressed in Canadian dollars)

	Capital Stock						
	Shares	Amount	Deficit	Contributed Surplus	Subscriptions receivable	Commitment to Issue Shares	Total Shareholders' Equity (Note 13)
Balance, August 30, 2010	45,562,790	$ 6,337,856	$ (10,604,998)	$ 6,416,047	$ -	$ -	$ 2,148,905
Net loss for the period			(285,303)				(285,303)
Shares issued for cash							
Exercise of stock options	10,000	25,000					25,000
Reclassification of contributed surplus on exercise of options		15,989		(15,989)			-
Share-based payments				41,519			41,519
Balance, November 30, 2010	45,572,790	6,378,845	(10,890,301)	6,441,577	-	-	1,930,121
Net loss for the period	-	-	(505,703)	-		-	(505,703)
Shares issued for cash							
Private placements	7,200,000	3,254,276	-	705,724			3,960,000
Exercise of stock options	275,000	59,000	-	-		-	59,000
Exercise of warrants	21,000	9,450					9,450
Share issue costs	-	(309,374)	-	-		-	(309,374)
Shares issued for non-cash consideration							
Mineral properties	2,000,000	1,100,000					1,100,000
Share-based payments	-	-	-	19,098		-	19,098
Balance, February 28, 2011	55,068,790	10,492,197	(11,396,004)	7,166,399	-	-	6,262,592
Balance, August 30, 2011	63,451,290	$ 12,965,570	$ (12,254,036)	$ 7,869,450	$ (9,900)	$ 235,798	$ 8,806,882
Net loss for the period	-	-	(723,373)	-		-	(723,373)
Shares issued for non-cash consideration							
Mineral properties	2,250,000	668,750					668,750
Share-based payments	-	-	-	275,607		-	275,607
Balance, November 30, 2011	65,701,290	13,634,320	(12,977,409)	8,145,057	(9,900)	235,798	9,027,866
Net loss for the period	-	-	(783,306)	-		-	(783,306)
Share-based payments	-	-	-	10,844		-	10,844
Share subscription					9,900		9,900
Balance, February 29, 2012	65,701,290	$ 13,634,320	$ (13,760,715)	$ 8,155,901	$ -	$ 235,798	$ 8,265,304

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

STRONGHOLD METALS INC.
Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
(Expressed in Canadian dollars)

	Three Months Ended February 29		Six Months Ended February 29	
	2012	2011	2012	2011
		(Note 15)		(Note 15)
OPERATING ACTIVITIES				
Net loss for the period	$ (783,306)	$ (505,703)	$ (1,506,679)	(791,006)
Add items not affecting cash:				
Amortization	1,759	(136)	1,759	-
Deferred exploration costs written down	-	59,906	-	59,906
Share-based payments	10,844	19,098	286,451	60,617
Net changes in non-cash working capital items				
Accounts payable and accrued liabilities	404,653	(86,065)	214,941	(396)
Other receivable	5,402	787	(100)	(156)
Tax recoverable	15,181	10,117	30,187	(10,731)
Prepaid and deposit	10,855	(20,295)	(23,678)	(36,982)
Deposits	(97,935)	-	10,296	-
Receivable and advances	-	(69,269)		(75,000)
Subscriptions receivable	9,900	(9,900)	9,900	(9,900)
	(422,647)	(601,460)	(976,923)	(803,648)
FINANCING ACTIVITIES				
Restricted cash	80,500	(57,500)	80,500	(57,500)
Loans payable	210,000	-	210,000	-
Amounts due to related parties	31,456	(152,290)	8,997	(135,818)
Shares issued for cash	-	3,719,076	-	3,744,076
	321,956	3,509,286	299,497	3,550,758
INVESTING ACTIVITIES				
Purchase of equipment	(13,602)	(47,141)	(103,705)	(52,598)
Expenditures on mineral properties	(601,245)	(1,112,499)	(2,358,335)	(1,470,799)
Exploration advances	79,416	-	20,541	-
	(535,431)	(1,159,640)	(2,441,499)	(1,523,397)
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(636,122)	1,748,186	(3,118,925)	1,223,713
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	690,053	715,667	3,172,856	1,240,140
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 53,931	$ 2,463,853	$ 53,931	2,463,853
Supplemental Cash Flow Information:				
Income tax paid	$ -	$ -	$ -	-
Interest paid	$ 435	$ 219	$ 497	219
Non-cash operating, financing, and investing activities				
Shares issued for mineral properties	$ -	$ -	$ 668,750	1,100,000

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

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the laws of the province of British Columbia on October 16, 2003. The Company is an exploration stage company and is in the business of acquiring, exploring and developing mineral properties. The Company's principal office is located at 1220 – 1066 West Hastings Street, Oceanic Plaza, Vancouver, British Columbia, V6E 3X1.

These condensed interim consolidated financial statements are prepared on a "going concern" basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company does not currently hold any revenue-generating properties and incurred losses of $1,506,679 for the six months ended February 29, 2012 (February 28, 2011 – $791,006). The Company has an accumulated deficit of $13,760,715 as of February 29, 2012 (February 28, 2011 - $11,396,004) and a working capital deficit of $1,035,431 (August 31, 2011 – 2,604,341).

The ability of the Company to continue as a going concern and meet its commitments as they become due, including exploration, evaluation and development of its mineral interests, is dependent on the Company's ability to obtain the necessary financing and ultimately, upon its success in locating properties with economically recoverable resources and attaining either profitable operations from those properties or the proceeds from the disposition of those properties. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. Management is planning to raise additional capital to finance operations and expected growth, and is looking at strategies to partner or dispose of its mineral interests (see notes 9, 10 and 16). If the Company is unable to obtain additional financing, the Company will be unable to continue.

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

2. BASIS OF PRESENTATION

(a) First-Time Adoption of International Financial Reporting Standards

These condensed interim consolidated financial statements, including comparatives, have been prepared by using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and IFRS 1, First Time Adoption of IFRS. These policies are based on IFRS issued and outstanding as of April 27, 2012, the date the Board of Directors approved the financial statements.

