# CORONADO RESOURCES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS
## FORM 51-102F1

### FOR THE PERIOD ENDED MAY 31, 2013

The following Management's Discussion and Analysis ("MD&A") is dated July 30, 2013, for the three month period ended May 31, 2013 and should be read in conjunction with the Company's accompanying unaudited condensed consolidated interim financial statements for the three month period ended May 31, 2013 and the consolidated financial statements for the year ended February 28, 2013. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (IFRS). The MD&A supplement does not form part of the unaudited condensed consolidated interim financial statements for the three month period ended May 31, 2013 or the audited financial statements of the Company and the notes thereto for the year ended February 28, 2013. All amounts are expressed in Canadian dollars unless otherwise indicated. In addition, readers are directed herein to discussions regarding Forward-Looking Statements, Critical Accounting Estimates and Risk Factors.

Coronado management is responsible for the integrity of the information contained in this report and for the consistency between the MD&A and the Financial Statements. In the preparation of these statements estimates are necessary to make a determination of future values for certain assets and liabilities. Management believes that the estimates have been based on careful judgements and have been properly presented. The financial statements have been prepared using policies and procedures established by management and fairly represent Coronado's financial position and results of operations.

The Company was incorporated under the Business Corporations Act (British Columbia) and Coronado Resources Ltd. ("Coronado") is a resource exploration company with a focus on mineral exploration opportunities in North America. However on May 14, 2013, Coronado announced that it has entered into a share purchase agreement whereby it has agreed to purchase all the issued and outstanding shares of a Power Company. If approved by the shareholders this would constitute a Change of Business for purposes of the TSX Venture Exchange ("TSX-V") Policy 5.2 and is subject to review by the TSX-V.

Coronado's head office is located in Vancouver, British Columbia, Canada. Coronado's common shares trade on the TSX-V under the symbol "CRD" and on the OTCQX International under the symbol "CRDAF").

## Significant Events, Transactions and Activities

In order to better understand Coronado's financial results, it is important to gain an appreciation for the significant events, transactions and activities on mineral properties which have occurred during the period ended May 31, 2013 and to the date of this MD&A.

## Change of Business

The Company has entered into a Share Purchase Agreement dated May 13, 2013, whereby Coronado has agreed to purchase all of the outstanding shares of Opunake Hydro Limited ("OHL") from TAG Oil Ltd. ("TAG") and Opunake Hydro Holdings Limited ("OHHL") in exchange for common shares of Coronado ("the OHL Acquisition"), subject to the terms and conditions of the Share Purchase Agreement.

*The Proposed Acquisition*

Under the Share Purchase Agreement Coronado agrees to issue 13,015,410 common shares to TAG, in exchange for 90% of the issued and outstanding shares of OHL and 1,446,157 common shares to OHHL in exchange for 10% of the issued and outstanding shares of OHL representing an aggregate purchase price of $5,584,000 based on the volume weighted average price of Coronado's common shares on the TSX-V for the 20 consecutive trading days ending May 10, 2013.

The completion of the OHL Acquisition is subject to a number of conditions, including:

a) Approval of Coronado's shareholders at special meeting to be called to consider the OHL Acquisition, including the approval of a majority of disinterested shareholders, excluding TAG and any of its affiliates;
b) Receipt of all regulatory approvals, including the consent from the Overseas Investment Office of New Zealand and acceptance by the TSX-V;
c) Compliance by the parties to the Share Purchase Agreement with all covenants and agreements in such agreement;
d) No material adverse effect with respect to OHL; and
e) Other conditions precedent set forth in the Share Purchase Agreement.

The full text of the Share Purchase Agreement may be found under Coronado's Profile at www.sedar.com.

*Description of Change of Business*

OHL is engaged in generating and retailing power in New Zealand. OHL's power generation business falls into two categories; (a) hydro generation for which OHL owns the Opunake hydro power scheme, consisting of a 0.4 megawatt (MW) generator located on Lake Opunake in Taranaki, New Zealand, and 2MW of gas fired generators located at TAG's Cheal A production site in Taranaki, New Zealand, which supplies electricity to the Cheal Production station and into New Zealand's main power grid. In addition, OHL has purchased a 1.15MW containerized gas fired generator which will be installed on TAG's Cheal oil and gas field site in August of 2013 and intends to acquire and install an additional 1MW gas fired generator in the near term. OHL currently supplies electricity to customers in the Taranaki region of New Zealand including the New Plymouth, Stratford, and Hawera areas, as well as to customers in the Rangitikei and Wellington areas.

OHL had operating revenues of NZ$2,895,243 for the twelve months ended March 31, 2013 (March 31, 2012 - NZ$1,007,443) as disclosed in its audited financial statements.

A significant portion of New Zealand electricity is generated from gas fired turbines (2$^{nd}$ to hydro in the country) and continues to grow with electricity buyers looking for new supply sources. Coronado intends to pursue this growth opportunity with a properly executed business plan that will allow the Company to increase its electricity generation capacity and customer base in the near term with an initial focus in New Zealand.

Upon completion of the OHL Acquisition, Coronado will change from a junior mining company to an energy generation and retailing company. At completion Coronado will have approximately $8 million in cash.

