



Consolidated Financial Statements

February 28, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AMI Resources Inc.

We have audited the accompanying consolidated financial statements of AMI Resources Inc. which comprise the consolidated balance sheets as at February 28, 2011 and 2010, and the consolidated statements of loss and deficit, comprehensive loss and accumulated other comprehensive loss 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 that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AMI Resources Inc. and its subsidiary as at February 28, 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 describe certain conditions that give rise to doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from this uncertainty.

/s/ DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
June 21, 2011

CONSOLIDATED BALANCE SHEETS

	Note	February 28, 2011	February 28, 2010
		\$	\$
Assets			
Cash and cash equivalents		1,452,385	643,927
Marketable securities	3	-	10,673
Prepaid expenses and deposits		18,206	3,776
Other receivables	8	62,953	52,087
		1,533,544	710,463
Equipment	4	36,283	46,905
Mineral properties and deferred costs	5	4,987,863	4,684,994
		6,557,690	5,442,362
Liabilities			
Accounts payable and accrued liabilities		26,203	170,180
Due to related parties	8	5,387	28,033
		31,590	198,213
Shareholders' Equity			
Share capital	6	9,452,380	7,624,814
Contributed surplus	6	2,998,963	2,692,866
Accumulated other comprehensive loss		-	(2,377)
Deficit		(5,925,243)	(5,071,154)
		6,526,100	5,442,362
		6,557,690	5,442,362
Nature of operations and going concern	1		
Commitments	7		
On Behalf of the Board:			
<i>/s/ Dustin A. Elford</i>		<i>/s/ William C. Pettigrew</i>	
Director		Director	

The accompanying notes are integral to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

		Year Ended February 28	
	Note	2011	2010
		\$	\$
Expenses			
Amortization		14,475	20,234
Director fees		500	2,000
Investor relations		121,292	53,980
Management fees	8	195,000	180,000
Office and general		102,700	57,997
Professional fees	8	45,360	48,017
Stock-based compensation	6	318,844	52,989
Transfer agent and filing fees		24,271	19,945
Travel and promotion		23,375	26,020
Loss before other items		(845,817)	(461,182)
Foreign exchange loss		(6,433)	(21,064)
Loss on sale of marketable securities	3	(1,839)	-
Net Loss for the year		(854,089)	(482,246)
Deficit, beginning		(5,071,154)	(4,588,908)
Deficit, ending		(5,925,243)	(5,071,154)
Basic loss per common share		(0.02)	(0.01)
Weighted average common shares outstanding		53,196,443	39,681,488

The accompanying notes are integral to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE LOSS	Year Ended February 28	
	2011	2010
Net loss for the year	(854,089)	(482,246)
Unrealized gain on available-for-sale securities	-	8,153
Comprehensive loss for the year	(854,089)	(474,093)
Accumulated other comprehensive loss - beginning	(2,377)	(10,530)
Realized on available-for-sale securities	2,377	-
Other comprehensive gain	-	8,153
Accumulated other comprehensive loss - ending	-	(2,377)

The accompanying notes are integral to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended
February 28

	2011	2010
	\$	\$
Cash Flows From Operating Activities		
Net loss for the year	(854,089)	(482,246)
Items not affecting cash:		
Amortization	14,475	20,234
Loss on sale of marketable securities	1,839	-
Stock-based compensation	318,844	52,989
	(518,931)	(409,023)
Change in non-cash working capital items:		
Accounts payable and accrued liabilities	(143,978)	15,464
Due to related parties	(22,646)	-
Other receivables	(10,865)	(46,634)
Prepaid expenses and deposits	(14,430)	(8,420)
	(710,850)	(448,613)
Cash Flows From Investing Activities		
Acquisition and exploration of mineral properties	(388,493)	(295,711)
Mineral property option recoveries	85,624	69,427
Proceeds from sale of marketable securities	11,211	-
Purchase of equipment	(3,853)	-
Redemption of term deposit	-	3,030
	(295,511)	(223,254)
Cash Flows From Financing Activities		
Gross proceeds from private placement	1,500,000	1,250,000
Gross proceeds from exercise of options and warrants	426,720	-
Share capital issuance costs	(111,901)	(93,847)
	1,814,819	1,121,528
Change in Cash	808,458	449,661
Cash, Opening Balance	643,927	194,266
Cash, Ending Balance	1,452,385	643,927

Supplement disclosure with respect to cash flows (Note 9)

The accompanying notes are integral to these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**February 28, 2011****1. Nature of Operations and Going Concern**

AMI Resources Inc. (the "Company") is a mineral exploration company focusing on gold exploration in West Africa. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. With respect to the Company's Beposo concession, the Company is moving forward with its dispute of the non-economic zone imposed by the Environmental Protection Agency ("EPA"). Subsequent to February 28, 2011, management undertook further legal action challenging the zone with the belief that such efforts will yield a favourable result for the Company. However, uncertainty remains as to the outcome of this action and an unfavourable outcome will result in the need to determine if there has been impairment of the Beposo concession (see Note 5).