These are the Company's second IFRS interim financial statements. Note 15 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended August 31, 2011. Comparative figures for 2011 have been restated to give effect to those changes.

These condensed interim consolidated financial statements are a part of the period covered by the Company's first IFRS annual consolidated financial statements to be prepared in accordance with IFRS for the year ending August 31, 2012.

2. BASIS OF PRESENTATION (Continued)

(b) Basis of Preparation

The interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are recorded at fair value. In addition, these have been prepared using the accrual method of accounting except for cash flow information. These condensed interim consolidated financial statements do not include all the information required by full annual financial statements and should be read in conjunction with the Canadian GAAP annual financial statements of the Company for the year ended August 31, 2011.

(c) Principles of consolidation

These interim consolidated financial statements include the accounts of the Company and its integrated wholly-owned subsidiaries, Acarat (Chile) S.A., Stronghold Brasil Mineracao Ltda (formerly Mineracao Vale Do Sonho Ltda) ("Stronghold Brazil") and Stronghold Guyana Inc. All significant intercompany transactions and balances have been eliminated.

(d) Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain critical accounting estimates and assumptions which affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amount of revenue and expenses during the reporting period.

Significant areas requiring the use of management judgments and estimates relate to determination of impairment of mineral property interests, the determination of site closure and reclamation provisions, rates of amortization on equipment, the variables used in the determination of the fair value of stock options granted and of the warrants issued and the determination of the valuation allowance for deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, fair value through profit or loss ("FVTPL"), available-for-sale, or other financial liabilities.

Financial assets and liabilities classified as FVTPL are measured at fair value with gains and losses recognized in net income. Financial instruments are classified as FVTPL when they have been acquired principally for the purpose of selling it in the near term or they are derivatives that are not designated and effective as hedging instruments. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income and reported in shareholders' equity. Any financial instrument may be classified as FVTPL upon initial recognition. Any financial asset may be classified as available for sale upon initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (continued)

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as held-to-maturity, loans and receivables, or other financial liabilities are included in the initial carrying value of such instruments and amortized using the effective interest method. Transaction costs classified as FVTPL are expensed while incurred, while those classified as available for sale are included in the initial carrying value.

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

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

(b) Mineral properties and exploration costs

Costs incurred before the legal rights to undertake exploration and evaluation activities were acquired are expensed as incurred. The Company capitalizes all costs related to mineral properties on a property-by-property basis. Such costs include mineral property acquisition costs, exploration, evaluation and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed, the property is sold or the Company's mineral rights are allowed to lapse.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as property costs or recoveries when the payments are made or received.

At the development stage, as when the mineral reserves are proven or the permit to operate the mineral property are received and financing to complete the development has been obtained, the capitalized costs of mineral property interests will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

(c) Site rehabilitation obligations

Site rehabilitation obligations are recognized when a legal or constructive obligation arises. The liability is recognized at the present value of management's best estimate of the site rehabilitation obligation. The estimate is discounted to the present value using a discount rate specific to the obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. The liability is accreted to its present value at each reporting period, and the capitalized cost is amortized on the same basis as the related asset. Upon settlement of the liability, the Company may incur a gain or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization of equipment is recorded on those items that have been put into service. Amortization is calculated on a declining-balance basis at the following annual rates:

Office equipment and furniture	20% to 50%
Vehicles	25%

Leasehold improvements are recorded at cost. Amortization is calculated using the straight-line method over the terms of the lease.

Additions during the period are amortized at one-half the annual rates. Amortization on the equipment related to the mineral properties is capitalized under mineral properties.

(e) Impairment of Long-lived assets

Equipment and mineral property interests are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less direct costs to sell and the asset value in use (being the present value of the expected future cash flows of the asset). An impairment loss is recognized for the amount by which the carrying amount exceeds its estimated recoverable amount.

(f) Basic and diluted loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions including the exercise of options and warrants that would be anti-dilutive

The calculation also excludes common shares that are being held in escrow at period end where the terms of release are dependent on requirements other than the passage of time.

(g) Share-based payments

The Company has a stock option plan as disclosed in Note. 10. The Company uses a fair value based method of accounting for stock options to directors, employees and non-employees. The fair value is determined using the Black-Scholes option pricing model with assumptions for risk-free interest rate, volatility, expected forfeiture and life of the options or warrants. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it 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. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. The cost is recognized on a straight-line graded method basis, over the applicable vesting period as an increase in share-based payments expense, with the offset credit to contributed surplus. Upon exercise of share

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Share-based payments (Continued)

purchase options, the applicable amounts from contributed surplus are transferred to share capital.

(h) Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under the method, deferred income tax assets and liabilities are determined based on the differences between financial statement carrying values and their corresponding tax values (temporary differences). Deferred income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply when the temporary differences are likely to reverse. The effect on deferred income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. Deferred tax benefits are recognized to the extent that it is probable the Company will have taxable income against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

(i) Unit offerings

The proceeds from the issuance of units are allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values using the market trading price and the Black-Scholes option pricing model for the shares and warrants, respectively.

(j) Foreign currency

The condensed interim consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. The accounts recorded in foreign currencies have been translated into Canadian dollars on the following basis:

- monetary assets and liabilities at the rate of exchange in effect at the balance sheet date;
- non-monetary assets and liabilities at the rates of exchange in effect on the respective dates of transactions; and
- revenue and expenses at the exchange rates prevailing of the date of the transaction.

Gains and losses on translation are included in income or expense in the period in which they occur.

(k) Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments that are readily redeemable into known amounts of cash and that have an initial maturity of three months or less from the original date of acquisition.

(l) Accounting standards issued but not yet applied

Certain new accounting standards and interpretations have been published that are not applicable for the February 29, 2012 reporting period.

IFRS 7, Financial Instruments: Disclosures

The amendments will increase disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions are undertaken around the end of the reporting period, and the possible effects of any risks that may remain

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 7, Financial Instruments: Disclosures (Continued)

with the entity that transferred the asset. This new standard, which is applicable for annual periods beginning on or after July 1, 2011, is not expected to significantly impact the Company.

