CORONADO RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FORM 51-102F1
FOR THE YEAR ENDED FEBRUARY 29, 2012

June 27, 2012

Coronado Resources Ltd. ("Coronado") is a resource exploration company with a focus on mineral exploration opportunities in North America. Coronado's head office is located in Vancouver, BC, Canada. Coronado's common shares trade on the TSX Venture Exchange under the symbol "CRD". The Company's current property interests are a gold/copper property in Montana and a base metal prospect in Quebec. This management's discussion and analysis ("MD&A") focuses on significant factors that affected Coronado during the year ended February 29, 2012 and to the date of this report. Consequently, the following discussion and analysis should be read in conjunction with the audited financial statements for the year ended February 29, 2012 and the notes thereto. 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 audited financial statements of the Company and the notes thereto for the year ended February 29, 2012 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated.

The information in the MD&A may contain forward-looking statements. These statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.

Significant Events, Transactions and Activities on Mineral Properties

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 had occurred during the year ended February 29, 2012 and to the date of this MD&A.

Madison Gold Property – Silverstar, Montana

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 a 2% net smelter return annual payment. The agreement called for option payments totaling $300,000 US and the issuances of shares and work commitments. All option payments, share issuances and work commitments have been made and completed.

Current Development

In the year ended February 29, 2012 the Company expended $1,174,515 in underground exploration and development costs and received $1,730,328 in recovery proceeds. The Company completed driving underground development to the gold mineralization and established draw points for mining the ore. Arrangements were made with two nearby mills, one for direct processing of gold mineralization and the other for producing a gold/copper concentrate ready for smelter. Batch testing and metallurgical established optimum recovery values of the concentrate. In 2011, the Company engaged a full time underground mining crew to extract underground gold and copper mineralization for shipment and processing as exploration development continued

For the year ended February 28, 2011 the Company received $1,057,896 in mineral recoveries and had $1,035,444 in exploration and development costs. In April 2010 a copper shipment was made in which the company received $532,368 net proceeds on final settlement. In June, 2010 the Company started to extract the gold mineralization accessed and started underground drilling to further define and expand the limits of this gold zone. In July, 2010 the Company shipped 1305 tons of gold ore averaging .481 oz/ton for net milling proceeds of $525,528.

Madison Gold Property - History

In 2005, a 43–101 Geological Summary Report on the Madison Gold Property was completed recommending continued exploration. Diamond drilling in 2005 and 2006 was undertaken to examine the extent of the higher-grade gold and copper intercepts from previous drilling. The Company has compiled historical and new drill data into digital form to outline the higher-grade gold, copper and silver resource on the property. The Company acquired an additional eight unpatented mineral claims bordering the Madison gold Property for the cost of staking.

The Fall 2006 exploration program consisted of eight diamond drill holes. Mineralized intercepts of gold, copper and silver were found in all eight holes completed to depth. Full results of gold, copper and silver assays reported can be found on by visiting the Company's website at www.coronadoresourcesltd.com.

The focus in 2007 was driving an underground ramp to access the high-grade zones of oxide gold and copper mineralization. Drill stations were cut in the underground ramp to further test and expand the mineralized zones. The underground decline has been driven over 1500 feet at a -15% slope. The Company extracted, separately, the high grade gold and copper being encountered in the underground workings. A Crushing Plant and certified weigh scale were also installed on the property.

A contract was secured with Barrick's Golden Sunlight Mine allowing oxide gold mineralization to be shipped for processing. Oxide gold mineralization totalling 2280 tons with grades varying from 0.183 to 0.694 oz/ton was shipped for recovery proceeds of $303,923 to February 28, 2008. Gold and copper mineralization is being brought to surface as it is being encountered in the continuing underground development.

In 2008 the underground development reached its planned destination below the high grade copper zone which had an intercept of 27 feet of 42% copper from previous drilling. In June 2008 a contract was secured with a metals broker in New York for copper mineralization to be delivered by container to a west coast port for shipment to a smelter in China. The first three shipments totalling 1310 dry short tons grading 17% to 24% copper were made in the fall of 2008. Recovery proceeds are dependent on commodity prices at settlement dates, less freight, brokerage and smelter costs. Due to the dramatic downturn in commodity prices in 2008, only $181,313 was received for settlement of these shipments.

The Company, in the fall of 2008, brought approximately 800 tons of sulphide gold mineralization grading .650 oz/ton to surface. The Company signed a contract in 2008 with an offsite refining facility in Republic, Washington to process the sulphide gold mineralization. Shipment of 826 tons of gold mineralization to Republic, Washington that was made in January and February, 2009 secured proceeds of $525,902 from the processing facility less $73,600 for trucking costs.

In the year ended February 28, 2010 the Company received proceeds of $484,967 for May and July, 2009 gold shipments processed, and proceeds of $823,163 for copper mineralization made in April, May August, and September of 2009 for total recovery proceeds of $1,308,130. Total exploration, mining, processing and transportation expenditures in the period were $1,025,415. Extraction of mineralization continues as it is encountered in the underground development. In the fall of 2009 the Company initiated an underground diamond drill program to test the downward expansion of the gold zone below the lowest level in the decline.

