# WPC RESOURCES INC.

**Management Discussion and Analysis of**
**Results of Operations and Financial Condition**
**For the Six-month Period Ended May 31, 2012**

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# MANAGEMENT DISCUSSION & ANALYSIS

For the Six-month Period Ended May 31, 2012

(Dated July 23, 2012)

## DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of the Province of British Columbia on April 13, 2007 under the name Northern Shield Metals Ltd. The Company changed its name to WPC Resources Inc. on January 24, 2008. The Company is engaged in the business of the acquisition, exploration and development of mineral properties in Canada and its objective is to locate and develop economic mineral properties of merit.

The Company has interest in the Quest Lake Property located approximately 85 km east of Yellowknife in the Northwest Territories and consists of 16 contiguous mineral claims. The Company also entered into an acquisition agreement to acquire a 100% interest in 350 mineral claims located in Lander County and Eureka County, Nevada.

On February 12, 2010, the Company filed its final prospectus with the TSX Venture Exchange and received TSX approval on April 19, 2010. On April 20, 2010, the Company's common shares began trading on the TSX Venture Exchange under the symbol WPQ.

The Company incurred a net loss of $174,293 (2011: $166,200) for the six-month period ended May 31, 2012, and had an accumulated deficit of $1,048,436 (2011: $832,662) which has been funded primarily by the issuance of equity. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing or maintaining continued support from its shareholders and creditors. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company's assets may be adversely affected.

## FORWARD LOOKING STATEMENTS

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

## SELECTED FINANCIAL INFORMATION

### Selected Annual Financial Information

| | For the year ended November 30, 2011 | For the year ended November 30, 2010 | For the year ended November 30, 2009 |
|---|---|---|---|
| | | | |
| Total revenue | Nil | Nil | Nil |
| Loss before discontinued operations and extraordinary items: | | | |
| (i) total for the year | $207,681 | $501,820 | $132,881 |
| (ii) per share | $0.04 | $0.04 | $0.04 |
| (iii) per share fully diluted | $0.04 | $0.04 | $0.04 |
| Net loss or (income): | | | |
| (i) total for the year | $207,681 | $501,820 | $132,881 |
| (ii) per share | $0.04 | $0.04 | $0.04 |
| (iii) per share fully diluted | $0.04 | $0.04 | $0.04 |
| Total assets | $2,712,182 | $1,535,065 | $568,874 |
| Total long-term financial liabilities | Nil | Nil | Nil |
| Cash dividends declared per-share | Nil | Nil | Nil |

## OPERATING RESULTS

### Results of Operations for the three-month periods ended May 31, 2012 and 2011

The Company incurred administrative expenses of $72,937 (2011 – $68,443) for the three-month period ended May 31, 2012. Administrative costs for both the current and prior three-month period remained the same. Increases for the current period over the prior period were recorded in consulting and management fees, and investor relations. Decreases were realized in regulatory and filing fees, office expenses, travel/entertainment, and directors' fees.

The Company also capitalized $2,438 (2011 - $45,914) in expenditures on its various properties and received a $29,943 refund on filing fees from its properties in Nevada during the three-month period.

### Results of Operations for the six-month periods ended May 31, 2012 and 2011

The Company incurred administrative expenses of $174,293 (2011 – $166,200) for the six-month period ended May 31, 2012. Administrative costs for both the current and prior six-month period remained the same except no interest was earned on invested funds during the current six-month period. Increases for the current period over the prior period included $19,096 (2011 - $Nil) in liability insurance expense for coverage on its various mineral properties, management fees, office expense, and investor relations. Decreases were realized in professional fees, regulatory and filing fees, consulting fees, travel/entertainment, and directors' fees.

The Company also capitalized $325,104 (2011 - $315,975) in expenditures on its ZPG property in Nevada during the six-month period and received a $29,943 refund on filing fees from its U.S. properties. The majority of the funds were spent on the first phase of the drill program on the ZPG property which has been put on hold until the Company is able to raise funds.

## Toiyabe Pediment Property

The Toiyabe Pediment Property is located in east-central Lander County 32 kilometres south of the Pipeline Gold deposit of Barrick Gold Corp. It is 19 kilometres southwest of the Cortez Hill gold deposit also owned by Barrick, and 11 kilometres south of the past producing Toiyabe mine. The target is a Carlin-style sediment hosted gold deposit where the gold may also occur in shears, fractures and breccias. The recommended program includes geophysical surveys, (deep penetrating IP and/or CSAMT), an MMI (geochemical) survey and one stratigraphic drill hole (400 metres) to determine which sedimentary formation is present beneath the pediment cover at an estimated cost $300,000. A second program of 3,000-5,000 metres of core drilling, at an estimated cost of $1.2 million, will be contingent on favourable results and initiated after the results have been analyzed.

