

**GeoNovus Minerals Corp.**  
**Management Discussion and Analysis**  
For The Nine Months Ended May 31, 2012

**July 19, 2012**

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended May 31, 2012 and 2011. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for GeoNovus Minerals Corp. ("GeoNovus" or "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.geonovusminerals.com](http://www.geonovusminerals.com).

IFRS replaced current Canadian generally accepted accounting principles ("Canadian GAAP") for publically accountable enterprises, effective for the fiscal years beginning on or after January 1, 2011. The Company has applied IFRS since inception however since the financial statements are prepared on the basis of continuity-of-interest, the Company has provided reconciliations of the effect of the transition from Canadian GAAP to IFRS on the statements of financial position, equity, comprehensive loss and cash flows in Note 19 of the condensed consolidated interim financial statements.

### **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. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

### **Overview**

GeoNovus was incorporated on October 11, 2011 under the laws of the Business Corporation Act (BC) as a wholly owned subsidiary of Geo Minerals Ltd. ("Geo").

On October 17, 2011, New Gold Inc. ("New Gold") and Geo announced an agreement whereby New Gold would acquire, through a Plan of Arrangement ("Arrangement"), all the outstanding common shares of Geo. Under the terms of the Arrangement, each Geo shareholder would receive \$0.16 for each Geo share held. In addition, New Gold retained Geo's interest in the West Blackwater properties and cash and the remainder of Geo's portfolio of exploration properties was transferred to GeoNovus. The transfer of properties to GeoNovus occurred at book value in consideration for the issuance of shares which were distributed to Geo shareholders.

As GeoNovus acquired assets from its wholly owned parent at the time, and the shareholders of Geo ultimately continued to hold their respective interests in the transferred net assets, there was no change in control. Accordingly, the Company's financial statements have been prepared on a continuity-of-interest basis.

Also as part of the Arrangement, New Gold completed a \$250,000 private placement in GeoNovus that resulted in New Gold holding a 13% interest in GeoNovus upon closing.

## Overview (Continued)

On December 21, 2011, the Arrangement was completed and GeoNovus became a reporting issuer. The Company completed a non brokered private placement on December 28, 2011 and began trading on the TSX Venture Exchange under the symbol "GNM" on January 5, 2012.

The Company is primarily engaged in evaluating, acquiring, exploring and, if warranted, developing mineral properties in North America. The Company intends to seek and acquire additional mineral resource properties in North America if and when the opportunity arises.

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.

## Overall Performance

For the three months ended May 31, 2012, the Company had a net loss of \$285,136 compared with a net loss of \$75,812 for the prior year. For the nine months ended May 31, 2012 the Company had a net loss of \$761,007 compared with a net loss of \$274,857 for the prior year.

On December 21, 2012, as part of the Arrangement, Geo transferred its net assets, with the exception of cash and the West Blackwater assets to GeoNovus at book value for consideration of 9,067,719 shares which were in turn distributed to existing Geo shareholders. Under the terms of the Plan of Arrangement, GeoNovus acquired the Scotia, Middle Mountain, Red Hills, Silver Bell, Chilcotin and Onstrike mineral exploration properties from Geo. Since the financial statements are prepared on a continuity of interest basis, the history of these properties is reported as if GeoNovus always owned the properties.

Also as part of the Arrangement, on December 23, 2011, the Company completed a non brokered private placement with New Gold in which the Company issued 1,354,933 shares for gross proceeds of \$250,000.

On December 28, 2011, the Company completed a non brokered private placement in which it issued 5,135,000 units at a price of \$0.15 per unit for gross proceeds of \$770,250. Each unit consisted of one common share and one half share purchase warrant. Each whole warrant is exercisable at \$0.20 for a period of two years. Finders' fees of \$30,600 were paid. Total issue costs were \$41,640.

Since the New Gold transaction at the end of December, management has been evaluating various property submittals with the objective of acquiring a significant asset of merit to add to the Company's portfolio of mineral exploration projects. Costs of these activities are included in property investigation costs on the statement of loss and comprehensive loss.

High resolution Induced Polarized ("IP") surveys have been conducted on both the Red Hills and Middle Mountain properties which identified potential drill targets. A drill program on the Red Hills property has commenced and the program for Middle Mountain is expected in the third quarter of 2012. The Company has engaged Palmer Environmental Group Inc. to conduct a surficial terrain assessment and mapping of the Scotia property for the purpose of optimizing the soil and stream sediment sampling programs and thereby increasing the efficiency and effectiveness of any future exploration program. The work is expected to be completed by the end of August 2012.

Management has been actively reviewing potential work programs for Silver Bell. The Company will issue information on the decision once completed.

## Operating Activities

### Scotia Property, British Columbia

Pursuant to an assignment agreement dated June 9, 2005 between the Company and Ialta Industries Ltd. ("Ialta"), The Company acquired Ialta's interest in an existing option agreement dated April 12, 2005 between Ialta and Doublestar Resources Ltd. ("Doublestar"). Under the Doublestar Option Agreement, the Company acquired an exclusive option to acquire a 50% working interest in and to two mining claims covering an area of 2,939.33 hectares located in the Scotia River area approximately 42km south of Prince Rupert, British Columbia, in the Skeena Mining Division of British Columbia.

On May 15, 2007, the Company entered into a purchase agreement which was amended on August 14, 2007, with Doublestar to acquire a 100% interest, subject to a 2.0% NSR, in the Scotia Property, including the two mining claims which were the subject of the Doublestar Option Agreement. The Option Agreement was superseded by the Purchase Agreement.

The financial terms of both the option and purchase agreement are disclosed in the notes to the Geo consolidated financial statements for the year ended August 31, 2011.

