THELON CAPITAL LTD.

Management's Discussion and Analysis

For the nine months ended June 30, 2012

(Expressed in Canadian Dollars, Unless Otherwise Stated)

For the nine months ended June 30, 2012

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of the operating results and financial condition of Thelon Capital Ltd. (the "Company" or "Thelon") for the nine months ended June 30, 2012 is prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the unaudited condensed interim financial statements for the nine months ended June 30, 2012, and the audited financial statements for the year ended September 30, 2011.

IFRS replaces current Canadian GAAP for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011; accordingly, the unaudited condensed interim financial statements for the nine months ended June 30, 2012 have been prepared in accordance with IAS 34, Interim Financial Statements, using accounting policies consistent with IFRS.

The transition to IFRS resulted in changes to the Company's significant accounting policies; however, these changes in accounting policies did not have a significant effect on the Company's annual statement of financial position at September 30, 2011, nor the comparative period presented for the nine months ended June 30, 2011. Financial information for periods prior to October 1, 2010 have not been assessed for significant adjustments as a result of the changes in accounting policies on adoption of IFRS. Readers of this MD&A should refer to "Changes in Accounting Policies" below and Note 12 of the unaudited condensed interim financial statements for the nine months ended June 30, 2012 for a discussion of IFRS and its impact on the Company's financial statements.

This MD&A is prepared as of August 20, 2012. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise stated.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking statements. When used in this document the words "anticipate", "believe", "estimate", "expect", "plan", "future", "intend", "may", "will", "should", "predicts", "potential", "continue", and similar expressions, as they relate to Thelon Capital Ltd. or its management, are intended to identify forward-looking statements. Such statements reflect current views of Thelon Capital Ltd. with respect to future events and are subject to certain known and unknown risks, uncertainties, and assumptions. These statements should not be relied upon. Many factors could cause the actual results, performance, or achievements to be materially different for many future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, or expected. Thelon Capital Ltd. does not intend, and does not assume, any obligation to update these forward looking statements.

DESCRIPTION OF THE BUSINESS

Thelon Capital Ltd. is a public company incorporated under the Company Act of British Columbia on February 2, 1982. Pursuant to a resolution passed by the shareholders, the common shares of Thelon Capital Ltd. commenced trading on the TSX Venture Exchange on February 4, 2010 under the trading symbol "THC" and the common shares of Thelon Ventures Ltd. were delisted. The Company also consolidated its share capital on a ten old for one new basis. The Company's principal business activity is the acquisition and exploration of mineral properties.

The Company's corporate office and principal place of business is at Suite 609 – 475 Howe Street, Vancouver, British Columbia, Canada, V6C 2B3.

Thelon is an exploration stage resource company. Operations at this time are focused on the review of existing mineral properties, potential acquisitions of additional mineral properties, and sourcing of potential financing for the Company.

MINERAL INTERESTS

Athabasca Basin Property

By agreement dated March 9, 2005, the Company entered into an option agreement to acquire a 100% interest (subject to a 3% smelter royalty) in three mineral prospecting permits totaling approximately 120,000 hectares, located in the Athabasca Basin, Saskatchewan.

Consideration is cash of $100,000 (paid) and 1,000,000 common shares (issued).

By agreement dated August 9, 2006, the Company entered into an option agreement with Triex Minerals Corporation ("Triex"), in which Triex can acquire up to an 80% interest in the Athabasca Basin Properties located in northern Saskatchewan. Triex earned an initial 51% interest in the Property at which time a Joint Venture was formed, by incurring $250,000 in expenditures on the property before December 1, 2006, of which $90,000 may be paid in the form of direct payments to the Company. During the year ended September 30, 2007, Triex paid $80,385 in direct payments to the company and incurred the required amount of expenditures on the property in order to satisfy the First Option.

Triex can earn an additional 9% interest by incurring $1,500,000 before September 1, 2008 (completed), an additional 10% interest by incurring $1,200,000 before April 30, 2010 (completed), and an additional 10% interest by incurring $3,100,000 before April 30, 2013 (completed).

Thelon and Triex formed a 20%-80% joint venture. The Company's investment in the Joint Venture was recorded at the carrying value of the Athabasca Basin Property.

During the year ended September 30, 2011, management decided not to continue with this project and accordingly wrote off the accumulated costs.