## Current Development

In the period ended May 31, 2013, the Company incurred $128,042 (May 31, 2012: $349,894) in underground exploration, development and maintenance costs and received $Nil (May 31, 2012: $163,035) in recovery proceeds.

There were no recoveries reported in the period but there was a small amount of ore shipped in the following quarter to Barrick Gold Corporation's Golden Sunlight Mine which will be settled in August 2013. Batch and metallurgical testing continues to establish optimum recovery values of the concentrate.

On May 13, 2013, the Company has entered into a Share Purchase Agreement to purchase 100% of the outstanding shares of Opunake Hydro Limited. This would significantly alter the business of Coronado to make power generation and sales its primary business which requires an application to the TSX-V for a Change of Business. The Agreement is subject to shareholder and regulatory approvals but once obtained would complete the process to proceed with the purchase and Change of Business for Coronado.

On June 14, 2013, the company announced that it was preparing the notice of meeting and management information circular that will call the shareholders meeting and describe the OHL acquisition as well as the requisite material to receive the approval of the TSX Venture Exchange. Also, Coronado is in the process of applying for the requisite regulatory approval in New Zealand. Coronado expects that the OHL Acquisition will be completed during the third calendar quarter of 2013.

On July 16, 2013, the company approved an Advance Notice Policy to provide shareholders, directors and management with a clear framework for nominating directors of the company. The policy will allow for the following:

i) facilitate an orderly and efficient process for the election of directors at annual general and special purpose meetings;
ii) ensure that all shareholders receive adequate notice of the director nominations and sufficient information with respect to all director nominees; and
iii) allow shareholders to register an informed vote after having been afforded reasonable time for appropriate deliberation.

The full text of the policy is available via Sedar at www.sedar.com.

## **Madison Gold Property** – History

In April 2005, the Company entered into an agreement to acquire a 100% interest in seven patented and twelve unpatented claims in a gold-copper property in Montana, subject only to 2% net smelter return or US$50,000 annual payment. The agreement called for option payments totaling US $300,000 and the issuance of shares and work commitments. All option payments, share issuances and work commitments have been made and completed.

In the period ended May 31, 2013, the Company incurred $128,042 in underground exploration, development and maintenance costs and received $nil in recovery proceeds. In the middle of the third quarter of fiscal 2013 the mining crew was laid off and the mine put on maintenance while the Company develops its strategy and comprehensive plans for future.

*FINANCIAL RESULTS OF OPERATIONS*

***Summary of Quarterly Results***

| | For Quarters Ended | | | |
|---|---|---|---|---|
| | **May 31, 2013** | **February 28, 2013** | **November 30, 2012** | **August 31, 2012** |
| Loss for the period | $ 152,571 | $ 80,291 | $ 26,779 | $ 141,794 |
| Loss per share | $ 0.00 | $ 0.01 | $ 0.00 | $ 0.01 |

| | For Quarters Ended | | | |
|---|---|---|---|---|
| | **May 31, 2012** | **February 29, 2012** | **November 30, 2011** | **August 31, 2011** |
| Loss for the period | $ 76,029 | $ 293,303 | $ 134,856 | $ 343,885 |
| Loss per share | $ 0.01 | $ 0.02 | $ 0.01 | $ 0.03 |

## Results for the Quarter

The Company's operations for the three months ended May 31, 2013, produced a net loss of $152,571 compared to a loss of $76,029 for the same quarter in the previous year. The overall loss for the quarter increased by $76,542 due to the legal and transfer and filing fees related to the change of business application, which increased by $95,236 from the same quarter in the previous year. There was a net reduction in all other expenses of $2,150 and a recovery of $16,544 from other items which accounted for the reduction of the increase in expenditures from $95,236 to $76,546 over the same quarter in the previous year.

For the three month period ended May 31, 2013, the Company received $nil in mineral processing recovery proceeds and had expenditures of $128,042 for all exploration costs. These expenditures were a result of the mine being put on maintenance. As the Company does not own any revenue producing mineral properties, no mining revenues have been recorded to date. Mineral processing recoveries are netted to exploration expenditures when they are received.

As the company is still in the exploration stage the recoveries are reported as reduction in expenditures when processed and received.

***Liquidity and Capital Resources***

At May 31, 2013, the Company had $6,176,689 (May 31, 2012: $361,498) in cash and cash equivalents and $6,107,745 (May 31, 2012: ($56,430)) in working capital. Historically, the Company has raised funds through equity financing and the exercise of options and warrants to fund its operations. At May 31, 2013, the Company had 64,811,524 (66,914,024 fully diluted) common shares issued and outstanding compared to 14,611,524 (17,234,024 fully diluted) at May 31, 2012. During the period ended May 31, 2013, the Company did not issue any shares or grant any stock options. During the period ended May 31, 2012, the Company executed a consolidation on a 1 for 2 basis and did not grant any stock options.

The market price of natural resources is highly speculative and volatile. Instability in prices may affect the interest in resource properties and the development of and production from such properties. This may affect the Company's ability to raise capital to acquire and explore resource properties. Management believes it will be able to raise the capital required to develop resource properties by various means of equity issuances, debenture financing or securing joint venture partners for projects.

