



**MANAGEMENT'S DISCUSSION
and ANALYSIS**

Year Ending December 31, 2011

SGX Resources Inc.
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Canada

Date of Report: April 24, 2012

SGX RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

The following management discussion and analysis of the financial condition and results of operations of SGX Resources Inc. (the "Company") is prepared and reported as at December 31, 2011 and should be read in conjunction with the Company's interim financial statements and notes thereto for the year ended December 31, 2011. Additional information about the Company has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com.

The information provided herein is given as of April 24, 2012 unless otherwise indicated.

FORWARD LOOKING STATEMENTS

This management discussion and analysis contains "forward-looking statements" which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Such forward- looking statements may include, but are not limited to, statements with respect to the future financial or operating performance of the Company and its projects, the future price of gold or other metal prices, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters. Often, but not always, forward- looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations; fluctuations in currency exchange rates; changes in project parameters as plans continue to be refined; changes in labour costs; future prices of gold or other metal prices; possible variations of mineral grade; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavourable operating conditions and losses, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; and actual results of reclamation activities. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this management discussion and analysis and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

OVERVIEW OF THE BUSINESS

The Company was incorporated under the Canada Business Corporations Act on December 5, 2008. The Company did not commence active business operations until it acquired an interest in certain option agreements from San Gold Corporation (“San Gold”) on December 4, 2009. The current business of the Company is exploration and development of its mineral properties.

OVERALL PERFORMANCE

As at December 31, 2011, the Company’s business was ownership of interests in various mineral properties. During 2011, the Company undertook various exploration activities on its properties as set forth below.

Previously, on December 4, 2009, the Company entered into an option purchase agreement, as amended, with San Gold (the “Option Purchase Agreement”). Under the terms of the Option Purchase Agreement, San Gold sold to the Company its interests in seven option agreements to acquire certain mineral properties in the Timmins, Ontario area. The consideration paid by the Company to San Gold for its interest in the option agreements was \$2,500,000, satisfied by the issuance by the Company of 19,000,000 common shares of the Company (“Shares”) to San Gold at a deemed price of \$0.1315789 per Share. In addition to the Shares issued to San Gold, as additional consideration for the interest in the option agreements, the Company agreed to enter into a right of first refusal agreement with San Gold which gave San Gold the first right to purchase any interest in a mineral property sold by the Company.

On April 25, 2010 the Company filed its final non-offering prospectus with The Manitoba Securities Commission in order to become a reporting issuer and to remove the resale restrictions on the Shares. The Shares became listed for trading on the TSX Venture Exchange (the “Exchange”) on April 28, 2010.

On May 3, 2010, the Company entered into an option agreement with Newcastle Minerals Ltd. (“Newcastle”) pursuant to which Newcastle has provided the Company with an option to acquire up to a 75% interest in nine property patents (the “Newcastle Property”) which Newcastle has an option to acquire in the Timmins, Ontario area. Newcastle holds an option to acquire the Newcastle Property from Timmins Forest Products Ltd. pursuant to an agreement dated December 15, 2009. Pursuant to the terms of this option agreement, the Company has the option to earn up to a 75% interest in the Newcastle Property making certain payments to Newcastle, issuing certain Shares to Newcastle and performing certain exploration work on the Newcastle Property. This option was cancelled November 12, 2010.

On May 17, 2010, the Company entered into an option agreement with Shoreacres Exploration Ltd. (“Shoreacres”) pursuant to which Shoreacres has provided the Company with an option to acquire a 100% undivided interest in leased claim 114 (the “Shoreacres Property”) located in Sothman Township in Timmins, Ontario held by Shoreacres. Pursuant to the terms of this option agreement, the Company has the option to earn a 100% undivided interest in the Shoreacres Property by making certain cash payments and issuing certain Shares to Shoreacres. In addition, upon transfer of a 100% undivided interest in the Shoreacres Property from Shoreacres to the Company, Shoreacres shall be entitled to an aggregate 2% net smelter returns royalty on the Shoreacres Property.

On May 19, 2010, the Company entered into an option agreement with each of James Croxall, Margaret Kangas, Dennis Miller, Larry Salo and John D. Bryant (collectively, the “Optionors”) pursuant to which the Optionors have provided the Company with an option to acquire a 100% undivided interest in 36 mineral claims (the “Croxall Property”) held by the Optionors in the Timmins, Ontario area. Pursuant to the terms of this option agreement, the Company has the option to earn a 100% undivided interest in the Croxall Property by making certain cash payments and issuing certain Shares to the Optionors. In addition, upon transfer of a 100% undivided interest in the Croxall Property from the Optionors to the Company, the Optionors shall be entitled to an aggregate 2% net smelter returns royalty on the Croxall Property.

On August 9, 2010, the Company and San Gold entered into a purchase agreement with Canada Lithium Corp. ("CLQ"), to acquire a 100% interest in 18 mineral claims held by CLQ located in Tully Township, Porcupine Mining Division, District of Cochrane, Ontario (the "CLQ Mineral Claims"), commonly known as Timmins North. The consideration to be paid for the CLQ Mineral Claims by San Gold and the Company consists of \$200,000 in cash payable by the Company, 600,000 common shares of the Company and 150,000 common shares of San Gold. The Company and San Gold will each acquire a 50% interest in the CLQ Mineral Properties and the Company will be the operator of the CLQ Mineral Properties. San Gold and the Company have also agreed that the Company will be required to pay the cost of certain additional work on the CLQ Mineral Properties in order to earn its 50% interest in the Mineral Properties.

On September 22, 2010, the Company entered into a purchase agreement with 2205730 Ontario Inc. to acquire 100% interest in 3 mineral claims held by 2205730 Ontario Inc. located in Tully Township, Porcupine Mining Division, District of Cochrane, Ontario. The consideration to be paid for the 2205730 Ontario Inc. was 72,000 common shares of SGX Resources Inc. In addition, upon transfer of a 100% undivided interest in the 2205730 Ontario Inc. Property from the Optionors to the Company, the Optionors shall be entitled to an aggregate 1% net smelter returns royalty on the 2205730 Ontario Inc. Property.

