CASCADERO COPPER CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED FEBRUARY 29, 2013

(Unaudited – Prepared by Management)

Index

Page

FINANCIAL STATEMENTS

Notice	1
Statement of Financial Position	2
Statements of Loss and Comprehensive Loss	3
Statements of Changes in Equity	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 27

NOTICE – NO Auditor Review of the Interim Financial Statements.

The accompanying unaudited condensed interim financial statements of Cascadero Copper Corporation (the "Company"), for the three months ended February 28, 2013, have been prepared by management and have not been the subject of a review by the Company's external independent auditor.

Cascadero Copper Corporation
Condensed Interim Statement of Financial Position
(expressed in Canadian dollars - unaudited)

	February 28 2013	November 30 2012	December 31 2011
ASSETS		(Note 14)	(Note 14)
Current			
Cash	**521,570**	1,194,179	272,291
GST/HST receivable	**120,537**	94,265	138,335
Prepaid expenses	**18,874**	27,700	18,157
	660,981	1,316,144	428,783
Long-term Investments (Note 5)	**1**	1	1
Advances to equity affiliates	**3,210,786**	2,803,941	530,427
Mineral properties (Note 6)	**10,485,648**	10,409,580	10,440,357
Equipment (Note 7)	**3,427**	3,842	6,830
	14,360,843	14,533,508	11,406,398
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable	**98,010**	33,676,	88,611
Accrued liabilities (Note 12)	**333,906**	330,625	317,501
Due to related parties (Note 10)	**66,635**	84,959	230,977
	498,551	449,260	637,089
Flow-through share premium liability	**-**	-	116,953
	498,551	449,260	754,042
Shareholders' equity			
Share capital (Note 9)	**19,577,899**	19,577,899	15,004,620
Share subscriptions	**-**	-	224,460
Treasury shares	**(465,463)**	(465,463)	(465,463)
Contributed surplus (Note 9)	**3,827,052**	3,827,052	3,419,178
Accumulated other comprehensive income(loss)			
Deficit	**(9,077,196)**	(8,855,240)	(7,530,439)
	13,862,292	14,084,248	10,652,356
	14,360,843	14,533,508	11,406,398

Nature and continuance of operations (Note 1)
Commitments (Note 12)
Subsequent events (Note 15)

Approved on behalf of the Board:

" ***William McWilliam"*** — Director – William McWilliam

" John Haag" — Director – John Haag

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

Cascadero Copper Corporation
Condensed Interim Statements of Loss and Comprehensive Loss
(expressed in Canadian dollars - unaudited)

For the three months ended	February 28, 2013	February 29, 2012
		(Note 14)
Expenses		
Accounting and audit (Note 10)	**9,700**	5,300
Amortization	**415**	747
Bank and interest charges	**1,562**	3,934
Filing fees	**4,658**	7,647
Management fees (Note 10)	**40,000**	40,000
Office and miscellaneous (Note 10)	**61,619**	115,272
Part XII.6 tax (Note 12)	**3,281**	3,281
Rent	**10,150**	2,300
Share-based compensation	**-**	97,856
Professional & directors fees	**26,000**	-
Travel and accommodation	**998**	-
	158,383	276,337
Income(Loss) before other item	**(158,383)**	(276,337)
Other Items		
Mineral property written-off	**63,572**	
Interest revenue	**-**	-
	(63,572)	-
Net income(loss) for the period	**(221,955)**	(276,337)
Other comprehensive income(loss)		
Unrealized (loss) gain on available-for-sale securities (Note 5)	**-**	-
Transfer out of realized gains on disposal of securities	**-**	-
Other comprehensive income(loss)	**-**	-
Comprehensive income (loss) for the period	**(221,955)**	(276,337)
Loss per common share – basic and diluted	**(0.001)**	(0.003)
Weighted average number of common shares outstanding	**150,692,528**	103,194,337

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

Cascadero Copper Corporation
Condensed Interim Statements of Changes in Equity
(expressed in Canadian dollars - unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Treasury Shares	Deficit	Other Comprehensive Income (Loss)	Shareholder's Equity
Balance, November 30, 2012	**150,692,528**	**19,577,899**	**3,827,052**	**(465,463)**	**(8,855,240)**	**-**	**14,084,248**
Exercise of warrants	-	-	-	-	-	-	-
Income (Loss) for the period-Feb. 28, 2013	**-**	**-**	**-**	**-**	**(221,955)**	**-**	**(221,955)**
Unrealized (gain) loss on available-for-sale	-	-	-		-	-	-
Realized gain on available-for-sale	-	-	-	**-**	**-**	-	-
Balance February 28, 2013	**150,692,528**	**19,577,899**	**3,827,052**	**(465,463)**	**(9,077,195)**		**(13,862,293)**

