

BONAPARTE RESOURCES INC.
MANAGEMENT DISCUSSION & ANALYSIS

YEAR ENDED AUGUST 31, 2011

December 27, 2011.

THE COMPANY

Bonaparte Resources Inc. (“the Company”) was incorporated pursuant to the Business Corporations Acts (British Columbia) on July 10, 2007. The Company was a Capital Pool Company as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. The principal business of the Company is the acquisition, exploration and development of mineral resource properties, including interests in various mineral claims located in the Yukon Territory. The Company is considered to be in the exploration stage. No revenues have been earned to date from its operations. The Company has not determined whether its mineral properties contain reserves that are economically recoverable.

During 2010, pursuant to shareholder approval, the Company changed its name to Bonaparte Resources Inc., to reflect the acceptance of the Qualifying Transaction and the Company’s conversion into a mineral exploration company.

FINANCIAL STATEMENTS

Readers are directed to the financial statements of the Company for the year ended August 31, 2011. These financial statements are prepared in Canadian dollars and according to Canadian Generally Accepted Accounting Principles. The Company does not propose to alter or adopt any changes in its accounting policies. The Company’s financial statements and other documents related to the Company are available on Sedar at www.sedar.com

FORWARD-LOOKING STATEMENTS

This MD & A contains certain statements that may be deemed “forward-looking statements”. All statements in this MD & A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could”, or “should” occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. 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 may differ materially from these forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-

looking statements include market prices, exploitation and exploration success, and continued availability of capital and financing as well as general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments are based on the beliefs, estimates and opinions of the Company's management on the date the statements were made.

At this early stage of the Company's development, forward-looking statements would include any statements regarding the expected exploration programs on the Hopper and the Hooch properties, and the expected sources of funding for the Hopper option acquisition and exploration programme. Undue reliance should not be placed on this forward-looking information because the exploration programs involve a number of risk factors, which would include, but are not limited to discovery of reserves and their estimates, fluctuations in mineral prices and uncertainties as to the availability and cost of financing and changes in the capital markets.

FINANCING

During the year, the Company received \$12,986 from the exercise of 86,574 stock options at a price of \$0.15 per share. In addition, in order to fund the work program on the Hopper and Hooch properties, the Company entered into private placements and raised \$1,200,000 from the issue of 3,000,000 flow-through units at a price of \$0.40 per Unit. Each unit consisted of one (1) flow-through share and one-half non-flow-through share purchase warrant with each full warrant convertible into one (1) share at an exercise price of \$0.50 until December 30, 2011. Pursuant to the issue, the Company is deemed to have recovered some of its non-capital losses carried forward from prior years for income tax purposes in the amount of the flow-through shares issued. Accordingly, the Company has realized an income tax gain of \$330,120 in the year

During the year, share purchase warrants for the purchase of 406,167 shares at a price of \$0.55 expired unexercised.

During the year, the Company has prepared and the Directors have authorized a new Stock Option Plan (the "Plan") whereby the Company has granted incentive stock options to Directors and Consultants of the Company. The Plan has been structured to comply with the rules of the TSX-V and accordingly, the aggregate number of shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date including any options which may have been granted earlier, but remain unexercised. The options may not exceed a term of five years. In total the Company has granted options to purchase a total of 1,058,334 shares at various prices and exercise periods. As of the year end, 971,760 options remain unexercised. During the year, pursuant to the rules for Stock Based Compensation the Company expensed a charge of \$127,956 related to the granting of the stock options that was calculated under the fair value method according to Canadian generally accepted accounting principles.

FINANCIAL PERFORMANCE

The Company is a junior mining company primarily engaged in the acquisition and exploration of mineral properties. The Company does not have any operations nor proposed operations. The Company continues to incur administrative expenses as it assesses the results of the exploration of the Hopper and Hooch Properties undertaken during the year. During the year ended August 31, 2011, the Company incurred net administrative expenses totalling \$235,048 (2010 - \$148,287) before interest income of \$10,517 (2010 - \$1,790), and the write-off of the Rosy Property of \$405,236 (2010 - \$Nil) for a net and comprehensive loss before income tax recoveries of \$629,727 (2010 - \$146,498) for the year. After the income tax recovery of

\$330,120 the Company had a net and comprehensive loss for the year of \$299,647 (2010 - \$146,498). This amounted to a loss per share of \$0.03 per share for the year (2010 - \$0.02). The largest expenses for the period were stock based compensation of \$127,956 (2010 - \$19,877), professional fees of \$33,378 (2010 - \$91,655) and management fees totalling \$48,000 (2010 - \$Nil). The Company has working capital of \$159,789 (2010 - \$501,927) as of the end of the year. This does not include \$769,858 in cash advances to contractors for exploration expenditures on the Hopper and Hooch properties undertaken subsequent to the year end.