The Scotia Property is a zinc/lead/silver prospect, consisting of seven mining claims lying approximately 29 km from tidewater, covering 12,310 acres located in the Scotia River area. Infrastructure in the area is good, with all of the main valleys in the area accessible by logging roads.

The Albere Zone at the Scotia Deposit was discovered by Texas Gulf Sulphur in 1958 during a regional reconnaissance program. Bishop Resources Inc. ("Bishop") entered into an option agreement in 1996 with Falconbridge to acquire 100% interest in the Scotia Property subject to certain terms and conditions. In 1997, a drill program was conducted by Arnex Resources Ltd ("Arnex") for Bishop at the Albere Zone.

Disseminated, semi-massive and massive base metal sulphide intersections were encountered in nine of the ten holes drilled. The most substantial intersection was in drill hole S-37-97 which encountered 26.7 meters grading 9.0% Zinc, 1.2% Lead, 21.5 g/t Silver, 0.3 g/t Gold and 0.2% Copper. Mineralized intersections greater than 15 meters in length were also intersected in two additional holes. The overall decline in the mining market in the late 1990's led to the cessation of all exploration activities on the project by Bishop, and the project had lain dormant until the Company resumed work in 2005.

During 2005 and 2006, Arnex conducted exploration programs on the Scotia Property on behalf of Geo. The objectives of the 2005 field exploration program were to: resample selected drill core intervals from stored drill core to verify past analytical and assay results from the 1997 drill program; and prospect and sample a gossanous area outcropping in cliff faces east of the Albere Zone. In 2006, a grid soil geochemical program was completed. In November 2006, John Berry Associates conducted a remote sensing interpretation study on the property. A number of maps were produced using ASTER imagery, and were used to interpret lithology, structure, alteration and to identify exploration targets.

A NI 43-101 compliant technical report for the Scotia Property, dated November 2, 2007 was prepared by Arne O. Birkeland, P. Eng., of Arnex Resources Ltd. Mr. Birkeland is an independent engineering consultant, and is the qualified person for the purposes of NI 43-101.

## Operating Activities (Continued)

### Scotia Property (Continued)

During the 2005 field season, Arnex selected mineralized core intervals from six of the 1997 drill program holes for sampling. The samples were analyzed by Acme Labs Ltd. Geochemical analysis of the samples using a multi-element ICPES technique was completed. Many of the samples returned over-limit values of >10,000 ppm for zinc and lead. During April 2008, pulps from the over-limit samples were assayed by Acme utilizing Aqua-Regia digestion and Group 7AR ICP-ES finish. The assay results of the 2008 resampling include 21.65 metres of 10.16% Zinc, 1.14% Lead and 17.7 g/t Silver at a depth of approximately 21 metres. There is general agreement between the 1997 high-grade intercepts and the 2008 data. Results of the 2008 assays with comparisons to the 1997 results were press released and are available on the Company's website.

A helicopter-borne multi-parameter geophysical survey was conducted by Aeroquest limited during August 2008. A total of 562.5 line-kilometres were flown using Aeroquest's AeroTEM II time domain EM and cesium magnetometer and gamma ray Spectrometer system. The airborne geophysical survey identified a distinctive anomaly associated with the drilled portion of the Albere Zone. The airborne survey established similar additional anomalies on strike, and adjacent to, the Albere Zone and elsewhere regionally on the property.

The sulphide mineralization on the Scotia property is syngenetic and focused on the limbs of a property wide antiform, of which only one limb has been previously explored. A summer field program was carried out in 2009 to conduct sampling on the underexplored "East Limb" zone of the antiform and to sample areas of interest identified through geophysical surveys conducted in 2008. Twelve rock-chip samples were collected in a mineralized area of approximately 100 meters by 30 meters wide and identified in outcrop by the presence of Fe-oxides replacing sulfides. Twenty-five soil samples were also collected along lines roughly perpendicular to the mineralized stratigraphy, at 25 meter spacings except in locations where sampling was compromised by surface conditions.

In January 2010, the Company announced that it had received a National Instrument NI 43-101 Technical Report for its Scotia Property. Resource modeling conducted in 2009 focused on previous drill results from the Albere Zone. The Resource model established a vertical range of sub-economic to economic grades of mineralization of 95 meters, and a horizontal range of 205 meters. The high grade "core" area widened to about 30 meters about 190 meters north of the outcropping main showing. The thickest drill intercept in the Albere Zone recorded 26.7 meters grading 9.0% zinc, 1.2% lead, 21.5 g/t silver and 0.3 g/t gold.

A Resource Estimate was calculated for the Albere Zone by Giroux Consultants Ltd., based on forty-two drill holes totaling 4,343 meters. The results from a 1997 drilling program comprised most of the data used in the modeling, with much of the core re-assayed in 2008 to confirm earlier results. Ordinary kriging was used to interpolate blocks based on mineralization content. Based on a 1% Zn cut-off, the Measured plus Indicated Resource within the 3-D mineralized shell totals 802,000 tonnes grading 4.9% Zn, 13.9 g/t Ag, and 0.2 g/t Au with an additional 702,000 tonnes grading 4.5% Zn, 13.7 g/t Ag and 0.2 g/t Au classed as Inferred. No economic parameters were defined by the Resource Estimate as to an appropriate cut-off for various types of mining. Arne Birkeland, P.Eng. and Gary Giroux, P.Eng. are co-authors of the NI 43-101 Technical Report and are responsible for its contents. The resource modeling was conducted under the direction of Giroux Consultants.

