

**WCB RESOURCES LTD**  
**Management Discussion and Analysis**  
**(Form 51-102F1)**  
**For the Quarter Ended February 29, 2012**  
**Information as of April 24, 2012 unless otherwise stated**

**Note to Reader**

The following management discussion and analysis of the financial condition and results of operations of WCB Resources Ltd. ("WCB" or the "Company") should be read in conjunction with the Company's unaudited financial statements for the same period prepared by the Company's management. These statements are available for review under the Company's profile at [www.sedar.com](http://www.sedar.com).

**Forward-Looking Information**

This discussion includes certain statements that may be deemed "forward-looking statements." All statements in this discussion, other than statements of historical facts that address future production, reserve potential, exploration drilling, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

**Business of the Company**

*Overview*

The Company was incorporated under the *Business Corporations Act* (British Columbia) on March 2, 2007 and was listed on the TSX Venture Exchange ("TSX-V") and called to trade on October 10, 2007. The Company completed its Qualifying Transaction (the "Transaction") under the policies of the TSX Venture Exchange on April 8, 2010. As a result of the Transaction, the Company became a Tier 2 mining issuer and changed its name from WCB Capital Ltd. to WCB Resources Ltd.

*Maroon Property*

Pursuant to the Transaction, WCB entered into a Property option agreement (the "Option Agreement") with Angel Jade Mines Ltd. ("Angel Jade") under which WCB has acquired the right to earn a 100% undivided interest in and to the Maroon Property (subject to a 2.0% net smelter return royalty), by paying to Angel Jade an aggregate of \$165,000 in cash, issuing to the Vendor an aggregate of 350,000 common shares of WCB, at a deemed price of \$0.05 per share, and expending an aggregate of \$200,000 on the Maroon Property, as follows:

1. \$15,000 in cash and 100,000 common shares payable upon completion of the Transaction;
2. expenditures of a minimum of \$200,000 on the Maroon Property within 12 months of the completion of the Transaction, and
3. \$150,000 in cash and 250,000 common shares within 24 months of the completion of the Transaction.

Subsequent to the end of the period, on March 28, 2012, the Company announced it had withdrawn from the option agreement regarding the Maroon Project with Angel Jade Mines Ltd. The Company has no interest in the property and no further obligations to Angel Jade Mines Ltd.

### *Red Hill Project*

On August 20, 2010, the Company entered into an Option Agreement with Elephant Mines Pty Ltd. ("Elephant") whereby the Company can acquire up to 100% of Elephant's 100% owned interest in the Red Hill copper gold project in central New South Wales, Australia (the "Property").

To acquire an undivided 50.1% right, title and interest in and to the Property:

1. WCB must incur an aggregate of A\$1,000,000 of expenditures on the Property during the five year period (the "Option Period") commencing with the date the Option Agreement is approved by the TSX-V (August 30, 2010). These expenditures include a minimum of A\$40,000 per tenement per year commencing on September 7, 2010 and each anniversary date of September 7, 2010 thereafter during the Option Period; and
2. Following WCB attaining favorable geological results on the Property and upon the recommendations of its geologists, the completion of a minimum 400 meter depth drill hole on the Property on or before August 30, 2012. The depth requirement was amended by agreement on November 30, 2011 to 300 meters.

In addition to the above and commencing on August 30, 2010, WCB will pay Elephant A\$30,000 annually for a period of five years or until it has earned a 100% interest in the Property, whichever is completed earlier. At any time during the Option Period, WCB may acquire a full 100% interest in and to the Property by paying A\$1,000,000 in cash and common shares of the Company ("the Second Option Price") to Elephant, provided that no more than 50% of the Second Option Price may be payable in common shares of the Company. WCB is current in all of its obligations for the Red Hill Project.

### *Misima Island Project (EL 1747)*

On December 20, 2011, the Company announced that, through its wholly owned subsidiary, WCB Pacific Pty Ltd, it had entered into an exploration Farm-In Agreement with Pan Pacific Copper ("PPC") covering EL1747 located on Misima Island, Papua New Guinea.

Pan Pacific Copper is the owner of Gallipoli Exploration (PNG) Ltd ("Gallipoli") which is the owner of granted EL 1747 "Misima". PPC is owned by JX Nippon Mining and Metals (66%) and Mitsui Mining and Smelting (34%). PPC is a global mining, smelting, refining and international copper producer, currently developing the Caserones Copper Project in Chile.

