STRONGHOLD METALS INC.

Consolidated Financial Statements
August 31, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Stronghold Metals Inc. are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal control to ensure that the Company's assets are protected from loss or improper use, transactions are authorized and properly recorded, and financial records are reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control through an audit committee, which is comprised primarily of non-management directors. The audit committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited by Smythe Ratcliffe LLP, Chartered Accountants and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"Geoff Hampson"
……………………………………
Geoff Hampson, Director

"Yannis Tsitos"
……………………………………
Yannis Tsitos, President

Vancouver, British Columbia
December 23, 2011

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF STRONGHOLD METALS INC.

We have audited the accompanying consolidated financial statements of Stronghold Metals Inc. which comprise the consolidated balance sheets as at August 31, 2011 and 2010, and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Stronghold Metals Inc. as at August 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $1,649,038 during the year ended August 31, 2011 and as at August 31, 2011 has an accumulated deficit of $12,254,036. These conditions, along with other matters set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
December 23, 2011

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

Tel: 604 687 1231
Fax: 604 688 4675
smytheratcliffe.com

STRONGHOLD METALS INC.
Consolidated Balance Sheets
August 31

	2011	2010
Assets		
Current		
Cash and cash equivalents (note 5)	$ 3,172,856	$ 1,242,639
Restricted cash (note 6)	115,000	57,500
Taxes recoverable	73,204	20,880
Prepaid expenses	57,233	9,170
Due from related party (note 10)	11,200	-
	3,429,493	1,330,189
Deposits (notes 9 and 11)	232,145	-
Equipment (note 7)	44,545	-
Mineral Properties (note 8)	6,137,895	1,180,776
Exploration Advances	23,394	-
	$ 9,867,472	$ 2,510,965
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 792,572	$ 117,731
Due to related parties (note 10)	32,580	8,891
	825,152	126,622
Future Income Tax (note 12)	235,438	235,438
	1,060,590	362,060
Shareholders' Equity		
Capital Stock (note 9)	12,965,570	6,337,856
Subscriptions Receivable (note 10)	(9,900)	-
Commitment to Issue Shares (note 8)	235,798	-
Contributed Surplus (note 9(b))	7,869,450	6,416,047
Deficit	(12,254,036)	(10,604,998)
	8,806,882	2,148,905
	$ 9,867,472	$ 2,510,965

Commitments (notes 8 and 11)
Contingency (note 14)
Subsequent Events (note 16)

Approved on behalf of the Board:

"Geoff Hampson"
…………………………………………………… Director
Geoff Hampson

"Yannis Tsitos"
…………………………………………………… Director
Yannis Tsitos

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

STRONGHOLD METALS INC.
Consolidated Statements of Operations, Comprehensive Loss and Deficit
Years Ended August 31

	2011	2010
Expenses		
Travel and promotion	$ 306,937	$ 53,685
Investor relations (note 10)	274,976	110,444
Office and miscellaneous (note 10)	246,331	81,220
Salaries, benefits and director fees (note 10)	205,835	123,209
Professional fees (note 10)	179,126	84,651
Stock-based compensation	104,728	767,505
Management and consulting fees (note 10)	91,122	9,000
Stock exchange and filing fees	23,031	23,432
Transfer agent fees	8,931	8,361
Loss Before Other Items	1,441,017	1,261,507
Other Items		
Mineral properties written down (note 8)	192,059	1,155,437
Foreign exchange loss (gain)	29,573	(891)
Interest expense	861	14
Interest income	(14,472)	(3,594)
Net Loss and Comprehensive Loss for Year	1,649,038	2,412,473
Deficit, Beginning of Year	10,604,998	8,192,525
Deficit, End of Year	$ 12,254,036	$ 10,604,998
Loss Per Share, basic and diluted	$ 0.03	$ 0.06
Weighted Average Number of Common Shares Outstanding	53,622,178	41,450,461

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

STRONGHOLD METALS INC.
Consolidated Statements of Cash Flows
Years Ended August 31