SELECTED ANNUAL INFORMATION

The following is selected financial data from the audited financial statements of the Company for the last three complete fiscal years. This data should be read in conjunction with the audited financial statements for the year ended August 31, 2011 and the notes thereto.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Revenues	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>
Net income (loss) before discontinued or extraordinary items	\$ (299,647)	\$ (146,498)	\$ (27,147)
Per common share	\$0.03	\$ 0.02	\$ 0.02
Net and comprehensive income (loss) loss for the year	\$ (299,647)	\$ (146,498)	\$ (27,147)
Per common share	\$0.03	\$ 0.00	\$0.02
Total Assets	\$ 1,561,516	\$ 979,085	\$ 511,839
Long Term Liabilities	Nil	Nil	Nil
Cash Dividends	Nil	Nil	Nil

The results of operations for the most recently completed year resulted in a loss of \$299,647 as compared to a loss of \$146,498 for 2010. The Company has no operations or revenues apart from minor amounts of interest income. The largest expenditures were professional fees of \$33,378 (2009 - \$95,655), stock based compensation of \$127,956 (2010 - \$19,877) and management fees of \$48,000 (2010 - \$Nil). General and administrative expenses, before other income and other expenses, increased by \$148,288 over the same expenses for 2010. In addition the Company wrote-off the Rosy Property thereby incurring a charge of \$405,235 and a recovery of income tax losses carried forward from the issue of flow-through shares in the amount of \$330,120.

SUMMARY OF QUARTERLY RESULTS

The following is selected financial data from the audited financial statements for the year ended August 31, 2011 and should be read in conjunction with those financial statements and the notes thereto.

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Quarter Ended	Aug 31/11	May 31/11	Feb 29/11	Nov 30/10
Net income (loss) before discontinued or extraordinary items	\$ (168,354)	\$ (30,313)	\$ (95,098)	\$ (5,882)
Per common share	\$ 0.02	\$ (0.00)	\$ (0.01)	\$ (0.00)
Net Income (loss) for the period	\$ (168,354)	\$ (30,313)	\$ (98,098)	\$ (5,882)
Per common share	\$ 0.02	\$ (0.00)	\$ (0.01)	\$ (0.00)
Total Assets	\$ 1,561,516	\$ 1,587,655	\$ 1,620,599	\$ 956,134
Long Term Liabilities	Nil	Nil	Nil	Nil
Cash Dividends	Nil	Nil	Nil	Nil

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Quarter Ended	Aug 31/10	May 31/10	Feb 29/10	Nov 30/09
Net income (loss) before discontinued or extraordinary items	\$ (36,070)	\$ (25,851)	\$ (43,610)	\$ (40,967)
Per common share	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ (0.01)
Net Income (loss) for the period	\$ (36,070)	\$ (25,851)	\$ (43,610)	\$ (40,967)
Per common share	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ (0.02)
Total Assets	\$ 979,085	\$ 668,258	\$ 714,973	\$ 512,911
Long Term Liabilities	Nil	Nil	Nil	Nil
Cash Dividends	Nil	Nil	Nil	Nil

The results of operations for the most recently completed quarter resulted in a net and comprehensive loss of \$168,354 as compared to a loss of \$36,070 for 2010. The Company has no operations or revenues apart from \$10,517 of interest income. The largest expenditures were professional fees of \$19,156, consulting fees of \$28,500, management fees of \$18,000 and stock based compensation of \$94,969.

