# PLANET EXPLORATION INC.

## MANAGEMENT'S DISCUSSION & ANALYSIS

## FOR THE THREE MONTHS ENDED JUNE 30, 2011

Dated September 28, 2011

**PLANET EXPLORATION INC.**
**MANAGEMENT'S DISCUSSION & ANALYSIS**
**FOR THE THREE MONTHS ENDED JUNE 30, 2011**

September 28, 2011

## Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") for the three months ended June 30, 2011 are prepared by management on September 28, 2011 for Planet Exploration Inc. (the "Company") in accordance with International Financial Reporting Standards ("IFRS"). The MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the three months ended June 30, 2011 and 2010, which were prepared in accordance with IFRS and audited consolidated financial statements for the year ended March 31, 2011, which were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

## Forward Looking Information

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets such as Canadian dollar and U.S. dollar, fluctuations in the prices of gold and other commodities, changes in government legislation, taxation, controls, regulations and political or economic developments in Canada and other countries in which the Company carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the "Risks and Uncertainties" and "Use of Estimates and Judgments" sections of these MD&A for a discussion of some of the factors underlying forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.

## OUTLOOK

The Company is a junior mineral exploration company that is listed under the symbol "PXI" on the TSX Venture Exchange. To date, the Company has not earned any revenue from its mineral property interests and is considered to be in the exploration stage.

On June 9, 2011 Salim Jivraj resigned from the board of directors of the Company.

**Abbreviations**
Au – gold
g/t – grams per tonne
m – metres
oz – ounces

## MINERAL PROPERTIES

***The Red Lake, Ontario (Sidace Lake) project***

**Location and Ownership**

The Red Lake project comprises of 63 unpatented contiguous mining claims covering an area of 12,224 ha, located 25 km northeast of Balmertown, Red Lake Mining Division, Ontario. The property is owned by Planet as to 40% and Goldcorp Red Lake Gold Mines, an affiliate of Goldcorp Inc. ("Goldcorp") as to 60% under the terms of a joint venture. The Sidace Lake property is subject to a 1% Net Smelter Royalty.

**Brief History**

Since 1998, when Planet first took an interest in the property, 246 diamond drill holes, totalling 90,142 metres of NQ core have been drilled on the Sidace lake joint venture.

On April 14, 2009, Planet announced a National Instrument 43-101 ("NI 43-101") compliant independent Technical Review of the Sidace Lake Gold Property, including a Mineral Resource Estimate on the 2 most advanced of 6 prospects on the claims, the Main Discovery and Upper Duck Zones, Red Lake Mining Division, Northwestern Ontario. The Technical Report was produced by Watts, Griffis and McQuat Limited ("WGM"), a geological engineering firm based in Toronto, Ontario. The Technical Report demonstrates:

**TABLE OF MINERAL RESOURCE ESTIMATES FOR THE MDZ AND UDZ DEPOSITS SHOWING SENSITIVITY TO CUT-OFF GRADE**

| Cut-off | Indicated Resource | | | Inferred Resource | | |
|---|---|---|---|---|---|---|
| Grade | Mass | Grade | Content | Mass | Grade | Content |
| gm Au/t | tonnes* | gm Au/t | Au oz* | tonnes* | gm Au/t | Au oz* |
| **MDZ** | | | | | | |
| 0.50 | 1,601,400 | 2.41 | 124,300 | 3,093,500 | 2.10 | 208,600 |
| 1.00 | 1,401,300 | 2.65 | 119,300 | 2,437,000 | 2.46 | 192,400 |
| 1.50 | 1,119,500 | 3.00 | 107,900 | 1,677,200 | 3.01 | 162,500 |
| 2.00 | 815,500 | 3.46 | 90,800 | 1,152,900 | 3.59 | 133,000 |
| 2.50 | 551,300 | 4.05 | 71,900 | 816,600 | 4.15 | 108,900 |
| 3.00 | 376,200 | 4.67 | 56,500 | 558,800 | 4.80 | 86,200 |
| **UDZ** | | | | | | |
| 0.50 | 413,000 | 2.92 | 38,700 | 616,700 | 3.19 | 63,300 |
| 1.00 | 337,100 | 3.40 | 36,900 | 557,700 | 3.44 | 61,700 |
| 1.50 | 247,600 | 4.19 | 33,300 | 425,800 | 4.11 | 56,300 |
| 2.00 | 162,800 | 5.46 | 28,600 | 308,600 | 5.01 | 49,700 |
| 2.50 | 117,800 | 6.70 | 25,400 | 236,000 | 5.87 | 44,600 |
| 3.00 | 94,900 | 7.66 | 23,400 | 179,600 | 6.86 | 39,600 |
| **Total MDZ and UDZ** | | | | | | |
| 0.50 | 2,014,400 | 2.52 | 163,000 | 3,710,200 | 2.28 | 271,900 |
| 1.00 | 1,738,300 | 2.80 | 156,200 | 2,994,700 | 2.64 | 254,100 |
| 1.50 | 1,367,200 | 3.21 | 141,300 | 2,103,100 | 3.24 | 218,800 |
| 2.00 | 978,300 | 3.80 | 119,400 | 1,461,500 | 3.89 | 182,800 |
| 2.50 | 669,100 | 4.52 | 97,300 | 1,052,600 | 4.53 | 153,500 |
| 3.00 | 471,100 | 5.27 | 79,900 | 738,400 | 5.30 | 125,800 |

* All tonnage and total oz Au figures rounded to nearest hundred. Totals may not add up due to rounding.

- The estimates were prepared from two separate block models, each using a 1.5 g Au/t cut-off grade and a 35 g Au/t high grade cap, based on a gold price of US$800/oz and a US$:C$ exchange rate of 1:1.2.
- These resources are open at depth and in the case of the MDZ, laterally towards the northeast and southwest. The UDZ is cut off by dykes to the northeast and by a fault to the southwest. Previous drilling (RL-05-77, RL05-105) picked up gold mineralization in iron formation to the west of the fault.

Over the past management was actively investigating options to consolidate or increase Planet's interest in the property and to further drill in order to expand the known resources at the MDZ and UDZ and to further explore the several known high-potential prospects on the property. As Goldcorp is the operator and the majority interest owner in the property, our ability to pursue these options is restricted by and dependent upon receiving their support. The Operator has not proposed a current exploration program and accordingly, Planet is evaluating its options with respect to advancing the property and advancing its business in general.

## *The Golden Loon project, British Columbia*

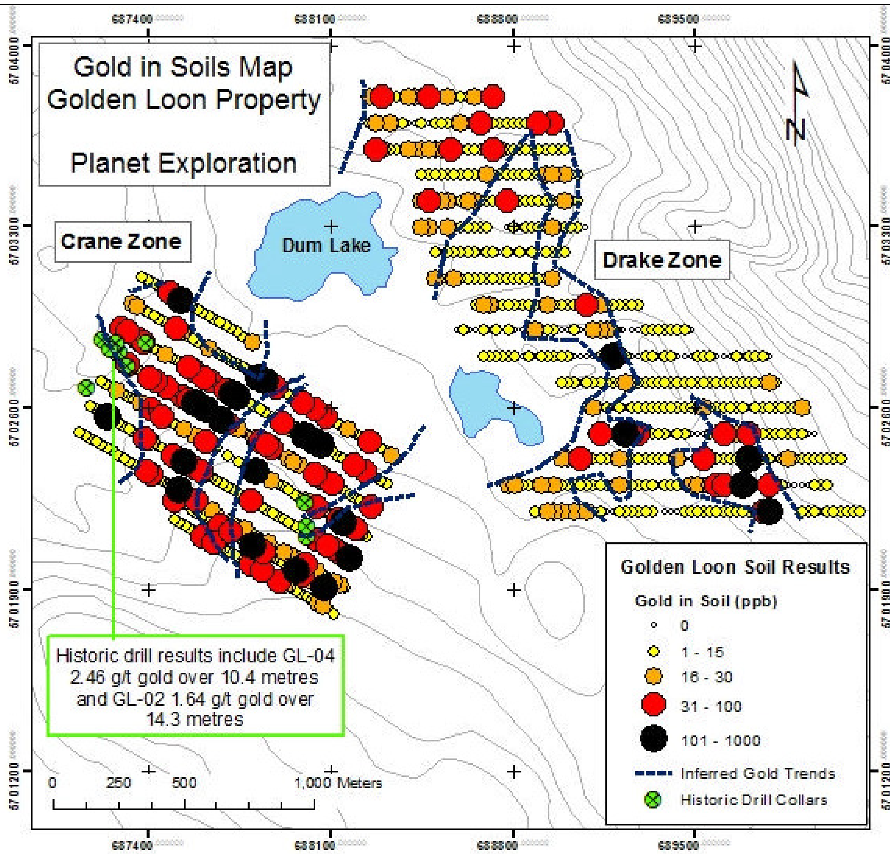
On February 15, 2011, the Company signed an option agreement with Tilava Mining Corporation, a private company, to acquire an initial 70% interest, which can be increased to 100%, in Tilava's Golden Loon gold and copper project located 80 kilometres north of Kamloops, British Columbia. For details of the agreement refer to the audited financial statements for the year ended March 31, 2011.