The ability of the Company to continue to operate as a going concern is dependent on its ability to ultimately operate its business at a profit. To date, the Company has not generated revenues from operations and will require additional funds to meet its obligations and the costs of its operations. Further losses are anticipated prior to the generation of any operating revenues or profits.

The Company's future capital requirements will depend on many factors, including the costs of exploring its mineral properties, operating costs, competitive environment and global market conditions. The Company's anticipated operating losses and increasing working capital requirements will require that it obtain additional capital to continue operations in the future.

The Company will depend almost exclusively on outside capital. Such outside capital will include the sale of additional shares. There can be no assurance that capital will be available as necessary to meet ongoing commitments and to fund continuing exploration and development costs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in significant dilution to the equity interests of its current shareholders. If the Company is unsuccessful in raising adequate financing, exploration activities will be postponed until market conditions improve. The recoverability of amounts recorded for mineral properties and related deferred costs are dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain the necessary financing to complete their development and to realize profitable production and proceeds from the disposition thereof.

2. Significant Accounting Policies***(a) Basis of presentation***

These consolidated financial statements are presented in accordance with generally accepted accounting principles ("GAAP") applicable in Canada. These consolidated financial statements include the accounts of the Company and of its wholly-owned subsidiary, AMI Africa Exploration Ltd. ("AMI Africa"), incorporated in British Columbia. All inter-company transactions and balances have been eliminated upon consolidation.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the determination and measurement of recoverable values of mineral property interests, the determination of future income taxes, and the determination of fair value for stock-based transactions. Where estimates have been used financial results as determined by actual events could differ from those estimates.

(c) Cash and cash equivalents

Cash equivalents consist of highly liquid investments which are readily convertible into cash with maturities of three months or less when purchased.

(d) Future income taxes

Future income taxes are recorded using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(e) Mineral properties

The Company is in the exploration and development stages and defers all expenditures related to its mineral properties until such time as the property is put into commercial production, sold, abandoned or management has determined it to be impaired. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

If the property is put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the property is sold, abandoned or impaired, then the expenditure will be charged to operations. The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

In the event that reserves are determined, the carrying values of a mineral property interest, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, then the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized is dependent upon the identification of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and to realize profitable production and proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment will be based on current conditions. However, it is possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future write-downs of the capitalized property carrying values.

(f) Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. Foreign currency denominated transactions are translated into Canadian dollar equivalents as follows:

- Monetary items at the rate prevailing at the balance sheet date;
- Non-monetary items at the historical exchange rate;
- Revenue and expenses at the average exchange rate for the year;
- Gains or losses arising on translation are included in earnings or loss.

(g) Equipment

Automobiles, computers and office equipment are recorded at cost less accumulated amortization. Automobiles and computers are amortized at rates of 30% to 45% per year and office equipment at a rate of 20% per year using the declining balance method.

(h) Loss per share

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 loss per common share is recognized from 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. Diluted loss per common share is equal to basic loss per share for the years ended February 28, 2011 and 2010 as the effects of conversion is anti-dilutive. Basic and diluted loss per common share is calculated using the weighted average number of shares outstanding during the year.

(i) Stock-based compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. Accordingly, the fair value of the options at the date of the grant is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting year. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(j) Asset retirement obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the year in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is also adjusted to reflect period-to-period changes in the liability resulting from passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at February 28, 2011 and 2010, the Company did not have any readily determinable asset retirement obligations.

(k) Comprehensive Income (Loss)

Section 1530 establishes standards for reporting and presenting comprehensive income (loss), which is defined as the change in equity from transactions and other events from non owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income (loss) calculated in accordance with generally accepted accounting principles. The Company's other comprehensive income (loss) represents changes in shareholders' equity arising from unrealized gains and losses on financial assets classified as available-for-sale.

(I) Financial Instruments

The Company's financial instruments consist of cash, term deposits, receivables, marketable securities, accounts payable and amounts due to related parties. The value of the Company's arm's length short term financial instruments is estimated by management to approximate their carrying values due to their immediate or short-term maturity. The fair value of advances due to related parties has not been determined as comparable arms-length interest, security and risk information is not determinable.