On November 4, 2010, the Company entered into an option agreement (the "Option Agreement") with each of Robert Rousseau, Reginald Rochon and Andre Rochon (collectively, the "Optionors"). Pursuant to the Option Agreement, the Optionors have provided SGX with an option to acquire a 100% undivided interest in 3 mineral claims (the "Properties") held by the Optionors in the Timmins, Ontario area. Pursuant to the terms of the Option Agreement, SGX has the option to earn a 100% undivided interest in the Properties by making the following aggregate cash payments and issuing the following aggregate numbers of common shares of SGX ("Common Shares") to the Optionors: (i) \$10,000 cash and 100,000 Common Shares on the date that approval of the Option Agreement is received from the TSX Venture Exchange (the "Approval Date"); (ii) \$20,000 cash and 100,000 Common Shares on or before the first anniversary of the Approval Date; (iii) \$40,000 cash and 100,000 Common Shares on or before the second anniversary of the Approval Date. SGX is also required to undertake a program of line cutting and geophysics on the Properties that will cost a minimum of \$100,000 on or before the second anniversary of the Approval Date. In addition, upon transfer of a 100% undivided interest in the Properties from the Optionors to SGX, the Optionors shall be entitled to an aggregate 2% net smelter returns royalty on the Properties.

On January 13, 2011, the Company entered into an option agreement (the "Option Agreement") with each of Kimberly M. Cunnsion, Douglas J. Londry, Dale R. Pyke and Bruce N. Raine (collectively, the "Optionors"). Pursuant to the Option Agreement, the Optionors have provided SGX with an option to acquire a 100% undivided interest in 2 mineral claims (the "Properties") held by the Optionors in Tisdale Township in the Timmins, Ontario area. Pursuant to the terms of the Option Agreement, SGX has the option to earn a 100% undivided interest in the Properties by making the following aggregate cash payments and issuing the following aggregate numbers of common shares of SGX ("Common Shares") to the Optionors: (i) \$20,000 cash and 100,000 common shares on or before the date that is two years following the date that approval for the Option Agreement is received from the TSX Venture Exchange (the "Approval Date"); (ii) \$40,000 cash on or before the third anniversary of the Approval Date; (iii) \$60,000 cash on or before the fourth anniversary of the Approval Date; and (iv) \$80,000 cash and 100,000 Common Shares on or before the fifth anniversary of the Approval Date. SGX is also required to undertake at least 1,000 metres of diamond drilling on the Property on or before the second anniversary of the Approval Date, with at least 300 metres being drilled within 6 months of the Approval Date. In addition, SGX must perform at least \$500,000 in exploration expenditures, including the cost of the diamond drilling, on or before the fifth anniversary of the Approval Date. Upon transfer of a 100% undivided interest in the Properties from the Optionors to SGX, the Optionors shall be entitled to an aggregate 3% net smelter returns royalty on the Properties. At such time, SGX shall be entitled to purchase 2% of such net smelter royalty for \$1,000,000. If SGX does not purchase 2% of the net smelter royalty, then the net smelter royalty in favour of the Optionors shall automatically increase to 5%.

On September 8, 2011, the Company entered into an option agreement (the Option Agreement) with Caroline Creighton and Charles Creighton (collectively, the "Optionors"). Pursuant to the Option Agreement, the Optionors have provided the Optionees with an option to acquire a 100% undivided interest in one mineral claim (the "Property") held by the Optionors in Tully Township in the Timmins, Ontario area. To maintain the Option in good standing and earn a 100% undivided recorded and beneficial interest in the Property, the Optionees must: within 30 days of the effective date: make the following cash payments and issue the following common shares of SGX ("SGX Shares") to the Optionors as follows: \$20,000 to each of Caroline and Charles; and 20,000 SGX Shares to each of Caroline and Charles; on or before the date that is one year from the Effective Date and complete a minimum of \$250,000 in exploration expenditures on the Property; make the following cash payments and issue the following SGX Shares to the Optionors as follows: \$30,000 to each of Caroline and Charles; and 30,000 SGX Shares to each of Caroline and Charles; on or before the date that is two years from the Effective Date and complete a minimum of an additional \$400,000 in exploration expenditures on the Property; make the following cash payments and issue the following SGX Shares to the Optionors as follows: \$50,000 to each of Caroline and Charles; and 75,000 SGX Shares to each of each of Caroline and Charles; on or before the date that is three years from the Effective Date and complete a minimum of an additional \$500,000 in exploration expenditures on the Property.

On December 21, 2011, the Company had completed the acquisition of five mineral claims (the "Salo Mineral Claims") located in the Porcupine Mining Division, District of Cochrane, Ontario from Randall Salo ("Salo"). The consideration paid by SGX to Salo for the Salo Mineral Claims is 100,000 common shares of SGX and \$10,000 in cash. The Salo Mineral Claims are also subject to a 2% net smelter royalty in favor of Salo.

On December 21, 2011, the Company had completed the acquisition of four mineral claims (the "Bremner Mineral Claims") located in Sothman township in the Porcupine Mining Division, District of Cochrane, Ontario from Daryl Bremner ("Bremner"). The consideration paid by SGX to Bremner for the Bremner Mineral Claims is 120,000 common shares of SGX and \$2,000 in cash. The Bremner Mineral Claims are also subject to a 2% net smelter royalty in favor of Bremner.

A summary of the obligations of the Company pursuant to the all of its option agreements, including the cash payments, Share issuances and work commitments required pursuant to such option agreements is contained in the interim financial statements of the Company for the year ended December 31, 2011.

During the year ended December 31, 2011, the Company undertook significant exploration work on certain of its properties. All of the properties of the Company are located in and around the Timmins, Ontario area. A summary of the properties of the Company and the exploration activities of the Company on such properties during the quarter is set forth below.

The Big Dyke Property

The Big Dyke Property consists of 3 claims or 9 units in the township area of Deloro.

Claim status:

Claim #	Units	Hectares	Recording Date	Due Date
4215563	5		June 11, 2007	June 11, 2014
4216010	2		Sept. 4, 2007	Sept. 4, 2014
4216011	2		Sept.4, 2007	Sept. 4., 2016
Total 3 Claims	9 Units			

The above claims are registered in the names of Wade Travis Kornik, Pierre C. Robert and is currently under option to the Company.