CONTINUING OPERATIONS

Rosy Property

During 2009, the Company entered negotiations with Atac Resources Ltd (“Atac”) for the acquisition of a mineral property that was to become the qualifying transaction. The Company and Atac have entered into an Option Agreement whereby the Company has acquired an option to earn a 50% interest in 90 claims, known as

the Rosy Claims, located within the Whitehorse Mining District, Yukon Territory. The Company will acquire a 50% interest in exchange for \$5,000 paid on the execution of the Option Agreement, additional cash payments of \$10,000, \$15,000 and \$20,000 on or before February 1, 2010, 2011 and 2012 respectively. The Company is also required to incur exploration expenditures of not less than \$1,000,000 over the three-year period, comprised of \$300,000, \$300,000 and \$400,000, on or before December 31, 2010, 2011 and 2012 respectively. In addition, the Company will issue Atac 1,500,000 shares in the capital of the Company, comprised of 300,000, 500,000 and 700,000, on or before February 1, 2010, 2011 and 2012 respectively.

This Option Agreement was accepted by the TSX – Venture Exchange as the Company’s Qualifying Transaction during 2010. The Company paid \$15,000 in cash and issued 300,000 shares in the capital of the Company with a fair value of \$165,000 for total acquisition and holding costs of \$180,000.

Atac Resources and the Company prepared an exploration budget for the Rosy Property for the 2010 exploration season. The budget took into consideration factors such as the compressed exploration period in the Yukon and the availability of professional exploration contractors, personnel and the necessary support services. It was agreed that the Company would engage Archer Cathro & Associates (“Archer Cathro”), a well experienced exploration company to conduct the exploration program. The Company advanced \$319,865 to Archer Cathro for the program and the Company incurred total exploration and development expenditures of \$225,236 on the Rosy Property.

On September 29, 2010 the Company issued a press release regarding the results of the exploration program for 2010. Readers are directed to that news release. The technical details in the news release were reviewed by a Qualified Person. After consultations it was decided to write-off the investment in the Rosy Property and accordingly the Company incurred a charge in the amount of \$405,236.

Hopper Property

The Company has entered into an Option Agreement (the “Option”) with Strategic Metals Inc., (“Strategic”) whereby the Company has acquired the option to acquire up to a 100% interest in 192 claims, comprising approximately 4000 hectares located in the Whitehorse mining District, Yukon Territory, known as the Hopper Property. The Hopper Property is located southwest of Whitehorse and is accessible from the Alaska Highway along the access road to the Aishihik hydroelectric facility. The Company can earn its 100% interest as part of the three (3) phase option programme.

Phase 1 – the Company will earn a 50% interest in the Hopper Property by: paying \$50,000 (paid) within 10 days of the acceptance of the Option by the TSX- Venture Exchange and by paying \$150,000, \$300,000 and \$500,000 on or before December 31, 2011, 2012 and 2013 respectively: In addition, the Company will be required to incur exploration expenditures of \$700,000, \$1,300,000 and \$2,000,000 on or before December 31, 2011, 2012 and 2013 respectively;

Phase 2 – the Company will earn a further 30% (80% total) interest in the Hopper Property by paying Strategic \$1,000,000 each on or before December 31, 2014 and 2015 and by incurring further exploration expenditures of \$3,000,000 and \$7,000,000 on or before December 31, 2014 and 2015 respectively; and,

Phase 3 - Upon completion of Phase 2 the Company shall have the option to acquire the remaining 20% of the Hopper Property by paying \$5,000,000 to Strategic on or before March 31, 2016. Strategic retains the right, but not the obligation, to accept all or part of the final payment in shares of the Company and Strategic shall retain a 2% Net Smelter Returns royalty.

Strategic and the Company prepared an exploration budget for the Hopper Property for the 2011 exploration season. The budget took into consideration factors such as the compressed exploration period in the Yukon and the availability of professional exploration contractors, personnel and the necessary support services. It was agreed that the Company would again engage Archer Cathro & Associates (“Archer Cathro”), to conduct the exploration program. The Company advanced \$1,300,000 to Archer Cathro for the program and the Company incurred total exploration and development expenditures of \$501,837 to August 31, 2011, on the Hopper Property. The Company intends to spend up to approximately \$1,200,000 on the Hopper Property before December 31, 2011. At August 31, 2011, Archer Cathro is holding \$769,858 of the Company’s funds to fund the completion of the 2011 work program.

Hooch Property

On July 26, 2011, the Company and Strategic entered into an option agreement for the acquisition to acquire up to a 100% undivided interest in the Hooch Property consisting of 12 mineral claims located in the Whitehorse Mining District, Yukon Territory. The Hooch claims are near the Hopper claims and near the Aishihik hydroelectric facility.