Under the terms and conditions of the exploration Farm-In Agreement, the Company can earn up to a 70% interest in EL1747 Misima by spending a total of AUD9.0M within a 4 year timeframe as follows:

1. The Company shall earn a 30% interest in Gallipoli for the expending AUD1.0M within the first 12 months (Year 1);
2. The Company shall earn a further 19% interest (for a total interest of 49%) by expending a further AUD3.0M within the second 12 months (Year 2); and
3. The Company shall earn a further and final 21% interest (for a total interest of 70%) by expending a further AUD5.0M within the final 24 months of the Farm-In period (Years 3 and 4).

Should the Company elect not to proceed further to earn additional option interests at any time after earning its initial 30% interest or to fully earn the full 70% interest, the parties will enter into a joint venture in which standard dilution formulas will apply for non-contribution. PPC retain the right to an offtake agreement for all mineral production within EL1747 based on prevailing metal prices and a commercial terms basis.

The Farm-in Agreement is subject to standard conditions precedent including PPC and Gallipoli Board approvals and PNG regulatory approvals.

## *Summary of projects*

### *Maroon Property*

The 1,059 hectare Maroon property lies 35 kilometers north of Terrace, British Columbia. The historic exploration of the Maroon property, completed by several individuals and corporations over the last 90 years, has been successful in locating the Bear Vein system, a 1,800 meter auriferous, polymetallic vein system. Most of the historic effort has been directed toward the section of the Bear Vein system known as the Bear occurrence, which was developed by three adits and several surface pits and trenches. Two mineralized lenses have been identified within the Bear occurrence: the southwest lens and the northeast lens. The remainder of the 1,800 meter long Bear Vein system has not been explored to the same extent as the Bear occurrence.

Previously only 2 drill holes had been completed on the Maroon property by previous explorers (in 2002), that targeted the southwest lens. Hole 1 intersected the Bear vein at 69.97 meters to 70.3 meters at 26.06 g/t gold and 32.6 g/t silver. Hole 2 was terminated prior to intersecting the vein.

In August 2010, the Company released results of the first round of drilling and channel sampling. A total of 6 NQ diamond-drill holes were completed from three drill pads. This puts the total number of holes drilled on the property to 8 when including the 2 previous 2002 drill holes. Drilling has taken place along a total strike length of 323 meters of the Bear Vein system. Highlights from drilling include intersections of 0.3 meters averaging 18.9 g/t gold, 0.44 meters averaging 5.9 g/t gold and 0.43 meters averaging 5.9 g/t gold.

Nine trenches were channel sampled across the vein at surface for a total of 20.7 meters along a total strike length of 294 meters. A total of 10 grab samples were taken from various sites along the property in order to repeat historical findings. Sample sites range from the tailings dumps of historical adits driven into the vein at depth to vein material seen at surface in outcrop. The strike length between samples is 260 meters and results reflected the original high grade bonanza vein target concept.

### *Red Hill Project*

The Red Hill Prospect is located on the eastern interpreted faulted boundary of the Cowra Yass Synclinal Zone and is defined by a series of intense magnetic highs with associated zoned polymetallic geochemistry. Historically the area has received a variety of previous exploration typically targeting a VMS style of mineralization. WCB however interprets the alteration and geochemical association at Red Hill to be more typical of intrusive related systems and in particular skarn type alteration/mineralization. The significance of this is that this style of system has potential for well developed depth extensions and the geological targeting for this style mineralization has different criteria which have not been previously tested.

Initial examination of historical exploration data suggests that previous drill testing of these targets was completed only to shallow depths and returned poor drill recoveries that are not reflective of the prospect scope. At the time of entering the Option Agreement with Elephant, WCB's initial exploration plans included:

1. a complete review and examination of the previous exploration data including and project summary of targets
2. a detailed first pass soil survey over the interpreted prospective zones

3. magnetic depth and orientation modeling over the high priority magnetic high features with associated geochemistry

In October 2010, the Company released the results of a soil sampling program which resulted in the collection of a total of 913 samples on a staggered grid pattern and collection of in excess of 200 grams of basal B/C horizon material which was sent for multi-element analysis.