True North Property - Raglan Mine Properties Raglan Mine District, Ungava Region, Quebec

In May 2003, the Company purchased a 100% interest in 304 mining claims, known as the Raglan 1 Property. The property is immediately northwest of Falconbridge's property containing the five-year-old Raglan Mine and six outlined nickel/copper deposits. The nickel deposits in the Raglan camp stretch across 55km east west, and consists of clusters of discrete sulphide lenses associated with periodotitic flow bodies at the base of the Chakotat rock group. Ore lenses in the area consist of a narrow zone of massive sulphides along the footwall contact overlain with net-textured and disseminated sulphides.

On March 31, 2004, the Company entered into an agreement with Novawest Resources Inc. on the property which was renamed the True North Property. Novawest can earn a 70% interest in the property by expending $440,000 cumulative over five years in development expenditures. Exploration by Novawest included an airborne electromagnetic survey over the property to identify anomalies. Mineralization outlined in the Raglan Mine camp is nickel, copper, cobalt and platinum group elements. The Company wrote down their investment, in the Raglan Property to a nominal amount at February 28, 2010, due to exploration inactivity.

Board Appointments

Dan Brown and Ashley Garnot were appointed to the Board of Directors in October and November of 2011 to replace Brian Welch and Miles Desharnais who stepped down from the Board at that time. Eugene Larabie remains as President and Director of the Company.

FINANCIAL RESULTS OF OPERATIONS

Selected Annual Information

	For the Years Ended		
	February 29, 2012	**February 28, 2011**	**February 28, 2010**
Total revenues (interest & other income)	$ NIL	$ NIL	$ NIL
Loss before write-off/gain on sale of mineral properties	818,787	255,303	474,622
Write-down mineral properties	0	0	120,349
Loss for the year	818,787	255,303	594,971
Loss for the year per share	0.03	0.01	0.03
Total assets	5,897,436	5,691,500	5,903,596
Total liabilities	198,170	127,622	141,415
Total long-term financial liabilities	0	0	0
Shares outstanding – end year (millions)	29.22	24.49	24.12
Dividends declared	0	0	0

Summary of Quarterly Results

	For Quarters Ended			
	February 29, 2012	**November 30, 2011**	**August 31, 2011**	**May 31, 2011**
Loss before write-off/gain on the following:	$293,303	$134,856	$343,885	$ 46,743
Loss (gain) on disposal of :				
- Mineral properties	-	-	-	-
Loss for the period	293,303	134,856	343,885	46,743
Loss per share	0.01	0.01	0.01	0.00

	For Quarters Ended			
	February 28, 2011	**November 30, 2010**	**August 31, 2010**	**May 31, 2010**
Loss before write-off/gain on sale of mineral properties	$ 75,641	$ 64,541	$ 54,277	$ 60,844
Loss (gain) on disposal of:				
- Mineral properties	-	-	-	-
Loss for the period	75,641	64,541	54,277	60,844
Loss per share	0.01	0.00	0.00	0.00

Results for the Quarter

The Company's operations for the three months ended February 29, 2012 produced a net loss of $293,303 compared to a loss of $75,641 for the same three-month period in the previous year. The larger expenditures in the quarter were $65,916 in printing and business development, $53,802 in directors fees, $15,000 for management fees, $56,322 for office wages, $8,884 for listing and regulatory fees, $11,394 for rent and $43,226 for office and administration. In the quarter, the Company had net exploration expenditures of $362,240 from mineral processing recoveries of $29,035 and exploration expenditures of $391,275. These expenditures were mainly for continuing exploration and development on the Madison Gold Property. The Company expended $53,000 for underground and ore development, $122,607 for wages and field work and $52,644 for consulting and engineering, in the quarter. For the year ended February 29, 2012, the Company received $1,730,328 in mineral processing recovery proceeds and paid $1,174,515 for all exploration costs, for net exploration recoveries of $555,813. 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.

Liquidity and Capital Resources

Working capital as at February 29, 2012 was $205,887 compared to working capital deficiency of $81,549 at February 28, 2011. Historically, the Company has raised funds through equity financing and the exercise of options and warrants to fund its operations. At February 29, 2012, the Company had 29,223,048 (35,398,048 fully diluted) common shares issued and outstanding compared to 24,493,048 (26,173,098 fully diluted) as at February 28, 2011. In the year ended February 28, 2011 a total of 370,000 shares were issued for cash proceeds of $57,000 from stock options and warrants exercised. In the year ended February 29, 2012 4,730,000 shares were issued for $669,500 total proceeds, $109,500 for 730,000 shares from stock options exercised, and $560,000 for a 4,000,000 share private placement.

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 Company paid $25,288 for rent and paid or accrued $60,000 in the period for consulting services to private companies controlled by the President. The Company paid $59,000 during the year to directors for fees and service.

Events After the Reporting Period

On April 17, 2012 the Company consolidated its shares on a basis of 1 new for 2 old shares. This resulted in the then outstanding 29,223,048 shares being exchanged for 14,611,524 new outstanding shares.

In April the Company entered into a loan and security agreement for loan proceeds of $200,000 which is repayable within one year and bear interest at prime.