The Property comprises 15 mineral claims with a total area of 1,983 hectares, located eight kilometres west of the town of Little Fort, British Columbia, and is road accessible. The Property hosts two multi-kilometre gold and copper in soil and bedrock anomalies with positive preliminary drill results, and is underlain by a highly developed network of silicified and frequently gold-mineralized structures that have extensively altered the country rocks.

In April 2011 the Company announced the discovery of widespread elevated gold within a 2000+ metre long soil anomaly at the Golden Loon property. This discovery doubles the area of previously reported gold-in-soils and suggests that a broad, widely gold mineralized structural network underlies the property.

Discovery of Gold at Drake Target Doubles Footprint of Gold System

Historic exploration defined an open-ended 2500+ metre by 1000+ metre area of largely continuous elevated copper-in-soil values east of Dum Lake, the “Drake” zone, which was never tested for precious metal content. A new series of 545 soil samples were collected from a 2,200 metre by 300 to 1,000 metre wide grid over the core of the Drake zone. Multiple gold-in-soil targets have now been identified, with soil values returning up to 565 ppb (0.565 g/t) gold. These define a similar northwest and northeast trending gold-in-soil pattern as has been successfully drill tested in the “Crane” zone, 1 kilometre to the southwest. The newly defined gold targets in the Drake zone are open to expansion in all directions.




In the Crane zone, gold-in-soil values overlie a strongly silicified, gold mineralized structural network. Historical reconnaissance drilling intersected multiple mineralized intervals including 2.46 g/t gold over 10.4 metres and 1.64 g/t gold over 14.3 metres in two separate drill holes. These occur within a broad generally 70 to 80 metre wide silicified and gold mineralized structure, and results approximate true mineralized thicknesses. The discovery of a similar gold-in-soil system in the Drake zone suggests that a widely mineralized structural network underlies both areas, defining a broad, greater than 2 square kilometre target that is open to expansion.

The 2011 exploration program at Golden Loon will continue with geological mapping and geochemical sampling, and ground-based geophysics and trenching to define drill targets. The Company will undertake an aggressive drill campaign on the Crane and Drake zones upon target definition.

