

**Northern Lights Resources Corp.  
Management Discussion and Analysis  
For The Three Months Ended July 31, 2012**

**September 28, 2012**

The following discussion and analysis should be read in conjunction with the unaudited financial statements for the period ended July 31, 2012, and related notes included therein, prepared in accordance with with IAS 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Company's website can be found at [www.northernlightsresources.com](http://www.northernlightsresources.com).

[The reader should also refer to the audited financial statements for the year ended April 30, 2012.](#)

On June 28, 2012, the Company completed its initial public offering ("IPO") by way of prospectus, and a listing on the Canadian National Stock Exchange ("CNSX").

**Forward-Looking Statements**

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements herein include, but is not limited to, statements relating to the timing, availability and amount of financings; expected use of proceeds; business objectives; the costs and timing relating to the potential acquisition of interests in mineral properties; the timing and costs of future exploration activities on the Company's properties; success of exploration activities; permitting time lines and requirements for additional capital. In making forward-looking statements herein, the Company has applied several material assumptions, including, but not limited to, the assumption that its proposed initial public prospectus offering will be completed for at least the minimum amount and that any additional financing needed will be available on reasonable terms, that the current exploration and other objectives concerning the Misty Basin Project can be achieved, that general business and economic conditions will not change in a materially adverse manner, and that all necessary governmental approvals for the planned exploration on the Misty Basin Project will be obtained in a timely manner and on acceptable terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors which 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 risks and other factors include, among others, risks related to the completion of financings and the use of proceeds; operations and contractual obligations; changes in exploration programs based upon results of exploration; future prices of metals; availability of third party contractors; availability of equipment; failure of equipment to operate as anticipated; accidents, effects of weather and other natural phenomena and other risks of the mineral exploration industry; environmental risks; community relations; and delays in obtaining governmental approvals or financing.

## **Overview**

The Company was incorporated on March 28, 2007 pursuant to the Business Corporation Act (British Columbia) under the name Northern Lights Uranium Corp. On April 22, 2008, the Company changed its name to Northern Lights Resources Corp. The Company is registered as an extra-territorial corporation under the Business Corporations Acts of the Yukon Territory and the Northwest Territories.

On June 28, 2012, the Company completed its initial public offering (“IPO”) by way of prospectus, and a listing on the Canadian National Stock Exchange (“CNSX”). Upon completion the company issued 3,502,500 units at a price of \$0.10 per unit for total gross proceeds of \$350,250. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.15 for two years expiring on June 28, 2014.

The warrants are subject to an acceleration clause whereby, if the stock price closes at or over \$0.30 for a period of 20 consecutive days, the exercise period of the warrants will be shortened to 30 days after giving notice to the warrant holder.

In connection with the IPO, the Company paid a cash commission of \$35,000 being 10% of the gross proceeds raised, share issuance costs of \$39,193 and issued warrants to acquire 350,250 shares, with an estimated fair market value of \$19,300, exercisable at \$0.15 per share expiring June 28, 2014.

On completion of the listing 1,175,000 previously issued stock options became effective and exercisable. During the period ended July 31, 2012, The Company recorded share-based compensation of \$99,200 using the Black-Scholes option pricing model.

As a junior mineral exploration company, the Company’s core assets are the exploration rights to its mineral properties. The Company’s principal business to date has been the acquisition and exploration of the Misty Basin project, the financing of the initial exploration thereon. The Company currently has no producing properties, and consequently no operating income or cash flow. The Company is dependent on the equities markets to finance all of its activities and it is anticipated that it will continue to rely on this source of funding for its exploration expenditures and to meet its ongoing working capital requirements.

## **Exploration and evaluation assets**

Pursuant to an agreement dated March 2007, as amended, the Company acquired an option to purchase a 100% interest in 2,180 mineral claims, comprising 43 claim blocks in the Northwest Territories in exchange for (i) reimbursement of \$992,720 of staking costs (of which \$403,494 was paid or credited); (ii) issuing 460,000 units per claim block retained by the Company (each unit consisting of one common share and one-half share purchase warrant); and (iii) paying \$28,750 per claim block retained, per year for three years, payable quarterly in 12 equal installments.

