BONAPARTE RESOURCES INC.

MANAGEMENT DISCUSSION & ANALYSIS

YEAR ENDED AUGUST 31, 2012

December 18, 2012.

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.

FINANCIAL STATEMENTS

Readers are directed to the financial statements of the Company for the year ended August 31, 2012. These financial statements are the first annual financial statements prepared pursuant to International Financial Reporting Standards ("IFRS"). These financial statements contain comparative information for the Company's conversion to IFRS on September 1, 2010 and for the comparative year ended August 31, 2011. 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 ended August 31, 2011, in conjunction with the Hopper Property Option Agreement, the Company issued by way of private placement 3,000,000 flow-through units at a price of $0.40 per unit raising $1,200,000. Each unit comprised one flow-through common share and ½ non-flow-through share purchase warrant exercisable at a price of $0.50 until December 30, 2011. This gave the Company sufficient cash resources to meet its ongoing administrative expenses and its obligations pursuant to the Hopper Property Options Agreement until at least December 31, 2011. On December 30, 2011, all 1,500,000 warrants expired unexercised.

The Company has prepared and the Directors have authorized a Stock Option Plan (the "Plan") whereby the Company has granted incentive stock options to Directors 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. These options vested immediately on December 3, 2007 when the Company's shares were called for trading. The options may not exceed a term of five years.

During the year ended August 31, 2011 the Company adopted an amended stock option plan to comply with certain regulatory and income tax changes. The aggregate number of shares which may be subject to option remain at 10% of the issued common shares and may not exceed a period of 5 years. Vesting periods will be determined at the discretion of the directors and if the optionee ceases to be qualified to receive options from the Company those options expiry immediately.

In February, 2011 the Company granted a further 315,000 options exercisable at a price of $0.45 per share until February 8, 2016. Of these options 78,750 vested immediately and the remaining balance vested quarterly so that all the options were fully vested at November 8, 2011. In July, 2011, the Company's CEO and CFO relinquished a total of 80,000 options that had been granted in February, 2011. The Company granted a further 150,000 options to consultants at a price of $0.30 exercisable until July 30, 2012. The options vested on a quarterly basis and were fully vested on July 20, 2012. The options expired unexercised on July 30, 2012.

During 2011, using the Black Scholes option pricing model the Company recognized stock based compensation of $127,956 related to the options. During the six months ended February 29, 2012 the Company recognized a further $6,046 in stock based compensation due to continued vesting of the options. As at August 31, 2012, the Company has 621,760 shares under option and exercisable at a weighted average price of $0.19 per share. If fully exercised, the Company will raise $118,134 in additional funding. Subsequent to the year end a further 536,760 in options have expired unexercised (See Subsequent Events).

During the period the Company entered into an agreement with its CEO, Mr. Thomas Randall Saunders, whereby the Company borrowed $65,000 from Mr. Saunders to ensure cash liquidity while it performed its work commitments on the Hopper and Hooch properties. The loan was secured by a promissory note with interest at the bank prime rate plus 3.0%. During the Quarter ending May 31, 2012, the Company repaid this loan to Mr. Saunders complete with interest of $2,222.

On December 27, 2011, the Company issued 1,100,000 shares at a price of $0.20 per share by way of private placement raising $220,000. No warrants were attached to this issue. In connection with this private placement the Company incurred share issuance costs of $3,850.

On August 30, 2012 the Company completed a private placement of 2,345,000 units at $0.10 per unit for gross proceeds of $234,500. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share of the Company at $0.15 per share for a period of 24 months. In connection with the private placement, the Company incurred share issuance costs of $17,673.

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, 2012, the Company incurred net administrative expenses totalling $165,932 (2011 - $235,048) before interest income of $2,291 (2011 - $10,517) and the write-off of mineral properties of $Nil (2011 – $405,236). The net and comprehensive loss for the year after a deferred income tax expense of $9,806 (2011 - $Nil) amounted to $173,447 (2011 - $629,767). This amounted to a loss per share of $0.02 per share for the year (2011 - $0.07). The largest expenses for the period were management fees of $72,000 (2011 - $48,000), consulting fees of $31,500 (2011 - $Nil) and professional fees of $26,416 (2011 – 33,378). The Company has working capital of $181,057 (2010 - $159,789) as of the end of the year.

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, 2012 and the notes thereto.