Analysis of the results indicated well developed coherent high order Cu and Au anomaly. The Cu/Au anomalism forms a central core (Cu to 1020ppm / Au to 5.61ppm) which is surrounded to the east by a high order Zn anomaly (Zn to 1790ppm) and Pb anomaly (up to 5420). Mo (up to 17ppm) and Bi (up to 67ppm) form a scattered pattern throughout the system.

The dimensions of the central Cu/Au anomaly are 300m by 150m with the Zn Pb anomalism forming a peripheral marginal enveloping zone over 1000m in strike and 200m wide. Importantly, the Cu Au anomalism is coincident with the largest magnetic high anomaly developed in the area.

Interpretation of this data clearly demonstrates the concept of the intrusive related zoned hydrothermal system with a central core region of Cu and Au surrounded by a peripheral zone of elevated Zn Pb Ag and minor Au.

Surface alteration of the steeply dipping volcanic sequence suggest alteration mineralogy typical of a skarn hydrothermal system. The surface spatial association of disseminated magnetite chlorite and minor garnet with secondary Cu support this concept. These systems may have significant depth extent.

During the year, the Company continued its exploration program at Red Hill. This exploration included rock chip sampling, magnetic modeling, validation mapping, and surveying. Field inspections identified a central gossanous zone measuring up to 300 m strike and up to 80 m width of anomalous Cu Au which is enveloped by a 1.4 km long (strike) peripheral gossanous Pb Zn halo. This central zone is coincident with an intense magnetic high and previously reported Cu Au anomalism in soil samples (which were collected in the 2010 exploration program).

Subsequent compilation of historic drill data suggests Cu anomalism is widespread over an area measuring 300 m by 200 m. The historical drill data (circa early 1970s) do not accurately reflect the mineralization tenor due to exceptionally poor drill recoveries. Accordingly, the main target has not been adequately tested.

The Company undertook a rock chip sampling program, focused on the gold endowment. Results from the sampling included peak results of up to 11.45 g/t Au, 0.24% ppm Cu, up to 51 ppm Mo, and up to 0.75% ppm Zn. The peak value of 11.45 g/t Au is coincident the largest and highest order magnetic feature which is the primary target.

Results from an IP survey identified a significant chargeability anomaly coincident with the earlier high order geochemical data. The sub-vertical chargeability anomaly can be traced for over 400 m within which there is a high order chargeability anomaly defined over a strike length of 300 m. This feature has an apparent width in the order of 100 m. The highly chargeable anomaly is also coincident with peak gold rock chip samples and peak copper and gold soil samples. The lower chargeability anomaly is observed over a 600 m strike length.

The results to date identified a well defined drill target and the Company announced in November 2011 that it had commenced drilling on a single hole. The hole (WRH001) was completed at the end of November 2011 with a depth of 357 meters.

WRH001 encountered a sequence of silicified limestone and weak magnetite bearing skarn from 1m to 56m down hole at which point a major fault was encountered. Dacitic volcanics were then encountered from 56m to the end of the hole at 358.7m. Several zones of variable pyrite alteration were encountered, the most significant of which was a 1.55m zone of variable pyrite - silica breccia

associated with a near vertical fault. Disseminated chalcopyrite was observed in places in this fault zone.

This result returned:

| Hole   | From (m) | To (m) | Core length | Gold (g/t) | Cu % | Core Recovery |
|--------|----------|--------|-------------|------------|------|---------------|
| WRH001 | 219.95   | 221.5  | 1.55        | 0.37       | 0.54 | >95           |

This drill result in combination with the observed geology logged in the hole did not correlate with the observed magnetic data and modelled induced polarisation chargeability and resistivity data nor did it explain the observed surface geochemistry.

WCB undertook additional work to complete a down hole 3D down hole magnetic survey to define the location and position of the targeted magnetic high anomaly. The results of this survey indicate that the intense magnetic high is positioned immediately to the north of the existing drill hole WRH001.

#### *Misima Island Project (EL 1747)*

EL 1747 Misima is located in the same terrain and geological region that includes the deposits of Grasberg, Ok Tedi, Hidden Valley, Wafi-Golpu, Lihir, Simberi and Panguna as well as significant projects such as Tolukuma, Kainantu and Woodlark Island. Importantly Misima Island has previously demonstrated mineral deposit pedigree through the past production of 4.0M ounces of gold and 20M ounces of silver from various operations but most recently the Misima Mine owned by Placer Dome Asia Pacific (now Barrick Gold). This mine ceased open pit production in 2001 and closed in 2004.