IFRS 9, Financial Instruments

This new standard introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 Financial instruments: Recognition and measurement, derecognition of financial assets and liabilities. This new standard is not applicable until January 1, 2013 but is available for early adoption. The Company has not yet assessed the impact of this standard.

IFRS 10, Consolidated financial statements

The standard provides additional guidance to assist the determination of control and whether an entity should be included within the consolidated financial statements of the parent company. This new standard is applicable for periods beginning on or after January 1, 2013, with early application permitted. The Company has not yet assessed the impact of this standard.

IFRS 11, Joint arrangements

The standard provides for accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The new standard is effective for periods beginning on or after January 1, 2013, with early application permitted. The Company has not yet assessed the impact of this standard.

IFRS 13, Fair value measurement

The standard sets out in a single IFRS a framework for measurement of fair value and related disclosures. The definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. This new standard is applicable for periods beginning on or after January 1, 2013, with early application permitted. The Company has not yet assessed the impact of this standard.

IAS 28, Investments in associates

IAS 28 was amended in 2011 which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted, and is not expected to significantly impact the Company.

4. CAPITAL MANAGEMENT

The Company's objectives in managing its capital are as follows:

- To safeguard its ability to continue as a going concern; and
- To have sufficient capital to be able to meet its strategic objectives including the continued exploration of its existing mineral projects and the identification of additional projects.

Given the current exploration stage of its projects, the Company considers capital to be all components of shareholders' equity of the Company. The Company manages its capital structure in accordance with its strategic objectives and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new shares in the form of private placements and/or secondary public offerings.

The Company has no externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the six months ended February 29, 2012.

5. FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents as fair value through profit or loss, and accounts payable, loans payable and due to related parties as other financial liabilities.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Fair value

The carrying values of cash and cash equivalents, restricted cash and accounts payable approximate their fair values due to the short-term nature of these financial instruments.

The fair values of amounts due to and from related parties, and loans payable have not been disclosed as their fair values cannot be reliably measured since there are no quoted market prices for such instruments.

(b) Credit risk

Credit risk to the Company is the risk that they will not be able to recover their financial assets, principally cash and cash equivalents. The Company has $9,575 (August 31, 2011 - $2,886,075) of cash and cash equivalents in a Canadian chartered bank, $44,356 (August 31, 2011 - $280,712) in a subsidiary of a Canadian chartered bank located in Guyana, and $Nil (August 31, 2011 - $6,069) in a subsidiary of a Canadian chartered bank located in Chile. The amounts kept in Guyana are to cover expected mineral property and exploration costs for the ensuing quarter. The Company's exposure to credit risk is not considered significant.

The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major financial institutions.

5 FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At February 29, 2012, the Company had accounts payable totalling $1,007,513 (August 31, 2011 - $792,572), due within three months of period-end, amounts due to related parties of $31,293 (August 31, 2011 - $32,580), with no stated terms of repayment, and loans payable of $210,000 repayable within the next three months.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is comprised of three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

The Company's cash and cash equivalents consists of cash held in bank accounts and a guaranteed investment certificate ("GIC") that earns interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in interest rates will not have a significant impact on the fair value or future cash flows of the cash and cash equivalents of the Company.

(ii) Foreign currency risk

The Company is exposed to foreign currency fluctuations to the extent financial instruments are not denominated in Canadian dollars. The Company has operations in Chile, Brazil and Guyana. As at February 29, 2012 and August 31, 2011, the Company had monetary net assets and net liabilities in foreign currency (expressed in Canadian dollars) as follows:

	February 29, 2012		August 31, 2011	
	Monetary Net Assets	Monetary Net Liabilities	Monetary Net Assets	Monetary Net Liabilities
Chilean pesos	$ -	$ -	$ 6,069	$ -
Guyana dollars	44,356	216,445	275,058	244,532
Brazil real	-	-	-	-
US dollars	-	-	5,654	-
	$ 44,356	$ 216,445	$ 286,781	$ 244,532

A 10% increase or decrease in the value of the foreign currencies against the Canadian dollar would have a $17,209 (August 31, 2011 - $4,225) increase or decrease on the monetary net assets of the Company. The Company has not entered into any foreign currency contracts to mitigate this risk.

(iii) Other price risk

The Company is not exposed to significant other price risk.

(Expressed in Canadian dollars)

6. CASH AND CASH EQUIVALENTS

As at February 29, 2012, the Company's cash consists of cash of $53,931.

7. RESTRICTED CASH

As at February 29, 2012, the Company had a total of $34,500 (August 31, 2011 - $115,000) in GIC bears interest at prime minus 2.05% and expires May 7, 2012. The GIC is held as collateral for corporate credit cards with the Bank of Montreal.

8. EQUIPMENT

	February 29, 2012		
	Cost	Accumulated Amortization	Net Book Value
Office furniture and equipment	$ 28,505	$ 5,475	$ 23,030
Vehicles	93,216	15,229	77,987
Leasehold improvements	35,189	1,759	33,430
	$ 156,910	$ 22,463	$ 134,447

	August 31, 2011		
	Cost	Accumulated Amortization	Net Book Value
Office furniture and equipment	$ 23,999	$ 1,664	$ 22,335
Vehicles	29,206	6,996	22,210
	$ 53,205	$ 8,660	$ 44,545

(Expressed in Canadian dollars)