***Related Party Transactions***

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

| | May 31, 2013 | May 31, 2012 |
|---|---|---|
| Consulting fees | $ 9,000 | $ 8,000 |
| Consulting and engineering fees | - | 5,000 |
| | $ 9,000 | $ 13,000 |

All transactions and balances 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.

***Share capital***

The Company's outstanding share position as at July 30, 2013, is 64,811,524 common shares, and the following shares purchase warrants and incentive stock options are currently outstanding:

| | **Number of Options/Warrants** | **Exercise Price** | **Expiry Date** |
|---|---|---|---|
| Stock Options | 92,500 | 0.30 | June 7, 2014 |
| | 92,500 | 0.30 | |
| | | | |
| Warrants | 2,000,000 | 0.36 | October 12, 2013 |

***Subsequent Events***

**a.) Change of Business**

On May 13, 2013, pursuant to the terms of a share purchase agreement dated May 13, 2013, between the Company and the shareholders' of OHL, TAG and OHHL, the Company has agreed to buy 100% of the 2,100,000 outstanding common share of OHL in exchange for 14,461,567 common share of the Company. TAG holds 1,890,000 shares (90%) and OHHL holds 210,000 shares (10%) of OHL. The transaction is subject to shareholder and regulatory body approval.

The following table reflects the share capital before and after the proposed transaction:

| | Prior to Transaction | % | Subsequent to Transaction | % |
|---|---|---|---|---|
| The Company's issued and outstanding common shares | 64,811,524 | 100.00 | 79,273,091 | 100.00 |
| | | | | |
| TAG's interest in the Company | 25,975,000 | 40.08 | 38,990,410 | 49.18 |
| OHHL's Interest in the Company | - | - | 1,446,157 | 1.82 |

***b.) Share Capital***

On June 8, 2013, 10,000 options were cancelled, which reduced the number of outstanding options as at that date from 102,500 to 92,500 with an exercise price of $.30 for a value of $27,750.

### *Capital Management*

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company defines its capital as shareholders' equity and loans and advances payable. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

### *Competition*

The resource industry in which the Company is engaged is in general, highly competitive. Competitors include well-capitalized resource companies, independent resource companies and other companies having financial and other resources far greater than those of the Company, thus a degree of competition exists between those engaged in the resource industry to acquire attractive resource properties.

### *Critical Accounting Estimates*

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in preparation of the financial statements are consistent with those set forth in note 2 of the condensed consolidated interim financial statements for the period ended May 31, 2013. They are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

### *Risks*

Mineral exploration and development involve a high degree or risk and few properties are ultimately developed into producing mines. There is no assurance that Coronado's future exploration and development activities will result in any discoveries of commercial bodies of ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in a mineral deposit being unprofitable.

### *Off- Balance Sheet Arrangements*

The Company has not entered into any off-balance sheet transactions.

### *Financial Instruments*

The Company's financial instruments consist of short-term investments; cheques issued in excess of funds on deposit, accounts payable and accrued liabilities. Terms of the financial instruments, where relevant, are fully disclosed in the Company's financial statements. It is management's opinion that the Company is not exposed to significant currency, or credit risks but is exposed to interest rate cash flow risk arising from its financial instruments and that their fair values approximate their carrying values unless otherwise noted.

### *Additional Information*

Additional information relating to the Company and results of its exploration program is available on SEDAR at www.sedar.com or on the corporate website at www.coronadoresourcesltd.com.

### *Forward-Looking Statements*

The foregoing information contains forward-looking statements within the meaning of securities laws, including the "safe harbour" provisions of Canadian securities legislation. Forward-looking statements and information concerning anticipated financial performance are based on management's assumptions using information currently available. Forward-looking statements in this MD&A include Coronado's use of proceeds from the private placement, and Coronado's overall strategic plan for the near and mid-term range including the OHL Acquisition. In making the forward-looking statements in this release, Coronado has applied certain factors and assumptions that are based on information currently available to Coronado as well as Coronado's current beliefs and assumptions made by Coronado, including that Coronado will maintain its current operations, and that a strategic plan for the near and mid-term range can be determined. Although Coronado considers these beliefs and assumptions to be reasonable based on information currently available to it, they may prove to be incorrect, and the forward-looking statements in this release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking statements. Such risk factors include, among others, that Coronado's operations will not continue at their current levels, and that Coronado will be unable to determine or will experience delays in determining a strategic plan for the near and mid-term range. Although Coronado has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Coronado does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

# CORONADO RESOURCES LTD.

Condensed Consolidated Interim Financial Statements

First Quarter ended May 31, 2013

Unaudited

(Expressed in Canadian dollars)