	2011	2010
Operating Activities		
Net loss for the year	$ (1,649,038)	$ (2,412,473)
Items not affecting cash		
Mineral properties written down	192,058	1,155,437
Stock-based compensation	104,728	767,505
Foreign exchange	29,573	(891)
	(1,322,679)	(490,422)
Net changes in non-cash working capital items		
Taxes recoverable	(52,324)	(11,377)
Prepaid expenses	(48,063)	6,777
Due from related party	(11,200)	-
Deposits	(232,145)	-
Accounts payable and accrued liabilities	308,851	39,491
Due to related parties	23,689	(20,556)
	(11,192)	14,335
Cash Used in Operating Activities	(1,333,871)	(476,087)
Financing Activities		
Restricted cash	(57,500)	(57,500)
Shares issued for cash, net of share issuance costs	6,866,489	1,336,984
Cash Provided by Financing Activities	6,808,989	1,279,484
Investing Activities		
Purchase of equipment	(53,205)	-
Expenditures on mineral properties	(3,438,729)	(240,546)
Exploration advances	(23,394)	-
Cash Used in Investing Activities	(3,515,328)	(240,546)
Inflow of Cash	1,959,790	562,851
Foreign Exchange	(29,573)	891
Cash and Cash Equivalents, Beginning of Year	1,242,639	678,897
Cash and Cash Equivalents, End of Year	$ 3,172,856	$ 1,242,639
Supplemental Cash Flow Information		
Interest paid	$ 861	$ -
Subscription receivable	$ 9,900	$ -
Commitment to issue shares for mineral properties	$ 235,798	$ -
Shares and warrants issued for mineral properties	$ 1,100,000	$ 664,725
Future income tax included in mineral properties	$ -	$ 235,438
Mineral properties included in accounts payable and accrued liabilities	$ 391,766	$ 25,776

The accompanying notes are an integral part of these 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 under the name Carat Exploration Inc. Effective April 12, 2010, the Company changed its name to Stronghold Metals Inc. The Company is an exploration stage company and is in the process of acquiring and exploring mineral properties.

These 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 $1,649,038 for the year ended August 31, 2011 (2010 - $2,412,473). The Company has an accumulated deficit of $12,254,036 as at August 31, 2011 (2010 - $10,604,998).

The ability of the Company to continue as a going concern and meet its commitments as they become due, including exploration and development of its mineral interests, is dependent on the Company's ability to obtain the necessary financing. 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 note 8). If the Company is unable to obtain additional financing, the Company will be unable to continue.

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. Ultimately, the ability of the Company to continue as a going concern is dependent upon its success in locating properties with economically recoverable resources and attaining either profitable operation from those properties or the proceeds from the disposition of those properties.

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

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and are stated in Canadian dollars.

(a) Principles of consolidation

These 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") (Brazil) and Stronghold Guyana Inc. (Guyana). All significant intercompany transactions and balances have been eliminated.

(b) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral properties, amount of tax credit receivable and accrued liabilities, the assumptions used in the determination of the

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Use of estimates (Continued)

fair value of stock-based compensation and the allocation of fair value to the warrants, and the determination of the valuation allowance for future income tax assets. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

(c) Mineral properties and exploration costs

The Company capitalizes all costs related to mineral properties on a property-by-property basis. Such costs include mineral property acquisition costs and exploration 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.

All capitalized costs are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount (as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments) or when, in the Company’s assessment, it will be unable to sell the property for an amount greater than the deferred costs, the property is written down for the impairment in value.

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.

(d) Revenue recognition

Interest income is recorded as earned at the stated rate of interest of the short-term investment over the term to maturity.

(e) Loss per share

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Stock-based compensation

The Company has a stock option plan, which is described in note 9(c). The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments, to directors, employees and non-employees. 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 on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged either to operations or mineral property interests, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are exercised, the applicable amounts are transferred to capital stock.

(g) Cash and cash equivalents

Cash and cash equivalents consists of deposits in banks and highly liquid investments with an original maturity at the date of the purchase of ninety days or less, or are readily convertible into cash.

(h) Future income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively assured. Future tax benefits are recognized to the extent that realization of such benefits is considered to be more likely than not.