	Number of Shares	Share Capital	Contributed Surplus	Treasury Shares	Deficit	Other Comprehensive Income (Loss)	Shareholder's Equity
Balance, December 1, 2011	102,944,612	14,123,434	3,046,323	(625,543)	(6,467,217)		10,076,997
Exercise of warrants	-	-	-		-	-	-
Private placements	2,525,000	505,000	-		-	-	505,000
Income (Loss) for the period		-	-		(151,714)		(151,714)
Unrealized loss on available-for-sale		-	-		-	-	
Realized gain on available-for-sale	-	-	-		-	-	-
Stock-based compensation	-	-	4,738		-	-	4,738
Premium on flow-through shares issued	-	(50,500)	-		-	-	(50,500)
Balance, February 28, 2012	105,469,612	14,577,934	3,051,061	(625,543)	(6,618,931)		10,384,521

The accompanying notes are an integral part of these financial statements

Cascadero Copper Corporation
Condensed Interim Statements of Cash Flows
(expressed in Canadian dollars – unaudited)

For the three months ended	**February 28, 2013**	February 28, 2012
Cash flows from (used in)		
Operating activities		
Net loss for the period	**(221,955)**	(276,337)
Items not affecting cash:		
Amortization	**415**	747
Stock –based compensation	**-**	97,856
	(221,540)	(177,734)
Changes in non-cash working capital items:		
(Increase) decrease in GST receivables	**(26,274)**	(26,958)
Decrease (increase) in prepaid expenses	**8,826**	(23,444)
Increase (decrease) in accounts payable	**64,334**	(36,569)
Increase (decrease) in accrued liabilities	**3,281**	3,281
	(171,373)	(261,424)
Investing activities		
Mineral property expenditures	**(76,068)**	(90,532)
Financing activities		
Increase (decrease) in receivable from equity affiliates	**(406,845)**	(256,777)
Private placement	**-**	1,243,240
Share issue costs	**-**	(7,630)
Due to related parties	(18,324)	(81,384)
	(425,169)	897,449
Change in cash and cash equivalents during the period	**(672,610)**	545,493
Cash and cash equivalents, beginning of the period	**1,194,180**	272,291
Cash and cash equivalents, end of the period	**521,570**	817,784

Supplemental disclosure with respect to cash flows (Note 13)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Cascadero Copper Corporation ("Cascadero" or the "Company") was incorporated pursuant to the Alberta Business Corporations Act on October 30, 2003 and continued into the Province of British Columbia on June 3, 2004. The Company is engaged in the business of acquiring, exploring and developing mineral properties located primarily in Canada. The Company is considered to be in the development stage. The Company's head office, principal address, and records office are located at 590 East Kings Road, North Vancouver, British Columbia, Canada V7N 1J3.

The Company is in the process of exploring and developing most of its mineral properties and has not yet determined whether the properties contain precious mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and the related deferred exploration costs are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the mineral properties, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition of the mineral properties.

These financial statements have been prepared on the basis of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. In making its assessment, management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as going concern as described in the following paragraph. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business.

The ability of the Company to continue operations is dependent upon the continued financial support of its shareholders, other investors and lenders, and the successful development of mineral properties in the future. The outcome of these matters cannot be predicted at this time. Since inception, the Company has incurred cumulative losses of $9,077,196 (November 30, 2012: $8,855,240) and for the period ended February 28, 2013 has negative operating cash outflow from continuing operations of approximately $171,373 (Feb. 29,2012: $261,424). Management believes that the Company will be able to continue to raise additional funds and has prepared these financial statements on a going concern basis. Realization values may be substantially different from the carrying values as presented in the financial statements should the Company be unable to continue as a going concern. It is management's opinion that all adjustments considered necessary for fair presentation of the results for the years presented have been reflected in these financial statements.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements of the Company for the period-ended February 28, 2013 have been prepared in accordance with International Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"). These are the Company's first IFRS annual financial statements, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP).

2. BASIS OF PRESENTATION - continued

An explanation of the impact of the transition from Canadian GAAP to IFRS on the Company's financial statements is provided in Note 14.

b) Basis of Measurement

The annual financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

An explanation of the impact of the transition from CGAAP to IFRS on the Company's financial statements is provided in Note 14.