## ZPG Property

The ZPG Copper/Gold Property is located in Lander County approximately eight kilometres south of Newmont Mining Corporation's Phoenix Mine which has significant gold and copper production. The ZPG property is viewed to be prospective for both porphyry style copper-gold and skarn mineralization. Exploration work by various companies in the trend, include geophysical surveys (gravity, magnetic and IP) and some diamond drilling. The magnetic surveys have outlined five circular magnetic features. The two northernmost features are associated with gold-copper mineralization at Newmont's Copper Canyon and Copper Basin deposits, both of which are in production and have yielded in excess of 11 million ounces of gold. The ZPG property is underlain by the largest of the three remaining circular magnetic features. A limited IP survey by Kennecott in 2001 and 2002 delineated a flat-lying chargeability anomaly at a depth of approximately 500 metres measuring approximately 3.0 kilometres north-south and 1.5 kilometres east-west. A total of 10 holes were drilled by Kennecott in 1993-95, of which nine were on the property, but none of the holes were deep enough to test the IP anomaly as the deepest hole drilled was approximately 1,200 feet (365 metres). There were some mineralized intercepts from the drilling, including 0.12% copper over 70 feet (21.34 metres) and 1.05% zinc over 20 feet (6.1 metres) but these were never followed up. The initial Phase I program would consist of drilling three reverse circulation holes, one in the north, central, and southern portions of the chargeability anomaly and each drilled to a depth of 1,000 metres. The estimated cost of this program is $430,000 and will be followed up, contingent on favourable results, with a second program of 3,000-5,000 metres of core drilling, at an estimated cost of approximately $1.2 million.

**Selected Quarterly Financial Information**

| | 4th Quarter Ended November 30, 2011 IFRS | 3rd Quarter Ended August 31, 2011 IFRS | 2nd Quarter Ended May 31, 2012 IFRS | 1st Quarter Ended February 29, 2012 IFRS |
|---|---|---|---|---|
| (a) Revenue | | | Nil | Nil |
| (b) Loss (gain) for period | | | $72,937 | $101,356 |
| (c) Loss (gain) per share | | | $0.003 | $0.004 |
| | **4th Quarter Ended November 30, 2011 GAAP** | **3rd Quarter Ended August 31, 2011 GAAP** | **2nd Quarter Ended May 31, 2011 GAAP** | **1st Quarter Ended February 28, 2011 GAAP** |
| (a) Revenue | Nil | Nil | Nil | Nil |
| (b) Loss (gain) for period | $(16,784) | $58,265 | $68,443 | $97,757 |
| (c) Loss (gain) per share | $(0.001) | $0.003 | $0.003 | $0.005 |
| | **4th Quarter Ended November 30, 2010 GAAP** | **3rd Quarter Ended August 31, 2010 GAAP** | **2nd Quarter Ended May 31, 2010 GAAP** | **1st Quarter Ended February 28, 2010 GAAP** |
| (a) Revenue | Nil | Nil | Nil | Nil |
| (b) Loss (gain) for period | $268,866 | $60,834 | $105,807 | $66,313 |
| (c) Loss per share | $0.02 | $0.003 | $0.006 | $0.007 |

## LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2012, the Company had a working capital deficiency of $461,761 compared to a deficiency of $12,310 at November 30, 2011. The Company has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success.

## OFF-BALANCE SHEET ARRANGEMENT

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

## CORPORATE INTERNAL CONTROL

The Company practices strict internal controls through proper segregation of responsibilities and internal reporting of its personnel. Agreements and commitments that involve cash and/or share capital distribution such as private placements, stock option grant, property, service, and consulting agreements require Board of Directors approval through Directors' Resolution. The Company's drilling and exploration programs and budgets are planned and approved by the Company's President, CEO and Vice President of Exploration. All cash distribution requires the Company's President or CEO and CFO to approve to ensure that all expenses are accurate and aligned with the Company's budget. Approved share capital distribution is executed through Treasury Orders that require final approval from the Company's President or CEO and CFO. These internal control procedures are established and strictly practiced to ensure the Company's goals and best interests of the shareholders are effectively carried out.

## FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents as held-for-trading and accounts payable and accrued liabilities as other financial liabilities.

**Fair Value** – The carrying values of cash and cash equivalents and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. As the carrying values of the Company's remaining financial instruments approximate their fair values, disclosure if not made of their level in the fair value hierarchy.

**Credit Risk** – is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at a single major Canadian financial institution.