	2012	2011	2010
Annual Revenues	Nil	Nil	Nil
Net income (loss) before discontinued or extraordinary items	$ (173,447)	$ (629,767)	$ (146,498)
Per common share	$0.02	$ 0.07	$ 0.02
Net and comprehensive income (loss) loss for the year	$ (173,447)	$ (629,767)	$ (146,498)
Per common share	$0.02	$ 0.07	$0.02
Total Assets	$ 1,929,814	$ 1,561,516	$ 979,085
Long Term Liabilities	$9,806	Nil	Nil
Cash Dividends	Nil	Nil	Nil

The results of operations for the most recently completed year resulted in a loss of $173,447 as compared to a loss of $629,767 for 2011. The Company has no operations or revenues apart from minor amounts of interest income. The largest expenditures were management fees of $72,000 (2011 - $48,000, consulting fees of $31,500 (2011 - $Nil) and professional fees of 26,416 (2011 - $33,378). General and administrative expenses, before other income and other expenses, decreased by $159,116 over the same expenses for 2011, primarily due to the lack of share-based payments in 2012.

SUMMARY OF QUARTERLY RESULTS

The following is selected financial data from the audited financial statements for the year ended August 31, 2012 and 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 31/12	May 31/12	Feb 29/12	Nov 30/12
Net income (loss) before discontinued or extraordinary items	$ (60,115)	$ (55,376)	$ (28,209)	$ (29,747)
Per common share	$ 0.01	$ (0.01)	$ (0.00)	$ (0.00)
Net Income (loss) for the period	$ (60,115)	$ (55,376)	$ (28,209)	$ (29,747)
Per common share	$ 0.01	$ (0.01)	$ (0.00)	$ (0.00)
Total Assets	$ 1,929,814	$ 1,713,472	$ 1,817,324	$ 1,617,568
Long Term Liabilities	$ 9,806	Nil	Nil	Nil
Cash Dividends	Nil	Nil	Nil	Nil

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Quarter Ended	Aug 31/11	May 31/11	Feb 29/11	Nov 30/11
Net income (loss) before discontinued or extraordinary items	$ (168,354)	$ (30,313)	$ (425,218)	$ (5,882)
Per common share	$ (0.02)	$ (0.01)	$ (0.04)	$ (0.00)
Net Income (loss) for the period	$ (168,354)	$ (30,313)	$ (425,218)	$ (5,882)
Per common share	$ (0.02)	$ (0.01)	$ (0.04)	$ (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

The results of operations for the most recently completed quarter resulted in a net and comprehensive loss of $60,115 as compared to a loss of $168,354 for 2011. The Company has no operations or revenues apart from $25 of interest income. The largest expenditures were professional fees of $15,589, listing and filing fees of $ 9,059 and management fees of $18,000.

CONTINUING OPERATIONS

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 (paid), $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 (incurred), $1,300,000 and $2,000,000 on or before December 31, 2011, 2012 and 2013 respectively;
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> 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,
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> 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 2012 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 funds to Archer Cathro for the program and the Company incurred total exploration and development expenditures of $658,659 for the year ended August 31, 2012, on the Hopper Property. In total the Company has paid $201,000 in acquisition costs and $1,160,496 in exploration costs on the Hopper claims to August 31, 2012.

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 (paid) upon execution of the agreement and $15,000 (paid), $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 incurred $228,812 in exploration costs on the Hooch claims in the year thereby satisfying all of the work commitments under the agreement.

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.

Strategic and the Company prepared an exploration budget for the Hooch Property for the 2012 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 funds to Archer Cathro for the program and the Company incurred total exploration and development expenditures of $228,812 for the year ended August 31, 2012, on the Hopper Property. In total the Company has paid $21,000 in acquisition costs and $228,812 in exploration costs on the Hopper claims to August 31, 2012. The Company has incurred all of the exploration costs necessary to earn its undivided 50% interest in the Hooch claims.

CONTRACTURAL 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 621,760 shares at various prices pursuant to upon the exercise of stock options pursuant to those 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 e xploration 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 expects 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 posses.

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.

EXECUTIVE COMPENSATION

Commencing January 2011, the Board of Directors has agreed to compensate the Company's Chief Executive Officer, Mr T. Randall Saunders in the amount of $4,000 per month and its Chief Financial Officer, Mr Robert Jamieson C. A. in the amount of $2,000 per month for their services to the Company. These payments are made to Mr. Jamieson personally and to Mr. Saunders' wholly owned company Malesa Investments Inc. The Company also compensates its Officers and Directors through stock options. At present, there are 621,760 stock options outstanding for Directors. The weighted average exercise price is $0.19.