(i) Asset retirement obligation

The Company recognizes the estimated fair value of legal obligations associated with the retirement of tangible long-lived assets that it is required to settle as a result of existing or enacted laws or by legal construction of a contract. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. The liability is initially recorded on a discounted basis, and is increased each period until the estimated date of settlement. The resulting expense is referred to as accretion expense and is included in operations. The Company reviews the asset retirement obligation for each long-lived asset on a periodic basis and adjusts the liability as necessary to reflect changes in the estimated future cash flows and timing underlying the fair value measurement.

(j) Foreign currency translation

The functional currency of the Company is the Canadian dollar. The Company uses the temporal method for foreign currency translation of its subsidiaries. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary items are translated at rate of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transaction (except for amortization, which is translated at the same rate as the related asset). Foreign exchange gains and losses are recognized in the determination of net loss in the year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income (loss). 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 (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value.

The Company follows the Canadian Institute of Chartered Accountants' Handbook Section 3862 *Financial Instruments – Disclosures* in establishing a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

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).

(l) 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.

(m) 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%

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Recent accounting pronouncement

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian generally accepted accounting principles will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its November 30, 2011 interim consolidated financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended August 31, 2011. The Company will adopt IFRS effective September 1, 2011.

3. 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 year ended August 31, 2011.

4. FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents as held-for-trading, and accounts 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 from related parties have not been disclosed as their fair values cannot be reliably measured since there are no quoted market prices for such instruments.

4. FINANCIAL INSTRUMENTS (Continued)

(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 $2,886,075 (2010 - $1,220,458) of cash and cash equivalents in a Canadian chartered bank, $280,712 (2010 - $Nil) in a subsidiary of a Canadian chartered bank located in Guyana, and $6,069 (2010 - $22,181) in a subsidiary of a Canadian chartered bank located in Chile. The amounts kept in Guyana are to cover expected mineral property and deferred 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.

(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 August 31, 2011, the Company had accounts payable totalling $684,728 (2010 - $117,731), due within three months of year-end, and amounts due to related parties of $32,580 (2010 - $8,891), with no stated terms of repayment.

(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 August 31, 2011 and 2010, the Company had monetary net assets and net liabilities in foreign currency (expressed in Canadian dollars) as follows:

	2011		2010	
	Monetary Net Assets	Monetary Net Liabilities	Monetary Net Assets	Monetary Net Liabilities
Chilean pesos	$ 6,069	$ -	$ 19,104	$ -
Guyana dollars	275,058	244,532	-	-
Brazil real	-	-	-	-
US dollars	5,654	-	-	-
	$ 286,781	$ 244,532	$ 19,104	$ -

4. FINANCIAL INSTRUMENTS (Continued)

(d) Market risk (Continued)

(ii) Foreign currency risk (Continued)

A 10% increase or decrease in the value of the foreign currencies against the Canadian dollar would have a $4,225 (2010 - $1,910) 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.

5. CASH

As at August 31, 2011, the Company's cash consists of cash of $372,856 and a GIC of $2,800,000, which bears interest at prime minus 1.8%.

6. RESTRICTED CASH

As at August 31, 2011, the Company had a total of $115,000 (2010 - $57,500) in GICs; $57,500 bears interest at prime minus 2.05% and expires December 30, 2011, and the remaining $57,500 bears interest at prime minus 2.05% and expires May 7, 2012. The GICs are held as collateral for corporate credit cards with the Bank of Montreal.

7. EQUIPMENT

		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

The Company had no equipment during the year ended August 31, 2010.