## FINANCIAL RISK FACTORS

*Credit Risk*

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum credit risk is $68,648 consisting of cash and reclamation bonds. The Company limits its exposure to credit loss for cash and cash equivalents, marketable securities and reclamation bonds by placing such instruments with high credit quality financial institutions. The values of these instruments may exceed amounts insured by an agency of the government of Canada. In management's opinion, the Company's credit risk related to cash and cash equivalents and reclamation bonds is minimal.

*Liquidity Risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at May 31, 2012, the Company had a working capital deficiency of $461,761. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at May 31, 2012 the Company does not have adequate working capital to discharge its existing financial obligations.

*Foreign Currency Risk*

The Company's currency risk exposures arise from transactions denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the US dollar. The Company incurs mineral exploration expenditures denominated in the US dollar. Fluctuations in the exchange rates between the US dollar and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity.

*Price Risk*

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities.

## Risks and Uncertainties

### Exploration and Development

Exploration for minerals or precious gems is a speculative venture involving substantial risk. There is no certainty that the expenditures made by the Company will result in discoveries of commercial metal reserves.

Mining and development risk always accompany anticipated rewards, and uncertainties always exist where mineral properties are concerned. Uncertainties include the size, grade and recovery of a natural occurring mineral deposit. Although exploration and development efforts can outline a mineral deposit with a degree of certainty, ultimate grade and tonnages are never fully known until mining has been completed.

Metal and prices are also a significant factor in the development decision for a mineral property, as a mine may not be economically feasible in a period of depressed prices. Factors, beyond the control of the Company, may affect the marketability of any minerals discovered. Pricing is affected by numerous factors such as international economic and political trends, global or regional consumption and demand patterns, and increased production by current producers.

### Title Risks

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned.

### Price Volatility of Public Stock

In recent years securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares may be affected by such volatility.

### Economic Conditions

Unfavourable economic conditions may negatively impact WPC Resources' financial viability as a result of increased financing costs and limited access to capital markets.

Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate WPC Resources.

## CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors and officers, or may be associated with other reporting companies or have significant shareholding in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which WPC Resources may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, WPC Resources will follow the provisions of the Business Corporations Act in dealing with conflicts of interest. These provisions state that where a director/officer has such a conflict, the director must arrange a meeting of the board to disclose his interest and must refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of WPC Resources are required to act honestly, in good faith and in the best interests of the Company.

**CAPITAL STOCK**

(a) Authorized: 100,000,000 common shares without par value
(b) Issued

| | Shares | | Amount |
|---|---|---|---|
| Balance, November 30, 2008 | 2 | $ | 2 |
| Shares issued for subscriptions previously received | 10,650,240 | | 635,004 |
| Balance, November 30, 2009 | 10,650,242 | | 635,006 |
| Shares cancelled | (1,498,000) | | (14,980) |
| Shares issued | 299,600 | | 14,980 |
| Initial public offering, net of financing costs | 7,000,000 | | 1,065,526 |
| Shares issued for property payment | 800,000 | | 80,000 |
| Balance, November 30, 2010 | 17,251,842 | $ | 1,780,532 |
| Flow-through Private Placement, | 3,000,000 | | 465,000 |
| Shares issued for property | 900,000 | | 94,500 |
| Shares issued for cash | 6,877,500 | | 825,300 |
| Residual value of warrants issued | - | | (105,000) |
| Financing costs | - | | (139,404) |
| Income tax effect on F/T share renouncement | - | | (116,250) |
| Balance, November 30, 2011 | 28,029,342 | $ | 2,804,678 |
| Shares issued for property – Nevada | 750,000 | | 75,000 |
| **Balance, May 31, 2012** | **28,779,342** | **$** | **2,879,678** |

During the year ended November 30, 2011:

On December 6, 2011, the Company announced that further to its news release dated August 3, 2011 and November 29 2011 that it has completed a non-brokered private placement. The Company issued an aggregate of 6,877,500 units at a price of $0.12 per unit for gross proceeds of $825,300. Each unit consists of one common share and one share purchase warrant which entitles the holder to purchase an additional common share of the Company at a price of $0.20 until November 23, 2013. The shares and underlying shares were subject to a four-month hold period.

The Company paid finder's fees in the amount of $53,688, legal fees of $8,254 and issued 246,000 broker warrants, which entitle the holder to purchase one additional common share of the Company at an exercise price of $0.20 until September 30, 2012 and 290,250 broker warrants at an exercise price of $0.20 until November 23, 2012 in connection with the private placement. The broker warrants were valued at $25,660 using the Black-Scholes option pricing model

The proceeds of the Private Placement will be used to fund the work program on the Company's "Toiyabe Pediment" and "ZPG" properties. The properties are located in central Nevada within the Battle Mountain-Eureka Trend near the Cortez District.