In June the Company arranged a private placement of 50 million common shares at $0.12 per share for gross proceeds of $6 million. Funds from the private placement will be used to maintain current operations at the Madison Property, to identify and pursue new business opportunities, and for general working capital purposes. The private placement remains subject to acceptance by the TSX Venture Exchange and the approval of the Company's shareholders.

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.

Capital Management (cont'd)

The Company currently has revenues from the incidental sale of copper and gold, 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 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.

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.

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.

Changes in Accounting Policies including Initial Adoption

Conversion to International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, Canadian Publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date is March 1, 2010. The three months ended May 31, 2011 was the first reporting period under IFRS.

The Company's IFRS conversion team identified three phases to the conversion: Scoping and Diagnostics, Analysis and Development, and Implementation and Review. The Company has now completed it IFRS conversion plan through to implementation. Review and post implementation will continue in future periods.

Conversion to International Financial Reporting Standards ("IFRS") (cont'd)

The Company's financial statements were prepared in accordance with Canadian GAAP until February 28, 2011. While IFRS used a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosures. For a description of the significant accounting policies the Company has adopted under IFRS, including the estimates and judgments we consider most significant in applying those accounting policies, please refer to note 2 of the consolidated financial statements for February 29, 2012.

The adoption of IFRS resulting in no changes to the consolidated balance sheets and income statement of the Company previously reported under Canadian GAAP. To help users of the financial statements better understand the impact of the adoption of IFRS on the Company, the Company has provided reconciliations from Canadian GAAP to IFRS for total assets, liabilities, and equity, as well as net income and comprehensive income for the comparative reporting periods. Please refer to note 15 of the consolidated financial statements for the year ended February 29, 2012 for the reconciliations between IFRS and Canadian GAAP.

Business Activities and Key Performance Measures

The Company is not subject to any financial covenants or key ratios, therefore the transition had no impact in this regard. The impact of the IFRS conversion project on the Company's compensation arrangements has been assessed and there was not impact to existing compensation arrangements.

Information Technology and Systems

The IFRS transition project did not have a significant impact on the Company's information systems for the convergence periods. The Company also does not expect significant changes in the post-convergence periods.

Review

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. The Company notes that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that the Company has selected. The Company has processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRS and IFRIC Interpretations will be evaluated as they are drafted and published.

IFRS and Canadian GAAP Differences

An analysis of the Company's differences between IFRS and Canadian GAAP has determined a number of differences for consideration in the conversion to IFRS. There may be other differences which could arise over time but have not been determined to be material currently. The differences which could have a material difference are as follows.

Reclamation and Closure Cost Obligations

Under IFRS the Company's obligation for closure and reclamation is based on management's best estimate of such future expenditures discounted for the country specific risk free rates. Under Canadian GAAP the obligation is determined based on the fair value of future estimated expenses using quoted market prices and discounted using the Company's current credit adjusted risk free rate. The change in accounting policy did not have a material impact on the financial statements.

Impairment of Mining Interests

Under IFRS impairment is a one-step process whereby the carrying amount is compared to the recoverable amount which is calculated as the estimated discounted future pre-tax cash flows or fair value less costs to sell. Under Canadian GAAP there is a two step process whereby the Company must first compare the net realizable value to the carrying value and if net realizable value is less then carrying value management must discount the cash flows to calculate impairment. The change in accounting policy did not have a material impact on the financial statements.

Share Based Payments (Stock Based Compensation under Canadian GAAP)

When stock options vest at different periods under IFRS each grant is treated as an individual grant vest on a straight line basis over each individual vesting period. Under Canadian GAAP the entire grant of stock options is currently being treated as a pool and vest on a straight line basis over the vesting period. The change in accounting policy did not have an impact as all stock options vested at time of granting.

Share Position, Outstanding Warrants and Options

The Company's outstanding share position as at June 27, 2012 is 14,611,524 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	537,500	0.30	June 7, 2014
	87,500	0.30	June 23, 2014
	625,000	**0.30**	
Warrants	**2,000,000**	0.36	October 12, 2013

** On a shareholder meeting February 23, 2012, approval was granted to consolidate the Company's shares. On April 17, the shares were consolidated on a 1 new for 2 old basis where 29,2232,048 old shares became 14,611,524 new shares.*

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 consolidated financial statements for the year ended February 29, 2012. They are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

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.

CORONADO RESOURCES LTD.
Consolidated Financial Statements
(stated in Canadian Dollars)
For the Years Ended
February 29, 2012 and February 28, 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Coronado Resources Ltd. are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgment based on information currently available. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financials information presented elsewhere in the financial report is consistent with that disclosed in the financial statements.

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

The 2012 consolidated financial statements have been audited by De Visser Gray LLP and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"Eugene Larabie"
………………………………………………… President
Eugene Larabie

Vancouver, British Columbia
June 27, 2012

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has a process in place to evaluate internal control over financial reporting based on the criteria established in *Internal Control – Integrated Framework,* by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management has concluded that internal control over financial reporting was effective as of February 29, 2012. De Visser Gray LLP, a firm of independent registered chartered accountants, appointed by the shareholders, have performed an audit on the effectiveness of our internal controls over financial reporting, as of February 29, 2012, and their report is attached.