**CORONADO RESOURCES LTD.**
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

| | May 31, 2013 | February 28, 2013 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 6,176,689 | $ 6,416,512 |
| Amounts receivable | 8,304 | 7,796 |
| Prepaid expenses | 10,611 | 7,658 |
| | 6,195,604 | 6,431,966 |
| Property and equipment, net (Note 5) | 798,598 | 823,942 |
| Exploration and evaluation assets (Note 6) | 4,260,210 | 4,132,168 |
| Reclamation deposits and restricted cash | 72,022 | 80,897 |
| | $ 11,326,434 | $ 11,468,973 |
| **Liabilities and equity** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | $ 67,860 | $ 57,828 |
| Loans payable | 20,000 | 20,000 |
| | 87,860 | 77,828 |
| **Shareholders' equity** | | |
| Capital stock (Note 7(b)) | 16,083,491 | 16,083,491 |
| Contributed surplus (Note 7(b)) | 1,657,109 | 1,657,109 |
| Deficit | (6,502,026) | (6,349,455) |
| | 11,238,574 | 11,391,145 |
| | $ 11,326,434 | $ 11,468,973 |

Nature of operations and going concern (Note 1)
Subsequent events (Note 12)

See accompanying notes.

These financial statements are authorized for issue by the Board of Directors on July 30, 2013.

*"Daniel Brown "*
……………………………………………….Director
Daniel Brown

*"Ashley Garnot "*
……………………………………………….Director
Ashley Garnot

**CORONADO RESOURCES LTD.**
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

| For the three months ended | May 31, 2013 | May 31, 2012 |
|---|---|---|
| **General and administrative expenses** | | |
| Amortization | $ 1,306 | $ 1,557 |
| Audit and accounting | 214 | 255 |
| Bank charges and interest | 664 | 2,139 |
| Consulting fees | 9,000 | 8,000 |
| Insurance | 3,125 | 1,517 |
| Legal | 60,851 | 17,409 |
| Management fees | 15,000 | 15,000 |
| Office and administration | 4,796 | 11,810 |
| Office rent | 7,820 | 10,677 |
| Shareholder relations and communication | 8,332 | 5,185 |
| Telephone | 872 | 775 |
| Transfer and filing fees | 59,968 | 8,174 |
| Travel | 4,359 | 723 |
| **Loss before other items** | 176,307 | 83,221 |
| **Other items** | | |
| Foreign exchange gain | (4,822) | (476) |
| Interest income | (18,914) | (6,716) |
| **Net loss and comprehensive loss for the period** | $ 152,571 | $ 76,029 |
| **Loss per share, basic and diluted** | $ 0.00 | $ 0.01 |
| **Weighted average number of common shares outstanding** | 64,811,524 | 14,811,524 |

See accompanying notes.

## CORONADO RESOURCES LTD.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

| For the three months ended | May 31, 2013 | May 31, 2012 |
|---|---|---|
| **Operating activities** | | |
| Net loss for the period | $ (152,571) | $ (76,029) |
| Items not involving cash: | | |
| Amortization | 1,306 | 1,557 |
| Foreign exchange | 911 | (2,462) |
| Interest on reclamation deposits and restricted cash | (86) | (4,928) |
| | (150,440) | (81,862) |
| Changes non-cash working capital: | | |
| Amounts receivable | (508) | 5,783 |
| Prepaid expenses | (2,953) | (14,653) |
| Accounts payable and accrued liabilities | 10,032 | 30,982 |
| | 6,571 | 22,112 |
| **Cash used in operating activities** | (143,869) | (59,750) |
| **Financing activities** | | |
| Loan advances | - | 220,000 |
| Redemption of restricted term deposit | 8,050 | - |
| **Cash provided by financing activities** | 8,050 | 220,000 |
| **Investing activities** | | |
| Equipment acquisitions | - | (1,970) |
| Exploration and evaluation asset expenditures | (104,004) | (320,091) |
| Exploration and evaluation asset recoveries | - | 163,035 |
| **Cash used by investing activities** | (104,004) | (159,026) |
| **Net (outflow) inflow of cash** | (239,823) | 1,224 |
| **Cash, beginning of period** | 6,416,512 | 360,274 |
| **Cash and cash equivalents, end of period** | $ 6,176,689 | $ 361,498 |
| **Supplemental cash flow information** | | |
| Accounts payable included in exploration and evaluation assets | $ 22,739 | $ 127,008 |
| Interest received | $ 18,914 | $ 6,716 |
| **Cash and cash equivalents consist of:** | | |
| Cash | $ 110,436 | $ 361,497 |
| Short-term deposits | 6,066,253 | - |
| | $ 6,176,689 | $ 361,497 |

See accompanying notes.

**CORONADO RESOURCES LTD.**
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited - Expressed in Canadian Dollars)

| | Common Shares | | | | |
|---|---|---|---|---|---|
| | Number | Amount | Contributed surplus | Deficit | Total |
| **Balance, March 1, 2013** | 64,811,524 | $ 16,083,491 | $1,657,109 | $ (6,349,455) | $11,391,145 |
| Net loss for period | - | - | - | (152,571) | (152,571) |
| **Balance, May 31, 2013** | 64,811,524 | $ 16,083,491 | $1,657,109 | $ (6,502,026) | $11,238,574 |
| **Balance, March 1, 2012** | 29,223,048 | $ 10,015,279 | $1,708,549 | $ (6,024,562) | $ 5,699,266 |
| Share consolidation | (14,611,524) | - | - | - | - |
| Net loss for period | - | - | - | (76,029) | (76,029) |
| **Balance, May 31, 2012** | 14,611,524 | $ 10,015,279 | $1,708,549 | $ (6,100,591) | $5,623,237 |

See accompanying notes.