The Company has designated its cash and term deposits as held-for-trading, which are measured at fair value. Marketable securities are designated as available for sale which are measured at fair value. Receivables are classified under loans and receivables, which are measured at amortized cost. Accounts payable and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

Changes in Accounting Policy and Presentation**International Financial Reporting Standards ("IFRS")**

In February 2008, the Canadian Accounting Standards Board confirmed that public companies will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011. The Company's transition date was at March 1, 2010, and the first set of IFRS compliant financial statements will be for the 3 months ended May 31, 2011. The conversion to IFRS will require the Company to change certain accounting policies and systems.

Business Combinations, Consolidations, Non-Controlling Interests

In January 2009, the CICA issued Handbook Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements, and Section 1502 Non-controlling Interests. These new standards are harmonized with IFRS. Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective January 1, 2011 with early adoption permitted. The Company does not expect the impact of adoption to be significant on the consolidated financial statements.

3. Marketable Securities

Marketable securities consisted of 3,758 common shares of Capstone Mining Corp. ("Capstone"), a publicly traded company on the TSX. On September 22, 2010, the Company sold all the shares for gross proceeds of \$11,211 and realized a loss of \$1,839.

4. Equipment

	February 28, 2011			February 28, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Office Equipment	61,849	49,085	12,674	57,995	44,690	13,305
Exploration Equipment	95,094	71,575	23,519	95,094	61,494	33,599
	156,943	120,659	36,284	153,089	106,184	46,905

5. Mineral Properties and Deferred Costs

	North Ashanti	Niger	Total
	\$	\$	\$
Balance at February 28, 2009	4,329,325	-	4,329,325
Acquisition costs incurred:	-	1	1
Exploration costs incurred:			
License fees	16,050	-	16,050
Assays	16,260	6,839	23,099
Drilling	-	192,854	192,854
Field and camp costs	33,215	1,884	35,099
Geologist fees	6,006	27,150	33,156
Maps and reports	1,424	9,252	10,676
Legal and administration	29,430	10,718	40,148
Soil geochemistry	10,358	1,039	11,397
Sundries	5,265	-	5,265
Travel	19,659	37,692	57,351
Subtotal	137,667	287,429	425,096
Option payments and recoveries	(69,427)	-	(69,427)
Balance at February 28, 2010	4,397,565	287,429	4,684,995
Acquisition costs incurred:	-	-	-
Exploration costs incurred:			
License fees	-	40,896	40,896
Assays	-	26,921	26,921
Drilling	-	37,121	37,121
Field and camp costs	48,714	44,471	93,185
Geologist fees	1,961	57,830	59,791
Maps and reports	-	8,050	8,050
Legal and administration	-	21,129	21,129
Survey	-	9,369	9,369
Travel	33,685	58,345	92,030
Subtotal	84,360	304,132	388,492
Option payments and recoveries	(85,624)	-	(85,624)
Balance at February 28, 2011	4,396,301	591,561	4,987,863

Niger Gold Project

On September 11, 2009, the Company entered into a three-year option agreement with Golden Star Resources Ltd. (“GSRL”) to acquire a 51% earned interest in the GSRL property located in Niger. The Company may exercise the option by spending exploration expenditures as follows:

Date	Exploration Expenditure
	US\$
By September 11, 2010	250,000 (completed)
By September 11, 2011	500,000
By September 11, 2012	750,000
Total	1,500,000

Upon satisfactory completion of the required exploration expenditures, the Company and GSRL will enter into a joint venture partnership to further explore and develop the properties whereby the Company will maintain a 51% participating and ownership interest in the properties.

North Ashanti Gold Project

The North Ashanti Gold Project consists of the Beposo and Anuoro prospecting licenses consisting of approximately 162km². AMI Africa is the registered holder of these two prospecting licenses. These concessions are subject to a 10% interest held by the government of the Republic of Ghana.

Anuoro

AMI Africa was granted the 128.9 sq km Anuoro Concession on September 28, 2005. On December 14, 2009, AMI Africa received a 24-month extension from the Minister of Mines on its Anuoro prospecting license. After December 14th, 2011 the license will be eligible for further renewals upon application to the Minister of Mines.