EL1747 Misima consists of 53 sub blocks covering an area of 180km<sup>2</sup>. The exploration licence is located on the eastern portion of the island and surrounds the historic SML (Special Mining Lease). The exploration license was targeted by WCB due to the presence of a significant high order copper stream sediment anomaly in multiple drainages which has received limited detailed follow up activity. Additional high order gold and zinc anomalies have been identified and require follow up detailed work.

The Company is targeting Porphyry copper gold and Epithermal gold silver mineralisation on EL 1747. The Company has initiated its systematic exploration activities on Misima Island with the commencement of a 4,500 sample soil program which will be followed by trenching and rock chip sampling. In addition to this a detailed aeromagnetic survey will also be completed once weather conditions are deemed appropriate.

On February 28, 2012, the Company announced it has commenced Year 1 exploration program planning on EL1747.

The Year 1 exploration program will include an extensive ridge and spur auger soil sampling program, a rock chip sampling program, and a large trenching program supported by a detailed aeromagnetic survey. These activities are designed to delineate appropriate drill targets.

For further information on the Company's exploration activities and projects, please visit [www.wcbresources.com](http://www.wcbresources.com). Mr. Cameron Switzer, BSc (Hons), MAIG (3384), MAUSIMM (112798), President and Chief Executive Officer of WCB Resources, is a qualified person as defined by National Instrument 43-101. He is responsible for quality control of exploration undertaken by WCB. Mr. Switzer has reviewed and approved the technical information in this MD and A.

## ***Risks and Uncertainties***

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of properties will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production. The following are some of the risks to the Company, recognizing that it may be exposed to other additional risks from time to time:

- Limited business history of the Company, including lack of revenues and no assurance of profitability
- Dependence on key management personnel
- Reliance on availability and performance of independent contractors
- Challenges by other unknown parties to property title
- Environmental issues
- Federal and provincial political risk
- Commodity price risk
- Financial markets

The Company is diligent in minimizing exposure to business risk, but by the nature of its activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

## **RESULTS AND FINANCIAL CONDITION**

### **For the Nine Months Ended February 29, 2012**

The net loss for the nine months ended February 29, 2012 amounted to \$269,553 and the basic and diluted loss per common share was \$0.014. There have been no dividends declared to date. The Company has not been affected by changes business practices, productivity or competition.

The significant operating expenses incurred during the nine month period were consulting fees of \$117,937, professional fees of \$36,947, and share-based payments of \$36,622. The Company also had a foreign exchange gain of \$30,443 which reduced its expenses.

The Company expended \$353,001 on the exploration and evaluation of its assets during the nine month period ended February 29, 2012. These expenditures were primarily incurred on the Company's Red Hill project in New South Wales, Australia and its Misima Island project in Papua New Guinea.

On a net basis, operations for the nine months ended February 29, 2012 realized an increase in cash of \$522,492. The largest element of cash flow was the addition of \$1,000,000 from the issuance of units along with a cash inflow of \$94,004 from the exercise of options and warrants. The operating loss of \$268,553 and exploration expenditures of \$353,001 were the largest elements of cash outflows.

The Company's total assets as at February 29, 2012 amounted to \$1,608,530 compared to \$594,474 as at May 31, 2011. The Company has no long-term liabilities.

### For the Three Months Ended February 29, 2012

The net loss for the three months ended February 29, 2012 was \$92,982 or \$0.004 loss per share. The most significant operating expenditures were consulting fees of \$41,767 and operating expenses of \$37,362. Other expenditures during the three month period included administration fees of \$21,982 and share based payments of \$12,961. The Company also realized a foreign exchange gain of \$30,045 during the three month period.

The Company had a cash balance of \$849,397 at February 29, 2012.