The accounting policies set out in Note 3 have been applied consistently by the Company to all periods presented and in preparing the opening balance sheet at December 1, 2010 for the purposes of the transition to IFRS.

c) Use of estimates and judgments

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

- the recoverability of mineral properties and exploration and evaluation expenditures incurred on its Canadian projects; the Company capitalizes acquisition, exploration and evaluation expenditures on its statement of financial position, and evaluates these amounts at least annually for indicators of impairment;
- the estimated useful lives and residual value of property, plant and equipment which are included in the statement of financial position and the related amortization included in the statement of loss and comprehensive loss;
- whether a past event has led to a liability that should be recognized in the statement of financial position or disclosed as a contingent liability;
- the inputs in accounting for share-based payment transactions in the statement of loss and comprehensive loss (using the Black-Scholes model) including volatility, probable life of options granted, time of exercise of the options and forfeiture rate;
- the expected future tax rate used in the determination of the Company's future income tax liability on the statement of financial position; and
- the assessment of the Company's ability to execute its strategy by funding future working capital requirements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments that are redeemable within ninety days or less when purchased

b) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided using the declining balance method at the following annual rates:

Computer equipment	45%
Furniture and fixtures	20%

Additions during the year are amortized pro-rata based on the annual amortization rate.

c) Accounts receivable

The Company estimates the allowance for doubtful accounts provision based upon management analysis of specific receivables that are considered to be uncollectible.

d) Exploration and evaluation assets

(i) Pre-license expenditures

Pre-license expenditures are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as exploration and evaluation expense.

(ii) Exploration and evaluation expenditures

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such E&E costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. E&E costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of a mineral resource is considered to be established when proved and or probable mineral reserves are determined to exist. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, impairment costs are charged to exploration and evaluation expense. Upon determination of mineral reserves, E&E assets attributed to those reserves are first tested for impairment and then reclassified to development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur. The Company has not established any NI 43-101 compliant proven or probable reserves on any of its mineral properties which have been determined to be economically viable.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

d) Exploration and evaluation assets – continued

(iii) Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 estimated 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.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure for further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

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 to an amount that 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.

e) Revenue recognition

Revenues are recognized on the following bases:

(i) Interest income is recorded on an accrual basis at the stated interest rate over the term of the related instrument; and
(ii) Realized gains on investments are recorded upon disposal of the investment, on a trade date basis;

f) Share Capital

Common shares are classified as equity. Transactions costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

g) Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

h) Related party transactions

All monetary transactions in the normal course of operations are measured at the exchange value which is determined by management to approximate fair value. Non-monetary related party transactions in the normal course of operations that have commercial substance and do not involve the exchange of property or product held for sale are also measured at the exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are recorded at the carrying value.

i) Earnings (loss) per share

Earnings (loss) per share are calculated using the weighted average number of shares outstanding.

The Company uses the treasury stock method for computing diluted earnings (loss) per share. This method assumes that any proceeds obtained upon exercise of options or warrants would be used to purchase common shares at the average market price during the period.

Diluted earnings (loss) per share are equal to loss per share as the effect of applying the treasury stock method is anti-dilutive.

j) Share-based payments

Options and warrants granted are accounted for using the fair value method. Under this method, the fair value of stock options and warrants granted are measured at estimated fair value at the grant date and recognized over the vesting period. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options granted is transferred to share capital.

The Corporation uses the Black-Scholes option pricing model to determine the fair value of these incentives taking into consideration terms and conditions upon which the options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

k) 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 in other comprehensive income of loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for unused tax loss carry-forwards and 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 enactive or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

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.

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 set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

l) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of it exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company separates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and; ii) share capital. When the resource property expenditures are incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

To the extent that the Company has available tax pools for which the benefit has not been previously recognized as being realizable, the premium is recognized in profit or loss as a deferred income tax recovery to recognize the deferred tax asset offsetting the liability at the time of renunciation of the tax pools.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

m) Provision for Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

n) Financial Instruments

Financial instruments are defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following categories at their initial recognition:

- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables;
- Or available-for-sale investments.

Financial liabilities are classified into the following categories at their initial recognition:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at amortized cost

Financial assets and liabilities are initially measured at fair value, plus, in the case of a financial asset or liability not at fair value through profit or loss, transactions costs directly attributable to the acquisition or issuance of the financial asset or liability. In a purchase or sale of financial assets recognition and de-recognition occurs using trade date accounting.