On January 22, 2010, AMI Africa entered into an agreement with Newmont Ghana Gold Ltd. (“Newmont”) which grants Newmont the right to earn an initial 51% interest in the Anuoro license by spending US\$2,000,000 in work expenditures and property option payments during the first 3-year period. A minimum of US\$550,000 in work expenditures and property option payments is required in the first year. Upon Newmont earning the 51% interest, both AMI Africa and Newmont will enter into a Joint Venture Agreement under which Newmont will have 90 days in which to elect to increase its interest in Anuoro to 75% by spending an additional US\$2,000,000 in work expenditures and property payments over the next two years. Newmont has also entered into a Tenancy Agreement for the rental of AMI Africa’s exploration camp and facilities. During the year ended February 28, 2011, the Company received \$85,624 (2010 - \$69,427) in property option payments and camp cost recoveries.

Beposo

AMI Africa was granted the 33.35 sq km Beposo Concession on April 22, 2004. The Beposo license was a consolidation of three previous licenses held since 1997. AMI Africa has received several extensions of the Beposo license and has held EPA permits for exploration work on the Beposo license. The Minerals Commission in conjunction with the EPA have now imposed a 6 to 10 km non-economic zone around Lake Botsumtwi, which the Company and its legal counsel believe to be arbitrary, without scientific justification and not compliant with current mining laws. A Writ of Summons was filed on May 13th 2011 in the High Court of Justice to determine the legality of the actions taken by the government ministries and what

compensation may be due to AMI Africa should the non-economic zone become legal. AMI Africa remains the registered holder of the Beposo license until a ruling is made. Management believes AMI Africa will be successful in this action and will continue to have the right to exploit the Beposo concession in the future. However, if the Company does not obtain a favourable outcome from the courts, then the Beposo license will be subject to impairment.

Obuom

The Company entered into a letter agreement dated September 14, 2007 with GSRL to purchase GSRL's 54% interest in its application for a prospecting license for the Obuom property, Ghana, in exchange for up to 2,850,000 common shares of the Company and granting a 2% NSR. The interest may be in the form of a 54% direct interest in the property; through the issuance of a prospecting license for the property, or through the holding of 54% of the shares of Obuom Goldfields Ltd. (a company owned by GSRL and Edward Boohene). Upon the issue of a license by the Ghanaian Ministry of Mines and Forestry the Company must issue 1,850,000 common shares to GSRL. The remaining 1,000,000 shares will be issued upon delineation of at least 200,000 ounces of gold. Valid licenses and permits were not obtained by March 31, 2010; this agreement was extended by both parties until March 31, 2012.

AMI Africa entered into a letter agreement dated July 17, 2007 with Edward Boohene and Centre Properties Ltd. (a Ghanaian corporation) to purchase their 46% interest in the Obuom property by paying US\$250,000 on execution of a definitive agreement and receipt of a valid license and required permits, US\$750,000 upon completion of a bankable feasibility study, and granting a 2.5% NSR. Any portion of the 2.5% NSR can be purchased by AMI Africa at any time upon payment of US\$1,000,000 for each 1% of the NSR.

Upon completion, the Company would own a 100-per-cent interest in Obuom, subject to a 10-per-cent carried interest by the government of Ghana. Both of these agreements are subject to the receipt of valid licenses and permits from the Ghanaian government which to this date have not yet been received. Accordingly, no consideration is payable under these agreements.

6. Share Capital

Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

Common shares issued and outstanding

	Shares Outstanding	Share Capital	Contributed Surplus
		\$	\$
Balance at February 28, 2009	32,202,036	6,543,554	2,564,484
Private placement, gross proceeds	15,000,000	1,250,000	-
Finder's fee – cash	-	(88,000)	-
Finder's fee – options	-	(74,893)	74,893
Other financing fees – cash	-	(5,847)	-
Stock-options granted	-	-	41,556
Stock-options repriced	-	-	11,933
Balance at February 28, 2010	47,202,036	7,624,814	2,692,866
Private placement, gross proceeds	10,000,000	1,500,000	-
Finder's fee – cash	-	(103,163)	-
Finder's fee – options	-	(46,122)	46,122
Other financing fees – cash	-	(8,736)	-
Option and warrant exercises - cash	4,424,000	426,718	-
Option and warrant exercises - reclassification	-	58,869	(58,869)
Stock-option grants	-	-	318,844
Balance at February 28, 2011	61,626,036	9,452,380	2,998,963

For the Year Ended February 28, 2011

On November 22, 2010, the Company closed the 1st tranche of a non-brokered private placement of 7,990,000 Units at the price of \$0.15 per Unit, and received gross proceeds of \$1,198,500. The Units comprise one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.25 per share until the close of business on November 22, 2011. If after four months following the closing and until the expiry date of the warrants, the closing price of the Company's shares exceeds \$0.50 for 10 consecutive days, the Company will be able to accelerate the expiry of the Warrants to the date that is 30 days after the notice of the new expiry date is provided to the holders of the warrants.