The Big Marsh Property (Bristol-Carscallen)

The Big Marsh Property consists of 10 claims or 90 units in the east central part of Carscallen Township extending from Big Marsh Lake to the eastern boundary of the Carscallen Township, the total area being 1,440 hectares. All of the claims are contiguous, forming a relatively equidimensional block approximately 4.0 kilometres wide. The Big Marsh Property is located approximately 25 km to the west-southwest of the core of Timmins, Ontario.

Claim status

Claim #	Units	Hectares	Recording Date	Due Date
4212529	12	192	Oct. 11, 2006	Oct. 11, 2014
4211013	16	256	June 19, 2006	June 19, 2014
4213856	4	64	Feb. 7, 2007	Feb. 7, 2014
4202663	16	256	Oct. 10, 2006	Oct. 10, 2014
4210999	4	64	Oct. 16, 2006	Oct. 16, 2014
4204384	14	224	Aug. 11, 2006	Aug. 11, 2014
3019638	6	96	May 7, 2007	May 7, 2014
4202665	4	64	Oct. 11, 2006	Oct. 11, 2014
4213854	5	80	Feb. 7, 2007	Feb. 7, 2014
4213855	9	144	Feb. 7, 2007	Feb. 7, 2014
Total 10 Claims	90 Units	1,440		

All of the above claims are registered in the names of Larry Noel Gervais, John Derweduwen and 1531925 Ontario Ltd. and are currently under option to the Company.

The Gunther Lake Property

The Gunther Lake Property consists of a single claim of 12 units or 192 hectares in the central part of Carscallen Township to the west of Big Marsh Lake. The Gunther Lake Property forms a rectangular block 1.6 kilometres from north to south and 1.2 kilometres from east to west which is detached from the claim block of the Big Marsh Property by 800 metres and touches the eastern edge of Gunther Lake.

Claim status

Claim #	Units	Hectares	Recording Date	Due Date
4213799	12	192	Feb. 20, 2007	Feb. 20, 2014

The above claim is registered in the names of Larry Noel Gervais and is currently under option to the Company.

The Bristol West Property

The Bristol West Property contains four claims consisting of 25 units (400 hectares) along the western edge of Bristol Township. It is contiguous with the Big Marsh Property to the west but has been given a different name to facilitate reference and description. The Bristol West Property's dimensions are 3.0 kilometres from north to south and 1.6 kilometres from east to west.

Claim Status

Claim #	Units	Hectares	Recording Date	Due Date
3019639	11	176	May 7, 2007	May 7, 2014
3019640	2	32	May 7, 2007	May 7, 2014
4202662	9	144	Oct. 10, 2006	Oct. 10, 2014
4212522	3	48	Oct. 16, 2006	Oct. 16, 2014
Total 4 claims	25			

The above claims are registered in the names of 1571925 Ontario Ltd. And Larry Noel Gervais, and are under option to the Company.

The West Ogden Property

The West Ogden Property consists of two large irregular claims containing 24 units or 384 hectares in the northwest corner of Ogden Township. The aforesaid claims are contiguous forming a rough square approximately 2.5 kilometres across interrupted in the west and center by patented claims which are not part of the West Ogden Property.

The West Ogden Property is located approximately 10 km southwest of Timmins, Ontario.

Claim Status

Claim #	Units	Hectares	Recording Date	Due Date
4218023	13	208	June 15, 2007	June 15, 2014
4218028	11	176	June 15, 2007	June 15, 2014
Total 2 Claims	24 Units			

The above claims are registered in the name of Odyssey Explorations Ltd. and are under option to the Company.

The Odyssey Property

The Odyssey Property consists of a single claim of six units or 96 hectares in Shaw Township along its western boundary with Deloro Township. It is rectangular in shape with its long axis north-south. Its dimensions are approximately 1.5 kilometres by an average of 600 metres. The Odyssey Property is located approximately 10 km to the southeast of the core of Timmins, Ontario.

Claim Status

Claim #	Units	Hectares	Recording Date	Due Date
4240031	6	96	April 2, 2008	April 2, 2015

The above claim is registered in the name of Odyssey Explorations Ltd. and is under option to the Company.

The Shoreacres Property

The Shoreacres Property consists of 1 leased claim 114 located in Sothman Township in the Timmins, Ontario area.

The Timmins South Property (Croxall)

The Timmins South Property consists of 37 claims comprised of 335 units located in Sothman, Semple, Halliday and Nursey Townships in Ontario.

Claim Status:

<u>Claim #</u>	<u>Units</u>	<u>Recording Date</u>	<u>Due Date</u>	<u>Township/Area</u>
30001053	9	Feb. 18, 2003	Feb. 18, 2012	Semple
1191895	16	Feb. 18, 2002	Feb. 18, 2012	Semple
4212409	6	Feb. 23, 2007	Feb 23, 2012	Nursey
4212411	16	Feb. 23, 2007	Feb.23, 2012	Sothman
4212410	1	Feb. 23, 2007	Feb. 23, 2012	Sothman
4202189	9	Mar. 2, 2009	Mar. 2, 2012	Halliday
4210938	6	Mar. 2, 2009	Mar. 2, 2012	Halliday
3005882	6	Mar. 4, 2004	Mar. 4, 2012	Semple
3005884	16	Mar. 4, 2004	Mar. 4, 2012	Sothman
3005885	6	Mar. 4, 2004	Mar. 4, 2012	Sothman
3005886	3	Mar. 4, 2004	Mar. 4, 2012	Sothman
3005887	11	Mar. 4, 2004	Mar. 4, 2012	Sothman
3005888	1	Mar. 4, 2004	Mar. 4, 2012	Sothman
1247541	9	Apr. 15,2003	Apr. 15, 2012	Sothman
1247542	8	Apr. 15,2003	Apr. 15, 2012	Sothman
1247543	2	Apr. 15,2003	Apr. 15, 2012	Sothman
4250777	8	Apr. 29,2010	April 29,2012	Sothman
1149937	16	May 7, 2003	May 7, 2012	Sothman
1149938	10	May 7, 2003	May 7, 2012	Sothman
4255343	12	May 14, 2010	May 14,2012	Halliday
4255350	13	May 14, 2010	May 14,2012	Halliday
1149936	4	May 20, 2003	May 20 2012	Sothman
1149939	12	May 20, 2003	May 20, 2012	Sothman
1149934	9	May 30,2003	May 30, 2012	Sothman
1227898	15	May 31, 2005	May 31, 2012	Semple
3016396	8	July 3, 2003	July 3, 2012	Sothman
3016397	8	July 3, 2003	July 3, 2012	Sothman
4203285	8	July 4, 2005	July 4, 2012	Semple
1149935	8	July 9, 2003	July 9, 2012	Semple
4224481	16	Aug. 28, 2007	Aug. 28, 2012	Sothman
4224482	2	Aug. 28, 2007	Aug. 28, 2012	Sothman
4224483	16	Aug. 28, 2007	Aug. 28, 2012	Sothman
4224484	4	Aug. 28, 2007	Aug. 28, 2012	Sothman
4224485	16	Aug. 28, 2007	Aug. 28, 2012	Sothman
4224486	13	Aug. 28, 2007	Aug. 28, 2012	Sothman
4224487	10	Aug. 28, 2007	Aug. 28, 2012	Sothman
4224488	2	Nov. 29, 2004	Nov. 29, 2013	Norcanex Resources Ltd.
4202878		Nov. 29, 2004	Nov. 29, 2013	Norcanex Resources Ltd.
Total 37 Claims	335 Units			