8. MINERAL PROPERTIES

	Seneca Canada	Combarbala Chile	Tucumã Brazil	Eagle Mountain Guyana	Total
Balance, August 31, 2009	$ 1	$ 1,013,354	$ 245,873	$ -	$ 1,259,228
Acquisition costs					
Option payments – shares	-	-	664,725	-	664,725
Other acquisition expenses	-	-	277,028	-	277,028
Total acquisition costs for year	-	-	941,753	-	941,753
Additions during the year					
Analytical	-	3,232	-	-	3,232
Geological surveys, consulting and report	-	26,432	(11,896)	-	14,536
Professional fees	-	69,804	-	-	69,804
General expenses	-	37,790	21,211	-	59,001
Sampling and prospecting	-	-	(16,167)	-	(16,167)
Travel, supplies and field expenses	-	4,826	-	-	4,826
Total expenditures for year	-	142,084	(6,852)	-	135,232
Write down	-	(1,155,437)	-	-	(1,155,437)
Balance, August 31, 2010	1	1	1,180,774	-	1,180,776
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	$ 2,291,615	$ 3,846,278	$ 6,137,895

8. 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 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 agreed to $20,000 of exploration expenditures on or before March 20, 2006 (incurred). The claims are subject to a 2% NSR, which can be purchased by the Company for $1,250,000 at any time.

The Company did not perform any significant exploration activities on the property during 2009 and 2010. 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, the Company was granted an option to acquire a 50% undivided interest in 33 mineral claims located in Region IV of Chile. To earn its interest, the Company was required to spend US$250,000 by July 14, 2007 (incurred) and an additional US$1,000,000 by July 14, 2009. Upon completing the expenditures, the Company would form a joint venture with the optionor ("BHP Billiton") for the continued exploration and development of the property. BHP Billiton may elect to acquire up to a 70% interest in the joint venture within 180 days of formation, by repaying the historical expenditures incurred by the Company and funding additional expenditures on the property up to an aggregate of $12,000,000 or completing a pre-feasibility study, whichever occurs earlier. On August 31, 2009, the Company amended the arrangements and entered into a Royalty Agreement with BHP Billiton whereby the Company acquired a 100% interest to the 33 mineral claims of the Combarbala Property 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 year were to maintain the property.

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.

8. 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, $41,590 of transaction costs and $235,438 of future income tax liability. 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 (note 9(d)). 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.

Eagle Mountain Property

Pursuant to a definitive Earn-In and Joint Venture Agreement (the "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 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 has 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 December 31, 2010, which date was subsequently extended to September 29, 2011. In addition, the Company has agreed to pay OGML US$250,000 (paid) on the earlier of: (i) December 1, 2010; and (ii) 5 days from the date on which the Government of Guyana grants OGML an extension notice (the "Extension Notice") for the concessions that cover the property for the period October 2010 to October 2011. Provided the Extension Notice has been granted, the Company shall fund an additional US$1,100,000 of expenditures, issue an additional 2,000,000 common shares and pay an additional US$1,000,000 to OGML by October 31, 2011 (note 16). Once the Company has satisfied the above requirements and therefore has funded an aggregate US$1,500,000 of expenditures, issued an aggregate 4,000,000 common shares and paid US$1,500,000 to OGML, the Company will have earned a 25% interest in the property.

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

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

8. MINERAL PROPERTIES (Continued)

Eagle Mountain Property (Continued)

owner of 95% of OMGL's entire issued capital stock, once such shares have been issued (excluding any equity interest, which may be held by the Government). The terms of the agreement 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)
To earn the first 25% interest*	1,000,000 (by Oct. 31, 2011)	2,000,000 (by Oct. 31, 2011) (issued)	1,100,000 (by Oct. 31, 2011) (incurred)
To earn the next 25% interest	1,000,000 (by Oct. 31, 2012)	2,000,000 (by Oct. 31, 2012)	2,000,000 (by Oct. 31, 2012)
	2,500,000	6,000,000	3,500,000
To earn remaining 45% interest	1,000,000 (by April 30, 2013)	-	-
	7,500,000 (Upon granting of mining license)	-	-
Total	$ 11,000,000	6,000,000	$ 3,500,000

Furthermore, the Company will 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;
of which the first tranche of finder's shares was recorded by the Company as a commitment to issue shares in 2011.

* 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 (issued on October 27, 2011 at $0.30 per share) of the Company and pay US$100,000 to OGML or as OGML may direct (subsequently paid); and (iii) no later than February 28, 2012, pay US$900,000 to OGML or as OGML may direct. All other terms of the Agreement remained the same.