Finder's fee paid by the Company consisted of \$82,058 cash commission and 546,950 finder's fee options equal to the number of Units sold by the finder. Each finder's fee option is exercisable into a Unit at a price of \$0.15 per share until the close of business on November 22, 2011. All shares issued pursuant to the offering will be subject to a four-month hold period from the date of closing.

On December 10, 2010, the Company closed the 2nd tranche of a non-brokered private placement of 2,010,000 Units at a price of \$0.15 per Unit, and received gross proceeds of \$301,500. The Units comprise one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.25 per share until the close of business on December 10, 2011. If after four months following the closing and until the expiry date of the warrants, the closing price of the Company's shares exceeds \$0.50 for 10 consecutive days, the Company will be able to accelerate the expiry of the warrants to the date that is 30 days after the notice of the new expiry date is provided to the holders of the warrants.

Finder's fee paid by the Company consisted of \$21,105 cash commission and 140,700 finder's fee options equal to the number of Units sold by the finder. Each finder's fee option is exercisable into a Unit at a price of \$0.15 per share until the close of business on December 10, 2011. All shares issued pursuant to the offering will be subject to a four-month hold period from the date of closing.

For the Year Ended February 28, 2010

On May 4th, 2009, the Company closed a non-brokered private placement of 5 million Units at the price of \$0.05 per Unit, and received gross proceeds of \$250,000. The Units comprise one common share and one share purchase warrant. Each Warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.10 per share until the close of business on May 4th 2010. If after four months and one day following the closing and until the expiry date of the warrants, the closing price of the Company's shares exceeds \$0.30 for 10 consecutive days, the Company will be able to accelerate the expiry of the warrants to the date that is 30 days after the notice of the new expiry date is provided to the holders of the warrants.

Finder's fee paid by the Company consisted of \$12,800 cash commission and 320,000 finder's fee options equal to the number of Units sold by the finder. Each finder's fee option will be exercisable into a Unit at a price of \$0.05 per share until the close of business on May 4th 2010. All shares issued pursuant to the offering will be subject to a four-month hold period from the date of closing.

On October 28, 2009, the Company closed a 10,000,000 Unit private placement at a price of \$0.10 per Unit for gross proceeds of \$1,000,000. Each Unit comprise one common share and one-half share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.20 per share until the close of business on April 28, 2011. If after four months and one day following the closing and until the expiry date of the warrants, the closing price of the Company's shares exceeds \$0.40 for 10 consecutive days, the Company will be able to accelerate the expiry of the warrants to the date that is 30 days after the notice of the new expiry date is provided to the holders of the warrants.

Finder's fee paid by the Company consisted of \$75,200 cash commission and a 752,000 finder's fee options equal to the number of Units sold by the finder. Each finder's fee option will be exercisable into a Unit at a price of \$0.10 per share until the close of business on October 28th 2010. All shares issued pursuant to the offering will be subject to a four-month hold period from the date of closing.

Share purchase warrants

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life Remaining (Years)	Weighted Average Grant Date Fair Value
		\$		\$
Balance, February 28, 2009	-	-		
Issued - With Units	10,000,000	0.15	0.67	0.04
Balance, February 28, 2010	10,000,000	0.15	0.67	0.04
Issued – With Units	5,000,000	0.25	-	0.03
Issued – Finder’s fee units exercised	696,000	0.15	-	0.03
Exercised	(3,320,000)	-	-	-
Expired	(2,000,000)	-	-	-
Balance, February 28, 2011	10,376,000	0.22	0.44	0.04

For the Year Ended February 28, 2011

On November 22, 2010, 3,995,000 Unit warrants were issued as a part of the 1st tranche Unit private placement. Each warrant has an estimated fair value of \$0.0259 for a total of \$103,472, and is included in share capital. This value was measured using the Black-Scholes option pricing model assuming an average expected remaining life of 1 year, a risk-free interest rate of 1.20%, a nil dividend yield and an expected volatility of 76.34%.

On December 10, 2010, 1,005,000 Unit warrants were issued as a part of the 2nd tranche Unit private placement. Each warrant has an estimated fair value of \$0.0245 for a total of \$24,593, and is included in share capital. This value was measured using the Black-Scholes option pricing model assuming an average expected remaining life of 1 year, a risk-free interest rate of 1.20%, a nil dividend yield and an expected volatility of 67.60%.