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Coronado Resources Ltd.,

We have audited the accompanying consolidated financial statements of Coronado Resources Ltd. and its subsidiary ("the Company"), which comprise the consolidated statements of financial position as at February 29, 2012, February 28, 2011 and March 1, 2010, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years ended February 29, 2012 and February 28, 2011, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 whether the consolidated financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained 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 Coronado Resources Ltd. and its subsidiary as at February 29, 2012, February 28, 2011 and March 1, 2010 and their financial performance and their cash flows for the years ended February 29, 2012 and February 28, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

De Visser Gray LLP

CHARTERED ACCOUNTANTS

Vancouver, Canada
June 27, 2012

CORONADO RESOURCES LTD.
Consolidated Statements of Financial Position
(Stated in Canadian dollars)

	February 29, 2012	February 28, 2011 (Note 15)	March 1, 2010 (Note 15)
Assets			
Current			
Cash and cash equivalents	$ 379,824	$ 26,729	$ 162,358
Accounts receivable	19,096	10,245	10,177
Prepaid expenses	5,137	9,099	6,302
	404,057	46,073	178,837
Property and equipment, net (note 4)	947,407	543,396	598,942
Exploration and evaluation assets (note 5)	4,494,253	5,050,066	5,072,517
Deposits for reclamation	51,719	51,965	53,300
	$ 5,897,436	$ 5,691,500	$ 5,903,596
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 149,990	$ 127,622	$ 57,071
Advances payable (note 8)	48,180	-	84,344
	198,170	127,622	141,415
Shareholders' Equity			
Capital stock (note 6)	10,015,279	9,070,141	8,879,581
Contributed surplus (note 6(b))	1,708,549	1,699,512	1,833,072
Deficit	(6,024,562)	(5,205,775)	(4,950,472)
	5,699,266	5,563,878	5,762,181
	$ 5,897,436	$ 5,691,500	$ 5,903,596

Nature of operations and going concern (note 1)
Subsequent events (note 14)

These financial statements are authorized for issue by the Board of Directors on June 27, 2012.

"Daniel Brown "
…………………………………………………Director
Daniel Brown

"Ashley Garnot "
…………………………………………………Director
Ashley Garnot

See notes to consolidated financial statements.

CORONADO RESOURCES LTD.
Consolidated Statements of Comprehensive Loss
(Stated in Canadian Dollars)
For the Years Ended

	February 29, 2012	February 28, 2011 (Note 15)
General and administrative expenses		
Stock-based compensation (note 6(e))	$ 284,675	$ -
Management fees	60,000	58,400
Consulting fees	67,500	64,100
Director fees	59,000	-
Office rent	44,625	41,911
Audit and accounting	25,712	15,985
Business development	33,840	4,533
Listing and regulatory fees	19,855	14,599
Legal	21,289	3,329
Office and administration	61,075	21,592
Insurance	11,477	11,293
Salary and wages	43,982	-
Telephone	3,682	3,022
Travel	7,618	2,087
Printing and shareholder information	68,975	14,544
Property examination	-	1,330
Interest and bank charges, net	1,886	714
Amortization	3,350	-
Loss before other items	818,541	257,439
Other items		
Foreign exchange (gain) loss	246	(2,136)
Net loss and comprehensive loss for the year	818,787	255,303
Deficit, beginning of year	5,205,775	4,950,472
Deficit, end of year	$ 6,024,562	$ 5,205,775
Loss per share, basic and diluted	$ 0.03	$ 0.01
Weighted average number of common shares outstanding	26,848,058	24,182,089

See notes to consolidated financial statements.

CORONADO RESOURCES LTD.
Consolidated Statements of Cash Flows
(Stated in Canadian Dollars)
For the Years Ended

	February 29, 2012	February 28, 2011 (Note 15)
Operating activities		
Net loss	$ (818,787)	$ (255,303)
Items not involving cash:		
Amortization	3,350	-
Stock-based compensation	284,675	-
Foreign exchange on reclamation bonding	246	1,335
	(530,516)	(253,968)
Changes in non-cash working capital:		
Accounts receivable	(8,851)	(68)
Prepaid expenses	3,962	(2,797)
Accounts payable and accrued liabilities	6,544	30,480
Advances payable	48,180	-
	49,835	27,615
Cash used in operating activities	(480,681)	(226,353)
Financing activities		
Private placement proceeds	560,000	-
Cash received for stock options	109,500	48,000
Cash received for warrants exercised	-	9,000
Cash provided by financing activities	669,500	57,000
Investing activities		
Equipment acquisitions	(498,277)	-
Exploration and evaluation asset expenditures	(1,067,775)	(1,024,172)
Exploration and evaluation asset recoveries	1,730,328	1,057,896
Cash provided by investing activities	164,276	33,724
Net inflow (outflow) of cash	353,095	(135,629)
Cash and cash equivalents, beginning of year	26,729	162,358
Cash and cash equivalents, end of year	$ 379,824	$ 26,729
Supplemental cash flow information		
Accounts payable included in exploration and evaluation assets	$ 92,966	$ 77,142
Cash and cash equivalents consist of:		
Cash	$ 360,274	$ 26,729
Short-term deposits	19,550	-
	$ 379,824	$ 26,729

See notes to consolidated financial statements.