Jellico Project

On May 27, 2010, the Company entered into a Letter of Agreement to acquire 100% of the Jellico Coal Property which consists of approximately 6,000 acres of coal mineral and surface rights in Campbell and Clairborne counties in the State of Tennessee.

The Company entered into a Share Purchase Agreement on December 14, 2010, amended on March 16, 2011 and August 8, 2011, to purchase 100% of the issued and outstanding shares of Clear Fork Mining Company who owns 100% of the Jellico Coal property. The purchase price is:

- 7,000,000 common shares (issued);
- US$1,000,000 (paid) on signing;
- US$3,000,000 (US$2,736,374 paid) due December 15, 2011;
- take over debt obligations of the vendor of approximately US$4,800,000 effective December 15, 2011; and

- issue a promissory note to the vendor for US$8,485,000 due in 10 years bearing interest at a rate of 6% per annum, interest paid monthly, with an annual payment starting on or before December 31, 2013 of 10% of the principal upon closing.

A bonus of $50,000 was paid to a company controlled by a director on this transaction.

The property and surrounding area has well-established power, logistics, and transportation infrastructure including mine access roads, several secondary county roads, and a railroad parallel to Tennessee State Highway 90, which extends through the property.

Portions of the property have had extensive sampling and drilling by previous operators as recently as 2009, and it is thought to contain multiple coal seams of high quality metallurgical, as well as, compliant steam coals. DRC Coal LLC has a surface mining operation on the southern boundary of the property producing from the Blue Gem, Jellico, and Rex coal seams.

Historical reserve and coal analysis data provided in a July 2009 report by A.R Leamon CPG TN estimate inferred coal reserves of approximately 12,000,000 tons in place. Coal quality analysis conducted from core holes and test pits on the property between 1992 and 2007 have shown favorable sulfur, ash, and BTU values consistent with high quality metallurgical coals being produced in the area. This historical information is not NI 43-101 complaint.

The Company's immediate objectives are to close the transaction, begin the necessary drilling to define additional coal reserves, and complete a National Instrument 43-101 report of measured and indicated mineable coal reserves on the property.

The Company has received the necessary extensions to complete the purchase of the project whenever the Company is able to do so.

This transaction is subject to finder's fees in accordance with TSX Venture Exchange policy and subject to TSX Venture Exchange approval.

Lac de Gras Property

The Company wrote off its interest in the Lac de Gras project in 2010; however, the Company's joint venture partner, Peregrine Diamonds Ltd., announced on April 16, 2012 that they have discovered a new kimberlite, the LD-1 Kimberlite, on its Lac de Gras Diamond project that is19 kilometres west of the Diavik Diamond Mine.

A core hole drilled at an inclination of 50 degrees from horizontal intersected kimberlite from 76 to 168.5 metres. LD-1 is a texturally variable crater-facies volcaniclastic kimberlite that contains chrome diopside, garnet, and coarse olivine.

The Lac de Gras project consists of 32,200 hectares of claims in joint venture with Peregrine Diamonds Ltd. (66.2% Peregrine and 33.8% Thelon) where the LD-1 discovery was made.

OPTION TO PURCHASE

On February 22, 2011, the Company entered into a Letter of Intent ("LOI") to purchase a 100% interest in a private Tennessee mining company ("Privateco") for US$35,000,000 plus US$7,000,000 in surety bonds. The Company must pay a non-refundable deposit of US$1,000,000 (paid) within 14 days from the date of signing, with US$41,000,000 due within 120 days (June 20, 2011). The Company may get a 60 day extension by paying an additional US$500,000 non-refundable deposit (paid), prior to the expiration of the 120 day period. The LOI was amended to reflect the balance due 60 days from June 20, 2011, or on August 19, 2011.

The LOI was amended to reflect the purchase price release dates. The total purchase price remained at US$35,000,000 plus US$7,000,000 in surety bonds. A non-refundable deposit of US$1,500,000 has been paid, a further non-refundable deposit of US$500,000 was due on February 15, 2012 to extend the closing date to April 15, 2012 which was not paid, US$22,000,000 was due on closing, the vendor to invest $2,400,000 by way of a private placement in the Company, US$1,000,000 to be paid on the first, second, and third anniversary date of the closing, and US$7,000,000 to be paid over three years based on production along with a production bonus of US$2,400,000 over three years paid to the vendor.

The Company was unable to pay the deposit of $500,000 on February 15, 2012 to extend the closing date. The Company is in default of the agreement, has lost exclusivity to the option, and will now close on a best efforts basis.
This transaction is subject to finder's fees in accordance with TSX Venture Exchange policy and subject to TSX Venture Exchange approval.