During the quarter ended December 31, 2011 the Company completed 2115 metres of diamond drilling in 14 holes at the Croxall Property. The total cost of these expenditures was approximately \$357,000 also completed was 12.0 km of line cutting.

The above claim is registered in the name of Croxall, Kangas, Miller, Salo, Bryant and is currently under option to the Company.

The Tully Property (Tully Central)

The Tully Property consists of 23 claims designated as P4243871, P4243872 and P4243873 in the Tully Township. This project will henceforth be referred to as the Timmins North Project in Company documents and reports and in press releases.

Claim Status

Claim #	Units	Recording Date	Due Date	Township/Area
4243871	12	Jan. 29, 2009	Jan. 29, 2015	Tully
4243872	6	Jan. 29, 2009	Jan. 29, 2015	Tully
4243873	5	Jan. 29, 2009	Jan. 29, 2015	Tully
Total 23 Claims	23 Units			

The above claim is registered in the name of 2205370 Ontario Inc. located in Tully Township, Porcupine Mining Division, District of Cochrane, Ontario.

The (Nighthawk)

The Nighthawk Property consists of 2 claims comprising of 4 units located in the Township of German and 4 units in the Township of Matheson.

Claim Status

Claim #	Units	Recording Date	Due Date	Township/Area
4251588	4	Jan. 11, 2010	Jan. 11, 2012	German
4255976	4	Sept. 14, 2010	Sept. 14, 2012	Matheson
Total 2 Claims	8 Units			

The above claim is registered in the name of Robert/Allaire

The (Nighthawk East)

The Rousseau/Rochon property consists of 4 claims comprising of 16 units located in the Macklem, Township and 36 units located in the Thomas Township.

Claim Status

Claim #	Units	Recording Date	Due Date	Township/Area
4255346	16	June 24, 2010	June 24, 2012	Macklem
4255347	8	June 24, 2010	June 24, 2012	Thomas
4255348	16	June 24, 2010	June 24, 2012	Thomas
4257661	12	Oct. 25, 2010	Oct.25, 2012	Thomas
Total 4 Claims	52 units			

The above claims are registered in the name Rousseau, Rochon

The Northwest Tisdale Property

The Northwest Tisdale Property consists of 2 claims comprising of 8 units located in the Tisdale Township.

Claim Status

Claim #	Units	Recording Date	Due Date	Township/Area
1182655	4	July 4, 1991	July 4, 2016	Tisdale
4258496	4	June 9, 2010	June 9, 2012	Tisdale
Total 2 Claims	8 Units			

The above claim is registered in the name of (Cunnison, Londry, Pyke and Raine) and is under option to the Company.

The Canada Lithium Property/Timmins North

The Tully Mineral Claims consists of 50% interest in 18 claims of in the Tully Township area located in Tully Township, Porcupine Mining Division, District of Cochrane, Ontario.

Claim Status

Claim #	Recording Date	Due Date	Township/Area
57468	Patent	Not Applicable	Tully
57463	Patent	Not Applicable	Tully
57464	Patent	Not Applicable	Tully
57467	Patent	Not Applicable	Tully
57471	Patent	Not Applicable	Tully
57472	Patent	Not Applicable	Tully
57473	Patent	Not Applicable	Tully
57474	Patent	Not Applicable	Tully
57475	Patent	Not Applicable	Tully
57476	Patent	Not Applicable	Tully
57479	Patent	Not Applicable	Tully
57480	Patent	Not Applicable	Tully
57485	Patent	Not Applicable	Tully
57486	Patent	Not Applicable	Tully
102250	Patent	Not Applicable	Tully
102251	Patent	Not Applicable	Tully
3010236	June 14 2003	June 14, 2013	Tully
3010237	June 14,2003	June 14, 2013	Tully
Total 50% of 18 Claims			

The above claims are registered in the name of Canada Lithium. During the year ended December 31, 2011, the Company completed 3182 km of diamond drilling in 10 holes. The cost of these expenditures was approximately \$483,000

The Manderson Property

The Manderson Property consists of 4 Claims located in Deloro Township area.

Claim Status:

Claim #	Units	Recording Date	Due Date	Township/Area
4216014	1	August 15, 2007	August 15, 2014	Deloro
4246027	3	August 26, 2008	August 26, 2015	Deloro

The Manderson Claims were omitted from your original September 30, 2011 financial.

The Creighton Property

The Creighton Property consists of 1 Claim comprising of 4 units located in the Tully Township area.

Claim Status:

Claim #	Units	Recording Date	Due Date	Township/Area
P1182654	8	Patent	Not Applicable	Tully
P1182655	4	Patent	Not Applicable	Tully

The above claims are registered in the names of Caroline and Charles Creighton and are under option to the Company". During the quarter ended December 31, 2011, the Company completed 641 metres of diamond drilling in 2 holes at the Creighton Property. The total cost of these expenditures was approximately \$228,000.