## **Operating Activities (Continued)**

### **Scotia Property (Continued)**

In July 2010, the Company entered into an option agreement with Hawkeye Gold & Diamond Inc. ("Hawkeye") whereby Hawkeye could earn up to 60% interest in the Scotia Property. Hawkeye could earn a 51% interest by paying \$210,000, issuing 1,000,000 shares over a three year period and by incurring \$1,200,000 in work program expenditures over a four year period. Hawkeye could earn an additional 9% for a total of 60% by incurring \$500,000 per year in property expenditures until a positive bankable feasibility study is completed and by issuing 500,000 shares of Hawkeye within 15 days upon completion and delivery of the bankable feasibility study to the Company. In September 2010, the Company received \$25,000 cash and 200,000 common shares of Hawkeye valued at \$37,000 pursuant to the option agreement.

In September 2010, Hawkeye commenced its 2010 work program at the Scotia property. The 2010 field exploration program consisted of a geochemical survey targeted on selected Airborne Anomalies similar to the anomaly generated by the Albere zone. A total of 64 rock chip, 136 moss mat – active stream sediment and 67 soil samples were taken. Samples were flown by helicopter to Prince Rupert and transported by truck and delivered to Acme labs processing facility on Powell Street, Vancouver for analysis.

In July 2011, Hawkeye reported that virtually all Airborne Anomalies sampled returned geochemically anomalous or elevated values for the various sample types taken and values of over 1,000 ppm Zn were encountered from "in place" rock chip sampling in the general vicinity of the Albere Zone. Hawkeye stated that additional prospecting and follow-up geochemical sampling is warranted to attempt to discover clustered VMS occurrences similar to the Albere Zone that may be present on the property.

As at August 31, 2011, Hawkeye was in default of the terms of the option agreement. Hawkeye was not able to rectify the default within the required timeframe and as a result, the Hawkeye option agreement was terminated.

Subsequent to May 31, 2012, the Company engaged Palmer Environmental Group Inc. to conduct a surficial terrain assessment and mapping of the Scotia property for the purpose of optimizing the soil and stream sediment sampling programs and thereby increasing the efficiency and effectiveness of any future exploration program. The work is expected to be completed by the end of August 2012.

Paul D. Gray, P.Geo., is the qualified person for this project as defined by NI 43-101.

As at May 31, 2012, the Company incurred \$297,721 in acquisition costs, net of recoveries and \$588,976 in deferred exploration costs.

### **Middle Mountain Property, Arizona**

On March 4, 2008, the Company entered into an agreement to acquire the right to lease 100% of the state mineral exploration permits and federal lode mining claims known as Middle Mountain property, located in south-central Arizona, granted to Bronco Creek Exploration ("BCE"), a private company based in Arizona. Pursuant to the agreement, the Company will acquire a grant of all of BCE's interests and the exclusive right to mine the Middle Mountain property for a term of 20 years or longer so long as exploration or mining activity is being conducted. BCE will retain a 2.5% NSR on the property with 0.5% available for buy back for US\$1,000,000 before year 7 of the agreement. The financial terms of both the option and purchase agreement and subsequent amendments are disclosed in the notes to the consolidated financial statements.

## **Operating Activities (Continued)**

### **Middle Mountain Property (Continued)**

The Middle Mountain property covers approximately 7,070 acres and represents a porphyry Cu exploration target along a well-established belt of Cu mineralization that extends from the Globe-Miami district, through the Ray area and Florence in south-central Arizona.

Along the east side of the Middle Mountain Property, porphyry-Cu style alteration (intense quartz-sericite-pyrite alteration) is developed in streambed bedrock exposures over a considerable area (700 m by 1 km in dimension). The acid alteration is developed in Precambrian granites that have been locally intruded by diabase sills and Laramide-aged porphyritic intrusions and dike swarms. Copper oxide minerals are developed in some locations on the Middle Mountain property, and a previous exploration program identified a significant Cu anomaly in vegetation and enzyme leach surveys across large portions of the property. Much of the area is covered by a thin veneer of gravel. Previous drilling and water well holes adjacent to the property intercepted bedrock at depths of less than 30 m.

In 2006, BCE recognized the exposures of intense, sulfide-rich QSP- style alteration in multiple locations on the property. These zones of alteration commonly represent the upper levels of productive porphyry Cu deposits. In accordance with BCE's understanding of tilting and faulting of bedrock exposures (and hosted hydrothermal systems), the core of the potential porphyry system or systems would lie beneath the shallow gravel cover to the west. Preliminary work by BCE suggests that more than one hydrothermal system was generated in the immediate area, and BCE has identified several exploration targets on the property. The BCE land position covers all of the significant target areas.

In the summer of 2008, the Company began a drill program on the Middle Mountain property. The first-phase drill program at Middle Mountain consisted of two deep reverse circulation drill holes (328 m and 366 m, respectively) and six shallow holes (ranging from 51 m to 183 m). Intense sericite-pyrite alteration typical of the outer pyritic shell related to a porphyry copper-molybdenum deposit was intercepted in eastern portions of the project area in hole MM-13 at a depth of 207 m, in MM-19 at 152 m, and in MM-20 at 24 m. Sodic-calcic alteration identified in MM-17 and MM-18 in the northwest portion of the property position define the deep flanks of the system and are consistent with the Company's structural model of the hydrothermal system as dismembered and rotated approximately 90 degrees.

In November 2009, the Company entered into an option agreement with Inmet Mining Corp. ("Inmet") to explore the Middle Mountain project. Inmet will have the option to earn a 70% interest in the property. Consideration for the option agreement includes cash payments and exploration expenditures over a four year period.