During the year ended February 28, 2011, 320,000 share purchase warrants were issued upon exercise of finder’s fee options granted in the year ended February 28, 2010. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.10 per share until the close of business on May 4th 2010. Each warrant had an estimated fair value of \$0.01; accordingly, \$3,200 was recorded as a reduction in share capital in the year ended February 28, 2010. This value was estimated using the Black-Scholes option pricing model assuming an average expected remaining life of 1 year, a risk-free interest rate of 1.05%, a nil dividend yield and an expected volatility of 98.57%.

During the year ended February 28, 2011, 376,000 share purchase warrants were issued upon exercise of Finder’s Fee Options granted in the year ended February 28, 2010. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.20 per share until the close of business on April 28, 2011. Each embedded warrant has an estimated fair value of \$0.03; accordingly, \$11,280 has been recorded as a reduction in share capital in the year ended February 28, 2010. This value was estimated using the Black-Scholes option pricing model assuming an average expected remaining life of 1 year, a risk-free interest rate of 0.54%, a nil dividend yield and an expected volatility of 91.69%.

For the Year Ended February 28, 2010

On May 4, 2009, 5,000,000 Unit warrants were issued as a part of the Unit private placement. Each warrant has an estimated fair value of \$0.014 for a total of \$69,785, and is included in share capital. This value was measured using the Black-Scholes option pricing model assuming an average expected remaining life of 1 year, a risk-free interest rate of 1.05%, a nil dividend yield and an expected volatility of 98.57%.

On October 28, 2009, 5,000,000 Unit warrants were issued as a part of the Unit private placement. Each warrant has an estimated fair value of \$0.062 for a total of \$310,000, and is included in share capital. This value was estimated using the Black-Scholes option pricing model assuming an average expected remaining life of 1.5 years, a risk-free interest rate of 0.91%, a nil dividend yield and an expected volatility of 116.55%.

Stock options

	Number of Options	Weighted Average Exercise Price	Weighted Average Life Remaining (Years)	Weighted Average Grant Date Fair Value
Balance, February 28, 2009	3,500,000	\$ 0.15	\$ 3.21	\$ 0.23
Granted	1,450,000	0.12	0.52	0.05
Granted – Finder’s Options	1,072,000	0.09	2.64	0.05
Expired/Cancelled	(1,168,000)	-	-	-
Balance, February 28, 2010	4,854,000	0.10	2.02	0.07
Granted	2,300,000	0.20	-	0.12
Granted – Finder’s Options	687,650	0.15	-	0.05
Exercised	(1,104,000)	-	-	-
Balance, February 28, 2011	6,737,650	0.14	2.21	0.08

The Company has a stock option plan, approved by the Board of Directors (the “Board”) at the annual general meeting held on August 31, 2010, that allows the Company to grant incentive stock options to its directors, officers, employees and consultants. Under the amended stock option plan, the number of shares reserved for issuance cannot exceed 20% of the total number of shares which were outstanding as of August 31, 2010 less the aggregate number of common shares reserved for issuance to any other share compensation arrangement. The maximum number of shares reserved for issuance under the amended plan is 10,174,807. The exercise price, term (not to exceed ten years) and vesting provisions are authorized by the Board at the time of the grant. Stock options granted to consultant performing investor relations activity shall vest over a minimum of twelve months with no more than ¼ of such options vesting in any three month period.

The weighted average exercise price of 6,518,277 options which had vested as at February 28, 2011 is \$0.14 (2010 – 4,475,245 options vested with a weighted average exercise price of \$0.10).

For the Year Ended February 28, 2011

During the year ended February 28, 2011, the Company granted 2,300,000 options to directors and officers. The fair value of these stock options at their grant dates was \$283,108. The Company recognized \$254,927 in stock-based compensation expense based on the vested portion of options granted. These values were estimated using the Black-Scholes option pricing model assuming an average expected remaining life of 2 to 3 years, a risk-free interest rate of 1.90% to 2.13%, a nil dividend yield and an expected volatility of 105.83% to 138.05%.

On November 22, 2010, 546,950 finder's fee options were issued as a part of the 1st tranche Unit private placement. Each finder's fee option is exercisable into Units of the Company at \$0.15 per Unit. Each finder's fee option has an estimated fair value of \$0.0649 for a total of \$35,485, and is included as a reduction in share capital. This value was measured using the Black-Scholes option pricing model assuming an average expected remaining life of 1 year, a risk-free interest rate of 1.20%, a nil dividend yield and an expected volatility of 67.60-76.34%.

