SGX sxr-v
Resources Inc.

MANAGEMENT DISCUSSION and ANALYSIS

Quarter Ending June 30, 2011

SGX RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 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 Aug. 11, 2011 and should be read in conjunction with the Company's interim financial statements and notes thereto for the quarter ended June 30, 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 June 30, 2011 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 June 30, 2011, the Company's business was ownership of interests in various mineral properties. As at June 30, 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%.

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 annual financial statements of the Company for the quarter ended June 30, 2011.

During the quarter ended June 30, 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 Marsh Property

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
4213854	5	80	Feb. 7, 2007	Feb. 7, 2014
4213855	9	144	Feb. 7,2007	Feb. 7,2014
4212529	12	192	Oct.11,2006	Oct.11,2011
4211013	16	256	June 19,2006	June 19,2011
4213856	4	64	Feb. 7,2007	Feb. 7,2011
4202663	16	256	Oct. 10,2007	Oct.10,2011
4210999	4	64	Oct. 16,2007	Oct. 16,2011
3019638	6	96	May 7,2007	May 7,2012
4204384	14	224	Aug. 11,2006	Aug. 11,2011
4202665	4	64	Oct. 11,2006	Oct. 11,2013
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10	90	1,440		Totals

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 John Derweduwen 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
4202662	9	144	Oct. 10, 2006	Oct. 10, 2012
4212522	3	48	Oct. 16, 2006	Oct. 16, 2012
3019640	2	32	May 7, 2007	May 7, 2012
3019639	11	176	May 7, 2007	May 7, 2012
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4	25	400		Totals

The above claims are registered in the names of Larry Noel Gervais, John Derweduwen and 1571925 Ontario Ltd. 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
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2	24	384		Totals

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

The Delnor Property

The Delnor Property consists of two claims containing 14 units or 224 hectares in the north central part of Deloro Township. The claims are contiguous forming a rectangular block without the northwest and southeast corners. The dimensions of the Delnor Property are 2.4 kilometres by 1.3 kilometres with the long axis being east-west. The Delnor Property is located approximately 8 kilometres due south of Timmins, Ontario.

Claim Status

Claim #	Units	Hectares	Recording date	Due Date
04225654	4	64	Oct. 9, 2007	Oct. 9, 2012
4223744	10	160	Feb. 28, 2008	Feb. 28, 2012
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2	14	224		Totals

The above claims are registered in the name of Pierre C. Robert and are under option to the Company.

The Lynx Property

The Lynx Property consists of a single claim containing 10 units or 160 Hectares, in the west central part of Deloro Township to the west of McKay Lake. The dimensions of the Lynx Property are 2.4 kilometres from east to west and approximately 800 metres from north to south. The Lynx Property is located approximately 10 kilometres south of Timmins, Ontario.

Claim Status

Claim #	Units	Hectares	Recording date	Due Date
4213578	10	160	Mar. 25, 2008	Mar. 25, 2015

The above claim is registered in the name of Pierre C. Robert and is under option to the Company.

The Slade Property

The Slade Property consists of a single claim containing 7 units or 112 hectares in the southeastern quarter of Deloro Township approximately 400 metres from the east boundary of Deloro Township. The claim is irregular in shape and approximately 2.0 km from east to west and an average of 1.0 kilometre from north to south. The Slade Property was acquired by physical staking. The Slade Property is located approximately 10 kilometres to the south-southeast of the core of the city of Timmins, Ontario.

Claim Status

Claim #	Units	Hectares	Recording date	Due Date
422179	7	112	Nov. 1, 2007	Nov. 1, 2011

The above claim is registered in the name of Pierre C. Robert and is 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
4230031	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 leased claim 114 located in Sothman Township in the Timmins, Ontario area.

The Croxall Property

The Croxall Property consists of 36 claims comprised of 308 units located in Sothman, Semple, Halliday and Nursey Townships in Ontario.

3005884	16	Sothman
3005882	6	Semple
3005885	6	Sothman
3005886	3	Sothman
3005887	11	Sothman
1149934	9	Sothman
1149935	8	Semple
1149936	4	Sothman
1149937	16	Sothman
1149938	10	Sothman
1149939	12	Sothman
1191895	16	Semple
1227898	15	Semple
1247541	9	Sothman
1247542	8	Sothman
1247543	2	Sothman
3016396	8	Sothman
3016397	8	Sothman
30001053	9	Semple
4203285	8	Semple
4202189	9	Halliday
4210938	6	Halliday
4212409	6	Nursery
4212411	16	Sothman
4224481	16	Sothman
4224483	16	Sothman
4224484	4	Sothman
4224485	16	Sothman
4224486	13	Sothman
4224487	10	Sothman

4250777	8	Sothman
4224482	2	Sothman
4212410	1	Sothman
3005888	1	Sothman

During the quarter ended June 30, 2011 the Company completed 174 meters of diamond drilling in 1 hole at the Croxall Property. The total cost of these expenditures was approximately $64,000.