9. MINERAL PROPERTIES

	Seneca Canada	Combarbala Chile	Tucumã Brazil	Eagle Mountain Guyana	Mowasi Guyana	Total
Balance, August 31, 2010	$ 1	$ 1	$ 945,336	$ -	$ -	$ 945,338
Additions – acquisition costs						
Acquisition – cash	-	-	-	502,500	-	502,500
Option payments – shares	-	-	-	1,335,798	-	1,335,798
Other acquisition expenses	-	-	(4,427)	36,869	-	32,442
Total acquisition costs for year	-	-	(4,427)	1,875,167	-	1,870,740
Additions-deferred exploration costs						
Analytical	-	-	62,575	99,327	-	161,902
Amortization	-	-	-	8,660	-	8,660
Drilling	-	-	367,524	851,261	-	1,218,785
Equipment rental	-	-	-	255,884	-	255,884
Geological surveys, consulting and report	-	97,242	201,062	-	-	298,304
Professional fees	-	11,279	58,907	1,932	-	72,118
General expenses	-	58,073	49,880	101,564	-	209,517
Repairs and maintenance	-	-	-	51,026	-	51,026
Sampling and prospecting	-	-	102,025	324,014	-	426,039
Consulting	-	-	175,365	-	-	175,365
Travel, supplies and field expenses	-	25,465	97,930	277,443	-	400,838
Total expenditures for year	-	192,059	1,115,268	1,971,111	-	3,278,438
Write down	-	(192,059)	-	-	-	(192,059)
Balance, August 31, 2011	1	1	2,056,177	3,846,278	-	5,902,457
Additions - acquisition costs						
Acquisition – cash	-	-	-	-	128,334	128,334
Option payments – shares	-	-	-	600,000	68,750	668,750
Other acquisition expenses	-	-	3,092	1,206	10,256	14,554
Cost recovery	-	-	(25,000)	-	-	(25,000)
Total acquisition costs for period	-	-	(21,908)	601,206	207,340	786,638
Additions-deferred exploration costs						
Analytical	-	-	16,998	116,115	-	133,113
Depreciation	-	-	-	12,044	-	12,044
Drilling	-	-	(2,436)	861,546	-	859,110
Equipment rental	-	-	-	234,556	-	234,556
Geological surveys, consulting and report	-	-	139,155	1,382	-	- 140,537
General expenses	-	152	22,910	87,279	-	110,341
Labour	-	-	14,358	314,131	-	328,489
Legal	-	-	46,376	12,381	-	58,757
Project supervision	-	-	30,072	-	-	30,072
Repairs and maintenance	-	-	-	46,012	-	46,012
Rent	-	-	-	9,737	-	9,737
Taxes	-	6,834	37,088	-	-	43,922
Travel, supplies and field expenses	-	12,683	66,397	186,390	-	265,470
Total expenditures for period	-	19,669	370,918	1,881,573	-	2,272,160
Write down	-	(19,669)	-	-	-	(19,669)
Balance, February 29, 2012	$ 1	$ 1	$ 2,405,187	$ 6,329,057	$ 207,340	$ 8,941,586

9. MINERAL PROPERTIES (Continued)

Seneca Property

Pursuant to an agreement dated June 21, 2004, the Company was granted an option to acquire a 100% undivided interest in six mineral claims situated in the New Westminster Mining Division, British Columbia. As consideration for the property, the Company paid $20,000. The claims are subject to a 2% net smelter return royalty ("NSR") of which 1% can be purchased by the Company for $250,000 at any time before the property is put into commercial production. During the years ended August 31, 2004 and 2005, the Company staked 28 additional mineral claims at a cost of $38,958.

Pursuant to an agreement dated July 22, 2005, the Company was granted an option to acquire a 100% undivided interest in two mineral claims situated in the New Westminster Mining Division, British Columbia. As consideration, the Company paid $40,000 and incurred $20,000 of exploration expenditures. The claims are subject to a 2% NSR, which can be purchased by the Company for $1,250,000 at any time.

During the 2009 fiscal year, the Company extended the term of two tenure claims totaling 504 hectares to 2013 and six tenure claims totaling 150 hectares to 2016 with the Government of British Columbia. During the year ended August 31, 2009, the Company wrote down the carrying value of the Seneca property to a net book value of $1 as it has no future exploration programs planned on this property.

Combarbala Property

Pursuant to an agreement dated July 14, 2006 and subsequently amended on August 31, 2009, the Company entered into a Royalty Agreement with BHP Billiton whereby the Company acquired a 100% interest in 33 mineral claims located in Region IV of Chile by agreeing to pay BHP Billiton a 2% NSR.

During the year ended August 31, 2010, the Company wrote down the carrying value of the Combarbala property to a net book value of $1 as it has no future exploration programs planned on the property. Costs incurred in the current period to maintain the property were written off.

Tucumã Property

On May 25, 2010, the Company agreed to acquire all of the issued and outstanding shares of Stronghold Brazil. As consideration, the Company issued 1,500,000 common shares and 750,000 non-transferable share purchase warrants to the former shareholders of the acquired company. Each warrant entitles the warrant holder to acquire an additional common share in the capital of the Company at a price of $0.75 for a period of two years from the date of issue. On commencement of commercial production for primary ore (excluding alluvial minerals) from the Tucumã Property, the Company will pay a sum of US$3,000,000 and a 1% NSR to the former shareholders of the acquired company.

9. MINERAL PROPERTIES (Continued)

Tucumã Property (Continued)

The aggregate purchase price of $941,753 consisted of 1,500,000 common shares valued at $540,000, 750,000 share purchase warrants valued at $124,725, and $41,590 of transaction costs. The value of the common shares issued was based on the market price of the Company's common shares on the share issuance date. The value of the share purchase warrants was estimated using the Black-Scholes option pricing model. The acquisition has been accounted for as a purchase of an asset, as Stronghold Brazil did not meet the definition of a business and the excess purchase price over the net asset acquired was allocated to mineral properties.

The Tucumã Project is a gold and copper/gold exploration project. The Company holds six exploration licenses for an aggregate 11,456 hectares. These exploration licenses are located in the City of Tucumã, State of Pará, Brazil. One of the exploration licenses expires in May 2012 and five expire in April 2013.

The Company entered into a letter of intent (the "LOI") dated August 3, 2011, with Kensington Court Ventures Inc. ("Kensington"), a capital pool company listed on the TSX Venture Exchange (the "Exchange"), pursuant to which Kensington agreed to acquire (the "Acquisition") all of the issued and outstanding shares of Stronghold's Brazilian subsidiary, Stronghold Brasil Mineraçäo Ltda ("Stronghold Brazil").