RESULTS OF OPERATIONS

Nine Months

The Company's net loss for the nine months ended June 30, 2012 was $451,261 as compared to a net loss of $1,536,582 for the nine months ended June 30, 2011. The decrease in net loss is due mainly to the reduced amount of share based payments from period to period. Overall expenses have decreased with less activity undertaken by the Company with the focus on raising money to close its two major projects.

During the nine months ended June 30, 2012, share-based payments were $6,744 compared to $549,950 the same period last year. No stock options were granted in the first nine months of this year; accordingly, only stock options that vested to investor relations consultants granted last year had an impact for this period.

Advertising and promotion decreased to $53,609 compared to $200,516 the same period last year, and the shareholder relation expenses decreased to $48,415 compared to $113,882 for the same period last year. Travel expenses decreased to $37,534 compared to $94,735 in the same period last year.

There was $47,702 expensed in the nine months ended June 30, 2012 for legal and accounting fees with $68,194 expensed in the same period last year. The conversion to IFRS this year resulted in an increase in accounting fees.

Transfer agent and exchange fees were only $10,427 compared to $49,037 last year. Bank charges and interest decreased to $1,370 compared to $10,448 for the same period last year. These decreases reflect fewer equity transactions (private placements, and warrants and options exercised) period to period.

Consulting fees decreased to $162,900 from $318,252, and office and administration fees decreased to $52,035 from $65,595; however, telephone costs increased slightly to $11,426 for the first nine months of this year compared to $10,787 for the same period last year.

For the nine months ended June 30, 2012

Director fees were $18,000 compared to $17,000 for the same nine months last year as the paid compensation for one director started in November last year.

Three Months

The Company's net loss for the three months ended June 30, 2012 was $108,093 as compared to a net loss of $563,166 for the three months ended June 30, 2011. The decrease in net loss is due mainly to the reduced amount of share based payments from quarter to quarter. Overall expenses have decreased with less activity undertaken by the Company with the focus on raising money to close its two major projects.

During the three months ended June 30, 2012, share-based payments were $45 compared to $194,555 the same quarter last year. No stock options were granted in the third quarter of this year; accordingly, only stock options that vested to investor relations consultants granted last year had an impact this quarter.

Advertising and promotion decreased to $11,141 compared to $51,200 the same quarter last year, and the shareholder relation expenses decreased to $12,254 compared to $63,650 for the same quarter last year. Travel expenses decreased to $1,241 compared to $42,144 in the same quarter last year.

There was $4,863 expensed in the three months ended June 30, 2012 for legal and accounting fees and $36,351 expensed in the same quarter last year.

Transfer agent and exchange fees were only $500 compared to $18,003. Bank charges and interest decreased to $573 compared to $1,520 for the same quarter last year. These decreases reflect fewer equity transactions (private placements, and warrants and options exercised) quarter to quarter.

Consulting fees decreased to $50,000 from $123,452, office and administration fees decreased to $15,233 from $16,133; and telephone costs decreased to $3,490 for the third quarter of this year compared to $4,482 for the same quarter last year.

Director fees were $6,000, the same for the second quarter of this year and last year.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Accounting Standard	Total Interest Income	Net Loss	Loss Per Share
June 30, 2012	IFRS	$ 54	$ (108,093)	$ -
March 31, 2012	IFRS	$ 54	$ (167,657)	$ (0.01)
December 31, 2011	IFRS	$ 58	$ (175,511)	$ -
September 30, 2011	IFRS	$ 55	$ (802,197)	$ (0.02)
June 30, 2011	IFRS	$ 34	$ (563,166)	$ (0.01)
March 31, 2011	IFRS	$ 387	$ (417,696)	$ (0.01)
December 31, 2010	IFRS	$ -	$ (598,591)	$ (0.03)
September 30, 2010	Canadian GAAP*	$ -	$ (3,412,000)	$ (0.40)

* Financial information for the periods prior to October 1, 2010 have not been assessed for whether there would be significant adjustments as a result of the changes in accounting policies on adoption of IFRS.

LIQUIDITY AND CAPITAL RESOURCES

The Company does not have any cash flow from operations or any production of mineral resources; accordingly, it must rely on equity financing to fund operations. The Company's access to exploration financing when the financing is not transaction specific is always uncertain. There can be no assurance of continued access to any equity funding.