The Tully Property (Timmins North)

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.

During the quarter ended June 30, 2011 the Company completed 12932 meters of diamond drilling in 44 holes on the Tully Property. The Company also undertook line-cutting. The total cost of these expenditures was approximately $712,000.

The Rousseau/Rochon Property

The Rousseau/Rochon property consists of 3 claims comprising of 16 units located in the Macklem Township and 24 units located in the Thomas Township. The claim numbers are 4255346, 4255347 and 4255348.

The Northwest Tisdale Property

The Northwest Tisdale Property consists of 2 claims comprising of 12 units located in the Tisdale Township. The claim numbers are 1182654 and 1182655.

During the quarter ended June 30, 2011 they completed 1193 meters of diamond drilling in 4 holes. The total cost of this expenditure was $174,000.

Results of Operations for the Quarter Ended June 30, 2011

It is the intention of the Company to continue the substantial exploration program on certain of its mineral properties in 2010, 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 quarter ended June 30, 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 quarter June 30, 2011, the Company incurred exploration expenditures of $ 950,615 on its properties. A summary of the exploration activities of the Company is set forth above under "Overall Performance".

During the quarter ended June 30, 2011, the Company incurred general and administrative expenditures of $201,609. 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 quarter June 30, 2011 but had interest income of $903.00 from its funds on deposit.

Summary of Results

The following are the results for the three months ended

	June 30, 2011	**March 31,2011**	
Net income (loss)	($1,329,319)	($1,565,448)	
Basic income (loss) per share	($0.02)	($0.02)	
Diluted income (loss) per share	($0.02)	($0.02)	

Results for the year ended December 31, 2010, 2009 and 2008 have been restated for IFRS adjustments. There was no impact to net loss and basic/diluted loss per share for 2009 and 2008 from IFRS transition.

The loss incurred by the Company in the quarter ended June 30, 2011 is primarily due to the Company incurring its initial exploration expenditures on its properties and general and administrative expenses. Prior to January 1, 2009, the Company did not carry on any significant operations.

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 June 30, 2011 the Company had working capital of $391,309. Therefore, as at June 30, 2011, the Company anticipated that it had sufficient cash to meet its currently planned exploration and development activities and to fund operational activities and general and administrative expenses in the short and medium term. The Company will be dependent upon future financings to meet its long-term plans for development of its properties.

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 June 30, 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	$4,650,000	12 months
To make the cash payments pursuant to its option agreements	$635,000	5 Years
To pay San Gold for the shares of San Gold to be issued pursuant to its option agreements.	$228,200	1 Year
Total	$5,513,200	

Note:

(1) Based on a price per share of San Gold of $ 3.26 as at June 30, 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 June 30, 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 are no off-balance sheet arrangements to which the Company is committed.

Transactions with Related Parties

During the quarter ended June 30, 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 June 28, 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:

	Three months ended June 30, 2011	**Six months ended June 30, 2011**
Exploration and Development Costs	$950,615	$2,601,294
General and Administrative Expenses	$190,857	$351,703
Mining claims	$188,750	$236,250

Disclosure of Outstanding Share Data

	June 30, 2011
Authorized:	
Unlimited number of Shares	
Issued:	
64,119,877 Shares	$ 8,271,970

13,663,949 common shares and 1,163,949 warrants are 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 April 28, 2010, 6,831,974 common shares and 581,974 warrants, being 25% of the original number of escrowed common shares and warrants, were released from escrow. On October 28, 2010, 6,831,974 common shares and

581,974 warrants, being 25% of the original number of escrowed common shares and warrants, were released from escrow.

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 to $483,350 owed to San Gold Corporation.

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. These interim financial statements, for the period ended March 31 2011, are the first the Company has 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
	6,231,180	-	-	6,231,180
Mining claims	738,580	-	-	738,580
	$ 6,969,760	$ -	$ -	$ 6,969,760
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$ 74,429	$ -	$ -	$ 74,429
Flow-through share premium	-	-	2,496,442	2,496,442
	74,429	-	2,496,442	2,570,871
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)
	6,895,331	-	(2,496,442)	4,398,889
	$ 6,969,760	$ -	$ -	$ 6,969,760

Reconciliation of the statement of financial position as previously reported under Canadian GAAP to IFRS as at June 30, 2010:

	Canadian GAAP June 30,2010	December 31, 2010 change in policy	Effect of change	IFRS restated June 30, 2010
ASSETS				
Current assets				
Cash	$ 34,078	$ -	$ -	$ 34,078
Short-term investments	4,282,961	-	-	4,282,961
Other accounts receivable	89,697	-	-	89,697
Prepaid expenses	16,350	-	-	16,350
	4,423,086	-	-	4,423,086
Mining claims	1,511,835	-	-	1,511,835
	$ 5,934,921	$ -	$ -	$ 5,934,921
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$ 900,450	$ -	$ -	$ 900,450
Future tax liability	951,000	-	-	951,000
	1,851,450	-	-	1,851,450
Equity				
Share capital	9,258,606	(2,715,973)	(953,942)	5,588,691
Contributed surplus	977,971		-	977,971
Deficit	(6,153,106)	2,715,973	953,942	(2,483,191)
	4,083,471	-	-	4,083,471
	$ 5,934,921	$ -	$ -	$ 5,934,921

	Canadian GAAP March 31, 2010	December 31, 2010 Change in Policy	Effect of change	IFRS restated March 31, 2010
	ASSETS			
Current assets				
Cash	$ 941,117	$ -	$ -	$ 941,117
Short-term investments	5,016,110	-	-	5,016,110
Other accounts receivable	17,609	-	-	17,609
Prepaid expenses	3,100	-	-	3,100
	5,977,936	-	-	5,977,936
Mining claims	774,080	-	-	774,080
Deferred charges	82,875	-	-	82,875
	$ 6,834,891	$ -	$ -	$ 6,834,891

LIABILITIES AND SHAREHOLDERS' EQUITY

	Canadian GAAP March 31, 2010	December 31, 2010 Change in Policy	Effect of change	IFRS restated March 31, 2010
Current Liabilities				
Accounts payable	$ 344,679	$ -	$ -	$ 344,679
Future tax liability	1,419,200	$ -	$ -	1,419,200
	1,763,879	-	$ -	1,763,879
Equity	9,145,601	(2,634,678)	(953,942)	5,556,981
Share capital	651,448	-	-	651,448
Contributed surplus	(4,726,037)	2,634,678	953,942	(1,137,417)
Deficit				
	5,071,012	$ -	$ -	5,071,012
	$ 6,834,891	$ -	$ -	$ 6,834,891

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
	3,332,305	-	3,332,305
Mining claims	1,274,795	-	1,274,795
	$ 4,607,100	$ -	$ 4,607,100
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	$ 778,812	$ -	$ 778,812
Future tax liability	-	$ 289,215	289,215
	778,812	$ 289,215	1,068,027
Equity	8,373,649	(912,857)	7,460,792
Share capital	1,751,764	-	1,751,764
Contributed surplus	(6,297,125)	623,642	(5,673,483)
Deficit			
	3,828,288	$ (289,215)	3,539,073
	$ 4,607,100	$ -	$ 4,607,100

Reconciliation of statement of net loss and comprehensive loss as previously reported under Canadian GAAP to IFRS for the six months ended June 30, 2010 (there was no impact to the three months ended June 30, 2010):

	Canadian GAAP March 31, 2010	Effect of change	IFRS restated June 30, 2010
Exploration expenditures	$ 1,663,141	$ -	$ 1,663,141
General and administrative	561,813	-	561,813
Net loss before the following	(2,224,954)	-	(2,224,954)
Interest income	32,961	-	32,961
Net loss before income tax	(2,191,993)	-	(2,191,993)
Future income tax benefit (expense)	564,400	953,942	1,518,342
Net loss and comprehensive loss	$ (1,627,593)	$ 953,942	$ (673,651)

Reconciliation of statement of 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
Shared based compensation	393,973	-	393,973
Net loss before income tax	(6,407,829)	-	(6,407,829)
Interest income	47,444	-	47,444
Net loss and comprehensive loss	$ (6,360,385)	$ -	$ (6,360,385)
Future income tax benefit (expense)	1,872,800	623,642	2,496,442
Net loss and comprehensive loss	(4,487,585)	623,642	(3,863,943)

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. The balance of deficit and share capital as at March 31, 2010 has been restated by $2,715,973 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 renouncement of expenditures. At this point, the Company will also record the deferred tax liability associated with the renouncement of the tax benefits. Any difference between the deferred tax liability and the original premium liability will be recorded in the statement of income.

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 future 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 future 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 future 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 statements presented under IFRS and the cash flow statements presented under Canadian GAAP for the quarter ended June 30, 2010 and the year ended December 31, 2010.

b) Net income (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 by $0.02 to a loss $0.01 per common share for the six months ended June 30, 2010 and decreased $0.02 to a loss of $0.07 per common share for the year ended December 31, 2010. There was no impact to the loss per share for the three months ended June 30, 2010.

Subsequent Events:

Subsequent to June 30, 2011, Mr. Dale Ginn was appointed President and CEO of the Company.

Subsequent to June 30, 2011, the Company Issued 1,773,995 common shares for proceeds of $532,199 from the exercise of warrants.

Subsequent to June 30, 2011, the Company granted 2,500,000 options to various directors, officers, employees and consultants. The Options have a strike price of $0.27 and expire July 18, 2016.

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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