Financial assets are subsequently measured after initial recognition at fair value, except for financial assets classified as held-to-maturity investments or loans and receivables, which are subsequently measured at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial liabilities at fair value through profit or loss are subsequently measured after recognition at fair value. All other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial assets are derecognized when:

- The contractual rights to the cash flows from the financial asset expire;
- The contractual rights to the cash flows from the financial asset are retained, but a contractual obligation to pay the cash flows to another party without material delay is assumed by the Company;
- Or when the Company transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognized when the obligations are discharged, cancelled or expire.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or likelihood that the borrower will enter bankruptcy or financial reorganization.

n) Financial Instruments – continued

The carrying amount of financial assets is reduced by impairment loss directly for all financial assets with the exception of financial assets classified as loans and receivables, where the carrying amount is reduced through the use of an allowance account. When these assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment loss been recognized.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES - continued

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. 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 estimated to be less than its carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss.

The Company has made the following classifications:

- Cash and cash equivalents are classified as fair value through profit or loss.
- Tax receivable is classified as loans and receivables.
- Accounts payable and accrued liabilities, due to related parties, and loans payable have been classified as liabilities at amortized cost.

o) <u>Critical Accounting Estimates and Judgements</u>

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both

o) <u>Critical Accounting Estimates and Judgements – continued</u>

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

<u>*Judgements*</u>

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Estimates

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

p) Standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2011 or later years. None of these are expected to have a significant effect on the consolidated financial statements, except for the following:

Accounting Standards Issued and Effective January 1, 2013

IFRS 11, *Joint Arrangements,* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12, *Disclosure of Involvement with Other Entities,* requires the disclosure of information that enables users of consolidated financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

p) Standards, amendments and interpretations not yet effective - continued

IFRS 13, *Fair Value Measurement,* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for the following:

- Share-based payment transactions within the scope of IFRS 2, *Share-based Payment*;
- Leasing transactions within the scope of IAS 17, *Leases*;
- Measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment Assets*.

(Expressed in Canadian dollars - unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

IFRIC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*, summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine.

Accounting Standards Issued and Effective January 1, 2015

IFRS 9, *Financial Instruments,* replaces the current standard IAS 39, *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

4. FINANCIAL INSTRUMENTS

		February 28, 2013	November 30, 2012	December 1, 2011
		$	$	$
FVTPL financial assets	a	**521,570**	1,194,179	272,291
Loans and receivables	b	**120,537**	94,265	138,335
Liabilities at amortized cost	c	**498,551**	449,260	637,089

a. Comprises cash and equivalents.
b. Comprises receivables consisting of refundable sales tax credits paid for purchases.
c. Comprises accounts payable and accrued liabilities, due to related parties, and loans payable.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Cash and cash equivalents are carried at fair value using a level 1 fair value measurement. The fair values of HST recoverable, accounts payable, accrued liabilities, due to related parties and loans payable approximate their carrying values due to the short-term nature of these instruments.

Management of Industry and Financial Risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk
Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and HST recoverable. Risk associated with cash is managed through the use of major Canadian bank. The Company's HST recoverable is due from the Government of Canada; therefore, the credit risk exposure is low.

4. FINANCIAL INSTRUMENTS - continued

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's cash. The Company's cash is held in corporate bank accounts available on demand.

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

Currency Risk
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars; therefore, currency risk is minimal.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Price Risk
The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to finance due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

5. LONG TERM INVESTMENTS

In December 2008, the Company paid US$200,000 and TSX Venture Exchange approval was granted for the Company to issue 28,000,000 of its common shares with a fair value of $700,000 to Argentine Frontier Resources Inc. ("AFRI") for its 50% membership interest in SESA Holdings, LLC ("SESA"), a limited liability company formed under the laws of the State of Nevada, USA. SESA is the legal and/or beneficial holder of 100% of the issued and outstanding equity interest in Salta Exploraciones S.A. ("Salta") a company duly formed under the laws of Argentina which holds certain mineral rights and properties. The Company uses the equity method of accounting for its investment in SESA. The Company's long-term investments are as follows:

		2012	2011	2010
Acquisition cost of SESA Holdings LLC	$	**947,540**	947,540	947,540
Loss in SESA Holdings LLC		**(947,539)**	(947,539)	(901,646)
Carrying value of SESA Holdings LLC	$	**1**	1	45,894

During the quarter ended February 28, 2013, Cascadero's share of SESA LLC's losses was $39,459. Of these total losses, $nil was recognized in Cascadero's net income as the value of the investment in SESA had already been reduced to a nominal amount in the prior year.

6. MINERAL PROPERTIES

Toodoggone Property

On July 14, 2004, mineral properties were acquired in accordance with the Property Transfer Agreement dated May 10, 2004 between Stealth Minerals Limited and Cascadero Copper Corporation. The Property Transfer Agreement provided that the purchase price for certain land mineral claims would be equal to 60% of the total mineral property costs incurred by Stealth Minerals Limited as at May 10, 2004. Accordingly, the Company acquired the mineral properties for $6,295,586 and issued 21,000,000 shares to Stealth Minerals Limited.