The Company can earn its initial 50% interest by paying \$5,000 upon execution of the agreement (paid) and \$15,000, \$30,000 and \$50,000 on or before December 31, 2011, 2012 and 2013 respectively and incurring expenditures of \$30,000, \$70,000 and \$100,000 on or before December 31, 2011, 2012 and 2013 respectively.

The Company can earn the remaining 50%, subject to a 2% net smelter returns royalty in favour of Strategic, by paying \$125,000, \$250,000 and \$500,000 on or before January 31, 2014, December 31, 2014 and January 31, 2015 respectively and by incurring expenditures of \$500,000 and \$600,000 on or before December 31, 2014 and 2015 respectively.

The Company has engaged Archer Cathro to design an appropriate work program pursuant to the options agreement.

RISK

The Company is subject to a number of risk factors due to the nature of its business. The following factors should be considered:

Mineral Exploration and Development - The Company’s properties are in the exploration stage and are without a known body of commercial ore. Development of any of the Company’s properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few properties, which are explored are ultimately developed into producing mines. There is no assurance that the Company’s mineral exploration and development activities will result in the discovery of a body of commercial ore on any of its properties. Several months, if not years, may pass between the discovery and the development of commercial mineable mineralized deposits. Most exploration projects do not result in the discovery of commercially mineralized deposits.

Trends – The Company’s financial success is dependent upon discovery of properties which could be economically viable to develop. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company’s control, such as market value of the products produced. Other than disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company’s results or financial position.

Operating Hazards and Risks – Mineral exploration involves many risks. The 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 resources, any one of which could result in work stoppages and damages to personal property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Although the Company will, when appropriate, secure suitable insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event, the Company could incur significant costs that could have a materially adverse effect upon its financial condition.

Economics and Development of Mineral Properties – Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract metal from ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operation or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be effected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Environmental Factors – The Company proposes to conduct exploration activities in various parts of Canada. Such activities are subject to various laws, rules and regulations governing the protection of the environment, including, in some cases, posting of reclamation bonds. In Canada, extensive environmental legislation has been enacted by federal, provincial and territorial governments. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operation. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the Company's properties, which hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties. The Company is not aware of any environmental hazards on any of its properties.

The approval of new mines on federal lands in Canada is subject to detailed review through a clearly established public hearing process, pursuant to the Federal Canadian Environment Assessment Act. In addition, lands under federal jurisdiction are subject to the preparation of a costly environmental impact assessment report prior to commencement of any mining operations. These reports entail a detailed and scientific assessment as well as a prediction of the impact on the environment by the proposed development. Further, under such review process, there is no assurance that regulatory and environmental approval will be obtained on a timely basis or at all. Failure to comply with legislation may have serious consequences. Orders may be issued requiring operations to cease or be curtailed or requiring installation of additional facilities or equipment. Violators may be required to compensate those suffering loss or damage by reason of its mining activities and may be fined if convicted of an offence under such legislation.

Canadian provincial mining legislation establishes requirements for the decommissioning, reclamation and rehabilitation on mining properties in a state of temporary or permanent closure. Such closure requirements relate to the protection and restoration of the environment and the protection of public safety. Some former mining properties must be managed, for long periods of time following closure in order to fulfill closure requirements. The costs of closure of mining properties, and in particular, the cost of long-term management of mining properties can be substantial. The Company intends to progressively rehabilitate its mining properties during their period of operation, should any properties become operational, so as to reduce the cost of fulfilling closure requirements and the termination or suspension of production.

The Company has adopted environmental practices designed to ensure that it continues to comply with or exceeds all environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental regulation. The Company is currently engaged in exploration with limited or minimal impact.

Title – Although the Company has exercised all due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral properties or interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties. Before a number of claims under option can be recorded in the Company's name, the underlying title holder has to assign title to the Company once the Company satisfies its option agreement obligations. There is no assurance that the underlying titleholder will assign title.

Canadian Aboriginal Land Claims – Canadian Aboriginal rights may be claimed on Crown properties or other types of tenure with respect to which mining rights have been conferred. The Company is aware of the mutual benefits afforded by cooperative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such cooperation. While there is, to the Company's knowledge, no existing claim in respect of any of its properties, the advent of any future aboriginal land claims and the outcome of any aboriginal land claims negotiations cannot be predicted.