On May 11, 2010, the Company announced that it completed a geophysical survey on the Middle Mountain property. Induced polarization (IP) surveys were completed using the Quantec Titan 24 imaging technology, which is designed to provide resolution of targets at depths of 700 meters. A total of 16.8 line kilometers were completed. Three geophysical lines generated a weak to moderate IP anomaly where target rocks were projected to depth using the existing geology and previous drill intercepts.

On June 30, 2010, the mobilization for a drill program commenced. Brown Drilling, from Kingman Arizona was contracted to complete three initial test holes of 600 meters each using a combination of reverse-circulation and core drilling methods. Two holes were drilled however the results from these holes did not warrant the cores from either of these holes being sent to the lab. Drilling was halted until a new drilling contractor was secured. The geophysical survey and the 2010 drill program were funded by Inmet.

## **Operating Activities (Continued)**

### **Middle Mountain Property (Continued)**

In early January 2011, the drilling program funded by Inmet resumed. Weber Drilling, of St. David, Arizona, was contracted to complete two test drill holes of 370 meters each using reverse-circulation drilling methods to test for porphyry copper mineralization. The targets were defined by the results of the induced polarization/resistivity geophysical survey conducted earlier in 2010 in combination with surface geological mapping. The program was completed in mid January 2011.

Drill hole MM-24 tested a geophysical anomaly on the eastern part of the property, and encountered basement rock after passing through 68 m of unconsolidated cover. Three meters of volcanic rock gave way to intensely quartz-sericite-pyrite altered granitic rocks with oxidized pyrite. At 85 m, fresh pyrite was encountered and continued intermittently to 108 m with some zones exhibiting black coatings on the pyrite. Several varieties of granite porphyry were then encountered with weak to moderate alteration including iron oxides after sulfides. Less altered porphyritic rock was encountered at 146 m, with thin veins of pyrite continuing to the bottom at 226 m.

Drill hole MM-1 was collared four and a half kilometers west-southwest of MM-24, and encountered biotite granodioritic porphyritic rocks and porphyries (likely Laramide age) after passing through approximately 61 m of unconsolidated cover. The porphyritic rocks were weakly chlorite and locally epidote altered, and continued to the TD at 300 m (985 ft). Several faults were encountered including one at 227 m with abundant hematite coated fractures and associated calcite and MnOx veining. Descriptions for MM-24 and MM-1 are visual field-based observations.

In discussions with Inmet and BCE, it was agreed that while the assays at Middle Mountain were not significantly high in copper, the nature of the alteration observed within the drill chips suggested that the margins of a mineralized porphyry system could have been intersected. Accordingly, it was determined that additional IP geophysics will need to be undertaken to better resolve the location of the potential porphyry system as a future drilling target.

In late 2011, Zonge International, Inc. (Tucson, Arizona) was engaged to conduct an induced polarization (IP) survey over the property, consisting of four lines (14.4 line-km total, with 150m dipole spacing) and positioned over a portion of the area where a Titan-24 IP survey conducted in 2010 by Quantec Geoscience (Toronto, Ontario) identified several partially-resolved IP anomalies.

The recently-completed, higher resolution IP survey has identified several areas of interest in the depth range of 100 to 300 meters, some of which are conductors under cover that appear to be projections of mapped exposures of intense acid alteration and quartz-sulfide veins observed to the south. Two anomalies of interest are targets for an upcoming drilling program. The first is a more resistive IP anomaly, which may correspond to a potassic alteration zone, in the northeast of the property that occurs at 100-200m depth, with significant lateral and thickness extent (approximately 900m wide and 200-400m thick). The second is a conductive IP anomaly that may correspond to a fault-displaced higher level in the porphyry system with sulfide-rich quartz-sericite-pyrite alteration zone and possible secondary chalcocite enrichment target.

Drilling has been tentatively approved for some of these targets and drilling is expected in the third quarter of 2012.

Mr. Marvin Mitchell, P.Eng., is the qualified person for this project in accordance with the regulations of National Instrument ("NI") 43-101.

As at May 31, 2012, the Company incurred \$101,244 in acquisition costs and \$421,460 in deferred exploration costs, net of recoveries.

## **Red Hills Property, Arizona**

On August 4, 2008, the Company entered into an agreement with BCE, to acquire all of BCE's interests in a porphyry copper project located in Arizona named the Red Hills Property. The financial terms of both the option and purchase agreement and subsequent amendments are disclosed in the notes to the consolidated financial statements.

The Red Hills porphyry copper target is located southeast of Florence in Pinal County, Arizona. The land position at Red Hills consists of 1,200 acres of state mineral leases and 185 unpatented federal mining claims. The target lies within a broad belt of porphyry-copper mineralization that stretches from Globe-Miami (Phelps Dodge - BHP-Billiton) westward through the deposits at Ray (Asarco), Florence-Poston Butte (permitted by BHP-Billiton in the 1990's), and beyond. BCE believes that a large rotated and dismembered porphyry Cu-Au deposit lies beneath shallow gravel cover in the Red Hills area.

Numerous drill ready targets were ready on the property and the Company began a drill program in late summer 2008. Drilling at the Red Hills project targeted a suspected buried porphyry copper deposit west of a large Laramide dike swarm and related copper sulfide mineralization associated with a broad zone of quartz-sericite-pyrite alteration. On a neighboring property controlled by Phelps Dodge, outcropping copper mineralization constitutes a large, non-NI 43-101 compliant low grade resource (500Mt @ 0.1% Cu) and is interpreted to represent the upper, distal portions of a large, rotated and dismembered porphyry copper system. Recent field mapping and re-evaluation of existing geologic data suggest that the hydrothermal system has been rotated approximately 90 degrees. Geo is targeting more prospective portions of the hydrothermal system and higher-grade porphyry-style mineralization that is suspected to

lie under gravel cover to the west of current bedrock exposures. A 64 m zone of exotic copper mineralization developed within the gravel deposits was intersected in RH-2 at a depth of 561 m. The zone of exotic copper mineralization and lithologies intersected in the drill hole are interpreted to signify proximity to the buried porphyry copper system. Hole RH-2 did not reach bedrock and was still in exotic copper bearing gravel when the hole was terminated. A total of nine sites have been permitted across the target area for a follow up drill test.