## 1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is an exploration stage company incorporated under the *Business Corporations Act* (British Columbia) and is engaged in the exploration and development of exploration and evaluation assets. On September 22, 2005, the Company changed its name to Coronado Resources Ltd. and now trades on the TSX Venture Exchange under the symbol “CRD” and on the OTCQX International under the symbol (“CRDAF”). On May 14, 2013, the company announced that it has entered into a share purchase agreement to purchase 100% of the issued and outstanding shares of Opunake Hydro Limited. Once approved by the shareholders and regulatory bodies the Company can complete the proposed transaction which will result in a change in business from an exploration mining company to also being an electrical generation and sales company.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

At May 31, 2013, the Company has working capital of $6,107,744 (February 28, 2013 - $6,354,138). At May 31, 2013, the Company also has an accumulated deficit of $6,502,026 (February 28, 2013 - $6,349,455). The Company has working capital to fund its operations for the next twelve months, but may be reliant upon future equity financing to advance its projects to a feasibility stage of development.

The business of mining exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The proposed change in business will change the nature of the business to add electrical generation and sales to industrial and retail customers. The business will no longer be as speculative as strictly mining exploration but will be subject to risk, market conditions, supply and demand, and competition. There will still be no guarantee that future operations will be profitable. The Company has significant cash requirements to meet its administrative overhead, pay its debts and liabilities, and maintain its exploration and evaluation assets. The recoverability of amounts shown for exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets. The carrying value of the Company’s exploration and evaluation assets reflects historical costs incurred and is not intended to reflect current or future values.

These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Coronado Resources USA LLC and Lynx Oil (New Zealand) Limited. All significant intercompany balances and transactions have been eliminated upon consolidation.

### (b) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, deposits in banks and highly liquid investments having terms to maturity of 90 days or less when acquired.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Basis of Presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting, except for cash flow information. The preparation of financial statements requires management to make judgments estimates and assumptions that affect the application of the policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. The preparation of these condensed consolidated interim financial statements used the same accounting policies and methods as in the most recent annual consolidated financial statements. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

### (d) Significant accounting judgments, estimates and assumptions

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

Critical judgements in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated financial statements:

- the determination that the Company will continue as a going concern for the next year; and
- the determination that there have been no events or changes in circumstances that indicate the carrying amount of exploration and evaluation assets may not be recoverable.

### (e) Property and equipment

All depreciable property and equipment is recorded at cost and amortized using a declining-balance method at a rate of 20% annually. Additions during the period are amortized at one-half the annual rate. Amortization of exploration-related assets is included within deferred exploration and evaluation assets.

### (f) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Exploration and evaluation assets

The Company capitalizes all costs related to investments in exploration and evaluation assets on a property-by-property basis. Such costs include exploration and evaluation asset acquisition costs and exploration and development expenditures, net of cost recoveries from incidental revenues. Incidental revenues are recognized when the product has been delivered to the buyer's plant. Costs are deferred until such time as the extent of mineralization has been determined and exploration and evaluation assets are either developed, the interest is sold or the Company's mineral rights are allowed to lapse.

All capitalized costs are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property interest 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 interest for an amount greater than the deferred costs, provision is made for the impairment in value.

When it has been determined that a exploration and evaluation asset can be economically developed as a result of establishing proven and probable reserves, costs incurred prospectively to develop the property are capitalized as incurred and will be amortized using the unit-of-production method over the estimated life of the ore body based upon recoverable ounces to be mined from estimated proven and probable reserves.

The Company is still in the exploration stage and commercial production has not yet commenced. Hence, amortization has not been charged in these financial statements. Commercial production occurs when an asset or property is substantially complete and ready for its intended use. Revenues realized on the sale of ore prior to the commencement of commercial production are offset against the accumulated costs incurred on the property to which they relate, with any excess amounts included in operations.

From time to time the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale or option of the Company's property are recorded as a reduction of the exploration and evaluation asset cost. The Company recognizes in income those costs that are recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

### (h) Asset retirement obligation

The Company recognizes the fair value of liabilities for asset retirement obligations in the period 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 adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at May 31, 2013, the Company did not have any asset retirement obligations.

**2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(i) Basic and diluted 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 options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. 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.

**(j) Share-based compensation**

The Company's stock option plan allows employees and consultants to acquire shares of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the share-based payment is measured using the Black-Scholes option pricing model. The fair value of the share-based payment is recognized as an expense or capitalized to share capital with a corresponding increase in contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related reserves amount is transferred to share capital.

**(k) Impairment**

At each financial position reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is established to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Foreign currency translation

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the statement of financial position date;
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
(iii) Income and expenses (excluding amortization, which is translated at the same rate as the related asset), at the average rate of exchange by quarter.

Gains are losses arising from translation of foreign currency are included in net loss for the year.