Under the terms of the LOI, Kensington will acquire all of the issued and outstanding shares of Stronghold Brazil in exchange for the issuance to Stronghold of 16,300,000 common shares of Kensington. Upon completion of the Acquisition, Stronghold Brazil will become a wholly-owned subsidiary of Kensington. Upon completion of a Qualifying Transaction, Kensington will grant to Stronghold a 2% NSR from the production of minerals from the Tucumã Property, subject to Kensington's right to purchase the NSR from Stronghold for $1,500,000, which right is exercisable at any time.

The Company received a non-refundable deposit of $25,000 from Kensington on completion of the share purchase agreement dated December 29, 2011 among Kensington, the Company and Stronghold Brazil.

On January 4, 2012, the Company entered into a definitive share purchase agreement, whereby Kensington will acquire 100% of the issued and outstanding shares of Stronghold Brazil.

On January 20, 2012, Kensington agreed to advance to Stronghold refundable deposits in the aggregate amount of up to $75,000 as follows:- $25,000 on the first day of each month beginning January 1, 2012 and monthly thereafter until the earlier of (i) the closing of the acquisition of all the issued and outstanding shares of Stronghold Brazil; (ii) the termination of the share purchase agreement among Kensington, the Company and Stronghold Brazil; and (iii) up to and including March 1, 2012. In the event that the closing does not occur by March 31, 2012 ("the due date"), the deposit shall be repaid by the Company on the due date or extended to June 30, 2012. By end of February 2012, $50,000 had been advanced to the Company (see note 12).

Eagle Mountain Property

Pursuant to a definitive Earn-In and Joint Venture Agreement with a subsidiary of IAMGOLD Corporation ("IAMGOLD") dated September 15, 2010, and subsequently amended December 20, 2010, the Company has been granted the right to acquire in stages up to 100% in the Eagle Mountain Gold Property, located in Guyana, South America, by paying an aggregate of

9. MINERAL PROPERTIES (Continued)

Eagle Mountain Property (Continued)

US$11,000,000 and issuing an aggregate of 6,000,000 common shares of the Company, and expending US$3,500,000 in exploration expenditures. The Eagle Mountain property is owned by Omai Gold Mines Ltd. ("OGML"), a 95% owned subsidiary of IAMGOLD with the Republic of Guyana ("Guyana") holding the remaining 5%.

To earn the first 25% interest in the property, the Company agreed to pay US$250,000 (paid), issue 2,000,000 common shares (issued) in the capital of the Company to OGML and incur exploration expenditures of not less than US$400,000 (incurred) by September 29, 2011. In addition, the Company agreed to pay OGML US$250,000 (paid). The Company agreed to fund an additional US$1,100,000 (incurred) of expenditures, issue an additional 2,000,000 common shares (issued) and pay an additional US$1,000,000 to OGML by October 31, 2011.

To acquire a further 25% interest (50% in aggregate), the Company has agreed to pay OGML a further US$1,000,000, issue a further 2,000,000 common shares of the Company and fund additional exploration expenditures of US$2,000,000 no later than October 31, 2012.

The Company may earn a further 50% (100% in aggregate) by paying an additional US$1,000,000 by April 30, 2013, and an additional US$7,500,000 on granting of a mining license for the property from the Government of Guyana. Once the Company has satisfied the above requirements, the Company will either be issued, or have assigned, transferred or conveyed to it, such number of shares in the capital of OMGL as will constitute it the registered and beneficial owner of 95% of OMGL's entire issued capital stock, once such shares have been issued.

On October 31, 2011, the Company signed an amendment to the Joint Venture Agreement with OGML. In the amendment, the Company shall (i) fund expenditures of US$1,500,000 by October 31, 2011 (completed); (ii) on the earlier of (a) having funded an aggregate US$1,500,000 in expenditures and (b) October 31, 2011, issue 2,000,000 shares of the Company (issued) and pay US$100,000 to OGML or as OGML may direct (paid); and (iii) no later than February 28, 2012, pay US$900,000 to OGML or as OGML may direct.

On January 12, 2012, the Company entered into an Amended and Restated Earn-In and Joint Venture Agreement with OGML and EMGI with respect to the Eagle Mountain Gold Property. Pursuant to the agreement, the Company will acquire an immediate 50% interest in the property by agreeing to issue OGML an additional 7,500,000 common shares. In addition, the Company has agreed to pay OGML an additional US$1,000,000 in cash or, at its sole option, shares of the Company on or before April 30, 2013. The Company will no longer be required to pay the balance of US$900,000 due on October 31, 2011 and the US$1,000,000 due by October 31, 2012 and issue 2,000,000 common shares by October 31, 2012. This amendment agreement is subject to the approval of the TSX Venture Exchange.

In March 2012, the Company has effectively earned 50% interest in the Eagle Mountain property by issuing 7,500,000 shares to Iamgold Corporation as the TSX Venture Exchange had accepted the filing for Amended and Restated Joint Venture and Earn-In Agreement. The Company also issued 635,105 shares to Guiana Shields Resources Inc. for finder's fee in connection with the acquisition of the property. (Note 16(a))

(Expressed in Canadian dollars)

9. MINERAL PROPERTIES (Continued)

Eagle Mountain Property (Continued)

The terms of the Agreement as amended are summarized in the table below:

		Cash Payments US$	Common Shares		Expenditures US$
On signing the Agreement	$	500,000 (paid)	2,000,000 (issued)	$	400,000 (incurred)
Obligations completed prior to the amending agreement dated Jan.12, 2012		100,000 (paid)	2,000,000 (issued)		3,100,000 (incurred)
		600,000	4,000,000		3,500,000
Additional consideration to earn the first 50% interest		-	7,500,000 (issued)		-
		600,000	11,500,000		3,500,000
To earn remaining 45% interest (net of 5% held by Republic of Guyana)		1,000,000 (by April 30, 2013)	-		-
(The Company has the option to issue common shares in lieu of cash payment provided such issue of shares does not result in OGML controlling in excess of 19.99% of the Company)			-		-
Total	$	1,600,000	11,500,000	$	3,500,000

In addition, upon the grant of a mining or exploration licence by the Government of Guyana, the Company has agreed to pay an additional US$3,500,000 for which the Company may, at its sole option, elect to issue shares to OGML at a deemed value of US$3,500,000. The number of common shares is determined by 95% of the Company's share prices during the 20 trading days before the date the Company notifies OGML of its intention to issue such shares, provided such shares does not result in OGML controlling in excess of 19.99% of the Company. After the commencement of commercial production of gold from the property, the Company has agreed to pay a further US$5,000,000 to OGML.