CORONADO RESOURCES LTD.

Consolidated Statements of Changes in Equity
(Stated in Canadian Dollars)

	Common Shares				
	Number	**Amount**	**Contributed Surplus**	**Deficit**	**Total**
Balance, March 1, 2010 (Note 15)	24,123,048	$ 8,879,581	$ 1,833,072	$ (4,950,472)	$ 5,762,181
Exercise of warrants	50,000	9,000	-	-	9,000
Exercise of options	320,000	48,000	-	-	48,000
Transfer from contributed surplus on exercise of:					
- stock options	-	130,925	(130,925)	-	-
- warrants	-	2,635	(2,635)	-	-
Net loss for year	-	-	-	(255,303)	(255,303)
Balance, February 28, 2011 (Note 15)	24,493,048	$ 9,070,141	$ 1,699,512	$ (5,205,775)	$ 5,563,878
Balance, March 1,2011	24,493,048	$ 9,070,141	$ 1,699,512	$ (5,205,775)	$ 5,563,878
Exercise of options	730,000	109,500	-	-	109,500
Private placement	4,000,000	560,000	-	-	560,000
Transfer from contributed surplus on exercise of stock options	-	275,638	(275,638)	-	-
Non-cash stock option compensation charge	-	-	284,675	-	284,675
Loss for the year	-	-	-	(818,787)	(818,787)
Balance, February 29, 2012	29,223,048	$ 10,015,279	$ 1,708,549	$ (6,024,562)	$ 5,699,266

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is an exploration stage company incorporated under the *Business Corporations Act* of Yukon on March 1, 1999, 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".

These consolidated 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 February 29, 2012, the Company has working capital of $205,887 (February 28, 2011 – working capital deficiency of $81,549). At February 29, 2012, the Company also has an accumulated deficit of $6,024,562 (February 28, 2011 - $5,205,775). The Company has no property interest in commercial production and is therefore likely to be reliant upon future equity financing to advance its projects to a feasibility stage of development.

The ability of the Company to continue as a going concern and to meet its commitments as they become due, including completion of the acquisition, exploration and development of its exploration and evaluation assets, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and expected growth, if necessary, or alternatively to dispose of its interests in certain properties. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management will be required to curtail the Company's operations.

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 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 consolidated 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) Statement of Compliance and Conversion to International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These are the Company's first consolidated annual financial statements presented in accordance with IFRS. Previously the Company prepared its consolidated annual financial statements in accordance with Canadian GAAP ("GAAP).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Presentation

These consolidated annual 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 consolidated annual financial statements resulted in changes to the accounting policies as compared to the most recent annual financial statements prepared under Canadian GAAP ("GAAP").

The accounting policies set out below have applied consistently to all periods presented in these consolidated annual financial statements. They also have been used in preparing an opening IFRS balance sheet at March 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, "First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in Note 15.

(c) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Coronado Resources USA LLC. All significant intercompany balances and transactions have been eliminated upon consolidation.

(d) 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 year are amortized at one-half the annual rate. Amortization of exploration-related assets is included within deferred exploration and evaluation assets.

(e) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Exploration and evaluation assets (continued)

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.

(f) 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 February 29, 2012, the Company did not have any asset retirement obligations.

(g) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment (continued)

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.

(h) 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.

(i) Stock-Based Compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached, or the date at which the equity instruments are granted if they are fully vested and non-forfeitable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Stock-Based Compensation (continued)

For directors, employees and non-employees, the fair value of the options is accrued and charged either to operations or exploration and evaluation assets, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are exercised, the applicable amounts are transferred from contributed surplus to capital stock

(j) 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.

(k) Foreign Currency Translation

The functional and reporting currency of the Company and its subsidiary 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.

(l) Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated annual financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

a) the recoverability of amounts receivable and prepayments;

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Significant Accounting Judgments and Estimates (continued)

b) the carrying value of the investment in exploration and evaluation assets and the recoverability of the carrying value;

c) the estimated useful lives of property and equipment and the related amortization;

d) the inputs used in accounting for stock-based compensation expense; and

e) the provision for income taxes and composition of deferred income tax assets and liabilities.

(m) Financial Instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, fair value through profit or loss ("FVTPL"), available-for-sale or other financial liabilities. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as FVTPL upon initial recognition.

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

Comprehensive income or loss is defined as the change in equity from transactions and other events from sources other than the Company's shareholders. Other comprehensive income or loss refers to items recognized in comprehensive income or loss that are excluded from net income or loss calculated in accordance with International Financial Reporting Standards.

(n) Share Capital

Common shares issued for non-monetary consideration are recorded at the fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares. The proceeds of cash unit offerings are split such that the share purchase warrant is independently fair-valued and recorded within contributed surplus, and the residual cash proceeds are allocated to share capital.

(o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within ninety days of purchase

3. ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after January 1, 2012 or later periods.

Effective for accounting periods beginning on or after January 1, 2013:

? IFRS 10, Consolidated Financial Statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities, IFRS 10 changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control. The Company is currently evaluating the impact this standard may have on its consolidated financial statements.

? IFRS 12, Disclosure of Interests in Other Entities, sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28, Investments in Associates. The Company is currently evaluating the impact this standard may have on its consolidated financials statements.