### (m) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset of current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(l) Financial Instruments**

**Financial assets**

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

i. **Financial assets at fair value through profit or loss**
Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through income. Cash and cash equivalents are included in this category of financial assets.

ii. **Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Loans and receivables comprise trade and other receivables. Amounts receivable, excluding GST, is included in this category of financial assets.

iii. **Available-for-sale financial assets**
Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. The Company currently does not have any financial assets classified as AFS.

Management assesses the carrying value of AFS financial assets at each reporting period and any impairment charges are also recognized in other comprehensive income or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to profit and loss.

**Financial liabilities**

The Company's financial liabilities are classified as borrowings and other financial liabilities.

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Accounts payable and accrued liabilities and due to related parties are included in this category of financial liabilities.

The Company does not have any derivative financial assets and liabilities as at May 31, 2013.

## 4. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

*New accounting standards and recent pronouncements*

The following standards are effective for annual years beginning on or after January 1, 2013. The Company has assessed the impact of these standards and has determined that they would not have a material impact on the Company.

- IFRS 10, *Consolidated Financial Statements,* requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC 12, *Consolidation – Special Purpose Entities* and parts of IAS 27, *Consolidation and Separate Financial Statements.*

- IFRS 13, *Fair Value Measurement,* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement under IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

*New standards, amendments and interpretations to existing standards not adopted by the Company*

The following revised standards are effective for annual periods beginning on or after January 1, 2014 with earlier application permitted. The Company has assessed the impact of these standards and has determined that they would not have a material impact on the Company.

- IAS 32, Financial Instruments: Presentation (January 1, 2014)
- IFRS 9, Financial Instruments (January 1, 2015)

There are no other IFRS or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Company.

(Unaudited - Expressed in Canadian Dollars)

## 5. PROPERTY AND EQUIPMENT

| | Land | Mining equipment | Hydro equipment | Office equipment | Buildings | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| February 29, 2012 | $ 321,213 | $ 667,005 | $ 198,531 | $ 33,502 | $ 90,332 | $ 1,310,583 |
| Additions | - | - | - | 1,970 | - | 1,970 |
| February 28, 2013 | 321,213 | 667,005 | 198,531 | 35,472 | 90,332 | 1,312,553 |
| Additions | - | - | - | - | - | - |
| May 31, 2013 | $ 321,213 | $ 667,005 | $ 198,531 | $ 35,472 | $ 90,332 | $ 1,312,553 |
| | | | | | | |
| **Accumulated amortization** | | | | | | |
| February 29, 2012 | $ - | $ 172,828 | $ 125,344 | $ 3,350 | $ 61,654 | $ 363,176 |
| Additions | - | 98,835 | 14,637 | 6,228 | 5,735 | 125,435 |
| February 28, 2013 | - | 271,663 | 139,981 | 9,578 | 67,389 | 488,611 |
| Additions | - | 19,929 | 2,952 | 1,306 | 1,157 | 25,344 |
| May 31, 2013 | $ - | $ 291,592 | $ 142,933 | $ 10,884 | $ 68,546 | $ 513,955 |
| | | | | | | |
| **Net book value** | | | | | | |
| February 28, 2013 | $ 321,213 | $ 395,342 | $ 58,550 | $ 25,894 | $ 22,943 | $ 823,942 |
| May 31, 2013 | $ 321,213 | $ 375,413 | $ 55,598 | $ 24,588 | $ 21,786 | $ 798,598 |

(Unaudited - Expressed in Canadian Dollars)

## 6. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets are comprised of properties located in Quebec, Canada, and Montana, USA. Capitalized expenditures are as follows:

| | True North Property, Quebec | Madison Property, Montana | Total |
|---|---|---|---|
| Balance, February 29, 2012 | $ 1 | $ 4,494,252 | $ 4,494,253 |
| Expenditures during year | | | |
| Camp costs | - | 44,669 | 44,669 |
| Surface contracting | - | 579 | 579 |
| Underground work | - | 30,896 | 30,896 |
| Fieldwork and wages | - | 298,210 | 298,210 |
| Consulting and engineering | - | 79,213 | 79,213 |
| Assessment and taxes | - | 86,280 | 86,280 |
| Permits, assay and testing | - | 17,149 | 17,149 |
| Trucking and transport | - | 42,925 | 42,925 |
| Power utilities | - | 11,817 | 11,817 |
| Amortization | - | 119,207 | 119,207 |
| | - | 730,945 | 730,945 |
| Exploration and evaluation asset recoveries in year | - | (1,093,030) | (1,093,030) |
| Net recoveries in year | - | (362,085) | (362,085) |
| Balance, February 28, 2013 | $ 1 | $ 4,132,167 | $ 4,132,168 |
| Expenditures during year | | | |
| Camp costs | - | 1,019 | 1,019 |
| Fieldwork and wages | - | 28,355 | 28,355 |
| Assessment and taxes | - | 67,800 | 67,800 |
| Permits, assay and testing | - | 5,754 | 5,754 |
| Power utilities | - | 1,076 | 1,076 |
| Amortization | - | 24,038 | 24,038 |
| | - | 128,042 | 128,042 |
| Exploration and evaluation asset recoveries in period | - | - | - |
| Net expenditures in period | - | 128,042 | 128,042 |
| Balance, May 31, 2013 | $ 1 | $ 4,260,209 | $ 4,260,210 |

## 6. EXPLORATION AND EVALUATION ASSETS (Continued)

### (a) Madison Property, Montana

In April 2005, the Company entered into an agreement to purchase a 100% interest in 7 patented and 12 unpatented mineral claims situated in Madison County, Montana. The agreement called for cash payments totaling $300,000, share issuances, and work commitments in stages over five years. The acquisition was completed in 2010, subject to an annual payment equal to the greater of a 2% NSR or US$50,000 (US$50,000 paid for both fiscal years presented). During the year ended February 28, 2007, the Company acquired, by staking, eight additional contiguous claims.