Furthermore, by a separate agreement, the Company has agreed to pay a finder's fee of up to 1,500,000 common shares in stages over the term of the Agreement, as follows:

(1) 428,723 common shares in the first year of the Agreement;
(2) 206,382 common shares in the second year of the Agreement;
(3) 106,383 common shares in the third year of the Agreement; and
(4) 758,512 when the Government of Guyana grants a mining license for the property;
The first tranche of finder's shares was recorded by the Company as a commitment to issue shares in 2011.

The Company pledged a US$100,000 reclamation site deposit to the Guyana Geology and Mines Commission for exploration permits on the Eagle Mountain Property. The deposit was secured by a non-interest-bearing bond which expired on February 28, 2012.

9. MINERAL PROPERTIES (Continued)

Mowasi Mineral Interest

On October 7, 2011, the Company entered into a definitive option agreement with Mowasi Gold Corp. ("Mowasi") whereby the Company can earn a 95% interest in Mowasi's exclusive interest in 23 prospecting permits and eight mining permits by agreeing to pay an aggregate of US$1,200,000 cash, issue 2,500,000 common shares and incur US$1,000,000 exploration expenditures subject to regulatory approval. The concessions are adjacent to the Company's Eagle Mountain property in Guyana.

Under the terms of the agreement, the Company can earn a 49% undivided interest as follows:

- Pay Mowasi US$100,000 (paid);
- Issue to Mowasi 250,000 common shares (issued) of the Company; and
- Expend exploration expenditures of no less than US$1,000,000 in the first 18 months.

The Company can earn a further 46% undivided interest in the concessions within 90 days after making the exploration expenditures as follows:

- Pay Mowasi US$1,000,000; and
- Issue to Mowasi 2,000,000 common shares of the Company.

Mowasi's remaining 5% interest in the concessions will be carried until such time as the Company completes a feasibility study on the concessions. The Company will be the operator on the concessions.

10. CAPITAL STOCK

(a) Authorized

The Company's authorized capital stock is an unlimited number of common shares without par value.

(b) Issued and fully paid

During the six months period ended February 29, 2012:

On October 21, 2011, the Company issued 250,000 common shares at the fair value of $68,750 pursuant to acquisition of the Mowasi mineral interest. On October 27, 2011, the Company issued 2,000,000 common shares at the fair value of $600,000 pursuant to terms of the Eagle Mountain property agreement.

10. CAPITAL STOCK (Continued)

(b) Issued and fully paid (continued)

During the year ended August 31, 2011:

The Company completed a private placement of 7,200,000 units at price of $0.55 per unit for total proceeds of $3,960,000. Each unit consists of one common share and one-half of one transferable share purchase warrant. Each warrant entitles the holder to purchase an additional common share for a period of 18 months from the closing of the private placement at $0.75. The Company allocated $3,313,405 to common shares and $646,595 to contributed surplus based on the relative fair values of the common shares and warrants. The Company paid $291,982 cash to agents for finder fees and also issued 538,650 warrants entitling an agent to acquire one common share of the Company for each warrant at a price of $0.55 until December 14, 2011. The agent warrants were valued at $126,769 using the Black-Scholes option pricing model and recorded as share issuance costs. The Company also incurred $17,192 in other cash issuance costs associated with this private placement.

On July 28, 2011, the Company completed a non-brokered private placement of 8,382,500 units at a price of $0.40 per unit for gross proceeds of $3,353,000. Each unit consists of one common share and one-half of one transferrable share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at $0.55 for a period of 24 months from the closing date of the private placement. The Company allocated $2,771,692 to common shares and $581,308 to contributed surplus based on the relative fair value of the common shares and warrants. The Company paid finder fees comprising $168,675 cash and 494,062 warrants entitling the holders thereof to acquire common shares of the Company at $0.40 per share for a term of twelve months from closing. The warrants were valued at $50,180 using the Black-Scholes option pricing model and recorded as share issuance costs. The Company also incurred $52,212 in other cash issuance costs associated with this private placement.

On December 29, 2010, the Company issued 2,000,000 common shares and paid US$500,000 pursuant to the agreement for the acquisition of the Eagle Mountain property. The shares were valued at $1,100,000 based on the market price of the shares at the date of issuance.

(c) Stock options

At the Company’s annual general meeting held on May 9, 2011, the Company adopted a stock option plan (the "Plan") whereby the maximum number of options to acquire common shares of the Company that may be granted under the Plan will be 11,013,758. The term of those options to acquire common shares can be no longer than five years.

The Company has granted share purchase options to directors, officers, employees and consultants of the Company to purchase common shares of the Company. These options are granted with an exercise price equal to the market price of the Company’s stock at the date of grant.

(Expressed in Canadian dollars)

10. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

Summary of the stock options activities is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, August 31, 2010	5,150,000	$ 0.38
Granted	420,000	0.40
Exercised	(285,000)	0.29
Cancelled/expired	(75,000)	0.40
Balance, August 31, 2011	5,210,000	0.38
Granted	1,450,000	0.39
Cancelled/expired	(400,000)	0.40
Balance, February 29, 2012	6,260,000	$ 0.38

During the six months period ended February 29, 2012:

On October 14, 2011, the Company granted 1,100,000 stock options to a director and an officer of the Company to acquire shares at $0.40 per share, expiring on October 14, 2016.

On November 15, 2011, the Company granted 350,000 stock options to a consultant to acquire 150,000 shares at a price of $0.34 per share, 80,000 shares at $0.45 per share and 120,000 shares at $0.60 per share, expiring on November 7, 2013.

During the year ended August 31, 2011:

- 420,000 stock options were granted to employees and a consultant of the Company exercisable of $0.40 per share for three to five years.