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	Chief Executive Office
Robert A. Jamieson C.A.	Chief Financial Officer
William Pettigrew	
Mike England	
Tom McCandless	

RELATED PARTIES

During the year, the Company entered into a loan agreement with its CEO, Mr T. Randall Saunders whereby the Company was advanced $65,000 for working capital purposes. The loan was secured by a promissory note, attracted interest at bank prime plus 3 percent. The Company repaid the loan of $65,000 to Mr. Saunders together with $2,222 of accumulated interest during the 3rd Quarter of the year.

The Company is also indebted to Malesa Investments Inc for $76,901 in unpaid management fees and out of pocket expenses and applicable HST. The Company is also indebted to its CFO, Mr. Robert Jamieson in the amount of $28,000 for unpaid management fees. (See Executive Compensation).

The Company incurred the following amounts to related parties during the two most recent years:

	2012 $	2011 $
Office, rent and services – paid to Malesa Investments Inc, the private Company of the Company's CEO, Mr. T. Randall Saunders	53,600	32,000
Management services paid to the Company's CFO, Mr. Robert Jamieson	24,000	16,000
Interest on promissory note – paid to Mr. T. Randall Saunders	2,222	1,072
	79,822	49,072

SHARE CAPITAL

Authorized: An unlimited number of common shares without par value:

Issued:

	Shares	Amount $
Balance at September 1, 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)
Balance at August 31, 2011	10,668,987	2,205,454
Private placement at $0.20 per share	1,100,000	220,000
Share issue costs	-	(3,850)
Private placement at $0.10 per share	2,345,000	234,500
Share issue costs	-	(17,673)
Balance at August 31 and December 18, 2012	14,113,987	2,638,431

Escrowed Shares

Pursuant to an escrow agreement dated August 27, 2007, the 3,733,339 common shares issued on the Company's incorporation 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 and August 2011 and 2012. As of August 31 and December 18, 2012 a total of 560,008 (2011 – 1,680,008) shares remain in escrow.

Private Placement

On December 27, 2011, the Company issued 1,100,000 shares by way of private placement, raising $220,000 at a price of $0.20 per share. There were no warrants attached to this placement.

On August 30, 2012 the Company issued 2,345,00 units by way of private placement at a price of $0.10 per unit, raising $234,500. Each unit comprised one common share and one share purchase warrant. Each warrant is exercisable into one common share of the Company at $0.15 per share for a period of 24 months. The Company incurred $17,673 in share issue costs related to this private placement.

Warrants

On December 30, 2011, all the remaining 1,500,000 warrants that were issued pursuant to the flow-through private placement on December 30, 2011 expired unexercised.

The only warrants outstanding at August 31, 2012 and December 18, 2012 are the 2,345,000 warrants issued pursuant to the private placement closed on August 30, 2012.

Stock Options

During 2011, 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 time, may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the Plan. Options granted may not exceed a term of five years. All Options vest 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 18, 2011, the Company granted 315,000 options at a price of $0.45 per share to Directors and consultants at an exercise price of $0.40 per share until February 18, 2016. On July 20 2011, Mr Saunders, the CEO and Mr Jamieson, the 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, 2011. These options vest quarterly and the Company recognized a further $94,969 in stock based compensation, using the Black Scholes option pricing model. In June, 2012 the Company accepted the resignation of two directors and, accordingly, the 200,000 options allocated to these directors expired. In addition, 150,000 options granted to consultants at a price of $0.30 per share expired unexercised.

As of August 31, 2012, the weighted average remaining contractual life of these outstanding and exercisable options was 1.85 years. On December 18, 2012 following the expiry of 536,760 options on December 3, 2012 the weighted average contractual life of the remaining options is 3.44 years.

	Number of Options	Weighted Average Exercise Price
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 21, 2011	971,760	0.26
Expired at $0.45	(200,000)	0.45
Expired at $0.30	(150,000)	0.30
Balance at August 3, 2012	621,760	0.19
Expired at $0.15	(536,760)	0.15
Balance at December 18, 2012	85,000	0.45

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

	2012	2011
Weighted average risk free interest rate	1.45%	1.98%
Expected life	1.68 years	2.98 years
Weighted average volatility	104%	114%
Expected dividends	Nil	Nil
Share price on grant date	$0.26	$0.40

The weighted average grant date fair value of options granted during the year ended August 31, 2012 was $Nil (2011 - $0.27).

The following table summarizes the outstanding and exercisable options at August 31, 2012:

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	0.26	536,760	0.15	536,760	0.15
0.45	3.44	85,000	0.45	85,000	0.45
	0.70	621,760	0.19	621,760	0.19

On December 18, 2012 only the 85,000 options exercisable at $0.45 with a remaining life of 3.11 years remain outstanding.