In November 2009, the Company entered into an option agreement with Inmet to explore the Red Hills project. Inmet will have the option to earn a 70% interest in the property. Consideration for the option agreement includes cash payments and exploration expenditures over a four year period.

On May 11, 2010, the Company announced that it completed a geophysical survey on the Red Hills property. Induced polarization (IP) surveys were completed using the Quantec Titan 24 imaging technology, which is designed to provide resolution of targets at depths of 700 meters. A total of 36.7 line kilometers were completed. Three anomalies were identified. Based on the results of the geophysical surveys and additional geological mapping, 31 additional claims were staked, increasing the property to 625 acres. The geophysical survey was funded by Inmet.

A drill program on the Red Hills property, funded by Inmet, commenced in late January 2011. In mid February 2011, the initial drill test of one IP geophysical anomaly on the property was completed. A single vertical RC hole drilled to test this anomaly encountered variably altered and mineralized rocks before termination of the hole at 610 meters. Bedrock was intersected at 10 meters consisting of coarse-grained granite with local porphyry dikes and some granitic rocks with textures consistent with Laramide age granites associated with porphyry copper deposits in the region. In the upper part of the drill hole, these rocks were generally weakly altered with local chlorite + sericite altered zones with primary iron-oxide + quartz ± oxidized chalcopyrite + pyrite veins. The iron-oxide alteration increased at depth, particularly below ~550 meters where alteration characterized by quartz + sericite + pyrite was also encountered, with locally pervasive intervals containing as much as 5% disseminated pyrite below about 580 meters.



## **Operating Activities (Continued)**

### **Red Hills Property (Continued)**

These alteration assemblages continued to the end of the hole at 610 meters. The styles of alteration and locally abundant pyrite mineralization is suggestive that a structural block containing peripheral, shallow styles of porphyry mineralization was encountered at depth, providing additional evidence that one or more porphyry centers have been dismembered across the property.

Representative samples of the lithologies were assayed. In discussions with Inmet and BCE, it was agreed that while the assays at Red Hills were not significantly high in copper, the nature of the alteration observed within the drill chips suggested that the margins of a mineralized porphyry system could have been intersected. Accordingly, the Company determined that additional IP geophysics should be undertaken to better resolve the location of the potential porphyry system as a future drilling target.

The Company engaged Zonge International Inc. to conduct IP surveys over the property with emphasis on the area where previous drill testing encountered variably altered and mineralized rocks. A total of 24.3 line kilometers were completed in late 2011, with an effective depth of investigation for the survey of approximately 750 to 1000 meters.

The IP geophysical survey indicated that alteration and mineralization observed was likely structurally-controlled and peripheral to the main part of the porphyry system, indicating the main part of the system lay to the west toward RH-2 a drill hole on the western part of the property that was initially conducted in 2008. At that time, the RC drill hole RH-2 intersected what are believed to be Tertiary sedimentary rocks near the bottom of the hole containing clasts with intense porphyry-related alteration and local copper mineralization. Drill hole RH-2 was terminated at 622 m due to excess water.

In June 2012, the 2012 drill program at Red Hills commenced. The objective of the drill program is to test for the presence of a fault-displaced portion of the Red Hills porphyry system under sedimentary cover in the western part of the property position. The drill program will re-enter RH-2 and continue the drill hole with core to intersect underlying bedrock and target rocks.

Mr. Marvin Mitchell, P.Eng., is the qualified person for this project in accordance with the regulations of NI 43-101.

As of May 31, 2012, the Company incurred \$98,815 in acquisition costs and \$274,367 in deferred exploration costs net of recoveries.

### **Chilcotin Property, British Columbia**

In September 2010, the Company acquired an option to earn a 100% interest in 34,800 acres of ground in the Chilcotin region of south central British Columbia, approximately 110 kilometres southwest of Williams Lake, B.C. The claims consist of eight mineral tenure packages, Chevy, Newton North, Newton East, Prosperity NW, CC East, Vick, Tete Angela and Schultz. The financial terms of the option agreement are disclosed in the notes to the consolidated financial statements.

The Chilcotin ground is adjacent to Amarc Resources Ltd.'s ("Amarc") joint ventured Newton Property and several claim blocks are within Amarc's 100% owned ground. Amarc's exploration program is focusing on discovering large-scale, open-pit style gold systems on approximately 3,300 square kilometres, with over \$4 million budgeted for exploration (see Amarc new release dated May 27, 2010). Several claim blocks that Geo Minerals has under option were initially acquired to cover historic Minfile and ARIS database occurrences of multi-elemental geochemical anomalies, similar to those disclosed by Amarc in its December 8<sup>th</sup>, 2009 news release. Some of the Company's optioned claim blocks are surrounded by Amarc and are also in proximity to the Prosperity porphyry copper-gold deposit, which has recently

## **Operating Activities (Continued)**

### **Chilcotin Property (Continued)**

received Provincial Government Mine Approval, and is owned by Taseko Mines (800 million tons average 0.23% Cu, 0.41g/t Au- Taseko Mines website).