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 is secured by a non-interest-bearing bond that expires February 28, 2012. The bond is included in deposits on the consolidated balance sheets.

8. MINERAL PROPERTIES (Continued)

Realization

The Company's investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

Title

Although the Company has taken steps to ensure the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. As at August 31, 2011 and 2010, the Company has determined that no provision for asset retirement obligations is required.

9. 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

	Number of Shares	Capital Stock	Contributed Surplus
Balance, August 31, 2009	40,062,790	$ 4,846,882	$ 5,137,807
Private placement	4,000,000	1,041,331	358,669
Shares issued for property	1,500,000	540,000	-
Warrants issued for property	-	-	124,725
Share issuance costs	-	(63,016)	-
Fair value of finder warrants	-	(27,341)	27,341
Stock-based compensation	-	-	767,505
Balance, August 31, 2010	45,562,790	6,337,856	6,416,047
Private placements	15,582,500	6,085,097	1,227,903
Shares issued for property	2,000,000	1,100,000	-
Stock options exercised	285,000	84,000	-
Warrants exercised	21,000	9,450	-
Share issuance costs	-	(707,010)	176,949
Transfer of contributed surplus on exercise of stock options	-	56,177	(56,177)
Stock-based compensation	-	-	104,728
Balance, August 31, 2011	63,451,290	$ 12,965,570	$ 7,869,450

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 (note 16). 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

9. CAPITAL STOCK (Continued)

(b) Issued and fully paid (Continued)

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.

During the year ended August 31, 2010:

The Company completed a private placement of 4,000,000 common shares at a price of $0.35 per share for total gross proceeds of $1,400,000. Each unit consists of one common share and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share for a period of two years, expiring June 16, 2012, at a price of $0.45 if exercised in the first year and $0.55 if exercised in the second year. The Company allocated $1,041,331 to common shares and $358,669 to contributed surplus based on the relative fair values of the common shares and warrants. The Company paid finder fees totaling $63,016 in cash and 113,400 warrants with each warrant having the same terms as the warrants above with a fair value of $27,341 and recorded as share issuance costs.

In June 2010, the Company issued 1,500,000 common shares and 750,000 warrants in exchange for all of the issued and outstanding shares of Do Sonho (note 8). The shares were valued at $540,000 based on the market price of the shares and the warrants were valued at $124,725 using the Black-Scholes option pricing model.

(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.

9. 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, 2009	6,500,000	$ 0.75
Granted	2,350,000	$ 0.38
Re-priced	1,500,000	$ 0.40
Forfeited	(3,000,000)	$ 0.92
Cancelled	(2,200,000)	$ 0.75
Balance, August 31, 2010	5,150,000	$ 0.38
Granted	420,000	$ 0.40
Exercised	(285,000)	$ 0.29
Cancelled	(75,000)	$ 0.40
Balance, August 31, 2011	5,210,000	$ 0.38

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.

During year ended August 31, 2010:

- On November 24, 2009, the Company granted 500,000 options to a director with an exercise price of $0.295 per share, which vested immediately.
- On December 23, 2009 the Company cancelled 1,500,000 stock options granted on April 30, 2007 at $0.92 per share.
- On April 6, 2010, the Company granted 1,600,000 incentive stock options to directors, officers, employees and consultants exercisable for a period of five years at an exercise price of $0.40 per share and the stock options vested immediately.
- The Company also re-priced 1,500,000 stock options held by a director from $0.92 to $0.40 per share.
- On July 6, 2010, the Company granted 150,000 stock options to a consultant with an exercise price of $0.40 per share to be vested equally every three months over one year.
- On July 30, 2010, the Company granted 100,000 options to a director with an exercise price of $0.40 per share, which vested immediately.
- On August 4, 2010, the Company cancelled 100,000 stock options granted on April 30, 2007 at $0.92 per share and 600,000 stock options, which had been re-priced on April 6, 2010.

9. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

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

Stock options outstanding at August 31, 2010 were as follows:

Expiry Date	Number of Options	Exercise Price	Exercisable
May 19, 2011	200,000	$ 0.25	200,000
April 30, 2012	900,000	$ 0.40	900,000
July 6, 2012	150,000	$ 0.40	-
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
November 24, 2014	500,000	$ 0.30	500,000
April 6, 2015	1,600,000	$ 0.40	1,600,000
	5,150,000		5,000,000
Weighted average remaining contractual life	3.27 years		3.31 years

During the year ended August 31, 2011, the Company recognized $104,728 (2010 - $767,505) of stock-based compensation expense in the statements of operations for stock options that were granted and/or vested to directors, officers and consultants of the Company.

9. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

The fair value of the stock options granted during the years ended August 31, 2011 and 2010 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011	2010
Risk-free interest rate	2.26%	2.44%
Expected dividend yield	-	-
Expected stock price volatility	110%	116%
Expected life of options	4.43 years	3.70 years
Weighted average exercisable price of options granted	$ 0.40	$ 0.29

The total calculated fair value of stock-based compensation for the years ended August 31, 2011 and 2010 would be allocated in the respective statements of operations as follows:

	2011	2010
Investor relations	$ 69,936	$ 54,039
Management and administration fees	34,792	713,466
	$ 104,728	$ 767,505

(d) Warrants

Summary of the warrant activities is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 31, 2009	368,025	$ 0.62
Granted	2,863,400	$ 0.53
Expired	(368,025)	$ 0.62
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

9. CAPITAL STOCK (Continued)

(d) Warrants (Continued)

The fair value of the warrants issued during the years ended August 31, 2011 and 2010 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2011	**2010**
Risk-free interest rate	1.54%	1.61%
Expected dividend yield	-	-
Expected stock price volatility	91%	117%
Expected life of warrants	1.68 year	2.00 years

Warrants outstanding at August 31, 2011 were as follows:

Expiry Date	Number of Warrants	Exercise Price
December 14, 2011*	538,650	$ 0.550
June 9, 2012	750,000	$ 0.750
June 14, 2012	3,600,000	$ 0.750
June 16, 2012	2,092,400	$ 0.550
July 28, 2012	494,062	$ 0.550
July 28, 2013	4,191,250	$ 0.550
	11,666,362	

* On December 14, 2011, 538,650 unexercised warrants expired.

Warrants outstanding at August 31, 2010 were as follows:

Expiry Date	Number of Warrants	Exercise Price
June 9, 2012	750,000	$ 0.75
June 16, 2012	2,113,400	$ 0.45/0.55
	2,863,400	

10. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2011, the Company incurred the following related party transactions:

(a) $232,849 (2010 - $120,000) for salaries, director fees and consulting fees paid to directors of the Company;

(b) $102,030 (2010 - $23,521) for reimbursement of office and other expenses paid or payable to directors and a company related through common directors. As at August 31, 2011, a balance of $nil (2010 - $8,891) was included in due to related parties;

10. RELATED PARTY TRANSACTIONS (Continued)

(c) $61,728 (2010 - $22,028) for accounting fees paid to a firm controlled by an officer of the Company. As of August 31, 2011, $4,211 (2010 - $Nil) was included in due to related parties;

(d) $16,063 (2010 - $nil) for accounting services paid to companies related through common directors;

(e) $39,325 (2010 - $29,792) for investor relations services to a relative of a director;

(f) $61,122 (2010 - $9,000) for management and administration fees paid to a company controlled by a director; and

(g) $947,061 (2010 - $nil; 2009 - $nil) advanced to two private companies, each controlled by a director, as agents to the Company for exploration expenditures in Brazil.

As of August 31, 2011, $28,369 was due to companies with common directors; $11,200 was due from a company with a common director; and $9,900 was due from a director for shares subscribed.

All transactions were measured by the exchange amount, which is the amount agreed upon by the transacting parties. The remaining amounts due to related parties are non-interest-bearing, unsecured and are without fixed terms of repayment.

11. 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	$	184,714
2013		184,714
2014		184,714
2015		184,714
2016		169,321
	$	908,177

As a condition of the office premises lease agreements, the Company placed a deposit of $131,472, 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.