## SELECTED FINANCIAL INFORMATION

For the years ended March 31, 2011, 2010 and 2009 (under IFRS unless otherwise noted) ($)

| | **2011** | **2010** Under Canadian GAAP | **2009** Under Canadian GAAP |
|---|---|---|---|
| Total assets | 11,734,987 | 10,874,433 | 11,951,032 |
| Total liabilities | 146,853 | 585,537 | 1,396,181 |
| Interest income | (46,726) | (18,511) | (158,939) |
| Net (loss) for the year | (539,007) | (402,567) | (465,675) |
| Loss per share | (0.017) | (0.011) | (0.017) |

By recent eight Quarters (under IFRS unless otherwise noted) ($)

| | **June 30, 2011** | **March 31, 2011** | **December 31, 2010** | **September 30, 2010** |
|---|---|---|---|---|
| Interest income | 16,925 | 17,108 | 15,162 | 9,470 |
| Net (loss) for the period | (94,743) | (53,823) | (349,348) | (62,677) |
| Net (loss) per share | (0.003) | (0.001) | (0.01) | (0.002) |

| | **June 30, 2010** | **March 31, 2010** Under Canadian GAAP | **December 31, 2009** Under Canadian GAAP | **September 30, 2009** Under Canadian GAAP |
|---|---|---|---|---|
| Interest income | 4,986 | 3,740 | 4,028 | 4,450 |
| Net (loss) for the period | (73,159) | 15,857 | (108,733) | (94,246) |
| Net (loss) per share | (0.003) | 0.001 | (0.004) | (0.004) |

## RESULTS OF OPERATIONS

### Three months ended June 30, 2011 and 2010

For the three months ended June 30, 2011, operating expenses totaled $111,668 and net loss was $94,743. The Company had $78,145 in operating expenses and a net loss of $73,159 for the three months ended June 30, 2010.

An increase of $19,298 in stock based compensation expense from $3,233 incurred during the three months ended June 30, 2010 to $22,531 incurred during the same period of the current year primarily relates to 300,000 stock options granted, of which 75,000 vested, during the three months ended June 30, 2011. The stock based compensation recorded during the three months ended June 30, 2010 relates to stock options vested during the period.

Management and professional fees decreased by $22,611 and $6,994 respectively from $36,000 and $13,150 during the three months ended June 30, 2010 to $13,389 and $6,156 during the period ended June 30, 2011. Consulting fee decreased by $7,750 from $21,750 incurred during the three months ended June 30, 2010. These changes resulted from the cessation of certain contracts and management fees.

Travel and promotion expenditures and transfer agent and filing fees increased by $21,092 and $2,960 respectively from $379 and $758 incurred in 2010 to $21,471 and $3,718 incurred during the three months ended June 30, 2011. Office expenditures increased by $22,528 during the three months ended June 30, 2011 as compared to the prior period. The company incurred $6,000 in rent during the three months ended June 30, 2011. The Company did not rent an office during the same period of the previous year. All these changes are a result of increased activities by the Company.

The net loss was partially offset by interest income of $16,925 for the three months ended June 30, 2011 compared to $4,986 during the three months ended June 30, 2010.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's objectives when managing capital are:

- To safeguard the entity's ability to continue as a going concern.
- To maintain appropriate cash reserves on hand to meet ongoing exploration and operating costs.
- To invest cash in hand in highly liquid and highly rated financial instruments.

The Company defines its capital as shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may pay dividends, return capital to shareholders or issue new shares. The Company currently has no externally imposed capital requirements. Recent economic conditions have not significantly affected Planet's objectives, policies or processes for managing its capital.

In September 2010, the Company closed a private placement consisting of 10,000,000 Units of the Company, at $0.12 per Unit, for gross proceeds of $1,200,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at any time until September 17, 2012 at an exercise price of $0.25 per share.

During the year ended March 31, 2011, 825,000 options (2010 – nil) were exercised for aggregate proceeds of $140,250 (2010 - $nil). During the year ended March 31, 2011, 150,000 warrants (2010 – nil) issued in private placement were exercised for gross proceeds of $37,500 (2010 - $nil).

The Company has no debt and working capital of $4,960,257 as at June 30, 2011 ($5,512,690 as at March 31, 2011). The Company utilizes this working capital for expenditures on exploration and general and administrative expenses.

## RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2011, the Company incurred $66,013 (2010 – $nil) in geological services which were capitalized to mineral properties, $7,822 (2010 – $nil) in promotion and shareholder information included in prepaid expenses, $37,960 (2010 – $nil) in office, administration and consulting expenses, $159 (2010 – $nil) in professional fees, $2,889 in management fees and $1,658 in travel, promotion and shareholder information from a company in which an officer and a director of the Company is a director. $32,874 (March 31, 2011 – $3,853) was payable as at June 30, 2011. These expenses were charged to the Company at cost.

During the three months ended June 30, 2011, the Company incurred $10,500 (2010 – nil) in management fees from a company controlled by a director and officer of the Company. $3,920 was payable with respect to these fees as at June 30, 2011 (March 31, 2011 – $3,920).

During the three months ended June 30, 2011, the Company paid a total of $44,000 (2010 – $nil) for rent to companies with directors in common. The Company expensed $6,000 (2010 – $nil) of this amount as rental expense during the current period, $32,000 (2010 – $nil ) representing 16 months rental fees is included in prepaid expenditures and $6,000 (March 31, 2011 – $6,000) was paid to settle a prior period payable.

During the three months ended June 30, 2011, the Company incurred $nil (2010 - $36,000) in management fees from an officer and directors of the Company. $Nil was payable with respect to these fees as at June 30, 2011 (March 31, 2011 - $nil).

During the three months ended June 30, 2011, the Company incurred $Nil (2010 - $15,000) in consulting fees from a director of the Company. There was no payable with respect to this fee as at June 30, 2011 and March 31, 2011.

Accounts receivable from a director and officer of the Company amounts to $8,248 (March 31, 2011 - $8,248).

These related party transactions are in the normal course of operations and have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

## SHARE CAPITAL

Issued and outstanding common shares:

| | Number of Shares | Amount |
|---|---|---|
| Balance, March 31, 2009 | 25,319,190 | $ 11,341,692 |
| Stock based compensation | - | - |
| Net loss for the year | - | - |
| Balance, March 31, 2010 | 25,319,190 | $ 11,341,692 |
| Shares issued for cash, net of share issue costs | 10,000,000 | 1,185,297 |
| Shares issued for warrants | 150,000 | 37,500 |
| Shares issued for stock options | 825,000 | 221,240 |
| Shares issued for resource property | 330,000 | 89,100 |
| Balance, March 31 and June 30, 2011 | 36,624,190 | $ 12,874,829 |
| Shares issued for resource property | 300,000 | 69,000 |
| Shares issued to finders of resource property | 15,000 | 3,450 |
| **Balance, September 28, 2011** | **36,939,190** | **$ 12,947,279** |

### Stock Options

The Company has a stock option plan whereby the Company may grant options to its directors, officers, employees and consultants for up to 10% of the outstanding common shares from time to time with vesting rights determined at each grant date. The exercise price of each option equals the market price of the Company's stock on the date of the grant (less any permitted discount, if any) and an option's maximum term is five years.

A summary of the Company's stock option activity:

| | Number of options | Exercise price per share range | Weighted average exercise price |
|---|---|---|---|
| Balance, March 31, 2009 | 2,327,500 | \$ 0.17 - \$ 0.56 | \$ 0.27 |
| Expired | (20,000) | \$ 0.56 | 0.56 |
| Balance, March 31, 2010 | 2,307,500 | \$ 0.17 - \$ 0.48 | 0.27 |
| Granted | 1,800,000 | \$ 0.34 - \$ 0.35 | 0.34 |
| Exercised | (825,000) | \$ 0.17 | 0.17 |
| Cancelled | (935,000) | \$ 0.37 - \$ 0.48 | 0.37 |
| Expired | (170,000) | \$ 0.17 - \$ 0.38 | 0.36 |
| Balance, March 31, 2011 | 2,177,500 | \$ 0.17 - \$ 0.40 | 0.31 |
| Granted | 300,000 | \$ 0.36 | 0.36 |
| Balance, June 30, 2011 | 2,477,500 | \$ 0.17 - \$ 0.56 | 0.33 |
| Expired | (7,500) | \$ 0.40 | 0.40 |
| Balance, September 28, 2011 | 2,470,000 | \$ 0.17 - \$ 0.56 | \$ 0.32 |