On January 26, 2006, the Company acquired certain additional mining claims from Stealth Minerals Limited for $150,000 and issued 1,000,000 shares to Stealth Minerals Limited as consideration.

On March 3, 2009, the Company and Gold Fields Toodoggone Exploration Corporation ("Gold Fields"), a wholly owned subsidiary of Gold Fields Netherlands Services BV and a member of the Gold Fields Limited group of companies, signed an Option and Joint Venture Exploration Agreement. The Option Agreement grants Gold Fields an option to acquire a 51% interest in Cascadero's Toodoggone property by incurring expenditures of at least CDN$5 million over a three year period. If Gold Fields acquires the 51% interest, it has the option to acquire an additional 24% interest in the property by spending an additional $15 million or funding the completion of a feasibility study.

The Option Agreement also provides that Gold Fields, or one of its affiliates, will subscribe for 500,000 units of Cascadero at a price of $0.10 per unit with each unit consisting of one share and one share purchase warrant that can be exercised for one additional common share of the Company at $0.12 per share for one year. If Gold Fields continues with the Option Agreement, it is required to invest a further $100,000 in Cascadero units on each of the first three anniversaries. During the year ended November 30, 2009, Gold Fields purchased the 500,000 units and exercised the 500,000 share purchase warrants. Cascadero paid a finder's fee of $7,500 to an arm's length party.

During the year ended November 30, 2010, Gold Fields opted to exercise a Force Majeure on the Toodoggone Option. As a result, it did not purchase any units of Cascadero during the year ended November 30, 2010. This Force Majeure was removed during the year ended November 30, 2011, and Gold Fields subscribed to $100,000 in Cascadero's shares in March 2011.

Swayze claims

On December 1, 2010, the Company entered into a buy-sell agreement for the Swayze property claims, located in Timmons, Ontario. This property is comprised of the Jessop, Whitesises, Keefer, Rollo, Rainey, Swayze, Garnett and Chester claims ("the Claims").

Cascadero paid 800,000 of its own shares at a fair value of $152,000 to the sellers in exchange for 100% interest in the Claims.

The claims are subject to a 2% net smelter royalty ("NSR"), 50% of which can be purchased for CAD $2,000,000 within the first year of commercial production.

6. MINERAL PROPERTIES - continued

<u>Jovan property</u>

On March 2, 2011, Cascadero finalized an option agreement with John and Marie Brady ("the Optionors") to acquire a 100% interest in the Jovan property, subject to a 2.5% Net Smelter Return Royalty ("the NSR"). The Jovan property is comprised of several claims groups. These claims are located in Sudbury, Ontario.

Under the above Agreement, the Company can earn a 100% interest in the Property through making the following cash payments, share issuances, assessment work expenditures and NSR obligations:

<u>Cash payments</u>

- C$25,000 on March 2, 2011, the date of execution of the LOU (paid).
- C$50,000 (cumulative C$75,000) on March 2, 2012, the first anniversary of the LOU execution date (paid).
- C$75,000 (cumulative C$150,000) on March 2, 2013, the second anniversary of the LOU execution date (not paid).
- C$150,000 (cumulative C$300,000) on March 2, 2014, the third anniversary of the LOU execution date (not paid).

<u>Share issuances of Cascadero</u>

- 100,000 shares of Cascadero issued on January 12, 2011, the date of execution of the LOU (paid).
- 100,000 shares of Cascadero (cumulative 200,000 shares) issued on January 12, 2012, the first anniversary of the LOU execution date (paid).
- 100,000 shares of Cascadero (cumulative 300,000 shares) issued on March 2, 2013, the second anniversary of the LOU execution date (not paid).

<u>Assessment and work requirements</u>

- C$nil on January 12, 2011, the date of execution of the LOU.
- C$75,000 (cumulative C$75,000) on January 12, 2012, the first anniversary of the LOU execution date (paid).
- C$100,000 (cumulative C$175,000) on January 12, 2013, the second anniversary of the LOU execution date (paid).
- C$150,000 (cumulative C$325,000) on January 12, 2014, the third anniversary of the LOU execution date (not paid).
- C$175,000 (cumulative C$500,000) on January 12, 2015, the fourth anniversary of the LOU execution date (not paid).

If the Company completes the required expenditures, it can provide notice to the Optionors and exercise its option to acquire a 100% interest in the Property, subject to the following:

- 3% NSR and a buyout of two-thirds for C$1,500,000 at any time.
- Advance minimum royalty ("AMR") of C$25,000 per year, commencing on the 5th anniversary of this agreement. All AMR payments will be deducted from the NSR payments.

