

BONAPARTE RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

THREE MONTHS ENDED NOVEMBER 30, 2010

January 26, 2011

THE COMPANY

Bonaparte Resources Inc. (“the Company”) was incorporated pursuant to the Business Corporations Act (British Columbia) on July 10, 2007. The Company carried on business as a Capital Pool Company as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. On February 5, 2010 the Company announced the acceptance of its filing statement filed with the TSX – Venture Exchange on January 29, 2010.

During the year ended August 31, 2010, the Company entered into an Option agreement with Atac Resources Ltd., (“Atac”) whereby the Company acquired an option to earn a 50% interest in 90 claims located in the Whitehorse Mining District, Yukon Territory. The Company has made the necessary filing statement regarding this Qualifying Transaction. This filing statement has been accepted for filing by the TSX – Venture exchange so the Company has met its requirement to find a qualifying transaction. See “Continuing Operations.”

The ability of the Company to fund its potential future operations and commitments will be dependent upon the ability of the Company to obtain additional financing.

FINANCIAL STATEMENTS

Readers are directed to the financial statements of the Company for the three-months ended November 30, 2010 and for the year ended August 31, 2010. These financial statements were 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 principles.

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. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates, opinions or other factors, should change.

At this early stage of the Company's development, forward-looking statements would include any statements regarding the expected exploration programs on the Rosy and the Hopper 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, 2010 the Company received \$34,836 from the exercise of 232,240 Agents Warrants. The remaining 13,260 unexercised warrants expired in the year. The company has no Agents Warrants remaining for exercise at the period end. In addition the company completed by way of Private Placement, the issue of 812,334 units at a price of \$0.45 per unit for total proceeds of \$365,550. Each unit comprised one common share and ½ share purchase warrant exercisable at a price of \$0.55 until June 24, 2011. At the period end the Company has \$446,464 of cash and cash equivalents remaining in its account before the notes and accounts payable of \$58,419

Subsequent to the period end, in conjunction with the Hopper Property Option Agreement (See Subsequent Events), 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 gives 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.

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. The 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. In total the Company has granted options to purchase a total of 673,334 shares at weighted average exercisable price of \$0.17 per share. If exercised they will raise a further \$116,000. As of the period end, all 673,334 options remain unexercised. Pursuant to the rules for Stock Based Compensation, during 2010, the Company expensed a charge of \$19,877 related to the granting of the 50,000 stock options in 2010, that was calculated under the fair value method according to Canadian generally accepted accounting principles.

FINANCIAL PERFORMANCE

During the three months ended November 30, 2010, the Company incurred net administrative expenses totalling \$6,027 before interest income of \$145, which resulted in a net and comprehensive loss for the period of \$5,882 (2009 - \$40,967). This amounted to a loss per share of \$0.00 per share (2009 - \$0.01) for the three-month period. The largest expenses for the period were legal, audit and accounting fees of \$1,483, listing and filing fees of \$2,024 and transfer agent fees of \$1,297. The largest difference between this period and the comparative period on November 30, 2009 was the legal fees and listing and filing fees related to the Company's filings with TSX Venture Exchange with regard to its Qualifying Transaction and the completion of its annual audit for the year ended August 31, 2009. The Company has working capital of \$494,103 as of the end of the quarter.

Subsequent to the period end, the Company completed the private placement with the issue of 3,000,000 Flow-through Units at a price of \$0.40 per Unit raising a total of \$1,200,000, before commissions. Each Unit is

convertible into 1 common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase another share at a price of \$0.50 up to and including December 30, 2011.

LIQUIDITY AND CAPITAL MANAGEMENT

Bonaparte has cash and equivalents at the year-end of \$446,464. In addition it has \$75,956 in cash being held in trust for the Company by Archer Cathro as part of the unexpended 2010 Rosy Property exploration program. The current cash is sufficient to meet the Company's current liabilities, and its needs for the next fiscal year, including the 2011 acquisition payments and required exploration program for the Hopper Property.

The Company intends to manage its cash resources with the view, wherever possible, to maintain sufficient cash resources to ensure it can meet its ongoing administrative obligations and its property obligations for at least one year. The Company plans to address future cash needs through the issue of shares when required and warranted. Surplus funds are invested in high quality Canadian banks in instruments that allow the Company flexibility in managing its cash resources. As the Company does not operate in any countries other than Canada it is not subject to any foreign exchange risk.