As at September 28, 2011 the following stock options are outstanding and exercisable:

| Number of common shares under option | Exercise price per common share | Weighted average remaining contractual life in years | Exercisable |
|---|---|---|---|
| 370,000 | \$ 0.17 | 2.22 | 195,000 |
| 1,550,000 | 0.34 | 4.12 | 1,550,000 |
| 250,000 | 0.35 | 4.51 | 250,000 |
| 300,000 | 0.36 | 0.55 | 75,000 |
| 2,470,000 | \$ 0.31 | 3.44 | 2,070,000 |

**Share purchase warrants**

The following table summarizes changes in the number of warrants outstanding and exercisable:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| Balance, March 31, 2010 | - | \$ - |
| Granted | 10,000,000 | 0.25 |
| Exercised | (150,000) | 0.25 |
| Balance, March 31, 2011 | 9,850,000 | 0.25 |
| Balance, June 30 and September 28, 2011 | 9,850,000 | \$ 0.25 |

**Off-balance Sheet Arrangements**

As at June 30, 2011 as well as the date of this report, Planet does not have any off-balance sheet arrangements.

## USE OF ESTIMATES AND JUDGMENTS

### Critical accounting estimates

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

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock based compensation and other equity-based payments. Actual results may differ from those estimates and judgments.

### Mining Interests

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and exploration costs are capitalized and deferred until such time as the property is put into production, or the property is disposed of either through sale or abandonment. If put into production, the costs of acquisition and exploration will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the acquisition and deferred exploration costs will be written off to operations.

Management reviews capitalized costs on its mineral properties on a periodic basis and recognizes impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable operations from the property or sale of the property.

## RISKS AND UNCERTAINTIES

There can be no assurance that commercial quantities of valuable minerals will be recovered by Planet in the future. Mining exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Company will result in new discoveries of mineral deposits in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions and changes in drilling plans and locations as a result of prior exploratory holes or additional seismic data and interpretations thereof. The Company currently has focused its efforts on its property in Red Lake, Ontario. Exploration projects are reviewed at a very early stage for all aspects including: corporate fit, environmental issues, timing, costs and reward potential. Identified risks are addressed and excessive risks are mitigated, to the extent possible, before any project is approved. Management will continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards and their past practices. The long term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce valuable minerals. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation.

Interest rate risk

Planet's only source of income is interest revenues. The Company utilizes its working capital for expenditures on exploration and general and administrative expenses. As cash has been spent the amounts placed in higher interest earning deposits have declined. In addition, average interest rates have trended significantly lower over the previous eight quarters resulting in decreasing interest revenues. As at June 30, 2011 a 1% change in interest rates would affect the revenue derived from cash and cash equivalents by approximately $51,000 on an annual basis.

Financial risk and Capital Markets Uncertainty

Planet's business plan has been to grow through exploration of mineral resources. Planet's principal risks, as an exploration company, are that it must find and develop economic mineral resources and be able to fund the associated capital expenditures. Planet relies on equity financing. If any components of the business plan should be missing, the Company may not be able to continue executing the entire business plan.

The unprecedented disruptions in the credit and financial markets have had a significant material adverse impact on a number of financial institutions. As a result, certain companies have had and may continue to have, limited access to capital and credit. These disruptions could, among other things, make it more difficult for Planet to obtain, or increase its cost of obtaining capital and financing for its operations.

Mineral property risk

Acquisition and exploration costs of mineral property interests are capitalized and deferred until such time as the property is put into production, the property is disposed of either through sale or abandonment or the property is considered uneconomic in the foreseeable future. If put into production, the costs of acquisition and exploration will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property or option proceeds with respect to undeveloped properties are credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned or considered uneconomic in the foreseeable future, the acquisition and deferred exploration costs are written off to operations.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements. Management reviews capitalized costs on its mineral properties on a periodic basis and recognizes impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable operations from the property or sale of the property.