<u>Marble Mountain Property</u>

One of the claims obtained by the Company under the Brady Option Agreement for the Jovan properties (above) is for the Marble Mountain Property.

6. MINERAL PROPERTIES – continued

The Company entered into an Option and Joint Venture Agreement ("the Agreement") with Gold Fields Sudbury Exploration Corporation ("Gold Fields") for this property during the year ended November 30, 2012. Under this agreement, Gold Fields can obtain a 65% interest in the Marble Mountain property as follows:

- Contributing C$600,000 in Permitted Expenditures in respect of the Properties before the Option Period ends.
- Satisfying the Minimum Expenditure Condition.
- Paying to the Owner (John Brady) or Cascadero (as Gold Fields may choose from time to time), in immediately available funds, each cash payment on or before the corresponding Milestone Date.

The three above items collectively comprise the 65% Option Price.

The required cash payments are:

- C$50,000 on the 1st Milestone date (March 11, 2012: five days from the commencement date, which is March 6, 2012) (paid)
- C$50,000 (cumulative C$100,000) on the 2nd Milestone date (January 31, 2013) (unpaid).
- C$100,000 (cumulative C$200,000) on the 3rd Milestone date (January 31, 2014) (unpaid).
- C$500,000 (cumulative C$700,000) on November January 31, 2015 (unpaid).

10% Option
If Gold Fields contributes the 65% option price it is deemed to be granted the 10% option and the option period is deemed to be extended to the JV Commencement Date (the date that Gold contributes the 10% Option).

To earn the 10% interest, Gold Fields has to:

- Solely fund the completion of a feasibility study in respect of any target or deposit within the properties; or
- Otherwise contributing to a milestone amount in expenditures (C$20,000,000 in Expenditures on the Properties in excess of the Option Requirements.

Whichever of the two above items occurs first will be considered valid to earn the 10% Option ("the Option Price").

During the year ended November 30, 2012, the Company has decided to abandon the Marble Mountain property. As a result, all associated costs incurred on this property has been written off during the year.

Jerome, Powerline and Rush Lake properties

During the year ended November 30, 2012, the Company made expenditures on mineral properties to which it had not yet formally acquired rights. These expenditures have been written off as at November 30, 2012.

Total costs included in mineral properties for 2012 and 2011 are as follows:

(Expressed in Canadian dollars - unaudited)

6. MINERAL PROPERTIES – continued

	November 30, 2012 $	Additions $	Disposals/ Write-downs $	February 28, 2013 $
	Acquisition		Total	Total
Toodoggone property				
BC, Canada	6,445,586	-	-	6,445,586
Deferred exploration – general	3,098,388	-	-	**3,098,388**
mineral property	1,750	-	-	**1,750**
consulting	48,969	-	-	**48,969**
Staking	84,306	-	-	**84,306**
prospecting	15,506	-	-	**15,506**
Others	7,520	-	-	**7,520**
Assay	7,569	-	-	**7,569**
	9,709.594	-	-	**9,709,594**
Swayze claims				
Timmins, Ontario, Canada				
acquisition	152,000	-	-	**152,000**
consulting	23,795	3,150	-	**26,945**
Staking	5,770		-	**5,770**
prospecting	8,350		-	**8,350**
finders' fees	49,500		-	**49,500**
Others	19,417	2,741	-	**22,158**
geological	160,615		-	**160,615**
Assay	14,522	5,588	-	**20,110**
	433,969	11,479	-	**445,448**

(Expressed in Canadian dollars - unaudited)