The Salo Property

The Salo Property consists of 56 Claims located in the Township Area of Semple, Hutt, Sothman and Halliday.

Claim Status:

Claim #	Units	Recording Date	Due Date	Township/Area
4260491	12	November 29, 2011	November 20, 2013	Semple/Hutt
4260492	12	November 29, 2011	November 20, 2013	Semple
4260493	12	November 29, 2011	November 20, 2013	Semple/Hutt
4260494	4	November 29, 2011	November 20, 2013	Sothman
4260495	16	November 29, 2011	November 20, 2013	Sothman/Halliday
Total Claims	56			

The Bremner Property

The Bremner Property consists of 55 Claims located in the Sothman Township Area.

Claim Status:

Claim #	Units	Recording Date	Due Date	Township/Area
4269669	9	November 14, 2011	November 14, 2013	Sothman
4269670	14	November 14, 2011	November 14, 2013	Sothman
4269295	16	November 14, 2011	November 14, 2013	Sothman
4269296	16	November 14, 2011	November 14, 2013	Sothman
Total Claims	55			

Results of Operations for the Year Ended December 31, 2011

It is the intention of the Company to continue the substantial exploration program on certain of its mineral properties in 2011, as set forth in the technical report with respect to the Properties entitled "Technical Report on the Timmins Area Properties for SGX Resources Inc." dated January 15, 2010 prepared by John R. Boissoneault, B.Sc, P.Eng. available on SEDAR at www.sedar.com. The Company will also undertake exploration of its other properties not covered by this report. The Company also intends to acquire additional mineral properties in the Timmins, Ontario area.

The Company undertook significant exploration activities during the year ended December 31, 2011. As the Company is in the exploration phase and its properties are in the early stage of exploration, none of its properties are in production. Therefore, mineral exploration expenditures are not capitalized and losses are incurred as a result of exploration expenditures and administrative expenses relating to the operation of the Company's business. Consequently the Company's net income is not a meaningful indicator of its performance or potential. The key performance driver for the Company is the acquisition, exploration, and development of prospective mineral properties. By acquiring and exploring projects of superior technical merit, the Company increases the probability of finding and developing economic, mineral deposits.

At this time the Company is not anticipating profit from operations in the near future. Until such time as the Company is able to realize profits from the production and marketing of commodities from its properties, the Company will report a deficit and will rely on its ability to obtain equity or debt financing to fund ongoing operations. Additional financing is required for new exploration and promotional initiatives. Due to the nature of the junior mineral exploration industry, the Company will have a continuous need to secure additional funds through the issuance of equity or debt in order to support its corporate and exploration activities, as well as its obligations relating to its properties.

During the year December 31, 2011, the Company incurred exploration expenditures of \$4,745,664 on its properties. A summary of the exploration activities of the Company is set forth above under "Overall Performance".

During the year ended December 31, 2011, the Company incurred general and administrative expenditures of \$943,055. The general and administrative expenses incurred by the Company primarily related to professional fees to accountants and lawyers, fees to the Exchange and general office and administration expenses. The Company had no income from business operations in the year December 31, 2011.

Summary of Results

The following are the results for the year ended December 31, 2011 and 2010:

	December 31, 2011	December 31, 2010
Exploration Expenses	\$4,745,664	\$4,405,316
General & Administrative Expenses	\$943,055	\$785,610

	December 31, 2011	December 31, 2010
Net income (loss)	(\$6,939,357)	(\$3,863,943)
Basic income (loss) per share	(\$0.11)	(\$0.07)
Diluted income (loss) per share	(\$0.11)	(\$0.07)

The loss incurred by the Company in the year ended December 31, 2011 is primarily due to the Company incurring its initial exploration expenditures on its properties and general and administrative expenses.

The financial data of the Company has been prepared in accordance with Canadian generally accepted accounting principles and is stated in Canadian dollars.

Liquidity and Solvency

The Company is in the exploration stage and therefore has no regular cash inflows. As at December 31, 2011 the Company had working capital of \$150,005.

The pace of development of its properties will determine how quickly the Company expends its working capital and how long it will take before the Company requires additional working capital. The ability of the Company to access additional working capital through additional financings could be adversely affected by many factors including a downturn in mineral prices, a general economic downturn, poor results from exploration programs on its properties and a variety of other factors.

Risk Factors

The business of the Company is subject to a number of risks and uncertainties that may impact the business of the Company. A summary of the risk factors that may affect the Company is set forth below.

Competition for Mineral Deposits

The mineral exploration and mining industry is competitive in all phases of exploration, development and production. The Company competes with a number of other entities and individuals in the exploration of, search for and the acquisition of attractive mineral properties. As a result of this competition, much of which is with entities with greater financial resources than the Company, the Company may not be able to obtain funding for its exploration projects, obtain and maintain the necessary resources to carry out such exploration or acquire attractive properties in the future on terms it considers acceptable. The Company competes with other resource companies, many of whom have greater financial resources and/or more advanced properties that are better able to attract equity investment and other capital.

Resource Exploration and Development Involves a High Degree of Risk

Resource exploration and development is a speculative business and involves a high degree of risk. There is no known body of commercial ore on any of the properties of the Company. There is no certainty that any expenditure made by the Company in the exploration of any of its properties or otherwise will result in discoveries of commercial quantities of minerals. The marketability of natural resources which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company.

Lag Time between Discovery and Production of Mineral Resources

The Company is unable to predict the amount of time which may elapse between the date when any new mineral resource may be discovered and the date when production, if any, will commence from any such discovery.

Infrastructure Requirements

Exploration and development of mineral properties depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Title to the Company's Properties or Interests May Be Disputed

Title to and the area of resource concessions may be disputed. There is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

Surface Access Rights

The Company does not have surface access rights to the all of its mineral properties and will be required to obtain all necessary permits prior to carrying out any exploration activities on certain of its properties. Accordingly, the Company may be unable to access certain of its properties and related mineral exploration claims to carry out its proposed exploration activities.

Aboriginal Land Claims and Aboriginal Rights

The mineral properties of the Company may in the future be the subject of aboriginal peoples' land claims or aboriginal rights claims. The legal basis of an aboriginal land claim and aboriginal rights is a matter of considerable legal complexity and the impact of the assertion of such a claim, or the possible effect of a settlement of such claim upon the Company cannot be predicted with any degree of certainty at this time.