The Company's cash on hand decreased to $28 as at June 30, 2012 from $428,550 as at September 30, 2011. The Company had a working capital deficiency of $280,488 as at June 30, 2012 compared to a working capital surplus of $190,525 as at September 30, 2011.

The Company's current asset balance of $64,077 (September 30, 2011 - $542,757) is comprised of cash of $28 (September 30, 2011 - $428,550), amounts receivable of $36 (September 30, 2011 - $1,623), HST receivable from the Canada Revenue Agency of $8,704 (September 30, 2011 - $15,831), amounts due from related parties of $32,309 (September 30, 2011 - $59,339), and prepaid expenses of $23,000 (September 30, 2011 - $37,414).

The Company's current liabilities total $344,565 (September 30, 2011 - $352,232) is made up of outstanding accounts payable and accrued liabilities relating to administrative and exploration expenses of $277,061 (September 30, 2011 - $313,914) and an amount due to related parties $67,504 (September 30, 2011 - $38,318).

As of the date of this MD&A, the Company has insufficient working capital to meet its ongoing financial obligations for the coming year. There can be no assurance that future financings will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs. If the Company is unable to obtain the financing necessary to support its operations, it may be unable to continue as a going concern. The Company currently has no commitments for any credit facilities such as revolving credit agreements or lines of credit that could provide additional working capital, and substantial doubt exists regarding the Company's ability to continue as a going concern. The Company has no long term debt, capital lease obligations, operating leases, or any other long term obligations.

OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

None

RELATED PARTY TRANSACTIONS

Management transactions

The Company has identified certain directors and senior officers as key management personnel. The following table lists the compensation costs paid to companies owned by key management personnel for the nine months ended June 30, 2012 and 2011:

For the nine months ended June 30, 2012

	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Bonus	$ -	$ 50,000
Consulting fees	85,500	41,500
Office and administration fees	47,260	46,650
	$ 132,760	$ 138,150

Consulting fees of $58,500 (June 30, 2011 - $41,500) were paid to BUA Capital Management Ltd., a company controlled by the President of the Company, and $27,000 (June 30, 2011 - $Nil) was paid to GRWINC. (formerly Complete Communications Inc.), a company controlled by a director of the Company.

Office and administration fees of $47,260 (June 30, 2011 - $46,650) were paid to BUA Group Holdings Ltd., a company controlled by the President of the Company.

Transactions with other related parties

	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Director fees	$ 18,000	$ 17,000

PROPOSED TRANSACTIONS

There are no proposed assets or business acquisitions or disposition, other than those in the ordinary course of business, before the board of directors for consideration.

COMMON SHARES OUTSTANDING

	Number	Issued Price	Amount
Balance at October 1, 2010	**10,715,973**		**$ 12,819,147**
Issued for mineral interest	7,033,333	$ 0.31	2,168,333
Issued for cash (private placements)	17,246,220	$ 0.32	5,550,515
Stock options exercised	557,500	$ 0.21	116,750
Warrants exercised	6,516,948	$ 0.23	1,473,698
Agents warrants exercised	293,791	$ 0.25	73,448
Shares issued for debt	14,666	$ 0.45	6,600
Reallocation from warrants	-	$ -	51,355
Reallocation from reserves	-	$ -	84,674
Share issue costs	-	$ -	(702,494)
Balance at September 30, 2011	**42,378,431**		**$ 21,642,026**
Warrants exercised	450,000	$ 0.25	112,500
Agents warrants exercised	12,000	$ 0.25	3,000
Reallocation from warrants	-	$ -	2,098
Balance at August 20, 2012	**42,840,431**		**$ 21,759,624**

WARRANTS OUTSTANDING

	Number of Warrants		Weighted Average Exercise Price
Balance at October 1, 2010	**4,241,282**	**$**	**1.30**
Warrants granted	17,246,220	$	0.81
Warrants exercised	(6,516,948)	$	0.23
Warrants expired	(10,000)	$	0.25
Balance at September 30, 2011	**14,960,554**	**$**	**0.89**
Warrants exercised	(450,000)	$	0.25
Warrants expired	(658,000)	$	0.30
Balance at August 20, 2012	**13,852,554**	**$**	**0.93**

Expiry Date	Number of Warrants		Exercise Price
October 20, 2012	3,268,332	$	0.35
March 7, 2013	3,612,000		$1.00/$1.25
April 11, 2013	6,972,222		$1.00/$1.25
	13,852,554	**$**	**0.93**