On December 10, 2010, 140,700 finder's fee options were issued as a part of the 2nd Tranche Unit private placement. Each finder's fee option is exercisable into Units of the Company at \$0.15 per Unit. Each finder's fee option has an estimated fair value of \$0.0756 for a total of \$10,637, and is included as a reduction in share capital. This value was measured using the Black-Scholes option pricing model assuming an average expected remaining life of 1 year, a risk-free interest rate of 1.20%, a nil dividend yield and an expected volatility of 67.60%.

For the Year Ended February 28, 2010

On May 7, 2009 the Company re-priced 2,400,000 stock options previously re-priced during the year ended February 28, 2009 from \$0.15 to \$0.10 per share. The fair value of the re-priced options was determined to be \$11,433 and recorded as stock based compensation in the year. This value was estimated using the Black-Scholes option pricing model assuming an average expected remaining life of 2.42 – 3.80 years, a risk-free interest rate of 1.05%, a nil dividend yield and an expected volatility of 100%.

On May 4, 2009, 320,000 finder's fee options were issued to acquire a Unit at a price of \$0.10 per Unit. The Units comprise one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.10 per share until the close of business on May 4th 2010. Each option has an estimated fair value of \$0.04; accordingly, \$12,884 has been recorded as a reduction in share capital. This value was estimated using the Black-Scholes option pricing model assuming an average expected remaining life of 1 year, a risk-free interest rate of 1.05%, a nil dividend yield and an expected volatility of 98.57%.

On October 28, 2009, 752,000 finder's fee options were issued to acquire a Unit at a price of \$0.20 per share. Each Unit comprise one common share and one-half share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.20 per share until the close of business on April 28, 2011. Each option has an estimated fair value of \$0.082; accordingly, \$62,009 has been recorded as a reduction in share capital. This value was estimated using the Black-Scholes option pricing model assuming an average expected remaining life of 1 year, a risk-free interest rate of 0.54%, a nil dividend yield and an expected volatility of 91.69%.

During the year ended February 28, 2010, the Company granted 1,450,000 stock options with an exercise of \$0.10 to \$0.15 per share to directors and consultants. The fair value of the options granted was \$94,395. The fair value of the vested portion of options was determined to be \$41,556 for the February 28, 2010 year. An additional \$63,917 was recognized

through fiscal 2011 as these options vested. This value was estimated using the Black-Scholes option pricing model assuming an average expected remaining life of 3.00 years, a risk-free interest rate of 1.05% to 1.93%, a nil dividend yield and an expected volatility of 88.16% to 198.11%.

7. Commitments

- a) The Company entered into a lease agreement for office space at a monthly cost of \$3,286 until June 30, 2011.
- b) Pursuant to the agreements between the Company and GSRL and Edward Boohene and Centre Properties Ltd., upon receipt of valid licenses and permits relating to the Obuom property, the Company is committed to fulfill certain contractual obligations described in Note 5.
- c) Effective December 1, 2010, the Company entered into a two year consulting services agreement for Chief Executive Officer ("CEO") management services. The agreement specifies compensation of incentive stock options as determined and approved by the Board of Directors from time to time, \$10,000 per month plus applicable taxes, and reimbursement of expenses incurred on behalf of the Company.
- d) Effective December 1, 2010, the Company entered into a two year consulting services agreement for Chief Financial Officer (CFO) management services. The agreement specifies compensation of incentive stock options as determined and approved by the Board of Directors from time to time, \$10,000 per month plus applicable taxes, and reimbursement of expenses incurred on behalf of the Company.

8. Related Party Transactions

The value of transactions and outstanding balances relating to key officers and directors and entities over which they have control or significant influence were as follows:

The Company charged \$12,000 (2010 – \$24,000) in rent and telecommunication costs under a cost sharing agreement with a company that has two directors in common. As at February 28, 2011, \$36,000 (2010 - \$24,000) remains unpaid and is included in other receivables.

The Company incurred \$97,500 (2010 – \$90,000) of management fees from a company controlled by a director and officer for CEO services performed. As at February 28, 2011, \$Nil (2010 - \$750) remains unpaid for management fees. As at February 28, 2011, \$Nil (2010 - \$7,072) remains unpaid for expenses incurred on behalf of the Company.

The Company incurred \$97,500 (2010 – \$90,000) of management fees from a company controlled by a director and officer for CFO services performed. As at February 28, 2011, \$Nil (2010 - \$5,000) remains unpaid.

The Company incurred \$30,000 (2010 – \$25,000) of professional fees from a company controlled by a director for accounting services performed. As at February 28, 2011, \$2,800 (2010 - \$2,625) remains unpaid.