Stock options outstanding at February 29, 2012 were as follows:

Expiry Date	Number of Options	Exercise Price	Exercisable
April 30, 2012	500,000	$ 0.40	500,000
July 30, 2012	100,000	0.40	100,000
January 2, 2013	900,000	0.40	900,000
July 28, 2014	800,000	0.32	800,000
April 7, 2014	120,000	0.40	60,000
November 24, 2014	500,000	0.30	500,000
April 6, 2015	1,590,000	0.40	1,590,000
April 7, 2016	300,000	0.40	150,000
October 14, 2016	1,100,000	0.40	1,100,000
November 7, 2013	350,000	0.45	150,000
	6,260,000		5,850,000
Weighted average remaining contractual life	2.50 years		2.54 years

(Expressed in Canadian dollars)

10. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

During the six months period ended February 29, 2012, the Company recognized $286,451 (2011 - $60,617) of share-based payments expense in the statements of operations for stock options that were granted and/or vested to directors, officers and consultants of the Company.

Stock options outstanding at August 31, 2011 were as follows:

Expiry Date	Number of Options	Exercise Price	Exercisable
April 30, 2012	900,000	$ 0.40	900,000
July 30, 2012	100,000	0.40	100,000
January 2, 2013	900,000	0.40	900,000
July 28, 2014	800,000	0.32	800,000
April 7, 2014	120,000	0.40	30,000
November 24, 2014	500,000	0.30	500,000
April 6, 2015	1,590,000	0.40	1,590,000
April 7, 2016	300,000	0.40	150,000
	5,210,000		4,970,000
Weighted average remaining contractual life	2.55 years		2.48 years

The fair value of the stock options granted during the six months period ended February 29, 2012 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	February 29, 2012	August 31, 2011
Risk-free interest rate	1.62%	2.26%
Expected dividend yield	-	-
Expected stock price volatility	1.02%	110%
Expected life of options	2.75 years	4.43 years
Weighted average exercisable price of options granted	$ 0.39	$ 0.40

The total calculated fair value of share-based payments for the six months ended February 29, 2012 would be allocated in the respective statements of operations as follows:

	February 29, 2012	February 28, 2011
Investor relations	$ 21,971	$ 60,617
Management and administration fees	264,480	-
	$ 286,451	$ 60,617

(Expressed in Canadian dollars)

10. CAPITAL STOCK (Continued)

(d) Warrants

Summary of the warrant activities is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 31, 2010	2,863,400	$ 0.60
Granted	8,823,962	$ 0.63
Exercised	(21,000)	$ 0.45
Balance, August 31, 2011	11,666,362	$ 0.62
Expired	(538,650)	$ 0.55
Balance, February 29, 2012	11,127,712	$ 0.63

The fair value of the warrants issued during the six months period ended February 29, 2012 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	February 29, 2012	August 31, 2011
Risk-free interest rate	-	1.54%
Expected dividend yield	-	-
Expected stock price volatility	-	91%
Expected life of warrants	-	1.68 year

Warrants outstanding at February 29, 2012 were as follows:

Expiry Date	Number of Warrants	Exercise Price
June 9, 2012	750,000	$ 0.75
June 14, 2012	3,600,000	$ 0.75
June 16, 2012	2,092,400	$ 0.55
July 28, 2012	494,062	$ 0.55
July 28, 2013	4,191,250	$ 0.55
	11,127,712	

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

During the six months ended February 29, 2012, the Company incurred the following related party transactions:

(a) Gross compensation of management personnel

		2012		2011
Salaries and benefits to a director	$	124,741	$	237,660
Directors fees		20,000		-
Consulting fees to a company controlled by a director		84,000		22,950
Accounting fees and expenses to a company controlled by an officer		57,915		33,920
Share-based payments		286,451		60,617
	$	573,107	$	355,147

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the six months ended February 29, 2012.

(b) $78,965 (2011 - $26,578) for reimbursement of office and other expenses paid or payable to directors and a company related through common directors. As at February 29, 2012, a balance of $nil was included in due to related parties;

(c) As of February 29, 2012, $10,785 (August 31, 2011 - $4,211) was due to a company controlled by an officer, which amount was included in due to related parties;

(d) $28,700 (2010 - $22,950) for investor relations services to a relative of a director; and

(e) As of February 29, 2012, $2,853 (August 31, 2011 - $23,394) was due from to private companies controlled by a director, as agents to the Company for exploration expenditures in Brazil.

As of February 29, 2012, $31,293 was due to companies with common directors and officer, and $916 was due from directors for advances. The amounts due to and from related parties are non-interest-bearing, unsecured and are without fixed terms of repayment.

12. LOANS PAYABLE

This comprised of:

(a) Two loans totalling $160,000 obtained from two individuals; the loans bear interest of 1% per month during the 60 days from the date the loans were advanced (“initial term”), and 2% per month commencing on the expiry of the initial term, and expiring 30 days thereafter. Subject to approval of the TSX Venture Exchange, as additional consideration for the loans, the Company shall pay to the lenders bonus shares equal to 10% of the principal. In the event of the Company defaults in payment on the due date, then it shall be liable to pay the lenders additional bonus shares equal to 10% of the principal.

(b) Refundable deposits of $50,000 received from Kensington relating to the Tucumã Brazil property.

(Expressed in Canadian dollars)

13. COMMITMENTS

(a) Rental property

On July 1, 2011, the Company entered into two lease agreements with future minimum lease payments relating to office premises as follows:

2012	$ 92,358
2013	184,714
2014	184,714
2015	184,714
2016	153,930
	$ 800,430

As a condition of the office premises lease agreements, the Company placed a deposit of $152,624, to be applied against future months' rents.

(b) Management consultant

On May 1, 2011, the Company entered into a six-month agreement with a consultant in efforts to raise awareness of the Company, negotiate partnerships, identify new potential projects and obtain capital for the Company, or otherwise arrange for the Company to receive capital, through any legal means, whether equity, debt or any combination thereof or to arrange for a sale of some or all of the Company's capital stock or assets. The Company shall pay the consultant $10,000 per month for six months of services. On October 10, 2011, the Company extended the agreement to end on April 15, 2012.