AGENTS WARRANTS OUTSTANDING

	Number of Warrants		Weighted Average Exercise Price
Balance at October 1, 2010	**-**	**$**	**-**
Agent warrants granted	1,322,561	$	0.76
Agent warrants exercised	(293,791)	$	0.25
Balance at September 30, 2011	**1,028,770**	**$**	**0.90**
Agent warrants exercised	(12,000)	$	0.25
Balance at August 20, 2012	**1,016,770**	**$**	**0.90**

Expiry Date	Number of Warrants		Exercise Price
October 20, 2012	275,875	$	0.35
March 7, 2013	252,840		$1.00/$1.25
April 11, 2013	488,055		$1.00/$1.25
	1,016,770	**$**	**0.90**

OPTIONS OUTSTANDING

Grant Date	Expiry Date		Exercise Price	Number of Options Outstanding	Number of Options Exercisable
October 28, 2010	October 28, 2012	$	0.25	995,000	995,000
December 1, 2010	December 1, 2012	$	0.35	200,000	200,000
December 15, 2010	December 15, 2012	$	0.35	300,000	300,000
January 5, 2011	January 5, 2013	$	0.45	220,000	220,000
April 11, 2011	April 11, 2013	$	0.45	500,000	500,000
May 6, 2011	May 6, 2013	$	0.45	125,000	93,750
September 14, 2011	September 14, 2013	$	0.38	200,000	200,000
		$	**0.35**	**2,540,000**	**2,508,750**

	Number of Options		Weighted Average Exercise Price
Balance at October 1, 2010	**1,075,000**	**$**	**0.20**
Options granted	2,645,000	$	0.34
Options exercised	(557,500)	$	0.21
Options expired	(622,500)	$	0.20
Balance at September 30, 2011 and August 20, 2012	**2,540,000**	**$**	**0.35**

FIRST TIME ADOPTION OF IFRS

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

These are the Company’s second IFRS condensed interim financial statements for the period covered by the Company’s first IFRS annual financial statements for the year ending September 30, 2012. The Company previously prepared its annual and condensed interim financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). Canadian GAAP differs in some areas from IFRS. In preparing the condensed interim financial statements, management has amended certain accounting policies and measurement methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The notes and this MD&A contain the reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, operations, and comprehensive loss, along with the reconciliations of the statements of financial position as at October 1, 2010, June 30, 2011, and September 30, 2011, and a summary reconciliation of the statements of comprehensive loss for the nine months ended June 30, 2011 and for the year ended September 30, 2011.

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective September 30, 2012, the Company’s first annual IFRS reporting date; however, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue, and expenses within its financial statements.

The Company's financial statements for the year ending September 30, 2012 are the first annual financial statements that will comply with IFRS, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS.

IFRS 1 also requires that comparative financial information be provided; as a result, the first date at which the Company has applied IFRS was October 1, 2010 (the "Transition Date"). IFRS provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

INITIAL ELECTIONS UPON ADOPTION OF IFRS

The guidance for the first time adoption of IFRS is set out in IFRS 1. Under IFRS 1, changes in accounting policies resulting from the adoption of IFRS are applied retrospectively at the Transition Date with all adjustments to the deficit unless certain optional exemptions are applied. The Company has applied the following optional exemptions to its opening statement of financial position at October 1, 2010:

Share-based payments

IFRS 1 does not require first-time adopters to apply IFRS 2, Share-Based Payments, to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the Transition Date. The Company has elected not to apply IFRS 2 to awards that vested prior to October 1, 2010.

Estimates

IFRS 1 requires that an entity's estimates under IFRS for the comparative periods must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates for the comparative periods are consistent with its Canadian GAAP estimates for the same date.

CHANGES IN ACCOUNTING POLICIES

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective September 30, 2012, the Company's first annual IFRS reporting date; however, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue, and expenses within its financial statements.

Impairment of (non-financial) assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS also requires the reversal of any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced. Canadian GAAP prohibits the reversal of impairment losses.

The Company's accounting policies related to impairment of assets have been changed to reflect these differences. There is no impact on the Company's condensed interim financial statements.

Decommissioning liability (asset retirement obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the Company's condensed interim financial statements.

Share-based payments

In certain circumstances, IFRS requires a different measurement of share-based compensation than Canadian GAAP. In particular, IFRS requires that each tranche (that vests separately) must be treated as a separate grant and that an estimate of forfeitures be included in the determination of the expense associated with stock option grants.