Competition and Agreements with Other Parties – The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors. There is significant and increasing competition for a limited number of resource acquisition opportunities and as a result, the Company may be unable to acquire attractive mining properties it considers acceptable. The Company competes with many other companies that have substantially greater financial resources than the Company.

The Company, may in the future, be unable to meet its obligations under agreements to which it is a party and the Company may have its interest in the property subject to such agreements reduced as a result. Furthermore, if other parties to such agreements, do not meet their share of such costs, the Company may be unable to finance the cost required to complete the recommended programs.

Governmental Regulation – Operations, development and exploration of the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) restrictions on production, price controls, and cost increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Changes in such regulation could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

The Company is in the exploration stage on all of its properties. Exploration of the Company's properties requires responsible best exploration practices that comply with Company policy, government regulations, and maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting licence required to prospect or explore for minerals on Crown Mineral land or to stake a claim. In any Canadian province in which it is carrying on work, mineral exploration primarily falls under provincial jurisdiction. However, the Company is also required to follow the regulations pertaining to the mineral exploration industry that fall under federal jurisdiction, such as the Fish and Wildlife Act.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

Mineral Prices – The Company's revenues, if any, are expected to be in large part derived from the discovery of mineral properties and the sale of minerals contained or interests related thereto. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political considerations, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers, and therefore the economic viability of the Company's operations, cannot be accurately predicted.

Price Fluctuations/Share Price Volatility – In recent times, the securities markets in North America and the rest of the world have experienced a high level of price and volume volatility, and the market price of securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to their operational performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price or volume will not occur.

CONFLICTS OF INTEREST

Certain officers and directors of the Company are officers and/or directors of, or are associated with other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and the shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

DIRECTORS AND OFFICERS

T. Randall Saunders
Robert A. Jamieson C.A.
William Pettigrew
Richard Drechsler
Matthew Turner

Chief Executive Officer
Chief Financial Officer

CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations:

- (a) the payments and expenditure requirements pursuant to the Hooch Agreement;
- (b) the payments and expenditure requirements pursuant to the Hopper Agreement ;
- (c) to issue 821,760 shares at various prices pursuant to upon the exercise of stock options pursuant to those agreements;
- (d) to issue up to 1,500,000 shares pursuant to the exercise of share purchase warrants on or before December 31, 2011 at a price of \$0.50 per share, and;
- (e) to complete the \$1,200,000 in exploration expenditures on its mineral properties pursuant to the flow-through share issue on or before December 31, 2011.
- (f) to pay IBK Capital a commission of 9% and issue warrants totalling 10% of the total amount of units raised by IBK Capital up to \$2.6 million in common shares and share purchase warrants.

SHARE CAPITAL

Authorized:

An unlimited number of common shares

Issued:	<u>Shares</u>	<u>Amount</u>
Balance at August 31, 2009	6,237,839	534,320
Private placement at \$0.45 per share	812,334	365,550
For mineral property	300,000	165,000
Share issue costs	-	(37,187)
Agent warrants exercised at \$0.15 per share	232,240	34,836
From contributed surplus	-	18,015
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Balance at August 31, 2010	7,582,413	1,080,534
Stock options exercised at \$0.15 per share	86,574	12,986
From contributed surplus	-	9,902
Flow-through private placement at \$0.40 per share	3,000,000	1,200,000
Share issue costs		(97,968)

	-	
Income tax recovery - flow-through shares	-	(330,120)
Balance at August 31, 2011	10,668,987	1,875,334
Private placement at \$0.20 per share	1,100,000	220,000
Balance at December 27, 2011	11,768,987	2,095,334

Escrowed Shares

Pursuant to an escrow agreement dated August 27, 2007, the 3,733,339 common shares issued and outstanding are held in escrow and are to be released on a staged basis, with 10% to be released on the issuance of the final exchange bulletin by the TSX-V, and 15% to be released every six months thereafter for a period of thirty-six months. Upon the issuance of the final exchange bulletin 10% or 373,331 shares were released from escrow in February, 2010. In addition, 560,000 shares each were released in August, 2010, February, 2011 and August, 2011. As of August 30 and December 2011 a total of 1,680,008 shares (2010 - 2,590,008) remain in escrow.