The Company has extracted ore on a pre-commercial basis as a by-product of its exploration work. Accordingly, the proceeds realized on the sale of this ore have been offset against the exploration and development costs incurred.

### (b) True North Property, Raglan Mine District, Ungava Region, Quebec

During the year ended February 28, 2010, the costs incurred on this property were written down to a nominal amount due to a lack of exploration activity in recent years.

### (c) Title to exploration and evaluation assets

Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do 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.

### (d) Realization of assets

The investment in and expenditures on exploration and evaluation assets comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements and possible aboriginal claims, and the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

### (e) 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 exploration and evaluation assets, 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.

(Unaudited - Expressed in Canadian Dollars)

## 6. EXPLORATION AND EVALUATION ASSETS (Continued)

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 exploration and evaluation asset 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.

## 7. CAPITAL STOCK

### (a) Authorized

Unlimited number of common shares without par value

### (b) Issued and outstanding

| | Number of Common Shares | Amount | Contributed Surplus |
|---|---|---|---|
| Balance, February 29, 2012 | 29,223,048 | $ 10,015,279 | $ 1,708,549 |
| Issued during the period: | | | |
| Share consolidation (1) | (14,611,524) | - | - |
| Private placement (2) | 50,000,000 | 6,000,000 | - |
| Share issue costs | - | (43,228) | - |
| Exercise of stock options | 200,000 | 111,440 | (51,440) |
| Balance, February 28, 2013 and May 31, 2013 | 64,811,524 | $ 16,083,491 | $ 1,657,109 |

(1) *On April 14, 2012, the Company consolidated its shares on a basis of one new for two old shares. Comparatives have been applied on a retroactive basis*

(2) *On August 15 2012, the Company completed a private placement of 50 million common shares at $0.12 per share for gross proceeds of $6 million.*

(Unaudited - Expressed in Canadian Dollars)

## 7. CAPITAL STOCK (Continued)

### (c) Stock options

The Company has a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the discounted market price on the grant date. All options granted under the plan shall vest and become exercisable in full upon grant, except options granted to consultants performing investor relations activities, which options must vest in stages over twelve months with no more than one quarter of the options vesting in any three-month period.

The purpose of the Plan is to provide directors, officers, key employees and certain other persons who provided services to the Company and its subsidiary with an increased incentive to contribute to the future success and prosperity of the Company.

Details of the status of the Company's stock options and changes during the periods then ended are as follows:

| | May 31, 2013 | | February 28, 2013 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding and exercisable, beginning of period | 102,500 | $ 0.30 | 812,500 | $ 0.30 |
| Exercised | - | - | (200,000) | 0.30 |
| Cancelled/expired | - | - | (510,000) | 0.30 |
| Outstanding and exercisable, end of period | 102,500 | $ 0.30 | 102,500 | $ 0.30 |

All stock options issued vested immediately. Stock options outstanding are as follows:

| Expiry Date | Exercise Price | May 31, 2013 | February 28, 2013 |
|---|---|---|---|
| June 7, 2014 | $ 0.30 | 92,500 | 92,500 |
| June 23, 2014 | 0.30 | 10,000 | 10,000 |
| Outstanding, end of period | $ 0.30 | 102,500 | 102,500 |
| Weighted average outstanding life of options | | 1.02 years | 1.28 years |

(Unaudited - Expressed in Canadian Dollars)

## 7. CAPITAL STOCK (Continued)

### (d) Share Purchase Warrants

Details of the status of the Company's share purchase warrants and changes during the years then ended are as follows:

| | May 31, 2013 | | February 28, 2013 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Outstanding, beginning of period | 2,000,000 | $ 0.36 | 2,000,000 | $ 0.36 |
| Outstanding, end of period (1) | 2,000,000 | $ 0.36 | 2,000,000 | $ 0.36 |

*(1) warrants expire October 12, 2013*

### (e) Share-based compensation

For the year period May 31, 2013, the Company had 102,500 stock options with a fair value of $26,931 (Year-end February 28, 2013 – 102,500 with a fair value of $ 26,931), or weighted average fair value of $0.2627 (Year-end February 28, 2013 - $0.2627) per option, calculated using the Black-Scholes option pricing model.