SUMMARY OF QUARTERLY RESULTS

The following is selected financial data from the unaudited interim financial statements of the Company for the three-month period ended November 30, 2010. This data should be read in conjunction with the audited financial statements for the year ended August 31, 2010 and the notes thereto.

	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter
Quarter Ended	'Nov 30/10	'Aug 31/10	'May 31/10	'Feb 28/10
Net income (loss) before discontinued or extraordinary items	\$ (5,882)	\$ (36,070)	\$ (25,851)	\$ 43,610
Per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Net income (loss) for the period	\$ (5,882)	\$ (36,070)	\$ (25,851)	\$ (43,610)
Per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Total Assets	\$ 956,314	\$ 979,085	\$ 668,258	\$ 714,973
Long Term Liabilities	Nil	Nil	Nil	Nil
Cash Dividends	Nil	Nil	Nil	Nil

	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter
Quarter Ended	'Nov 30/09	'Aug 31/09	'May 31/09	'Feb 28/09
Net income (loss) before discontinued or extraordinary items	\$ (40,967)	\$ (7,984)	\$ (10,034)	\$ (8,320)
Per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Net income (loss) for the period	\$ (40,967)	\$ (7,984)	\$ (10,034)	\$ (8,320)
Per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Total Assets	\$ 512,911	\$ 511,839	\$ 522,990	\$ 533,019
Long Term Liabilities	Nil	Nil	Nil	Nil
Cash Dividends	Nil	Nil	Nil	Nil

The results of operation for the most recently completed quarter resulted in a loss of \$5,882. The only revenues were \$145 of interest income. The largest expenses were legal, audit and accounting expenses of \$1,483, listing and filing fees of \$2,024 and transfer agent fees of \$1,297.

CONTINUING OPERATIONS

During 2010, 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 and 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. 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 to the year-end the Company incurred a total of \$221,850 in exploration work on the Rosy Property. Archer Cathro are holding the balance of the funds advanced on behalf of the Company.

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.

The Company, Atac Resources and Archer Cathro discussed the results of the 2010 exploration program and the future prospects of the Rosy Property. As a result of these discussions the company announced in January, 2011 that it would abandon its interest in the Rosy Property Option Agreement.

EXECUTIVE COMPENSATION

The Company does not presently remunerate its directors or officers. Directors and officers were granted stock options in lieu of their services. At present, there are 586,760 stock options outstanding after the exercise of 86,574 during the Quarter. The Board of Directors is considering whether to continue this policy or amend its compensation policy. No specific decision has been reached nor has any time frame for the decision been established.

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
William Pettigrew
Lance Mayers
Matthew Turner

Chief Executive Officer
Chief Financial Officer

CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations:

- (a) the repayment of the Note Payable to its chief Executive Officer (See Subsequent Events);
- (b) the payments and expenditure requirements pursuant to the Hopper Agreement (See Subsequent Events);
- (c) to issue 586,750 shares at a price of \$0.15 pursuant to upon the exercise of stock options pursuant to those agreements;
- (d) to issue up to 406,167 shares pursuant to the exercise of share purchase warrants on or before June 24, 2011 at a price of \$0.55 per warrant; and,
- (e) to issue 1,500,000 shares at a price of \$0.50 per share pursuant to the exercise of share purchase warrants on or before December 30, 2011.

SHARE CAPITAL

Authorized:

An unlimited number of common shares without par value

Issued:

	<u>Shares</u>	<u>Amount</u>
		\$
Balance at August 31, 2008 and 2009	6,237,839	534,320
Issued for cash at \$0.45 per share pursuant to private placement	812,334	365,550
Issued for mineral property	300,000	165,000
Share issue costs	-	(37,187)
Issued on exercise of agents warrants at \$0.15 per share	232,240	34,836
Transfer from contributed surplus	-	18,015
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Balance at August 31, 2010	7,582,413	1,080,534
Issued on exercise of stock options at \$.015 per share	86,574	12,986
Transferred from contributed surplus	-	9,902
Issued for cash at \$0.40 per share pursuant to private placement	3,000,000	1,200,000
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Balance at January 26, 2011	10,668,987	2,303,422

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 a final exchange bulletin by the TSX - V, and 15% to be released every six months thereafter for a period of thirty-six months. Upon approval of the Qualifying Transaction and issue of the final exchange bulletin 10% or 373,331 shares were released from escrow in February, 2010 and a further 560,000 were released in August, 2010. As at November 30, 2010 and January 26, 2011 a total of 2,950,008 (2009 - 3,733,339) remained in escrow.