One of the Chilcotin claim blocks optioned by Geo covers the historic 'Mike' Minfile occurrence, 092O057. Geochemical surveys completed on the claim area in 1970 delineated several anomalies of coincident copper and zinc (Assessment Report 2964, Tri-Con Exploration Surveys Ltd., report reviewed by W.G. Stevenson 1970). Another three of the Chilcotin claim blocks had alteration zones with associated geochemical anomalies identified previously during exploration work conducted in 1985. The alteration consisted of silicification, argillic alteration, calcite veining and intense fracturing.

On December 8, 2009, Amarc announced an important new gold discovery in south-central British Columbia with drill results including 189 metres averaging 1.56g/t Au. Amarc stated on a press release dated July 26, 2010 that previous work at Newton has shown that the most intensively developed mineralization is associated with disseminated sulphides that appear to be preferentially localized by pervasively altered volcanoclastic and epiclastic rock units. These preferred host rocks have a high permeability and an anticipated wide area distribution which are features that are representative of a permissive environment for the development of a bulk tonnage-style mineralized system. Subsequently, Amarc announced on August 18, 2010 that several multi-elemental geochemical anomalies on separate areas of their 3,300 square kilometre land position had been identified.

The Company began a work program on the Chilcotin claims in November 2010. The program consisted of geological mapping, prospecting, soil sampling and line cutting. The work program did not garner any meaningful results. Six claims which expired in December 2011 were not renewed and the costs associated with these claims have been written off accordingly. Management is evaluating its next steps with respect to the remaining claims.

As of May 31, 2012, the Company incurred \$89,485 in acquisition costs and \$149,232 in deferred exploration costs, net of write offs.

## **Operating Activities (Continued)**

### **Silver Bell West, Arizona**

On August 26, 2009 the Company signed a Letter of Intent to enter into a lease-option agreement with BCE to earn a 100% in the Silver Bell West porphyry copper project located in south-central Arizona. The property located approximately 30 miles northwest of Tuscon, consists of 188 mining claims on more than 3,700 acres adjacent to Asarco's active Silver Bell Mine. The Company assumed 100% control of the mineral rights upon execution and maintenance of the terms of the Letter of Intent. The details of the consideration for the acquisition are outlined in the notes to the consolidated financial statements.

At the Silver Bell West property, Geo was targeting porphyry copper and copper skarn mineralization in structurally down dropped blocks lying adjacent to exposed mineralization currently being exploited by Asarco.

## Operating Activities (Continued)

### Silver Bell West (Continued)

The Silver Bell District has produced more than 176 Mt at an average grade of 0.63% copper from skarn, secondary enrichment blankets, and oxide copper deposits associated with a Laramide porphyry copper system, and had 1990 reserves reported in Long, 1995 of 185 Mt at 0.61% copper. Field work conducted by BCE geologists in 2007 revealed several lines of evidence pointing to multiple target areas within two, largely untested zones of possible skarn and porphyry-style copper mineralization. Zone 1 lies in the southeast portion of the property, where copper-rich skarn mineralization hosted in Paleozoic carbonate-rich units and related porphyry-style mineralization are projected to underlie outcropping mineralized rocks composed of quartz-chalcopyrite vein swarms in Laramide igneous rocks and gold-bearing chalcopyrite-chlorite-specularite+/- quartz veins in Mesozoic sedimentary rocks in the adjacent contact aureole. Zone 2 comprises the western portion of the property, where new alteration mapping combined with the faulted and offset portions of structural blocks interpreted to contain the known trends of porphyry copper and skarn mineralization project beneath cover rocks to the west of outcropping mineralization.

Mobilization and drilling on the Silver Bell property began in May 2010. Altar Drilling from Tuscon, Arizona was contracted to perform the drill program with ten drill holes permitted at locations optimized by field mapping and soil geochemistry. Drilling at two of the ten drill sites was completed for a combined total of 219 meters. Hole SB-1 was collared in gravel cover, and drilled at 60 degrees inclination to the north with a total length of 169 meters. Quartz monzonite was intersected at 76 meters, with quartz-chalcopyrite-pyrite veinlets and chlorite alteration noted at 115-118, and at 122 meters, and molybdenite also present at 134, 146, and 164 meters. Hole SB-2 was collared in quartz monzonite, and is a 45 degree inclined hole drilled at an eastern azimuth roughly one kilometer north-northwest of SB-1 over a total length of 112 meters. Quartz-chalcopyrite veining with chlorite alteration was noted throughout drill hole SB-2, with intervals of greatest intensity at 21-52 meters and 73-86 meters. Split samples of selected core intervals were sent to ALS-Chemex for assay.

The mineralization and alteration observed in drill holes SB-1 and SB-2 are consistent with the possibility that base and precious metals-bearing skarns may exist at depth where the quartz monzonite would be in contact with reactive sedimentary rock.

Assays of the core of the first two drill sites indicated that elevated base metal values are present in some intervals but low overall values indicate that this target is not worth further pursuit. The primary target of base and precious metals mineralization has not been drilled.

As at August 31, 2010, the Company was in default on the terms of the Silver Bell West option agreement but had been in negotiations with BCE for new terms. In June 2011, the Company successfully amended the terms of the Letter of Intent with Eurasian Minerals Inc. ("EMX") through its wholly owned subsidiary, BCE, for the Silver Bell West Property. The amended terms are disclosed in the notes to the consolidated financial statements.

The terms of the Silver Bell West Agreement were amended such that the monies due and payable to BCE on the 1st anniversary of the initial Agreement for advanced royalty payments of \$50,000 and monies due under the property maintenance clause of the Agreement and reimbursement of completed work programs totaling \$86,183.87 could be paid by the issuance of 1,231,198 common shares in the capital of the Company. The Company chose to pay its outstanding balance in cash.