Private Placement

During the year, the Company issued 3,000,000 flow-through private placement Units at a price of \$0.40 per Unit. Each unit consisted of one flow-through common share and one-half non-flow-through share purchase warrant exercisable at a price of \$0.50 until December 30, 2012. No fair Value was assigned to the warrants as they had no intrinsic value at the time of issuance. At August 31, 2011 and December 27, 2011, all 1,500,000 warrants remain outstanding.

Stock Options

During the year, the Company's directors approved a new Stock Option Plan (the "Plan") on February 18, 2011. The Plan has been structured to comply with the rules of the TSX - V. The aggregate number of common shares, which may be subject to option at any one time, may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to this Plan. Options granted may not exceed a term of five years. All options vest when granted unless otherwise specified by the Board of Directors. If the optionee ceases to be qualified to receive options from the Company those options expire immediately.

On February 8, 2011, the Company granted 315,000 options at a price of \$0.45 per share to Directors and consultants at an exercise price of \$0.45 per share until February 18, 2016. On July 20, the CEO and CFO each relinquished 40,000 of their options for a total of 80,000 options that had been granted in February, 2011. The Company recognized \$32,987 in stock based compensation for the relinquished options. A further 150,000 options were granted to consultants at a price of \$0.30 in July

2012. The Company recognized a further \$96,969 in stock based compensation bringing the total stock based compensation for the year, using the Black Scholes option pricing model to \$127,956.

As at August 31, 2011 and December 27, 2011 the weighted average remaining contractual life of these outstanding and exercisable options was 1.94 years.

	Number of Options	Weighted Average Exercise Price
Balance at August 31,2009	623,334	0.15
Granted	50,000	0.45
Balance at August 31,2010	673,334	0.17
Exercised at \$0.15	(86,574)	0.15
Granted at \$0.45	315,000	0.45
Cancelled at \$0.45	(80,000)	0.45
Granted at \$0.30	150,000	0.30
Balance at August 31 and December 27, 2011	971,760	0.26

Stock based compensation was calculated by using the Black Scholes option pricing model with the following weighted average assumptions during the year.

	2011	2010
Weighted average risk free interest rate	1.98%	2.65%
Expected life	2.98 Years	5 Years
Weighted average volatility	114%	137%
Expected dividends	Nil	Nil

The weighted average grant date fair value of options granted during the year ended August 31, 2011 was \$0.27 (2010 - \$0.40)

The following table summarizes the outstanding and exercisable options at August 31, 2011.

----- Outstanding Options -----			----- Exercisable Options-----		
Exercise Price (\$)	Weighted Ave. Remaining Life Years	Number of Shares	Weighted Ave. Exercise Price (\$)	Number of Shares	Weighted Ave Exercise Price (\$)
0.15	0.96	536,760	0.15	536,760	0.15
0.30	3.81	50,000	0.30	50,000	0.30
0.40	4.44	235,000	0.40	176,250	0.40
0.30	0.92	150,000	0.30	-	-
	1.94	971,760	0.26	763,010	0.24

<u>Contributed Surplus</u>	\$
Balance at August 31,2009	89,309
Stock based compensation expense	19,877
Transferred on exercise of agents warrants	(18,015)
Balance at August 31, 2010	91,171
Transferred on exercise of stock options	(9,902)
Stock based compensation expense	127,956
Balance at August 31 and December , 2011	209,225

SUBSEQUENT EVENTS

Subsequent to the year end, the Company:

- (a) Obtained a short term unsecured loan from its CEO, Mr. T. Randall Saunders, in the amount of \$65,000 for working capital purposes. The loan bears interest at bank prime plus 3% per annum;
- (b) Completed a non-brokered private placement for the issue of 1,100,000 shares at a price of \$0.20 per share for gross proceeds of \$220,000 thereby ensuring that the Company had the cash resources

- to make the \$165,000 option payments for the Hopper and Hooch properties due on December 31, 2011;
- (c) Entered into work commitments to ensure the Company expended \$1,200,000 on its mineral properties on or before December 31, 2011.

OFF-BALANCE SHEET ITEMS

The Company does not have any off-balance sheet items.

RELATED PARTIES

During 2010, as part of the Qualifying Transaction, the Company was loaned \$50,000 by its Chief Executive Officer, Mr T. Randall Saunders. The loan was secured by a promissory note with interest at the bank prime rate plus 3 percent per annum. The loan was repaid on its anniversary date of January 4, 2011 together with interest of \$2,801. (See also Subsequent Events).