The following assumptions were used for the Black-Scholes option pricing model calculations:

| | |
|---|---|
| Risk-free interest rate | 1.4307 |
| Expected stock price volatility | 168% |
| Expected option life in years | 3 years |
| Dividend rate | Nil |

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

## 8. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

| | May 31, 2013 | May 31, 2012 |
|---|---|---|
| Consulting fees | $ 9,000 | $ 8,000 |
| Consulting and engineering fees | - | 5,000 |
| | $ 9,000 | $ 13,000 |

All transactions and balances 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. FINANCIAL INSTRUMENTS RISK

The Company's financial instruments are exposed to the following risks:

*Credit Risk*

The Company's primary exposure to credit risk is the risk of illiquidity of cash and cash equivalents. The company had cash and cash equivalents amounting to $6,176,689 at May 31, 2013 (February 28, 2013 - $6,416,512). As the Company's policy is to limit cash holdings to instruments issued by major Canadian banks, or investments of equivalent or better quality, the credit risk is considered by management to be negligible.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's only liquidity risk from financial instruments is its need to meet operating accounts payable and related party requirements. The Company maintained sufficient cash balances to meet these needs at May 31, 2013.

*Foreign Exchange Risk*

The Company has foreign exchange risk due to its activities carried out in Montana, USA. At May 31, 2013 the Company had $1,095 (February 28, 2013 - $62,966) in current assets and $16,497(February 28, 2013 - $22,739) in current liabilities originating in Montana, USA.

*Interest Rate Risk*

The Company is exposed to interest rate risk on its cash and cash equivalents. The majority of these deposits have been in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases.

*Fair Value of Financial Instruments*

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

(Unaudited - Expressed in Canadian Dollars)

## 9. FINANCIAL INSTRUMENTS RISK (Continued)

The fair value classification of the Company's financial instruments as at May 31, 2013 and February 28, 2013 are as follows:

| | | May 31, 2013 | | February 28, 2013 | |
|---|---|---|---|---|---|
| | Fair Value Level | Fair value through profit or loss | Loans and receivables and other financial liabilities at amortized cost | Fair value through profit or loss | Loans and receivables and other financial liabilities at amortized cost |
| *Financial assets:* | | | | | |
| Cash and cash equivalents | 1 | $6,176,689 | $ - | $6,416,512 | $ - |
| Reclamation deposits and restricted cash | | - | 72,022 | - | 80,897 |
| | | $6,176,689 | $ 72,022 | $6,416,512 | $ 80,897 |
| *Financial liabilities:* | | | | | |
| Accounts payable and accrued liabilities | | $ - | $ 67,860 | $ - | $ 57,828 |
| Loans payable | | - | 20,000 | - | 20,000 |
| | | $ - | $ 87,860 | $ - | $ 77,828 |

During the three month period ended May 31, 2013 and the year ended February 28, 2013, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

## 10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company defines its capital as shareholders' equity and loans and advances payable. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company currently has revenues from the incidental sale of copper, gold and silver, but there is no long-term contract in place. As such, the Company is dependent upon external financing or the sale of assets (or an interest therein) to fund activities. In order to carry out future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

(Unaudited - Expressed in Canadian Dollars)

## 11. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of resource properties. Geographic information is as follows:

**Geographic segments**

The following non-current assets are located in the following countries:

| | As at May 31, 2013 | | |
|---|---|---|---|
| | Canada | United States | Total |
| Property and equipment | $ 24,588 | $ 774,010 | $ 798,598 |
| Exploration and evaluation assets | - | 4,260,210 | 4,260,210 |
| Reclamation deposits and restricted cash | 11,736 | 60,286 | 72,022 |
| | $ 33,324 | $ 5,094,506 | $ 5,127,830 |

| | As at February 28, 2013 | | |
|---|---|---|---|
| | Canada | United States | Total |
| Property and equipment | $ 25,894 | $ 798,048 | $ 823,942 |
| Exploration and evaluation assets | - | 4,132,168 | 4,132,168 |
| Reclamation deposits and restricted cash | 19,780 | 61,117 | 80,897 |
| | $ 45,674 | $ 4,991,333 | $ 5,037,007 |

## 12. SUBSEQUENT EVENTS

### a.) Change of Business

On June 14, 2013 the company updated the progress of the planned change of business pursuant to the terms of a share purchase agreement dated May 13, 2013, between the Company and the shareholders' of Opunake Hydro Limited ("OHL"), TAG Oil Ltd. ("TAG") and Opunake Hydro Holdings Limited ("OHHL"). The Company has agreed to buy 100% of the 2,100,000 outstanding common share of OHL in exchange for 14,461,567 common share of the Company. TAG holds 1,890,000 shares (90%) and OHHL holds 210,000 shares (10%) of OHL. The transaction is subject to shareholder and regulatory body approval.

The following table reflects the share capital before and after the proposed transaction:

| | Prior to Transaction | % | Subsequent to Transaction | % |
|---|---|---|---|---|
| The Company's issued and outstanding common shares | 64,811,524 | 100.00 | 79,273,091 | 100.00 |
| | | | | |
| Tag's interest in the Company | 25,975,000 | 40.08 | 38,990,410 | 49.18 |
| OHHL's Interest in the Company | - | - | 1,446,157 | 1.82 |

### b.) Share Capital

On June 8, 2013, 10,000 options were cancelled.