? IFRS 13, Fair Value Measurement – this new standard sets out a framework for measuring fair value and the disclosure requirements for fair value measurements. The Company is currently evaluating the impact this standard may have on its consolidated financial statements.

? Amendment to IAS 1, Presentation of Financial Statements, requires an entity to group items presented in the statement of other comprehensive income on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition. For items presented before tax, the amendments also require that the tax related to the two separate groups be presented separately. The Company is currently evaluating the impact this amendment may have on its consolidated financial statements.

Effective for accounting periods beginning on or after January 1, 2015:

? IFRS 9, Financial Instruments - the Company is currently evaluating the impact this standard may have on its consolidated financial statements.

(Stated in Canadian Dollars)

4. PROPERTY AND EQUIPMENT

	Land	Mining equipment	Hydro equipment	Office equipment	Buildings	Total
Cost						
March 1, 2010	$ 321,213	$ 202,230	$ 198,531	$ -	$ 90,332	$ 812,306
Additions	-	-	-	-	-	-
February 28, 2011	321,213	202,230	198,531	-	90,332	812,306
Additions	-	464,775	-	33,502	-	498,277
February 29, 2012	$ 321,213	$ 667,005	$ 198,531	$ 33,502	$ 90,332	$ 1,310,583
Accumulated amortization						
March 1, 2010	$ -	$ 83,666	$ 84,176	$ -	$ 45,522	$ 213,364
Additions	-	23,713	22,871	-	8,962	55,546
February 28, 2011	-	107,379	107,047	-	54,484	268,910
Additions	-	65,449	18,297	3,350	7,170	94,266
February 29, 2012	$ -	$ 172,828	$ 125,344	$ 3,350	$ 61,654	$ 363,176
Net book value						
March 1, 2010	$ 321,213	$ 118,564	$ 114,355	$ -	$ 44,810	$ 598,942
February 28, 2011	$ 321,213	$ 94,851	$ 91,484	$ -	$ 35,848	$ 543,396
February 29, 2012	$ 321,213	$ 494,177	$ 73,187	$ 30,152	$ 28,678	$ 947,407

(Stated in Canadian Dollars)

5. 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, March 1, 2010	$ 1	$ 5,072,516	$ 5,072,517
Expenditures during year			
Camp Costs		38,478	38,478
Drilling	-	48,698	48,698
Surface contracting	-	13,891	13,891
Underground work	-	376,977	376,977
Fieldwork and wages	-	81,131	81,131
Consulting and engineering	-	105,709	105,709
Assessment and taxes	-	71,623	71,623
Permits, assay and testing	-	3,788	3,788
Travel	-	24,291	24,291
Trucking and transport	-	132,035	132,035
Crushing and tests	-	83,278	83,278
Amortization	-	55,546	55,546
		1,035,445	1,035,445
Exploration and evaluation asset recoveries in year	-	(1,057,896)	(1,057,896)
Net recoveries in year	-	(22,451)	(22,451)
Balance, February 28, 2011	$ 1	$ 5,050,065	$ 5,050,066
Expenditures during year			
Camp costs	-	56,431	56,431
Surface contracting	-	15,746	15,746
Underground work	-	195,245	195,245
Fieldwork and wages	-	315,347	315,347
Consulting and engineering	-	199,220	199,220
Assessment and taxes	-	61,001	61,001
Permits, assay and testing	-	40,888	40,888
Trucking and transport	-	50,528	50,528
Crushing and tests	-	8,810	8,810
Power utilities		18,605	18,605
Amortization	-	90,916	90,916
Ore development cost		121,778	121,778
		1,174,515	1,174,515
Exploration and evaluation asset recoveries in year	-	(1,730,328)	(1,730,328)
Net recoveries in year	-	(555,813)	(555,813)
Balance, February 29, 2012	$ 1	$ 4,494,252	$ 4,494,253

5. EXPLORATION AND EVALUATION ASSETS (Continued)

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

During the year ended February 28, 2005, the Company entered into an agreement with NovaWest Resources Inc. ("NovaWest"). NovaWest can earn a 70% interest in the property by expending $40,000, $140,000 and $440,000 cumulative in development expenditures over each of the next three years, respectively. The expenditure requirements were extended to five years by a subsequent agreement. The vendor retained a 1% net smelter return ("NSR") royalty, which the Company has the right to purchase one-half of the royalty in consideration of $1,000,000.

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

(b) 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 and 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.

(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.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(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. 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.

(Stated in Canadian Dollars)

6. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value

(b) Issued and Outstanding

	Number of Common Shares		Amount		Contributed Surplus
Balance, March 1, 2010	24,123,048	$	8,879,581	$	1,833,072
Issued during the year:					
Exercise of warrants	50,000		11,635		(2,635)
Exercise of stock options	320,000		178,925		(130,925)
Balance, February 28, 2011	24,493,048	$	9,070,141	$	1,699,512
Issued during the year:					
Stock-based compensation for stock options granted	-		-		284,675
Private placement units	4,000,000[(1)]		560,000		-
Exercise of stock options	730,000		385,138		(275,638)
Balance, February 29, 2012	29,223,048[(2)]	$	10,015,279	$	1,708,549

(1) Each unit is comprised of one common share and one warrant to acquire an additional common share for $0.18 until October 12, 2013.
(2) See Note 14 regarding subsequent one new for two old consolidation

(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.