The Company's accounting policies related to share-based payments have been changed to reflect these differences. There is no significant impact on the Company's condensed interim financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed interim financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of the condensed interim financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. No impairments of non-financial assets have been recorded for the nine months ended June 30, 2012 (June 30, 2011 – $Nil).

Useful life of property, plant, and equipment

Property, plant, and equipment are depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of equipment. Total carrying value of property, plant, and equipment at June 30, 2012 was $1,641 (September 30, 2011 - $2,068).

Share-based payments

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's condensed interim financial statement of comprehensive loss. For the nine months ended June 30, 2012, the Company recognized share-based compensation expense of $6,744 (June 30, 2011 - $549,950).

Mineral interests

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral interests. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral interests under exploration and subject to different accounting treatment. As at September 30, 2011 and June 30, 2012, management had determined that no reclassification of mineral interests was required

Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the condensed interim financial statements.

RECONCILIATION OF CANADIAN GAAP TO IFRS

In preparing its opening IFRS statement of financial position, comparative information for the three months ended December 31, 2010 and financial statements for the year ended September 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position is set out in the table on the following page.

The adoption of IFRS has had no impact in the net cash flows of the Company; accordingly, no reconciliation for the Statements of Cash Flows has been presented.

The changes in accounting policies resulting from the Company's adoption of IFRS had no significant impact on financial statements for these comparative periods, other than an increase in the comprehensive loss for the year ended September 30, 2011 and a transfer within equity due to a change in the fair value of options and agent warrants issued:

	Year ended September 30, 2011	Nine months ended June 30, 2011
Comprehensive loss per Canadian GAAP	$ 2,381,350	$ 1,579,153
Adjustment on adoption of IFRS	6,468	(42,571)
Comprehensive loss per IFRS	$ 2,387,818	$ 1,536,582

	October 1, 2010			June 30, 2011			September 30, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets									
Current									
Cash	$ 668	$ -	$ 668	$ 894,508	$ -	$ 894,508	$ 428,550	$ -	$ 428,550
Amounts receivable	-	-	-	55,204	-	55,204	1,623	-	1,623
HST receivable	17,883	-	17,883	16,487	-	16,487	15,831	-	15,831
Due from related parties	-	-	-	-	-	-	59,339	-	59,339
Prepaid expenses	5,514	-	5,514	21,974	-	21,974	37,414	-	37,414
	24,065	-	24,065	988,173	-	988,173	542,757	-	542,757
Non-current									
Equipment	2,862	-	2,862	2,266	-	2,266	2,068	-	2,068
Mineral interests	489,822	-	489,822	6,268,587	-	6,268,587	5,777,664	-	5,777,664
Deposit on option to purchase	-	-	-	983,000	-	983,000	1,687,294	-	1,687,294
	$ 516,749	$ -	$ 516,749	$ 8,242,026	$ -	$ 8,242,026	$ 8,009,783	$ -	$ 8,009,783
Liabilities									
Current									
Accounts payable and accrued liabilities	$ 99,610	$ -	$ 99,610	$ 78,312	$ -	$ 78,312	$ 313,914	$ -	$ 313,914
Promissory note payable	34,401	-	34,401	-	-	-	-	-	-
Due to related party	35,411	-	35,411	5,804	-	5,804	38,318	-	38,318
	169,422	-	169,422	84,116	-	84,116	352,232	-	352,232
Shareholders' Equity									
Share capital	12,819,147	-	12,819,147	21,426,875	-	21,426,875	21,642,026	-	21,642,026
Share subscriptions receivable	-	-	-	-	-	-	(60,409)	-	(60,409)
Share subscriptions received	15,000	-	15,000	-	-	-	-	-	-
Reserves	2,329,347	-	2,329,347	3,126,355	(42,571)	3,083,784	3,273,451	6,468	3,279,919
Accumulated deficit	(14,816,167)	-	(14,816,167)	(16,395,320)	42,571	(16,352,749)	(17,197,517)	(6,468)	(17,203,985)
	347,327	-	347,327	8,157,910	-	8,157,910	7,657,551	-	7,657,551
	$ 516,749	$ -	$ 516,749	$ 8,242,026	$ -	$ 8,242,026	$ 8,009,783	$ -	$ 8,009,783

NOTES ON RECONCILIATION OF CANADIAN GAAP TO IFRS

Under Canadian GAAP, the Company measured share-based payments related to share purchase options and agents warrants at the fair value of the options and agents warrants granted using the Black-Scholes option pricing model and recognized this expense over the vesting period of the underlying options and agents warrants. For the purpose of accounting for share-based payment transactions, an individual is classified as an employee when the individual is consistently represented to be an employee under law. The fair value of the options granted to employees is measured at the date of grant. The fair value of options and agents warrants granted to contractors, consultants, and agents are measured on the date the services are completed. Forfeitures are recognized as they occur.