## Competition

The mining industry is intensively competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees.

## Environmental Regulations

The current and future operations of the Company, including further exploration, development activities and commencement of production on its properties, require permits from various Provincial, Federal and State governmental authorities. Such operations are subject to various laws governing land use, the protection of the environment, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances mine safety and other matters. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violation of applicable laws or regulations.

## Environmental Impact

The Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future and anticipates that such obligations will only arise when full scale development commences. As the Company's project is still in the exploration and development stage and no significant environmental impact has occurred to date, the Company does not currently consider that expenditures required meeting any ongoing environmental obligations at the projects material to its results or to financial condition to the Company at this time. However, these costs may become material in the future and will be reported in the Company's filings at that time.

## Uncertainty of Reserves and Mineralization Estimates

There are numerous uncertainties inherent in estimating proven and probable reserves and mineralization, including many factors beyond the control of the Company. The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may justify revision of such estimates. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated. Assumptions about prices are subject to greater uncertainty and metal prices have fluctuated widely in the past. Declines in the market price of base or precious metals also may render reserves or mineralization containing relatively lower grades of ore uneconomic to exploit. Changes in operating and capital costs and other factors including, but not limited to, short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades, may materially and adversely affect reserves.

Operating Hazards and Risks Associated with the Mining Industry

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Hazards such as unusual or unexpected formations and other conditions are involved. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage. The Company may become subject to liability for caveins and other hazards for which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration activities.

The Ability to Manage Growth

Should the Company be successful in its efforts to develop its mineral properties or to raise capital for other mining ventures it will experience significant growth in operations. If this occurs management anticipated that additional expansion will be required in order to continue development. Any expansion of the Company's business would place further demands on its management, operational capacity and financial resources. The failure to manage growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

Lack of Dividend Policy

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

Possible Dilution to Present and Prospective Shareholders

The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares, or securities convertible into common shares, would result in dilution, possibly substantial, to present and prospective holders of common shares.

Dependence of Key Personnel

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries.

Conflict of Interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Lack of Trading

The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of Share Price

Market prices for shares of early stage companies are often volatile. Factors such as announcements of mineral discoveries, financial results, and other factors could have a significant effect on the price of the Company's shares.

## CHANGES IN ACCOUNTING POLICIES

### *Adoption of International Financial Reporting Standards ("IFRS")*

The Company's condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - "Interim Financial Reporting". These are the Company's first IFRS interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 - "First-Time Adoption of International Financial Reporting Standards" has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 12 of the condensed interim financial statements. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP to those reported for those periods and at the date of transition under IFRS, along with details of the IFRS 1 exemptions taken. The adoption of IFRS does not impact the underlying economics of the Company's operations or cash flows.

## FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- Amendments to IFRS 7, Financial Instruments: Disclosure (effective July 1, 2011) introduces enhanced disclosure around transfer of financial assets and associated risks; and

- IFRS 9, Financial Instruments (effective January 1, 2013) introduces new requirements for the classification and measurement of financial assets and financial liabilities.

These accounting standards are not expected to have a significant effect on the Company's accounting policies or financial statements.

## OFF- BALANCE SHEET TRANSACTIONS

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

## DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company did not have significant revenues in its last three financial years.

## SUBSEQUENT EVENTS

Subsequent to the period ended June 30, 2011, upon TSX Venture Exchange approval, the Company issued 300,000 shares to the optionor and 15,000 to the finder of the Golden Loon property at a deemed price of $0.23 per share.

## DISCLOSURE CONTROLS AND PROCEDURES

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the financial statements and MD&A as at June 30, 2011. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the annual filings. The disclosure controls and procedures are effective in ensuring that information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

The Company's management, including its CEO and CFO, believe that any disclosure controls and procedures and internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override to the future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

There have been no changes in the Company's internal controls over financial reporting during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at **www.sedar.com**