As at February 28, 2011, the Company owes \$2,586 (2010 - \$2,587) to a company controlled by a director for legal services. As at February 28, 2011, \$Nil (2010 - \$5,000) remains unpaid.

Amounts due to related parties are unsecured, non-interest bearing and without specified repayment terms. All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Supplemental Cash Flow Information

	February 28, 2011	February 28, 2010
	\$	\$
Cash paid for interest	-	-
Cash paid for taxes	-	-
	-	-

10. Capital Management and Financial Instruments

Capital management

The Company's primary source of funds comes from the issuance of share capital. The Company defines its capital as all components of shareholders equity. Capital requirements are driven by the Company's planned exploration and evaluation activities and general and administrative expenses. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities. Although the Company has been successful at raising funds in the past through the issuance of share capital, there can be no assurance that it will continue to be able to do so in the future. There were no changes in the Company's approach to capital management during the year ended February 28, 2011. The Company is not subject to externally imposed capital requirements.

Financial assets and liabilities

The Company's financial instruments at February 28, 2011 and 2010 consist of the following:

Financial Instruments	Classification	Measurement
Cash	Held for trading	Fair value
Marketable securities	Available-for-sale	Fair value
Other receivables	Loans on receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

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

Credit risk

Concentration of credit risk exists with respect to the Company's cash and other receivables. Cash is held at a major Canadian financial institution and a major African financial institution. Other receivables comprises refundable sales tax credits expected the Canadian federal government, and a receivable amount from an overhead cost sharing arrangement from a related company which is expected to be received within one year (Note 8).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty meeting obligations associated with financial liabilities. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has \$1,452,385 in cash at February 28, 2011 (2010 - \$643,927) and will require additional funding to meet its exploration commitments and administrative costs.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar. There is moderate currency risk to the Company as mineral property interests are located in Africa.

The Company manages its exposure to this risk by operating in a manner that minimizes its exposure to the extent practical. The Company does not engage in any form of derivative or hedging instruments to reduce its foreign currency risk.

Fair value of financial instruments

The carrying value of cash and accounts payable and due to related parties approximate their fair values due to the short-term nature of these instruments.

The following table illustrates the classification of the Company's financial instruments, measured at fair value on the balance sheet as at February 28, 2011, categorized into levels of the fair value hierarchy in accordance with Section 3862 of the CICA Handbook:

	Level 1 (Quoted market price)	Level 2 (Valuation technique – observable market inputs)	Level 3 (Valuation technique – non observable market inputs)
Cash	\$ 1,452,385	\$ -	\$ -

11. Future Income Taxes

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate statutory income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2011	2010
	\$	\$
Loss before income taxes	(854,089)	(482,246)
Corporate statutory rate	28.5%	30%
Expected tax recovery	(243,415)	(144,674)
Increase (decrease) resulting from:		
Permanent differences	95,877	19,477
Items deductible for tax purposes	-	(23,044)
Expiring losses and other differences	81,358	48,269
Impact of tax rate changes	8,127	14,489
Change in valuation allowance	58,053	85,483
Effective income tax provision	-	-

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

	2011	2010
	\$	\$
Resource deductions in excess of book value	162,631	162,631
Non-capital losses carry-forward	984,034	833,665
Tax basis of investments in excess of book value		297
Share issuance costs	36,457	61,255
Equipment	24,328	20,709
Potential future income tax assets	1,207,450	1,075,557
Less: valuation allowance	(1,207,450)	(1,024,380)
Net future income tax asset	-	-

The Company has non-capital loss carryforwards of approximately \$3,935,000 (2010 - \$3,229,000) which can be applied to reduce future taxable income, expiring as follows:

Year	Amount
	\$
2011	498,198
2015	384,293
2026	255,473
2027	513,999
2028	676,922
2029	526,700
2030	479,075
2031	600,558
	3,934,718

In addition, as at February 28, 2011 the Company has cumulative foreign exploration and development expenditures amounting to approximately \$5,638,386, that may be available to reduce future taxable income. These can be carried forward indefinitely.

Due to the uncertainty of realization of these loss carry-forwards and resource tax pools, the benefits are not reflected in the financial statements as the Company has provided a full valuation allowance for the future tax assets resulting from these items.

11. Subsequent Events

Subsequent to February 28, 2011, 300,000 stock options, originally granted January 14, 2011, were cancelled. None of these stock options had vested.

Subsequent to February 28, 2011, 700,000 stock options were granted to a consultant of the Company. The options are exercisable at \$0.15 per share and expire in three years.