Additional Funds for Future Exploration and Development, Dilution

As a mineral exploration company, the Company does not generate cash flow from its activities and it must rely primarily on issuances of its securities or the borrowing of funds to finance its operations. The exploration and development of its properties will require substantial funds beyond those it has and there is no assurance that such additional funds will be available to the Company on commercially reasonable terms or in sufficient amounts to allow the Company to continue to pursue its objectives. The inability of the Company to raise further funds, whether through additional equity issuances or by other means, could result in delays or the indefinite postponement of planned exploration and/or development activities or, in certain circumstances, the loss of some or all of its property interests or cessation of all mineral exploration and/or development activities.

Risks Associated with the Company's Activities May Not Be Insurable

The Company's business is subject to a number of risks and hazards and no assurance can be given that insurance will cover the risks to which the Company's activities will be subject or will be available at all or at commercially reasonable premiums.

The Company Has No History of Operations, Earnings or Dividends

The Company was incorporated on December 5, 2008 and has no history of earnings or of a return on investment, and there is no assurance that it will generate earnings, operate profitably or provide a return on investment in the future. The Company has no plans to pay dividends.

Statutory And Regulatory Compliance is Complex and May Result In Delay Or Curtailment of The Company's Operations

The current and future operations of the Company and any parties which may carry out exploration, development and mining activities on properties in which the Company holds an interest will be governed by laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities often experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company will apply for all necessary permits for the exploration work it intends to conduct, however such permits are, as a practical matter, subject to the discretion of government authorities and there can be no assurance that the Company will be successful in obtaining or maintaining such permits.

The Company Depends on Key Management and Employees

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff. There can be no assurance that the Company will be successful in attracting, training and retaining qualified personnel.

Shortages of Supplies

The Company may be adversely affected by shortages of critical supplies or equipment required to operate the business of the Company. Any shortage of critical supplies or equipment will affect the timeliness of the development of the Company and its business.

Estimates of Mineral Resources

There are numerous uncertainties inherent in estimating ore reserves and mineral resources. The accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Fluctuations in precious or base metal prices, results of drilling, or metallurgical testing, subsequent to the date of any estimate may require revision of such estimate. In addition, there can be no assurance that precious or base metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Environmental Factors

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 will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects 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 operations. The Company's operations are subject to environmental regulations promulgated by various government agencies from time to time. Violation of existing or future environmental rules may result in various fines and penalties.

Conflicts of Interest

Certain directors and officers of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. In particular, many of the directors and officers of the Company are also directors and/or officers of San Gold. Such associations may give rise to conflicts of interest from time to time, including with respect to the obligations of the Company and San Gold pursuant to the Option Purchase Agreement. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company.

Capital Resources

As at December 31, 2011, the Company had the following commitments for capital expenditures:

Capital Expenditure	Amount	Time Frame
To Pay for the planned Phase 2 Exploration Program on certain Properties	\$5,000,000	12 months
To make the cash payments pursuant to its option agreements	750,000	5 Years
To pay San Gold for the shares of San Gold to be issued pursuant to its option agreements. (1)	113,400	1 Year
Total	\$5,863,400	

Note:

- (1) Based on a price per share of San Gold of \$1.89 as at December 31, 2011. This assumes that the Company will not elect to issue Shares to San Gold as consideration for the issuance of shares of San Gold pursuant to its option agreements.

As at December 31, 2011, the Company did not have sufficient funds to meet its commitments for capital expenditures set forth above as well as its estimated general and administrative expenses.

Off Balance Sheet Arrangements

There is no off-balance sheet arrangements to which the Company is committed.

Transactions with Related Parties

During the year ended December 31, 2011, the Company did not enter into any transactions with related parties.

Proposed Transactions

The Company does not currently have any specific proposed asset or business acquisition or disposition other than those disclosed as subsequent events. The Company intends to acquire additional mineral properties, particularly in the Timmins, Ontario area in addition to those already acquired by the Company.

Changes in Accounting Policies Including Initial Adoption

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in IFRS Transition below, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. IFRS Transition below discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance 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 December 31, 2010.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of December 31, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in restatement of these interim financial statements, including the transition adjustments recognized on change-over to IFRS.

Future Changes to significant Accounting Policies

The following new or amended standards have been issued by the IASB:

- IFRS 9 - replaces IAS 39 – Financial Instruments: Recognition and Measurement, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.
- IFRS 10 – Consolidated Financial Statements – replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities, provides a single consolidation model that identifies control as the basis for consolidation for all types of entities, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.
- IFRS 11 – Joint Arrangements - supersedes IAS 31 Interests in Joint Ventures and SIC-13—Jointly Controlled Entities—Non-monetary Contributions by Venturers, established principles for the financial reporting by parties to a joint arrangement, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.
- IFRS 12 – Disclosure of Interests in Other Entities - combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangement, associates and unconsolidated structured entities, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.
- In conjunction with IFRS 10, IFRS 11 and IFRS 12, the IASB also issued amended and retitled IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.
- IFRS 13 – Fair Value Measurement - defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

The Company is currently evaluating the impact of these standards on its financial statements.

Financial Instruments

Financial instruments of the Company consist mainly of cash, short-term investments, other accounts receivable, and accounts payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximate their carrying values.