SUBSEQUENT EVENTS

Subsequent to the year end, 536,760 stock options with an exercise price of $0.15 per share expired unexercised.

OFF-BALANCE SHEET ITEMS

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

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point in time, based upon relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value. The Company may be exposed to the following risks related to financial instruments:

Credit Risk – financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with high credit financial institutions.

Liquidity Risk - The Company ensures its holding of cash and cash equivalents is sufficient to meet its short-term obligations and general and administrative expenditures. The Company does not have investments in any asset backed deposits nor does it hold other marketable securities.

Foreign Exchange Risk – The Company does not have any foreign exchange currency denominated financial instruments and is not exposed to foreign exchange risk.

Interest Rate Risk – The Company manages its interest rate risk by obtaining the best available commercial deposit interest rates by major Canadian financial institutions.

Market Risk – market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices.

Financial assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as of August 31, 2012 are cash and cash equivalents, measured using quoted prices in active markets for observable instruments (level1), with a balance of $296,140 as of August 31, 2012.

At August 31, 2012 there are no financial liabilities measured at fair value on a recurring basis presented on the Company's statement of financial position.

At August 31, 2012, the fair value of the Company's financial instruments approximate their carrying values because of the short-term nature of those instruments.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and expenses for the years reported. Significant areas requiring the use of management estimates include the determination of impairment or exploration and evaluation assets and financial instruments, decommissioning liabilities, deferred income tax assets and liabilities and assumptions used in valuing options in share-based payment calculations. Actual results could differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and further periods if the revision affects both the current and future periods.

CRITICAL ACCOUNTING JUDGEMENT

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in the financial statements Note 1.

Exploration and Evaluation Assets

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

RECENT ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Policies

These annual financial statements have been prepared in accordance with IFRS 1 – First Time Adoption of International Financial Reporting Standards. Subject to certain transitional elections disclosed in the financial statements Note 14, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position as of September 1, 2010 and throughout the years presented, as if these policies had always been in effect. Financial statement Note 14 discloses the impact of the transition to IFRS on the Company's reported financial position, net loss and comprehensive loss and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended August 31, 2011.

The policies applied in these annual financial statements are based on IFRS issued and outstanding as of December 18, 2012, the date the Board of Directors approved the statements.

Accounting Standards Issued and Effective

IFRS – Financial Instruments: Disclosures – In October, 2010 the IASB issued amendments to IFRS 7 that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective to annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company has adopted this amendment and it is expected to have no significant impact on the annual financial statements.

Standards Issued Bur Not Yet Adopted

For the purposes of preparing and presenting the Company's annual financial statements, the Company has adopted all standards and interpretations issued other than those listed below. These standards have not been adopted because they are not effective until subsequent to August 31, 2012. Standards and interpretations issued, but not effective are:

	Effective
Amendment to IFRS 7 – Disclosures. Offsetting Financial Assets And Financial Liabilities	January 1, 2013
IFRS 9 – Financial Instruments	January 1, 2015
IFRS 10 – Consolidated Financial Statements	January 1, 2013
IFRS 11 – Joint Arrangements	January 1, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13 – Fair Value Measurement	January 1, 2013
Amendment to IAS 1, Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendment to IAS 12 – Income Taxes	January 1, 2012
IAS 27 – Separate Financial Statements	January 1, 2013

IAS 28 – Investments in Associates and Joint Ventures	January 1, 2013
Amendment to IAS 32, Offsetting Financial Assets and Liabilities	January 1, 2014

These condensed interim financial statements have been prepared in with IFRS applicable at the date of preparation. Subject to certain transitional elections disclosed in financial statement Note 14 to the annual financial statements, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position as of September 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

The Company believes that, with the exception of IFRS 9, Financial Instruments, the adoption of these revised standards will have no material impact on the condensed interim and annual financial statements.

IFRS 9, Financial Instruments, proposes to replace IAS 39 Financial Instruments: Recognition and Measurement. The replacement standard has three main phases, the first of which provides new guidance to the classification and measurement of financial assets and liabilities. The second part, which is currently an exposure draft, provides guidance for amortized cost and impairment methodology for financial assets. The third part, which is also currently an exposure draft, proposes a revised general hedge accounting model. The Company will evaluate the impact of the change to its annual financial statements based upon the characteristics of the financial instruments anticipated to be outstanding at the time of adoption.

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, 2012, 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"

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T. RANDALL SAUNDERS
CEO