Mineral Property

During 2010, the Company issued 300,000 shares pursuant to the Rosy Property option, fair market valued at \$0.55 per share.

Private Placements

During 2010, the Company issued 812,334 units at \$0.45 per unit by way of private placement, for cash consideration of \$365,550. Each unit consisted of one common share and 1/2 share purchase warrant exercisable at a price of \$0.55 per share until June 24, 2011. No fair value was assigned to the warrants as they had no intrinsic value at the time of issuance. At August 31, 2010 and December 20, 2010 all 406,167 warrants remain outstanding.

Stock Options

The Company may grant incentive stock options as permitted pursuant to the Company's 2007 Stock Option Plan (the "Plan") approved by the directors of the Company on August 17, 2007. 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 the adoption of the Plan. Options granted may not exceed a term of five years. If the optionee ceases to be qualified to receive options from the Company those options expire immediately. All options vest when granted unless otherwise specified by the Board of Directors.

At November 30, 2010 and January 26, 2011 the weighted average remaining contractual life of these outstanding and exercisable options was 1.926 years.

	Number of Options	Weighted Average Exercise Price
Balance at August 31, 2008 and 2009	623,334	\$ 0.15
Granted	50,000	0.45
Balance at November 30, 2010	673,334	0.17
Exercised at \$0.15 per share	(86,574)	0.15
Balance at January 26, 2011	586,760	\$ 0.18

Stock based compensation was calculated by using the Black Scholes Option Pricing Model with the following weighted average assumptions during the year.

	<u>2010</u>	<u>2009</u>
Weighted average risk free interest rate	2.65%	3.65%
Expected life	5 years	5 Years
Weighted average expected volatility	137%	100%
Expected dividends	Nil	Nil

The weighted average grant date fair value of options granted during the year ended August 31, 2010 was \$0.40 (2009 - \$ 0.11).

<u>Contributed Surplus</u>	\$
Balance at August 31, 2008 and 2009	89,309
Stock based compensation expense	19,877
Transferred on exercise of agents warrants	(18,015)
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Balance at August 31, 2010	91,171
Transferred on exercise of stock options	(9,902)
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Balance at December 20, 2010	81,269

OFF-BALANCE SHEET ITEMS

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

RELATED PARTY TRANSACTIONS

During the 2010, the Company entered into a loan agreement with its CEO, Mr T. Randall Saunders whereby the Company was advanced \$50,000 for working capital purposes. The loan is secured by a promissory note, attracts interest at bank prime plus 3 percent and is due and payable not prior to its January 4, 2011 anniversary date. At the period end, Mr Saunders is owed a total of \$52,495 in principal and interest. This note payable was repaid on its anniversary date (See Subsequent Events)

Apart from this loan the Company has no other transactions with related parties.

PROPOSED TRANSACTIONS

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 to the Aishihik hydroelectric facility. The company can earn its 100% interest as part of the three (3) phase option programme. See Subsequent Events.

FINANCIAL INSTRUMENTS

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

SUBSEQUENT EVENTS

Subsequent to the year-end, the Company

1. Received \$12,986 from the exercise of 86,574 stock options that had been granted to a Director in 2007 at a price of \$0.15 per share;
2. 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 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 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.

3. The Company has raised \$1,200,000 by way of private placement through the issue of 3,000,000 flow-through units price at \$0.40 per unit. Each unit consisted of 1 flow-through common share and ½ non-flow-through share purchase warrant exercisable at a price of \$0.50 until December 30, 2011.
4. Advised Atac Resources that the Company was abandoning its interest in the Rosy Property.
5. Repaid the Note Payable to the Company's Chief Executive Officer on its due date complete with interest due. The repayment totalled \$52,801.

CRITICAL ACCOUNTING ESTIMATES

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.

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.

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.

RECENT ACCOUNTING PRONOUNCEMENTS

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

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 replace 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 recently acquired an option agreement in a mineral property. It has begun to capitalize the cost of its mineral property and to defer exploration and development expenses. Readers are directed to the Statement of Loss and Deficit and the Schedule of Mineral Properties within the Interim Financial Statements for a complete breakdown 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 approve all payments by the Company and all strategic 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 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, 2009, 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.