Additional Disclosure for Venture Issuers without Significant Revenue

As the Company has had no significant revenue from operations since inception (December 5, 2008), the following is a breakdown of the material costs incurred by the Company:

	Year Ended December 31, 2011	Year Ended December 31, 2010
Exploration and Development Costs	\$4,745,664	\$4,405,316
General and Administrative Expenses	\$943,055	\$785,610
Mining claims	\$286,000	\$822,930
Flow through share indemnification	\$790,966	-
Share based compensation	\$507,727	\$393,973

Disclosure of Outstanding Share Data

December 31, 2011

Authorized:

Unlimited number of common shares

Issued:

79,439,736 common shares
(December 31, 2010 - 60,797,621)
(January 1, 2010 - 51,582,160)

	December 31, 2011		December 31, 2010	
	Number of shares	Amount	Number of shares	Amount
Share capital, beginning of period	60,797,621	\$7,460,792	51,582,160	\$5,556,981
Private placement	11,500,000	2,675,000	7,886,500	2,471,060
Proceeds allocated to warrants issued	-	(92,683)	-	(223,407)
Issued for flow-through indemnification	3,163,864	727,689	-	-
Issued to San Gold Corporation	1,636,256	483,350	-	-
Issued for mining claims	502,000	134,980	1,260,628	387,795
Exercise of warrants	1,839,995	630,723	68,333	23,424
Proceeds allocated to warrants amended	-	-	-	(485,860)
Share issue costs	-	(144,131)	-	(269,201)
Share capital, end of period	<u>79,439,736</u>	<u>\$11,875,720</u>	<u>60,797,621</u>	<u>\$7,460,792</u>

During the year ended December 31, 2010, the expiry date of the warrants issued in 2009 was extended to July 15, 2011 resulting in a charge of \$485,860 to proceeds allocated to warrants.

On June 3, 2010 the Company issued 338,462 common shares at a value of \$0.26 shares pursuant to a mining claim agreement. On June 18, 2010 the Company issued 49,000 common shares at a value of \$0.245 per common share pursuant to a mining claim agreement. On September 3, 2010 the Company issued 600,000 common shares at a value of \$0.34 per common share pursuant to a mining claim agreement. On September 22, 2010 the Company issued 72,000 common shares at a value of \$0.32 per common share pursuant to a mining claim agreement.

On October 22, 2010 the Company issued 51,166 common shares at a value of \$0.386 per share pursuant to a mining claim agreement. On November 1, 2010 the Company issued 100,000 common shares at a value of \$0.28 pursuant to a mining claim agreement.

On December 1, 2010 the Company issued 68,333 common shares on the exercise of share options for gross proceeds of \$20,500.

On December 31, 2010 the Company completed a private placement issuing 7,886,500 common shares and 3,943,250 warrants for aggregate gross proceeds of \$2,760,275 with \$289,215 being allocated to flow-through share premium.

On March 29, 2011 the Company issued 44,000 common shares on the exercise of share options for gross proceeds of \$13,200.

On April 27, 2011 the Company issued 1,200,000 common shares, 300,000 flow-through shares and 1,500,000 warrants for gross proceeds of \$390,000 with \$15,000 being allocated to flow-through share premium.

On May 17, 2011 the Company issued 142,000 common shares at a value of \$0.29 per share pursuant to mining claim agreements. On June 2, 2011 the Company issued 1,636,256 common shares to San Gold Corporation for payment of \$483,350 owed to San Gold Corporation.

On July 15, 2011 the Company issued 1,773,995 common shares on the exercise of warrants for gross proceeds of \$532,199.

On October 5, 2011 the Company issued 20,000 common shares at a value of \$0.19 per share pursuant to mining claim agreements. On November 3, 2011 the Company issued 20,000 common shares at a value of \$0.22 per share pursuant to mining claim agreements. On November 10, 2011 the Company issued 100,000 common shares at a value of \$0.24 per share pursuant to mining claim agreements. On December 21, 2011 the Company issued 220,000 common shares at a value of \$0.28 per share pursuant to mining claim agreements.

On December 8, 2011 the Company issued 22,000 common shares on the exercise of warrants for gross proceeds of \$6,600.

On December 22, 2011 the Company issued 13,163,864 flow-through shares for gross proceeds of \$3,290,966 with \$263,277 being allocated to flow-through share premium.

6,831,975 common shares and 581,975 warrants were held in escrow pursuant to the requirements of the TSX Venture Exchange to be released as to 25% thereof on the date of the listing for trading of the common shares on April 28, 2010, 25% on the date that is six months from the listing date, 25% on the date that is 12 months following the listing date and the remaining common shares and warrants on the date that is 18 months from the listing date. On each of April 28, 2010, October 28, 2010 and April 28, 2011 and October 28, 2011, 25% of the original number of escrowed common shares and warrants, were released, for a total released of 6,831,975 common shares and 581,974 warrants.

IFRS Transition:

For all periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with Canadian GAAP. The interim financial statements, for the period ended March 31, 2011, were the first the Company prepared in accordance with International Financial Reporting Standards (IFRS).

Accordingly, the Company has prepared interim financial statements which comply with IFRS applicable for periods beginning on or after 1 January 2011. In preparing these interim financial statements, the Company's opening statement of financial position was prepared as at 1 January 2010, the Company's date of transition to IFRS. This note explains how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance, and cash flows as set out in the following tables and notes.

IFRS election option and mandatory exception

- a) IFRS allows first-time adopters to not apply IFRS 2 to equity instruments granted after November 7, 2002 that vested before transition to IFRS.

The Company has elected this exemption and as a result will only apply IFRS 2 for share-based payments that had not vested at January 1, 2010.

- b) The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies. Estimates under IFRS at January 1, 2010 are consistent with estimates made for that same date under Canadian GAAP.

Reconciliation of the statement of financial position as previously reported under Canadian GAAP to IFRS as at January 1, 2010:

	Canadian GAAP January 1, 2010	December 31, 2010 change in policy	Effect of change	IFRS restated January 1, 2010
ASSETS				
Current assets				
Cash	\$ 5,946,021	\$ -	\$ -	\$ 5,946,021
Share subscriptions	284,447	-	-	284,447
Other accounts receivable	712	-	-	712
	<u>6,231,180</u>	-	-	<u>6,231,180</u>
Mining claims	<u>738,580</u>	-	-	<u>738,580</u>
	<u>\$ 6,969,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,969,760</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable	\$ 74,429	\$ -	\$ -	\$ 74,429
Flow-through share premium	-	-	2,496,442	2,496,442
	<u>74,429</u>	-	<u>2,496,442</u>	<u>2,570,871</u>
Equity				
Share capital	9,145,601	(1,092,178)	(2,496,442)	5,556,981
Contributed surplus	651,448	-	-	651,448
Deficit	(2,901,718)	1,092,178	-	(1,809,540)
	<u>6,895,331</u>	<u>-</u>	<u>(2,496,442)</u>	<u>4,398,889</u>
	<u>\$ 6,969,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,969,760</u>