The Silver Bell West Property agreement was amended on November 16, 2011 and again on December 15, 2011. As a result of all of two amendments, the work commitment of \$150,000 by June 15, 2012 has been eliminated and all of the commitments for royalty payment, share issuances and work obligations that were to be made on June 15, 2013 have been deferred to December 15, 2013.

## **Operating Activities (Continued)**

### **Silver Bell West (Continued)**

Paul D. Gray, P.Geo., is the qualified person for this project as defined by NI 43-101.

As of May 31, 2012, the Company has incurred \$100,289 in acquisition costs and \$170,579 in deferred exploration expenditures.

### **Onstrike Property, Quebec**

In November 2010, the Company acquired the Onstrike claims in northwestern Quebec. The details of the consideration for the acquisition are outlined in the notes to the consolidated financial statements.

These claims consist of approximately 1,380 acres along the southwest trend of Eagle Hill Exploration Corp.'s Windfall Lake project and BonTerra Resource Inc.'s Eastern Extension property in northwestern Quebec, Canada. Several areas covered by the claims have a high probability for orogenic gold deposits in the Abitibi. The Windfall Lake property hosts high-grade gold veins and has potential for wide mineralized zones of gold mineralization which has underground and near-surface bulk mining potential.

As of May 31, 2012, the Company incurred \$65,265 in acquisition costs and no deferred exploration costs.

## **Results of Operations**

The results of operations reflect the overhead costs incurred 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 continue. As at May 31, 2012, the Company had not recorded any significant revenues from its mineral exploration and development projects.

### **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 significant revenues from its operations.

### **General and Administrative Expenses**

For the three months ended May 31, 2012, the Company had a net loss of \$285,136 compared with a net loss of \$75,812 for the prior year. For the nine months ended May 31, 2012 the Company had a net loss of \$761,007 compared with a net loss of \$274,857 for the prior year.

The Company's condensed consolidated interim financial statements are presented on a continuity-of-interest basis. The operating results prior to December 21, 2011 include direct expenses relating to the properties which were transferred and an allocation of Geo's general and administrative expenses incurred. The allocation of general and administrative expenses has been calculated on the basis of the ratio of costs incurred on the properties transferred as compared to the costs incurred on all mineral properties of Geo in each of the years prior to the transfer.

In addition to an allocation of Geo's administrative expenses, the expenditures for the nine months ended May 31, 2012 also include 100% of the expenditures incurred directly by GeoNovus.

Given that the ratio used to allocate general and administrative expenses varied significantly from fiscal 2011 to 2012 and the inclusion of 100% of GeoNovus's expenditures in fiscal 2012, the operating results for the periods presented are not comparable.

For the three months ended May 31, 2012, the Company incurred significant expenditures for property investigation costs as management reviewed potential property acquisition opportunities.

## Summary of Quarterly Results

The following table sets out selected quarterly information available within the last eight quarters. The results of the financial quarters have been prepared on a continuity-of-interest basis and are in compliance with IFRS.

<b>Three Months Ended</b>	<b>May 31, 2012</b>	<b>February 29, 2012</b>	<b>November 30, 2011</b>	<b>August 31, 2011</b>
	\$	\$	\$	\$
Revenue (interest income)	1,593	1,314	-	19
Loss	(285,136)	(369,577)	(106,294)	(62,218)
Loss per Common Share	(0.02)	(0.03)	(0.01)	(0.01)
Net (Loss)	(285,136)	(369,577)	(106,294)	(62,218)
Net (Loss) per Common Share	(0.02)	(0.03)	(0.01)	(0.01)
<b>Three Months Ended</b>	<b>May 31, 2011</b>	<b>February 28, 2011</b>	<b>November 30, 2010</b>	<b>August 31, 2010</b>
	\$	\$	\$	\$
Revenue (interest income)	-	-	-	-
Loss	(75,812)	(130,222)	(68,823)	(106,981)
Loss per Common Share	(0.01)	(0.01)	(0.01)	(0.01)
Net (Loss)	(75,812)	(130,222)	(68,823)	(92,484)
Net (Loss) per Common Share	(0.01)	(0.01)	(0.01)	(0.01)

## Liquidity and Capital Resources

The Company's cash position was \$537,403 at May 31, 2012 compared to \$Nil at August 31, 2011. The Company had working capital of \$577,910 compared with a working capital deficiency of \$17,702 at August 31, 2011.

During the nine months ended May 31, 2012, the Company utilized cash of \$681,685 for operating activities and \$17,192 on mineral property expenditures. The Company obtained \$978,610 from private placements net of issue costs and \$2,000 from the exercise of options while Geo contributed \$252,865.

On December 23, 2011, as part of the Arrangement, the Company completed a non brokered private placement with New Gold in which the Company issued 1,354,933 shares for gross proceeds of \$250,000.

On December 28, 2011, the Company completed a non brokered private placement in which it issued 5,135,000 units at a price of \$0.15 per unit for gross proceeds of \$770,250. Each unit consisted of one common share and one half share purchase warrant. Each whole warrant is exercisable at \$0.20 for a period of two years. Finders' fees of \$30,600 were paid. Total issue costs were \$41,640.

The Company has sufficient funds to meet its medium term work program and operating cost requirements.

The Company's commitments are disclosed in the notes to the consolidated financial statements. The Company has no long-term debt.