6. MINERAL PROPERTIES – continued

	November 30, 2012 $	Additions $	Disposals/ Write-downs $	February 28, 2013 $
	Acquisition		Total	Total
Powerline property				
Sudbury, Ontario, Canada				
Acquisition	-	-	-	-
Consulting	-	3,255	3,255	-
Geological	-	8,556	8,556	-
Others	-	6,026	6,026	-
Prospecting	-	44,228	44,228	-
	-	62,065	62,065	-
Jerome property				
Timmins, Ontario, Canada				
Acquisition	-	-	-	-
Consulting	-	1,485	1,485	-
Geological	-	2,075	2,075	-
Prospecting	-	107	107	-
	-	3,667	3,667	-
Rush Lake West				
Acquisition	-	36,000	36,000	-
Consulting	-	6,899	6,899	-
Staking	-	4,754	4,754	-
Others	-	995	995	-
Geological	-	10,866	10,866	-
Prospecting	-	5,846	5,846	-
	-	65,360	65,360	-
Marble Mountain				
Sudbury, Ontario				
Optioned from John and Marie Brady				
Optioned to: Gold fields				
Acquisition		75,500	75,500	-
Consulting		20,070	20,070	-
Prospecting		100	100	-
Assay		4,676	4,676	-
Geological		36,447	36,447	-
mob/demob		124,974	124,974	-
Other		9,120	9,120	-
		270,887	270,887	-
Chester Property				
Acquisition	-	45,000		**45,000**
Consulting				
Geological		1,060		**1,060**
		46,060		**46,060**
Osway Property				
Acquisition				
Consulting		2,600		**2,600**
Geologicl		1,060		**1,060**
		3,660		**3,660**
Garnet Property				
Acquisition				
Consulting		1,085		**1,085**
Assay		7,011		**7,011**
Other		51		**51**
		8,147		**8,147**
Hongkong Property				
Acquisition				
Consulting				
Assay		6,722		**6,722**
		6,722		**6,722**

(Expressed in Canadian dollars - unaudited)

6. MINERAL PROPERTIES – continued

Jovan claims				
Sudbury, Ontario				
Optioned from John and Marie Brady				
Acquisition	89,750		-	**89,750**
Staking	-		-	**637**
Consulting	7,400		-	**7,400**
Geological	64,536		-	**64,536**
Assay	16,235		-	**16,235**
Others	37,246		-	**37,246**
mob/demob	45,400		-	**45,400**
	261,203		-	**261,203**
General	4,814	-	-	**4,814**
	10,409,580	478,047	401,979	**10,485,648**

Contractual Commitments

The Company holds a 100% interest in 31,409.4 hectares in the Toodoggone River region of north central British Columbia all of which are subject to a net smelter return royalty agreement of 3% on production of all metal in favour of Electrum Resource Corp.

Stealth Mineral Limited has the right to buy down one third of the net smelter return royalty from 3% to 2% on all tenures for $2,000,000. In addition, Stealth Minerals Limited has the further right to buy down an additional one third of the net smelter return royalty on base metal and an additional one sixth on precious metal on three tenures aggregating 1,068.11 hectares for an additional $1,500,000.

Subject to Stealth Mineral Limited's execution of its first buy down right, the Company has the right to buy down an additional one third of the 3% net smelter return royalty or 1% applicable to base metal and an additional one sixth of the 3% net smelter return royalty or 0.5% applicable to precious metal on seventy-two tenures aggregating 30,341.2 hectares of an additional $1,500,000. If all applicable buy downs are completed, the net smelter return royalty in favour of Electrum Resource Corp. is 1% applicable to base metal and 1.5% applicable to precious metal.

(Expressed in Canadian dollars - unaudited)

7. EQUIPMENT

Cost		**Computer Equipment**		**Furniture and Fixtures**		**Total**
Balance at December 1, 2010	$	35,767	$	591	$	36,358
Additions		1,736		-		1,736
Disposals		-		-		-
Balance at November 30, 2011	$	37,503	$	591	$	38,094
Addition		-		-		-
Disposals		-		-		-
Balance at November 30, 2012	**$**	**37,503**	**$**	**591**	**$**	**38,094**

Accumulated Depreciation and Amortization		**Computer Equipment**		**Furniture and Fixtures**		**Total**
Balance at December 1, 2010	$	27,124	$	167	$	27,291
Amortization		3,889		84		3,973
Balance at November 30, 2011	$	31,013	$	251	$	31,264
Amortization		2,920		68		2,988
Balance at November 30, 2012	$	33,933	$	319	$	34,252
Amortization-February 28,2013		**401**		**14**		**415**
		34,334		**333**		**34,667**

Net Carrying Amounts		**Computer Equipment**		**Furniture and Fixtures**		**Total**
Balance at December 1, 2010	$	8,643	$	424	$	9,067
Balance at November 30, 2011	$	6,490	$	340	$	6,830
Balance at November 30, 2012	$	3,570	$	272	$	3,842
Balance at February 28,2013	**$**	**3,169**	**$**	**258**	**$**	**3,427**

(Expressed in Canadian dollars - unaudited)

8. SHARE CAPITAL

a) Authorized

Unlimited number of no par value common shares
Unlimited number of preferred shares

b) Issued and Outstanding Common Shares
Please refer to the Statement of changes in shareholders' equity.

During the period ended February 28, 2013

During the first quarter ended February 28, 2013 no shares were issued.

c) Stock Option Plan

The Company has a stock option plan for the benefit of directors, management and certain consultants of the Company. Under the plan, the Company may grant options for up to 20% of the issued common shares. The exercise price of each option may be discounted up to 25% from the market price of the Company's common shares on the date of grant and an option's maximum term is five years.