14. CONTINGENCY

A local Brazilian individual has initiated an action against the Company under labour laws in Brazil. The Company's management, in consultation with legal counsel attending the matter, believe the action is completely without merit and is vigorously defending against it, but cannot reasonably estimate the amount of any potential loss at this time.

15. TRANSITION TO IFRS

As stated in Note 2, these are the Company's second condensed interim consolidated financial statements for the period covered by the first annual financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the condensed interim consolidated financial statements for the six months ended February 29, 2012, the comparative information for the six months ended February 28, 2011, the financial statements for the year ended August 31, 2011 and the preparation of an opening IFRS statement of financial position on the Transition Date, September 1, 2010.

In preparing its opening IFRS statement of financial position, comparative information for the six months ended February 28, 2011 and financial statements for the year ended August 31, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

(Expressed in Canadian dollars)

15. TRANSITION TO IFRS (Continued)

IFRS 1 provides for certain mandatory exceptions and optional transition exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

(a) Business Combinations - Under IFRS 1, an entity has the option to retroactively apply IFRS 3 to all business combinations or may elect to apply the standard prospectively only to those business combinations that occur after the date of transition. The Company has elected this exemption under IFRS 1, which removes the requirement to retrospectively restate all business combinations prior to the date of transition to IFRS.

(b) Share-based payments - IFRS 1 permits the Company to apply IFRS 2 Share-based payments only to awards granted on or after the transition date. The Company is also required to apply IFRS 2 to equity instruments that were granted after November 7, 2002 that vest after the date of transition to IFRS. Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the estimated lives of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. The Company has elected this exemption under IFRS 1.

(c) Equipment – IFRS 1 provides the Company the option to measure equipment, at deemed cost being the fair value of the assets as at the date of transition. The Company has elected to measure items of equipment at historical cost, less depreciation, if any.

Reconciliation of Assets, Liabilities and Equity

The table below provides a summary of the adjustments to the Company's balance sheets at August 31, 2011, February 28, 2011 and September 1, 2010.

		August 31, 2011		February 28, 2011		September 1, 2010
Total assets Canadian GAAP	$	9,867,472	$	6,646,261	$	2,510,965
Adjustment required on adopton of IFRS						
- Mineral properties		(235,438)		(235,438)		(235,438)
Total assets under IFRS	$	9,632,034	$	6,410,823	$	2,275,527
Total liabilities under Canadian GAAP	$	1,060,590	$	383,669	$	362,060
Adjustment required on adopton of IFRS						
- Reversal of future income tax liabilities		(235,438)		(235,438)		(235,438)
Total liabilities under IFRS	$	825,152	$	148,231	$	126,622
Total equity under Canadian GAAP	$	8,806,882	$	6,262,592	$	2,148,905
Adjustment required on adopton of IFRS		-		-		-
Total equity under IFRS	$	8,806,882	$	6,262,592	$	2,148,905
Total liabilities and equity under IFRS	$	9,632,034	$	6,410,823	$	2,275,527

(Expressed in Canadian dollars)

15. TRANSITION TO IFRS (Continued)

		August 31 2011		February 28 2011		September 1, 2010
Mineral properties as previously reported under Canadian GAAP	$	6,137,895	$	3,695,249	$	1,180,776
Adjustment to reverse future income tax liability		(235,438)		(235,438)		(235,438)
Mineral properties as restated under IFRS	$	5,902,457	$	3,459,811	$	945,338
Future Income Tax Liability as previously reported under Canadian GAAP	$	(235,438)	$	(235,438)	$	(235,438)
Adjustment to reverse future income tax liability		235,438		235,438		235,438
Future Income Tax Liability as restated under IFRS	$	-	$	-	$	-

The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for comprehensive loss.

Reconciliation of Comprehensive Loss		Three Months Ended February 28, 2011		Six Months Ended February 28, 2011		Year Ended August 31, 2011
Comprehensive loss per Canadian GAAP	$	(505,703)	$	(791,006)	$	(1,649,038)
Effect of transition to IFRS		-		-		-
Comprehensive loss per IFRS	$	(505,703)	$	(791,006)	$	(1,649,038)

Notes to Reconciliation

(a) Share-based payment

Under Canadian GAAP, the Company measured share-based compensation related to share purchase options at their fair value of the options granted using the Black-Scholes option pricing formula and recognized this expense over the vesting period of the options. The fair value of the options granted is measured on the date of grant. Forfeitures are recognized as they occur.

IFRS 2, similar to Canadian GAAP, requires the Company to measure share-based compensation related to share purchase options granted at the fair value of the options on the date of grant to recognize such expense over the vesting period of the options. However, all option grants are amortized using a graded amortization schedule. In addition, each vesting tranche is valued with unique assumptions, as if it were a separate grant.

This change in accounting policy had no effect on the Company’s financial statements.

15. TRANSITION TO IFRS (Continued)

(b) Deferred income taxes

Under Canadian GAAP, the Company records the impact of deferred income taxes on taxable temporary differences related to business combinations and similar transactions that do not meet the definition of a business combination. Under IFRS, a deferred income tax asset or liability (deferred tax) is not recognized on taxable temporary differences to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which does not meet the definition of a business combination that at the time of the transaction would affect neither accounting income nor taxable income (tax loss).

Accordingly, the carrying value of the future income tax liability of $235,438 recognized relating to the acquisition of the Tucumã property had been reversed out and the acquisition cost of the property reduced by the same amount.

16. SUBSEQUENT EVENTS

a) In March 2012, the Company issued 7,500,000 shares to Iamgold Corporation to earn the 50% interest in the Eagle Mountain property as the TSX Venture Exchange had accepted the filing for Amended and Restated Joint Venture and Earn-In Agreement. The Company also issued 635,105 shares to Guiana Shields Resources Inc. for finder’s fee in connection with the acquisition of Eagle Mountain property.

b) The Company received additional loans totaling $400,000 from three individuals and a private company, with terms similar to the two loans payable of $160,000 (see note 12).