### THIRD QUARTER ANALYSIS

For the three months ended February 29, 2012 and February 28, 2011, the net loss was \$92,982 and \$27,308 respectively. Revenues and expenses for the period ended February 29, 2012 and February 28, 2011 were comprised of:

|   | Three months ended<br>February 29, 2012 | Three months ended<br>February 28, 2011 |
|---|---|---|
| Interest income   | \$(505)                                 | \$(5)                                   |
| Other income  | Nil                                     | \$(5,996)                               |
| Share Based Payments                                      | \$12,961                                | \$13,100                                |
| Consulting Fees   | \$41,767                                | \$12,500                                |
| Professional fees   | \$8,536                                 | Nil                                     |
| Foreign exchange gain                                     | \$(30,045)                              | Nil                                     |
| Administration, Operating, Transfer<br>Agent, filing fees | \$60,268                                | \$7,709                                 |
| Net Loss  | \$92,982                                | \$27,308                                |

### SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with February 29, 2012. Financial information is prepared according to pre changeover Canadian GAAP (unless otherwise indicated) and is reported in Canadian Dollars.

|                    | Feb 29,<br>2012 | Nov 30,<br>2011 <sup>1</sup> | Aug 31,<br>2011 <sup>1</sup> | May 31,<br>2011 | Feb 28,<br>2011 | Nov 30,<br>2010 | Aug 31,<br>2010 | May 31,<br>2010 |
|--------------------|-----------------|------------------------------|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest income    | \$505           | \$643                        | \$470                        | \$98            | \$5             | \$11            | \$254           | Nil             |
| Net loss           | \$92,982        | \$132,068                    | \$44,489                     | \$(7,402)       | \$27,585        | \$39,993        | \$53,968        | \$142,059       |
| Net loss per share | \$0.004         | \$0.006                      | \$0.003                      | \$0.001         | \$0.002         | \$0.002         | \$0.004         | \$0.013         |

<sup>1</sup> Prepared in accordance with IFRS

The Company has incurred an overall deficit, from its incorporation date of March 2, 2007 to February 29, 2012, of \$703,198.

### SHARE ISSUANCES

During the year ended May 31, 2011:

- (i) 100,000 options were exercised to purchase 100,000 shares in the Company at a price of \$0.10 per option for gross proceeds of \$10,000; and
- (ii) 400,000 warrants were exercised to purchase 400,000 shares in the Company at a price of \$0.10 per warrant for gross proceeds of \$40,000.

During the period ended August 31, 2011:

- (i) 3,000,000 units were issued at a price of \$0.20 per unit for gross proceeds of \$600,000. Each unit comprised of one common shares and one half of one common share purchase warrant (each whole warrant, a "Warrant"), with each Warrant exercisable into one common share for a period of 12 months (on or before July 15, 2011) at an exercise price of \$0.35;
- (ii) 2,000,000 units were issued at a price of \$0.20 per unit for gross proceeds of \$400,000. Each unit comprised of one common shares and one half of one common share purchase warrant (each whole warrant, a "Warrant"), with each Warrant exercisable into one common share for a period of 12 months (on or before July 22, 2011) at an exercise price of \$0.35;
- (iii) 610,000 options were exercised to purchase 610,000 common shares in the Company at a price of \$0.10 per option for gross proceeds of \$61,000; and
- (iv) 200,000 warrants were exercised to purchase 200,000 common shares in the Company at a price of \$0.10 per warrant for gross proceeds of \$20,000.

During the period ended November 30, 2011:

- (i) 100,000 options were exercised to purchase 100,000 common shares in the Company at a price of \$0.13 per option for gross proceeds of \$13,000.

During the period ended February 29, 2012: NIL

#### **OFF-BALANCE SHEET ARRANGEMENTS**

For the period ended February 29, 2012 there were no off-balance sheet arrangements.

#### **RELATED PARTY TRANSACTIONS**

During the quarter, the Company incurred \$91,089 in consulting fees with directors of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The Company is a Tier 2 mining issuer focused on exploration under the policies of the TSX-V, and liquidity is related to the market conditions of such issuers, investor patience and expectations for a mining exploration company finding economically recoverable reserves.

According to the Company's balance sheet, as at May 31, 2011 and 2010, the Company has current assets of \$339,732 and \$641,634 respectively, compared to working capital of \$681,809 as at February 29, 2012. As at February 29, 2012 the Company had cash of \$849,397 available to meet short-term business requirements.

#### **SUBSEQUENT EVENTS**

Subsequent events are listed in Note 13 to the Financial Statements for February 29, 2012.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Company for the year-ending June 30, 2012 will be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), having previously prepared its financial



statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP"). The impact of the transition from pre-changeover Canadian GAAP to IFRS is explained in note 13.