During the year ended April 30, 2009, the Company agreed with the property vendor to retain an option to acquire only one of the 43 claim blocks, and for that would issue 460,000 units and would pay \$28,750 per year for three years. In addition, the Company agreed with the property vendor to settle the \$589,226 owing by the Company to the vendor by paying \$354,226 over three years and issuing 2,350,000 shares at \$0.10 per share. All payments and issuance of securities to the vendor would occur on the date the Company gains a listing on a stock exchange.

In January 2010, a new agreement was entered into replacing earlier agreements whereby the Company has the option to acquire certain claims (the “Misty Basin Project”) by paying \$157,500 at \$7,500 per month for 21 months commencing July 2010.

In June 2010, this agreement was amended whereby:

- i) certain camp equipment held by the Company be sold to the vendor for \$30,000 which will be offset against amounts owing to the vendor; and
- ii) the remaining \$127,500 owing will be paid over 30 months commencing on completion of the IPO at \$3,000 per month for 12 months and \$5,083 per month for 18 months thereafter.

To date, the Company has incurred an aggregate of \$393,806 toward costs of acquiring the Misty Basin Project, and an aggregate of \$1,673,750 of exploration costs thereon. Most of these costs were incurred more than 24 months prior January 31, 2012. In the three months ended July 31, 2012 the Company incurred only \$6,039 toward acquisition costs on the project, representing only maintenance costs.

### **Results of Operations**

The results of operations reflect the overhead costs incurred for mineral property acquisitions and exploration expenses incurred by the Company to maintain good standing with the various regulatory authorities and to provide an administrative infrastructure to manage the acquisition, exploration, and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity required as property acquisitions and exploration continues. The Company has not recorded, since the date of its incorporation, any revenues from its mineral exploration and development activities. The Company's Misty Basin Project is in the exploration stage and is without a known body of commercial ore. The Company's proposed exploration programs are for exploratory searches for ore.

### **Revenues**

Due to the Company's status as an exploration and development stage mineral resource company, and a lack of commercial production from its properties, the Company currently does not have any revenues from its operations.

### **General and Administrative Expenses**

The Company incurred a loss and comprehensive loss for the three month period ended July 31, 2012 of \$127,083 (2011 - \$12,679).

A brief explanation of the significant changes in expense categories is provided below:

- i) Filing fees increased to \$12,213 (2011 - \$Nil) due to public company filing requirements subsequent to IPO.
- ii) Gain on write-off of accounts payable increased to \$29,574 (2011 - \$Nil) due to accounts payable collectability relieved by suppliers.
- iii) Management fees increased to \$10,500 (2011 - \$Nil) due to fees paid the Chief Executive Officer for services rendered.
- iv) Professional fees increased to \$25,365 (2011 - \$11,226) due to increased accounting expenses for IFRS transition, legal fees related to the IPO and the timing of accounting accruals.
- v) Rent increased to \$2,471 (2011 - \$522) due to an adjustment in the rent payable to the landlord.
- vi) Share-based compensation increased to \$99,200 (2011 - \$Nil) due to stock options granted in a previous period to officers and directors becoming effective and exercisable.
- vii) Travel and promotion increased to \$4,059 (2011 - \$Nil) due to post IPO travel.

### Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the last eight quarters.

<b>Three Months Ended</b>	<b>July 31, 2012</b>	<b>April 30, 2012</b>	<b>January 31, 2012</b>	<b>October 31, 2011</b>
Interest Income	\$ -	\$ -	\$ -	\$ -
Exploration and evaluation assets	2,073,910	2,067,871	2,067,871	2,067,871
Deficit	913,787	786,704	704,720	701,807
Net Loss	(127,083)	(81,894)	(2,913)	(5,913)
Basic and Diluted Loss Per Share	(0.01)	(0.00)	(0.00)	(0.00)
<b>Three Months Ended</b>	<b>July 31, 2011</b>	<b>April 30, 2011</b>	<b>January 31, 2011</b>	<b>October 31, 2010</b>
Interest Income	\$ -	\$ -	\$ -	\$ -
Exploration and evaluation assets	2,067,556	2,067,256	2,066,681	2,066,681
Deficit	695,894	683,215	662,239	647,579
Net Loss	(12,679)	(20,976)	(14,660)	(12,436)
Basic and Diluted Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)

July 31, 2012 net loss was higher due to higher operating costs subsequent to the closing of the IPO.

April 30, 2012 net loss was higher due to legal fees accrued related to the IPO.