During the year, and following approval of the Board of Directors, the Company began paying management fees, beginning January, 2011, to Malesa Investments Inc. a company wholly owned by the Company's Chief Executive Officer, Mr T. Randall Saunders. The fee is in the amount \$4,000 per month for his services. In addition, the Company is paying its Chief Financial Officer, Mr. Robert Jamieson C. A. the amount of \$2,000 per month starting at the same time. During the year the Company incurred total management fees of \$48,000.

The Company also reimbursed Mr. Saunders for \$1,551 in travel expenses on behalf of the Company.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts payable and amounts owing to related parties. The fair values of these financial instruments approximate the carrying value due to the short term nature of those instruments.

CRITICAL ACCOUNTING ESTIMATES

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to future income taxes, the assumptions used in stock based compensation calculations and the possible impairment of mineral properties.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined on the temporal differences between the accounting and the tax bases of the existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized, up to the portion relating to the renunciation of Canadian exploration expenditures and the issuance of flow-through shares.

Stock-based Compensation

The Company applies the fair value method to stock-based payments to all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the price proceeds together with the amount initially recorded in contributed surplus are credited to share capital.

Recent Accounting Pronouncements

Business Combinations

In January 2009, The CICA issued Section 1582 “Business Combinations” to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard Canadian GAAP with International Financial reporting standards (IFRS”). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and the accounting for non-controlling interests at the time of a business combination. The CICA concurrently issued Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests”, which replaces Section 1600 “Consolidated Financial Statements.”

Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless early adopted at the same time as Section 1582 “Business Combinations.” The Company does not anticipate that the adoption of these sections will have a material effect on its financial statements.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on the Company’s financial statements.

The conversions to IFRS will be effective September 1, 2011 for the Company. The Company and its professional advisors are assessing the impact of this adoption on our financial statements, which specific accounting policies will be adopted, the training of staff and changes to accounting systems and internal control governance. The Company is examining the specific impact of IAS 36 related to the measuring the impairment

of assets and, more importantly, we are examining our options with regard to IFRS – Exploration for an Evaluation of Mineral Resources. IFRS 6 allows issuers to follow an approach similar to Canadian GAAP, and therefore, exploration and evaluation (E & E) expenditures can either be expensed or capitalized. The Company will update the reader as final adoption of accounting policies is approved by the Board of Directors.

Equity

In August, 2009, Section 3251 Equity was issued in response to issuing Section 1602 non-controlling interests. The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602. The adoption of this section is not expected to have a material impact on the financial statements.

Comprehensive Revaluation of Assets and Liabilities

In August, 2009 Section 1625 Comprehensive Revaluation of Assets and Liabilities was issued for consistency with new Section 1582 Business Combinations. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The adoption of this section is not expected to have a material impact on these financial statements.

VENTURE ISSUER

The Company is a Venture Issuer as defined by Multi-Lateral Instrument 51-102. It has no operations, mineral properties or oil and gas properties. It has not capitalized, deferred nor expensed any exploration, research or development costs over the past two years. Readers are directed to the Statement of Loss and Deficit within the audited annual financial statements for a complete breakdown of the components of the Company's administrative expenses.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgement and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Disclosure Controls and Internal Controls Over Financial Reporting

The Company's Chief Executive Officer and its Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and our internal controls over financial reporting. The primary weaknesses in the Company's internal controls is that there is an insufficient number of accounting and administration staff to properly segregate certain duties that require segregation in order to have good internal control. Management and the Board of Directors have implemented processes to mitigate the risks arising from this weakness. The Chief Executive Officer and the Chief Financial Officer review and approve all payments by the Company and all strategic and non-routine matters prior to submission to the Board

of Directors for its approval. They require to be fully apprised of any material information affecting the Company so that information may be evaluated and discussed and the appropriateness and timing of public releases determined. The Board of Directors reviews and approves the Company's financial reports on a quarterly basis and approves all public disclosures.

The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as at August 31, 2011, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company would have been known to them.

ON BEHALF OF THE BOARD OF DIRECTORS

"T.RANDALL SAUNDERS"

T. RANDALL SAUNDERS
CEO