(Stated in Canadian Dollars)

6. CAPITAL STOCK (Continued)

(c) Stock Options (continued)

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

	February 29, 2012		February 28, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	1,390,000	0.15	2,300,000	0.15
Cancelled/expired	(1,210,000)	0.15	(590,000)	0.15
Granted	2,175,000	0.15	-	-
Exercised	(730,000)	0.15	(320,000)	0.15
Outstanding and exercisable, end of year	1,625,000	0.15	1,390,000	0.15

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

Expiry Date	Exercise Price	February 29, 2012	February 28, 2011
March 7, 2011	0.15	-	290,000
May 27, 2011	0.15	-	1,100,000
June 7, 2014	0.15	1,450,000	-
June 23, 2014	0.15	175,000	-
Outstanding, end of year	0.15	1,625,000	1,390,000
Weighted average outstanding life of options		2.28 years	0.25 years

At February 29, 2012, the weighted average share price on the dates the options were exercised was $0.15 (2011 - $0.17).

(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:

	February 29, 2012		February 28, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	-	-	-	-
Issued	4,000,000[(1)]	0.18	-	-
Outstanding, end of year	4,000,000	0.18	-	-

(1) warrants expire October 12, 2013

(Stated in Canadian Dollars)

6. CAPITAL STOCK (continued)

(e) Stock-Based Compensation

For the year ended February 29, 2012, the Company granted 2,175,000 stock options with a fair value of $284,675 (2011 - $nil), or weighted average fair value of $0.13 (2011 - $nil) 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.

7. INCOME TAXES

The Company has accumulated losses for Canadian tax purposes of approximately $2.5 million that expire in various years to 2032 as follows:

	February 29, 2012
2015	$ 132,000
2026	158,000
2027	293,000
2028	381,000
2029	291,000
2030	517,000
2031	250,000
2032	531,000
	$ 2,553,000

(Stated in Canadian Dollars)

7. INCOME TAXES (Continued)

Future income tax assets and liabilities are recognized for temporary differences between the carrying amounts of the statement of financial position items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	February 29, 2012	February 28, 2011
Net loss for the year	$ (818,787)	$ (255,303)
Expected income tax recovery	(214,932)	(71,970)
Non-deductible (deductible) expenses for tax purposes	75,607	(8,323)
Unrecognized benefit on non-capital losses and exploration expenditures	139,325	80,293
	$ -	$ -

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	February 29, 2012	February 28, 2011
Non-capital loss carry forwards	$ 1,812,810	$ 542,750
Exploration and evaluation assets	(1,330,993)	(226,192)
Property and equipment	(228,476)	-
	253,341	316,558
Valuation allowance	(253,341)	(316,558)
	$ -	$ -

(Stated in Canadian Dollars)

8. ADVANCES PAYABLE

During the current year, the Company received advances in connection with the shipment of copper mineralization to Korea in excess of amounts ultimately owing to it for the metal value recovered. This balance is expected to be offset against cost recoveries receivable by the Company in fiscal 2013.

9. RELATED PARTY TRANSACTIONS

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

	February 29, 2012	February 28, 2011
Directors' fees	$ 59,000	$ -
Stock-based compensation	138,580	-
	$ 197,580	$ -

During the year ended February 29, 2012, the Company paid $25,288 (February 28, 2011 - $29,025) for rent and administrative services and $60,000 (February 28, 2011 - $58,400) for geological consulting services to private companies controlled by the president.

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.

10. RISK MANAGEMENT

The Company classifies its cash and cash equivalents as fair value through profit or loss, accounts receivable as loans and receivables, deposits for reclamation as held-to-maturity, and accounts payable and accrued liabilities, and advances payable as other financial liabilities.

The carrying values of cash and cash equivalents, accounts receivable, deposits for reclamation, accounts payable and accrued liabilities, and advances payable approximate their fair values due to the expected maturity of these financial instruments.

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

(a) Credit Risk

The Company manages credit risk in respect of cash and cash equivalents by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution in accordance with the Company's investment policy. In regards to the accounts receivable, the Company is exposed to significant credit risk as the majority are third party purchasers.

(Stated in Canadian Dollars)

10. RISK MANAGEMENT (Continued)

(a) Credit Risk (continued)

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as the majority of amounts are held at a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

		February 29, 2012		February 28, 2011
Cash and cash equivalents	$	379,824	$	26,729
Accounts receivable		19,096		10,245
	$	398,920	$	36,974

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company manages it liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company normally maintains sufficient cash and cash equivalents to meet the Company's business requirements. At February 29, 2012 the cash and cash equivalents balance of $379,824 (February 28, 2011 - $26,729) was insufficient to meet the Company's general administrative, property and exploration requirements for the coming year. However, subsequent to the year end the Company received $200,000 in loan proceeds. At February 29, 2012, the Company had accounts payable and accrued liabilities of $149,990 (February 28, 2011 - $127,622) and advances payable of $48,180 (February 28, 2011 - $Nil). Accounts payable are due within three months. Accrued liabilities and advances payable are due within six months. Advances payable are repaid by offsetting the related revenue from the sale of ore against the balance due.