April 30, 2011 net loss was higher than other quarterly losses above due to professional fees related to the Company seeking a public listing of its common shares. Less work was done in that regard in subsequent quarters.

Quarterly net losses for July 31, 2011, October 31, 2011 and January 31, 2012 decreased due to the Company sub-leasing its office space.

### Liquidity and Capital Resources

During the period ended July 31, 2012, the Company completed its listing on the CNSX and an IPO for total gross proceeds of \$350,250.

At July 31, 2012, the Company's cash position was \$156,327 (April 30, 2012 - \$1,814).

At July 31, 2012, the Company had a working capital deficiency of \$37,884 (April 30, 2012 - \$223,425).

At July 31, 2012, the Company had loans payable of \$218,195 (April 30, 2012 - \$218,520). These loans are owed to Rick Timcke, the Company's CEO; are non-interest bearing; and no amounts are payable toward settlement of such loans until 12 months following closing of the Company's proposed initial public offering. During the period, the CEO repaid \$325 of the loan.

The Company's only commitments under its agreement to acquire the Misty Basin Project is \$127,500 payable over 30 months commencing on completion of the IPO at \$3,000 per month for 12 months and \$5,083 per month for 18 months thereafter.

The Company's other commitments include (1) a management agreement with the President and CEO where the President and CEO will be paid \$18,000 a year for three years commencing June 28, 2012. If the agreement is terminated for any reason other than for cause, the President and CEO is entitled to a one year's salary, (2) an agreement for a one year term towards advertising and promotional services in the amount of \$191,000 of which the Company has paid \$130,520, and (3) effective June 28, 2012, certain remaining payables will be repaid over a three year period, with \$13,200 paid in the first year and \$34,360 over years two and three.

### **Financial risk factors**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and loans payables. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

a) Currency risk

The Company operates in Canada and is not subject to significant currency risk.

b) Credit risk

Credit risk is risk of financial loss to the Company if the counterparty to a financial statement fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and is not exposed to significant credit risk.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds non-interest bearing debt.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. At July 31, 2012, the Company had cash of \$156,327 to settle current liabilities of \$197,997 and long-term liabilities of \$218,195. This emphasizes that the Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. See "Liquidity and Capital Resources" above. There is no assurance the Company will be able to complete its IPO financing as outlined above, or that alternative sources of financing will be identified. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

e) Price risk

The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of commodities. The Company monitors these prices to determine the appropriate course of action to be taken.

## Related Party Transactions

During the period ended July 31, 2012, the Company:

- i) recorded professional fees of \$7,150 (2011 - \$1,500) to an accounting firm in which an officer and director of the Company is a partner. As at July 31, 2012, the accounting firm was owed \$16,424 (April 30, 2012 - \$15,335) which is included in accounts payable and accrued liabilities.
- ii) received non-interest bearing loans for \$Nil (Year ended April 30, 2012 - \$42,170) from an officer and director of the Company, and repaid \$325 (Year ended April 30, 2012 - \$20,150) of the loans. At July 31, 2012, the loans payable total was \$218,195 (April 30, 2012 - \$218,520). The Company entered into a debt settlement agreement where the Company will start to settle the loans on June 28, 2013, being one year after completion of the Company's IPO.
- iii) recorded management fees of \$10,500 (2011 - \$Nil) to the CEO of the Company.
- iv) recorded stock-based compensation of \$99,200 (2011 - \$Nil) relating to previously issued options granted to offices and directors of the Company which became effective and exercisable on completion of the listing.

## Off Balance Sheet Arrangements

The Company is not a party to any off balance sheet arrangements or transactions.

## Contingencies

There are no contingent liabilities.

## Management's Responsibility for Financial Statements

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

## Other MD&A Requirements

As at September 28, 2012, the Company had the following outstanding:

- 26,437,152 common shares
- Stock options:  
1,175,000 options exercisable at \$0.10 per share expiring on June 28, 2017.
- Warrants:

Number of Warrants	Exercise Price	Expiry Date
3,852,750	\$ 0.15	28-Jun-14
1,187,785	\$ 0.15	30-Nov-12

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## CORPORATE DATA

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### DIRECTORS AND OFFICERS

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David Cross, CFO and Director  
Dennis Espadilla, Director  
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Jason Leikam, Director

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