Accordingly, the accounting policies applied in the preparation of the interim financial statements for the three months ended February 29, 2012 are expected to be adopted for the year-ending June 30, 2012 and have been applied consistently to all periods presented in the condensed interim financial statements, unless otherwise indicated.

**(a) Foreign Currency Transactions**

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the statement of financial position date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

**(b) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

**(c) Mineral Exploration and Evaluation Expenditures**

*Pre-exploration Costs*

Pre-exploration costs are expensed in the period in which they are incurred.

*Exploration and Evaluation Assets*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been

undertaken by the Company. The Company does not record any expenditures made by the farmee on it's' behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

**(d) Reclamation Deposits**

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

**(e) Impairment of Non-Financial Assets**

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

**(f) Financial Instruments**

*Financial Assets*

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

### *Financial Assets at Fair Value through Profit or Loss*

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has designated cash and cash equivalent as fair value through profit or loss.

### *Loans and Receivables*

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

### *Impairment of Financial Assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

### *Financial Liabilities*

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and are comprised of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carrying in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured.

### *Derivative Financial Instruments*

The Company is not engaged in any derivative contracts.

### *Measurement of Financial Instruments*

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Additional disclosure on the measurement of fair value of financial instruments has been provided in note 9.

**(g) Provisions**

*Rehabilitation Provision*

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records management's best estimate of the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of rehabilitation activities includes restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

*Other Provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

**(h) Income Taxes**

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial

recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**(i) Government Grants**

From time to time the Company receives government incentive programs. Government incentives are accrued when there is reasonable assurance of realization and reflected as a reduction of the related asset or expense. In the event the credits received are less than the amount claimed, the difference will be reflected in the period in which it is determined.

**(j) Share Capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share purchase warrants, and stock options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to the warrants and common shares issued based on the relative fair values of the components.

**(k) Earnings / Loss Per Share**

Basic earnings / loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings / loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

Shares held in escrow, other than where their release is subject to the passage of time, are excluded from the computation of loss per share until the conditions for their release are satisfied.

**(l) Share-based Payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of

the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share based payments are reflected in contributed surplus, until exercised. Upon exercise shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

WCB Resources Ltd 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. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an 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.

Information about critical 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 condensed interim financial statements within the next financial year are discussed below:

### **(a) Rehabilitation Provisions**

Management's best estimates regarding the rehabilitation provisions have been created based on WCB Resources' internal estimates. Assumptions, based on the current economic

environment have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. Based on management's best estimate, the Company does not have a rehabilitation obligation as at February 29, 2012 (May 31, 2011 - \$nil).

**(b) Exploration and Evaluation Expenditure**

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 expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

**(c) 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.

**(d) 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. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 8 of the financial statements.

## **RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company classifies its cash as held-for-trading; reclamation bond as held-to-maturity; and accounts payable and accrued liabilities as other financial liabilities.

**(a) Fair value**

The carrying values of cash, reclamation bond, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

**(b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash and reclamation bond. The Company is not exposed to significant credit risk as its cash and reclamation bond are placed with a major Canadian financial institution.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal terms of trade.

**(d) 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 of three types of risk: foreign currency exchange risk, interest rate risk, and other price risk. The Company is not exposed to significant market risk.

**CAPITAL STOCK AND CONTRIBUTED SURPLUS**

1. Total number of shares issued and outstanding as at February 29, 2012: 21,260,000 shares
2. Total number of shares in Escrow as at February 29, 2012: 4,612,500 shares
3. Total number of share purchase warrants outstanding as at February 29, 2012: 10,350,000
4. Total number of stock options outstanding as at February 29, 2012: 2,890,000 stock options (640,000 stock options exercisable).
5. Directors and officers: (as at February 29, 2012)

|                 |                                       |
|-----------------|---------------------------------------|
| Cameron Switzer | President and Chief Executive Officer |
| Duncan Cornish  | Chief Financial Officer and Director  |
| Shaun Maskerine | Corporate Secretary and Director      |
| Peter Lynch     | Director                              |
| James Simpson   | Director                              |

**CONTINUANCE OF OPERATIONS**

As at February 29, 2012 the Company was continuing in its efforts to explore and develop mineral properties.

**OTHER INFORMATION**

The Company's website address is [www.wcbresources.com](http://www.wcbresources.com). Other information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**On behalf of the Board of Directors**

*"Cameron Switzer"*

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Cameron Switzer  
President, CEO and Director