11. COMMITMENTS (Continued)

(c) Kensington

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.

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 completion of the Acquisition is subject to shareholder and regulatory approval.

12. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates of 27.17% (2010 - 29.00%) with the reported taxes is as follows for the years ended August 31:

	2011	2010
Net loss for year	$ (1,649,038)	$ (2,412,473)
Expected income tax recovery	$ (448,000)	$ (700,000)
Stock-based compensation and other permanent differences	370,000	223,000
Temporary differences	(9,000)	314,000
Reduction in future income taxes resulting from statutory rate reduction	24,000	60,000
Adjustment due to effective rate attributable to income taxes of other countries	(8,000)	-
Change in valuation allowance	71,000	103,000
	$ -	$ -

12. INCOME TAXES (Continued)

The significant components of the Company's future income tax assets are as follows:

	2011	2010
Future income tax assets		
Non-capital losses carried forward	$ 815,000	$ 502,000
Share issuance costs	158,000	27,000
Book value over tax value of equipment	3,000	-
Tax value in excess of book value of mineral properties	102,000	478,000
	1,078,000	1,007,000
Valuation allowance	(1,078,000)	(1,007,000)
	-	-
Future income tax liability		
Book value in excess of tax value of net assets acquired	(235,438)	(235,438)
Future income tax liability	$ (235,438)	$ (235,438)

Future tax benefits that may arise as a result of these amounts have been offset by a valuation allowance reflecting the Company's estimate that these amounts, more likely than not, will not be realized.

The Company has available approximate non-capital losses that may be carried forward to apply against future years' income for Canadian income tax purposes in certain jurisdictions. These losses expire as follows:

Available to	Total
2015	$ 82,000
2026	271,000
2027	335,000
2028	338,000
2029	412,000
2030	570,000
2031	1,110,000
	$ 3,118,000

13. SEGMENTED DISCLOSURE

The Company operates in one industry segment, the mineral resources industry, and in four geographical segments, Canada, Chile, Brazil and Guyana. All current exploration activities are conducted in the affected jurisdictions outside of Canada. The significant asset categories identifiable with these geographical areas are as follows:

2011	Canada	Chile	Brazil	Guyana	Total
Cash and cash equivalents	$ 2,886,075	$ 6,069	$ -	$ 280,712	$ 3,172,856
Restricted cash	115,000	-	-	-	115,000
Mineral properties	1	1	2,291,615	3,846,278	6,137,895
Other assets	268,405	-	14,778	158,538	441,721
Total assets	$ 3,269,481	$ 6,070	$ 2,306,393	$ 4,285,528	$ 9,867,472

2010	Canada	Chile	Brazil	Guyana	Total
Cash and cash equivalents	$ 1,220,458	$ 22,181	$ -	$ -	$ 1,242,639
Restricted cash	57,500	-	-	-	57,500
Mineral properties	1	1	1,180,774	-	1,180,776
Other assets	30,050	-	-	-	30,050
Total assets	$ 1,308,009	$ 22,182	$ 1,180,774	-	$ 2,510,965

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. COMPARATIVE FIGURES

Certain of the figures for 2010 have been reclassified to conform to the presentation adopted for the current year.

16. SUBSEQUENT EVENTS

(a) Mowasi option agreement

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.

16. SUBSEQUENT EVENTS (Continued)

(a) Mowasi option agreement (Continued)

Under the terms of the agreement, the Company can earn a 49% undivided interest by agreeing to:

- Pay Mowasi US$100,000;
- Issue to Mowasi 250,000 common shares 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 by agreeing to:

- 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.

On October 21, 2011, US$100,000 and 250,000 shares were issued at $0.275 per share to Mowasi.

(b) Management consultant

On October 10, 2011, the Company extended the management consultant agreement (note 11(b)) to end on April 15, 2012.

(c) Consultant

On November 7, 2011, the Company entered into an agreement with a consultant to provide consulting services in connection with the Company’s business, raise investor awareness, attract investment, and find strategic and financial partners for a period of twelve months. The Company shall pay the consultant $6,000 per month and issue stock options totaling 350,000 vesting over the year.