During the period ended February 28, 2013

During the first quarter ended February 28, 2013 there were no stock options issued.

The following options were outstanding as at February 28, 2013 and November 30, 2012:

	2013		2012	
	Outstanding	**Weighted Average Exercise Price**	Outstanding	Weighted Average Exercise Price
Balance, beginning of year	21,160,000	$0.12	18,044,000	$0.12
Increase (decrease):				
Options granted			5,200,000	$0.12
Options expired	(700,000)	$0.12	(800,000)	$0.15
Options cancelled/forfeited			(1,284,000)	$0.31
Balance, end of year	20,460,000	$0.12	21,160,000	$0.12

(Expressed in Canadian dollars - unaudited)

8. SHARE CAPITAL - continued

(d) Warrants
The following summarizes warrant activity during the year:

	2012		2012	
	Outstanding	**Weighted Average Exercise Price**	**Outstanding**	Weighted Average Exercise Price
Balance, beginning of the year	45,158,025	$0.11	8,320,625	$0.11
Increase (decrease):				
Warrants granted			40,854,166	$0.11
Warrants expired			(4,016,766)	$0.10
Warrants exercised				
Balance, end of the year	45,158,025	$0.11	45,158,025	$0.11

9. RELATED PARTY TRANSACTIONS

a) The Company has the following balances owed to and from related entities as at February 28,2013:

i. $83,216 due to Stealth Minerals Ltd., a related Company (November 30, 2011: $135,419; December 1, 2011: $163,481). This amount is unsecured, has no specific terms of repayment, and bears interest at a rate of 7.5% per year.

ii. $ 22,047 due from WJ McWilliam Consulting (Bill McWilliam) an officer and director of the Company (November 30, 2012: $17,662; December 1, 2011: $75,734).

iii. $12,500 due to Judith Harder, an immediate family member of the President of the Company (November 30, 2012: $12,500; December 1, 2011: $12,500) for services provided.

iv. $1,500 due to Sharon Lewis, the CFO of the Company (November 30, 2012: $6,901; December 1, 2011: $7,324).

v. Advances of $3,210,786 to Argentine Frontier Resources Inc., and SESA Holdings LLC (November 30, 2012 $2,803,941; December 1, 2011: $530,427) equity affiliates or the Company.

b) During the period ended February 28, 2013, the Company had the following transactions with related parties:

i. Charged $5,897 in interest expense on advances payable to a Stealth Minerals Ltd., a Company with a common President (2011: $11,937).

ii. Incurred $40,000 in management fees to WJ MCWilliam Consulting (Bill McWilliam), a director of the Company (2012 $40,000).

iii. Reimbursed Bill McWilliam, a director of the Company $7,225 (February 29,2012-$8,162) for amounts paid on the Company's behalf for office expenses, travel, telecommunications and vehicle expenses.

iv. Incurred $18,000 in office and administrative fees charged by AFRI (Judith Harder), an immediate family member of a director of the Company (February 29, 2012: $9,000).

v. Incurred $10,600 (2011: $15,496) in rent to 0695918 BC Ltd., a Company owned by Bill McWilliam, a director of the Company.

vi. Incurred $9,700 in accounting fees paid to Sharon Lewis, the CFO (February 28, 2012: $3,250).

10. COMMITMENTS AND CONTINGENT LIABILITY

Canada Revenue Agency ("CRA") has disallowed certain exploration expenditures incurred by the Company as non-eligible exploration expenditures that do not qualify for transfer of the tax deduction to holders of the flow-through shares. In this connection, the Company has been assessed by CRA on Part XII.6 tax, in respect of certain flow-through shares issued in the 2004 taxation year, in the amount of $237,976 (November 30, 2011: $237,976; December 1, 2010: $237,976) plus interest of approximately $37,648 (November 30, 2011: $24,524; December 1, 2010: $12,024) for a total of $275,624 (November 30, 2011:$262,500; December 1, 2010: $250,000). Of this total in tax and interest, the Company will not contest an amount of $181,060 (November 30, 2011: $172,440; December 1, 2010: $164,229). Accordingly, the full amount, contested and not contested, has been included in accrued liabilities in the Company's financial statements.

The balance of $94,564 in assessed Part XII.6 tax and interest is being formally contested by the Company as management disagrees with CRA's position on this amount. The outcome of this matter cannot be determined at this time. A provision has been made in these financial statements for the total amount of the contingent liability.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current quarterly financial statement presentation.