Reconciliation of the statement of financial position as previously reported under Canadian GAAP to IFRS as at December 31, 2010:

	Canadian GAAP December 31, 2010	Effect of change	IFRS restated December 31, 2010
ASSETS			
Current assets			
Cash	\$ 2,808,656	\$ -	\$ 2,808,656
Short-term investments	97,444	-	97,444
Other accounts receivable	387,234	-	387,234
Prepaid expenses	38,971	-	38,971
	<u>3,332,305</u>	-	<u>3,332,305</u>
Mining claims	<u>1,274,795</u>	-	<u>1,274,795</u>
	<u>\$ 4,607,100</u>	<u>\$ -</u>	<u>\$ 4,607,100</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	\$ 778,812	\$ -	\$ 778,812
Flow-through share premium	-	289,215	289,215
	<u>778,812</u>	<u>289,215</u>	<u>1,068,027</u>
Equity			
Share capital	8,373,649	(912,857)	7,460,792
Contributed surplus	1,751,764	-	1,751,764
Deficit	(6,297,125)	623,642	(5,673,483)
	<u>3,828,288</u>	<u>(289,215)</u>	<u>3,539,073</u>
	<u>\$ 4,607,100</u>	<u>\$ -</u>	<u>\$ 4,607,100</u>

Reconciliation of statement of net loss and comprehensive loss as previously reported under Canadian GAAP to IFRS for the year ended December 31, 2010:

	Canadian GAAP December 31, 2010	Effect of change	IFRS restated December 31, 2010
Exploration expenditures	\$ 4,405,316	\$ -	\$ 4,405,316
General and administrative	785,610	-	785,610
Mining claims	822,930	-	822,930
Share based compensation	393,973	-	393,973
	<hr/>	<hr/>	<hr/>
Net loss before the following	(6,407,829)	-	(6,407,829)
Interest income	47,444	-	47,444
	<hr/>	<hr/>	<hr/>
Net loss before income tax	(6,360,385)	-	(6,360,385)
Deferred income tax benefit (expense)	1,872,800	623,642	2,496,442
	<hr/>	<hr/>	<hr/>
Net loss and comprehensive loss	<u>\$ (4,487,585)</u>	<u>\$ 623,642</u>	<u>\$ (3,863,943)</u>

December 31, 2010 change in policy

As disclosed on the financial statements for the year ended December 31, 2010, the policy for share issue costs was changed. Share issue costs that had previously been charged to retained earnings were now charged to share capital. The change in accounting policy was applied retrospectively with restatement of comparative figures. The balance of deficit and share capital as at January 1, 2010 has been restated by \$1,092,178 representing the cumulative share issue costs charged to retained earnings in prior periods.

Effect of change

Under IFRS, on the issue of flow-through shares the Company will record a liability for the difference between the proceeds received and the market price of the Company's shares on the date of the transaction ("premium"). This premium will be recognized as income upon the related renunciation of expenditures. At this point, the Company will also record the deferred tax liability associated with the renunciation of the tax benefits. Any difference between the deferred tax liability and the original premium liability will be recorded in the statement of loss and comprehensive loss.

The adjustment on transition to IFRS to record the change in accounting for flow-through shares is computed as the difference between the tax attributes renounced to subscribers (and recorded against share capital for Canadian GAAP and the premium on the flow through share issuance (which is the only amount that should be recorded for IFRS). Under IFRS, the difference is recorded to deferred tax expense, which impacts accumulated retained earnings. The difference between the proceeds received and the market price of the Company's shares on transition from prior flow-through shares before January 1, 2010 was \$2,496,442. The amount was recorded as a reduction of share capital and an increase to flow through share premium as at January 1, 2010.

Upon renouncing expenditures from previously issued flow-through shares in the period ended March 31, 2010, an income tax expense was recorded as the difference between the premium and value of tax attributes renounced to shareholders. The value of the tax attributes of \$1,542,500 previously recorded against share capital less the premium of \$2,496,442 was recorded as a deferred income tax benefit. For the year ended December 31, 2010, the value of the tax attributes renounced of \$1,872,800 previously recorded against share capital less the premium of \$2,496,442 was recorded as a deferred income tax benefit.

The Company also issued flow through shares in the fourth quarter of 2010. The difference between the proceeds received and the market price of the Company's shares on the date of the transaction of \$289,215 was recorded as a reduction of share capital and increase to flow through share premium as at December 31, 2010.

Other impacts

a) Cash flow statement

There are no material differences between the cash flow statement presented under IFRS and the cash flow statement presented under Canadian GAAP for the year ended December 31, 2010.

b) Net loss per share

As a result of the change in accounting for flow-through shares as described above, the Company's loss per common share has decreased \$0.02 to a loss of \$0.07 per common share for the year ended December 31, 2010.

Subsequent Events:

Subsequent to December 31, 2011 the Company closed a private placement to issue units at \$0.50 per unit and \$0.55 per flow-through unit, for aggregate gross proceeds of \$12.05 million. Each unit consists of one common share, one-half of one common share purchase warrant to exercise into a common share at a price of \$0.60 for a period of 24 months following closing. The flow-through units consist of one flow-through common share and one-half of one common share purchase warrant exercisable into one common share at a price of \$0.65 for a period of 24 months following closing.

Subsequent to December 31, 2011 the Company has closed the purchase of all of the interests of San Gold Corporation in its mineral properties in Tisdale Township, in the Timmins, Ontario mining camp for consideration of the Issuance of 8,060,000 common shares of the Company at a deemed price of \$0.50 per common share. The properties consist of a 31.5% ownership in 12 mineral claims and a 100% interest in 15 mineral claims as well as certain surface rights. San Gold Corporation is a related party as it exerts significant influence over the Company.

Subsequent to December 31, 2011 the Company entered into a mining claim for a 100% interest in 3 claims for the issuance of 17,778 common shares of the Company.

Subsequent to December 31, 2011 the Company collected proceeds of \$176,932 from the exercise of 450,000 options and 125,405 warrants.

Other Requirements

Additional information relating to the Company is available on SEDAR at www.sedar.com or by contacting the Company as follows:

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Dale Ginn, President & CEO
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