## **Related Party Transactions**

During the nine months ended May 31, 2012, the Company entered into the following transactions with related parties:

- a) The Company incurred rent and office expenses of \$27,917 (2011 - \$11,458) to England Communications, a company controlled by Mike England, CEO and director of the Company. The payments are included in office, rent and miscellaneous expense. As at May 31, 2012, \$10,048 of rent payments is included in prepaids.
- b) The Company also pays wages, including employer contributions, directly to England Communications. During the nine months ended May 31, 2012, the Company incurred \$209,398 (2011-\$73,459) in salaries of which \$74,357 (2011 - \$23,763) represents management fees for Mike England, CEO, and \$19,568 (2011- \$7,863) represents administrative salary for John Masters corporate officer and former CFO of the Company. These payments are recorded as management fees and office, rent and miscellaneous expense, respectively. The remaining balance of \$115,473 (2011 – \$41,833) was included in office, rent and miscellaneous expense. As of May 31, 2012, \$12,075 of wages is included in prepaids.
- c) The Company paid \$25,000 (2011- \$Nil) to Olga Nikitovic, CFO of the Company. The amount is included in professional fees.

The Company paid for the cost of a media campaign on behalf of itself and four other companies, three of which were related parties by virtue of two common officers and one common director. A receivable of \$14,700 has been set up to reflect the portion of the cost to be repaid by the related parties which include Alix Resources Corp., Ashburton Ventures Inc., and Caribou King Resources Ltd.

The above transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Certain directors and officers of the Company subscribed for 420,000 units of the December 28, 2011 private placement for gross proceeds of \$63,000.

The Company does not pay any directors' fees nor does the Company pay any health or post employment benefits. The salaries for the CEO, CFO and Corporate Secretary are included in (a) and (b) above.

Share-based payments of \$71,549 are the grant date fair value of options granted to key management (CEO, CFO, Corporate Secretary) and directors.

## **Off Balance Sheet Arrangements**

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

## **Changes in Accounting Policies**

### **Current accounting changes**

Please refer to Note 4 of the condensed consolidated interim financial statements for a complete description of accounting policy changes.

## Changes in Accounting Policies (Continued)

### Impact of IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. In order to enable the users of the financial statements to better understand the impact of the changes to IFRS, the Company has provided reconciliations between Canadian GAAP and IFRS for total assets, total liabilities, shareholders' equity and net earnings in Note 19 of the condensed consolidated interim financial statements. The Company's conversion to IFRS did not result in any accounting adjustments.

In preparing the reconciliations, the Company applied the principles and elections of IFRS 1 First Time Adoption of IFRS ("IFRS 1") with a transition date of September 1, 2010.

The changes in financial performance from the prior year do not relate to the adoption of different accounting standards.

### Initial Adoption of IFRS

IFRS 1 sets forth guidance on the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transition date to the statement of financial position with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied.

### Comparative Information

The Company has restated all prior period figures presented in the condensed consolidated interim financial statements in accordance with IFRS.

### Future accounting changes

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after September 1, 2012 or later periods.

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9"), effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning September 1, 2015, and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on September 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its financial statements.

IFRS 11 Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.



## Changes in Accounting Policies (Continued)

### Future accounting changes (Continued)

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 *Investments in Associates* and IAS 36 *Impairment of Assets*. Any impairment losses are recognized as an adjustment to opening deficit at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on September 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its financial statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and effective for years beginning on or after September 1, 2013, replaces the disclosure requirements currently found in IAS 28 *Investments in Associates* ("IAS 28"). The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows. The Company is currently evaluating the impact the introduction of IFRS 12 will have on its consolidated financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its financial statements.

In December 2010, the IASB issued an amendment to IAS 12 Income Taxes ("IAS 12") that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after January 1, 2012, with earlier adoption permitted. The Company has chosen not to early adopt and does not anticipate this amendment to have a significant impact on its financial statements.

IAS 1 Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Company has not yet determined the impact of the amendments on its financial statements.

## Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates are related to the recoverability of exploration and evaluation expenditures and the valuation of restoration, rehabilitation and environmental obligations, warrants, share-based compensation and future tax assets and liabilities. Actual results could differ from management's estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

### Carrying values for assets and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

### Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the period have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of operating facilities, operating management expertise and existing permits.

### Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

### Estimation of decommissioning and restoration costs and the timing of expenditure

The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

## **Critical Accounting Estimates (Continued)**

### Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

### Share-based Payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## **Financial Instruments**

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts of cash, receivables, accounts payable and accrued liabilities and taxes payable on the consolidated statement of financial position approximate fair market value because of the limited term of these instruments. The Company's investments classified as available for sale and its cash equivalents classified as held-for-trading are carried at fair value. The fair value is determined by reference to quoted prices in active markets for identical assets or inputs other than quoted prices that are observable either directly or indirectly.

The Company does not believe it is exposed to significant interest, currency or credit risk arising from these financial instruments.

## **Proposed Transactions**

The Company does not have any transactions under consideration.

## **Contingencies**

There are no contingent liabilities.

## **Subsequent Events**

There are no significant subsequent events other than those disclosed in the notes to the consolidated financial statements.

## **Other MD&A Requirements**

As at July 19, 2012, the Company has 15,977,652 shares outstanding, or 19,775,152 shares on a fully diluted basis. If the Company were to issue 2,567,500 shares upon the conversion of all of its outstanding warrants and 1,230,000 shares upon the conversion of all of its outstanding stock options, it would raise \$636,500.

**GEONOVUS MINERALS CORP.**

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**CORPORATE DATA**

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July 19, 2012

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**CAPITALIZATION**

Authorized:	Unlimited
Issued:	15,977,652
Escrow:	Nil

**LISTINGS**

TSX Venture Exchange  
Trading Symbol: GNM