IFRS 2 requires the Company to measure share-based payments related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options using the graded method; however, for options and agents warrants granted to non-employees, IFRS requires that share-based payments be measured at the fair value of the services received unless the fair value cannot be reliably measured. For the purpose of accounting for share-based payment transactions, an individual is classified as an employee when the individual is an employee for legal or tax purposes (a direct employee) or provides services similar to those performed by a direct employee. This definition of an employee is broader than that previously applied by the Company; accordingly, certain contractors and consultants are classified as employees under IFRS.

No share purchase options were reclassified; however, share purchase options expensed over a vesting period were adjusted under IFRS using the graded method. The fair value of agents warrants were adjusted to reflect the fair value of the services received.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, amounts receivable, amounts due to/from related parties, and accounts payable and accrued liabilities approximate their carrying values due to the immediate or short-term nature of these instruments.

Fair value hierarchy

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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).

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The Company's financial assets are not subject to material financial risks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at June 30, 2012 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs and close its major transaction. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company is not exposed to interest rate price risk as it does not have any cash and cash equivalents at June 30, 2012 which bear interest.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to cash, and accounts payable and accrued liabilities that are denominated in US dollars. The balances to close on a mineral interest and on an option to purchase a private mining company are also denominated in US dollars.

	June 30, 2012 USD	September 30, 2011 USD	October 1, 2010 USD
Cash	**$ 28**	$ 267	$ -
Accounts payable and accrued liabilities	**$ 93,860**	$ 156,468	$ -

At June 30, 2012, financial instruments were converted at a rate of US$1.00 to $1.01910 Canadian.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would not significantly affect its cash position at this time. When the Company closes its two major transactions, a 5% change in the absolute rate of exchange for US dollars would significantly affect its cash position.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

OTHER RISKS AND UNCERTAINTIES

The Company is an exploration stage company with respect to its mineral interests. Based on the information available to date, the Company has not yet determined whether its mineral interests contain economically recoverable reserves. The recoverability of the amounts shown for mineral interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production.

In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's mineral interests.

Risks associated with exploration stage companies

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has not proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development. The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of it equity or debt securities or joint venture agreements to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.

Exploration and development

At this time, the Company's primary mineral property is in the exploration stage and the Company does not have an operating history with respect to its exploration activities. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions.

Property title

Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties it owns, controls, or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral interests may be subject to prior unrecorded agreements or transfers or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of the Company's mineral interests which, if successful, could impair development and operations. This situation may by exacerbated due to the large number of title transfers historically involved with some properties.

Licenses and permits

The Company will require licenses and permits from various governmental authorities regarding the Company's mineral interests. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations for its mineral interests. Failure to obtain and maintain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration and development work which may result in its losing its interest in the subject property.

Operating hazards and risks

Fires, power outages, labour disputes, flooding explosions, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labour are some of the risks involved in exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expense and delays in the activities of the Company, and may render the Company's properties uneconomic. The Company has no liability insurance and the Company may become subject to liability for pollution, cave-ins, or hazards against which it cannot insure, or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect of the Company's financial position.

Competition

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical and financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable.

Profitability of operations

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time as production is achieved from its properties, if production is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

Foreign currency risk

At this time, the Company's primary mineral property is located in the United States. Future changes in exchange rates could materially affect the viability of exploring and development this property.

Market risks

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices have fluctuated widely in recent years. The marketability and price of minerals which may be produced or acquired by the Company will be

affected by numerous factors beyond the control of the Company. These factors include delivery uncertainties related to the proximity of its reserves to processing facilities, and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals, and many other aspects of the mining business. Declines in mineral prices may have a negative effect of the Company.

Future financings

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The Company's available sources of funds are: existing cash; the further sale of equity capital; and the offering by the Company of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in dilution to current shareholders.

Going concern

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its mineral exploration programs.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.