(c) Market Risk

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

(i) Interest rate risk

The Company's cash consists of cash held in bank accounts. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

10. RISK MANAGEMENT (Continued)

(c) Market Risk (continued)

(ii) Foreign currency risk

The Company is exposed to foreign currency risk as its exploration and evaluation asset activity is mainly through its US subsidiary where transactions are denominated in US dollars. The Company considers the Canadian dollar to be its functional currency and translates the results of foreign operations into Canadian currency using approximately the average exchange rate for the year. The exchange rate may vary from time to time. The Company has not entered into any foreign currency contracts to mitigate this risk. Management has concluded that due to the short-term maturity of these financial instruments, the effect of any exchange rate fluctuations to be immaterial.

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company's cash equivalents are carried at market value, and are therefore directly affected by fluctuations in the market value of the underlying securities. The Company is not exposed to significant other price risk.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- 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.

Cash and cash equivalents are measured at fair value using Level 1 inputs for 2012 and 2011.

12. 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.

(Stated in Canadian Dollars)

12. CAPITAL MANAGEMENT (Continued)

The Company currently has revenues from the incidental sale of copper and gold, 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.

13. SEGMENTED INFORMATION

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

	February 29, 2012	February 28, 2011
Non-current assets		
Canada	$ 1,627,892	$ 1,537,741
United States	3,865,487	4,107,686
	$ 5,493,379	$ 5,645,427

14. SUBSEQUENT EVENTS

On April 17, 2012 the Company consolidated its shares on a basis of one new for two old shares. This resulted in the then outstanding 29,223,048 shares being exchanged for 14,611,524 new outstanding shares.

In April 2012, the Company entered into a loan and security agreement for loan proceeds of $200,000 which is repayable within one year and bear interest at prime.

In June 2012, the Company arranged a private placement of 50 million common shares at $0.12 per share for gross proceeds of $6 million. Funds from the private placement will be used to maintain current operations at the Madison Property, to identify and pursue new business opportunities, and for general working capital purposes. The private placement remains subject to acceptance by the TSX Venture Exchange and the approval of the Company's shareholders.

15. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

An explanation of how the transition from GAAP to IFRS has affected the Company's equity, comprehensive loss and cash flows is set out in this note.

The accounting policies set out in Note 2 have been applied in preparing the consolidated financial statements for the year ended February 29, 2012 and the comparative information presented for the year ended February 28, 2011 and the opening IFRS statement of financial position at March 1, 2010 (the Company's date of transition).

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening statement of financial position on the transition date of March 1, 2010, and allows certain exemptions on the transition to IFRS. The elections the Company have chosen to apply and that are considered significant to the Company include:

a) First time adoption exemptions applied

(i) Estimates

The estimates previously made by the Company under pre-changeover Canadian GAAP were reviewed to determine if any revisions were needed to reflect any difference in accounting policy upon the application of IFRS, or where there was objective evidence that those estimates were in error. The review determined that there was no need to revise estimates previously made.

(ii) Share-based payment transactions

IFRS 1 encourages, but does not require a first time adopter to apply IFRS 2 Share-based Payment ("IFRS 2") to equity instruments that were granted on or before November 7, 2002, or were granted after November 7, 2002 but vested before the Company's IFRS transition date. Accordingly, the Company chose to not retrospectively apply IFRS 2 to share-based payments settled before the transition date.

IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before March 1, 2010.

Under previous GAAP, the Company recognized an expense related to share based compensation on graded vesting schedule from the grant date to full vesting but did not incorporate a forfeiture rate at the grant date. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate at the date of grant and update it throughout the vesting period. The impact on transition was nil as all stock options vested on date of granting.

15. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

b) Reconciliation of assets, liabilities, equity, comprehensive loss and cash flows of the Company from those reported under GAAP

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under GAAP to IFRS as of the same date. In addition, an explanation is required for any material adjustments to cash flows to the extent that they exist. The analysis which follows represents the reconciliations from GAAP to IFRS for the respective periods noted:

(in thousands of Canadian dollars)

	February 28, 2011	March 1, 2010
Assets		
Total assets under GAAP	$ 5,691	$ 5,903
Adjustments for differing accounting treatments	-	-
Total assets under IFRS	$ 5,691	$ 5,903

Liabilities		
Total liabilities under GAAP	$ 128	$ 141
Adjustments for differing accounting treatments	-	-
Total liabilities under IFRS	$ 128	$ 141

Equity		
Total equity under GAAP	$ 5,564	$ 5,762
Adjustments for differing accounting treatments	-	-
Total equity under IFRS	$ 5,564	$ 5,762

The GAAP consolidated statement of comprehensive loss for the year ended February 28, 2011 has been reconciled to IFRS as follows:

(in thousands of Canadian dollars)

	GAAP	Effect of transition to IFRS	IFRS
Net loss and comprehensive loss for the year	$ (256)	$ -	$ (256)
Deficit, beginning of the year	(4,950)	-	(4,950)
Deficit, end of the year	$ (5,206)	$ -	$ (5,206)