On February 11, 2011, the Company issued 300,000 shares as per the option agreement with Genesis Gold Corp. ("GGC") for the Toiyabe claims located in Ladner County, Nevada as well as 600,000 shares at a price of $0.105 per share as per the option agreement with GGC for the ZPG claims also located in Ladner County, Nevada.

**CAPITAL STOCK** (Cont'd)

On December 31, 2010, the Company completed a private placement of 3,000,000 flow-through units at a price of $0.155 per unit for gross proceeds of $465,000. Each unit consists of one flow-through common share and one share purchase warrant. One warrant entitles the holder to purchase one non-flow-through common share at a price of $0.25 until December 31, 2011 and $0.30 until December 31, 2012. A finder's fee of $23,250 and a due diligence fee of $13,950 were incurred on the private placement. The Company also issued 300,000 agent options, which entitle the holder to purchase one unit of the Company at an exercise price of $0.155 until December 30, 2011. Each unit consists of one common share and one share purchase warrant, which entitle the holder to purchase one non-flow-through common share at a price of $0.25 until December 30, 2011 and $0.30 until December 30, 2012. The agent options were valued at $14,602 using an option pricing model.

During the year ended November 30, 2010:

On January 25, 2010, the Company cancelled 1,498,000 shares originally valued at $0.01 per share for a total of $14,980 and replaced those shares with 299,600 shares valued at $0.05 for a total of $14,980. The 299,600 shares were issued to the same parties who held the 1,498,000 shares in proportion to their shareholdings of the 1,498,000 cancelled shares.

On April 16, 2010, the Company closed its initial public offering. The offering consisted of 7,000,000 units at a price of $0.20 per unit for gross proceeds of $1,400,000. Each unit is comprised of one common share of the Company and one share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at a price of $0.35 until April 16, 2011. The Company paid finder's fees and share issue costs of $236,166 in connection with the private placement including $43,908 reclassified from deferred costs. The Company also issued 700,000 non-transferable agent warrants to acquire shares in the Company. The fair value of the agent warrants of $98,308 was recorded as share issue costs. Each warrant, entitling the holder to purchase one common share, is exercisable at $0.20 up to April 19, 2011.

The Company issued 800,000 shares for acquisition of the Quest Lake property in conjunction with their initial public offering valued at $80,000.

During the year ended November 30, 2009:

(i) The Company refunded share subscriptions for 300,000 common shares previously received for a total of $30,000.

(ii) The Company issued 10,650,240 shares for share subscriptions previously received. A reclassification of $635,004 was made from obligation to issue shares to capital stock.

During the year ended November 30, 2008:

(iii) The Company received funds in exchange for an obligation to issue 400,000 common shares as part of a private placement at $0.10 per common share for proceeds of $40,000.

(iv) The Company refunded share subscriptions for 270,000 common shares previously received for a total of $27,000.

**CAPITAL STOCK** (Cont'd)

**Issued and outstanding**

As at July 23, 2012 there were 28,779,342 shares outstanding.

**Escrow Shares**

As at July 23, 2012, there were 1,370,893 shares held in escrow.

**Share Purchase warrants**

As at July 23, 2012, the Company had the following warrants outstanding:

| No. of warrants | Exercise Price | Expiry Date |
|---|---|---|
| 3,000,000 | $0.25/$0.30 | December 30, 2012 |
| 3,675,000 | $0.20 | September 30, 2013 |
| 200,000 | $0.20 | October 25, 2013 |
| 3,002,500 | $0.20 | November 23, 2013 |
| **9,877,500** | | |

**Stock Options**

As at July 23, 2012, the Company had the following options outstanding:

| Options Issued | Exercise Price | Expiry Date |
|---|---|---|
| 1,400,000 | $0.20 | February 12, 2015 |
| 50,000 | $0.20 | September 1, 2015 |
| **1,450,000** | | |

## RESOURCE PROPERTIES

### Quest Lake Property

The Quest Lake Property (the "Property") consists of 16 contiguous mineral claims and is located in the Northwest Territories.

On June 29, 2007, the Company signed a letter of understanding to acquire a 100% interest in the Property in exchange for 800,000 common shares of the Company valued at $80,000. The value is based on a price of $0.10 per share, which was the price of shares issued by the Company around that time and also approximates the carrying value of the Property. The vendors retain a 2% net smelter royalty, of which the Company may purchase half for $1,000,000. At November 30, 2009, the 800,000 common shares had not been issued and are reflected as "obligation to issue shares" in the Company's financial statements. These will be issued in conjunction with the finalization of the initial public offering. One of the vendors of the Property interest is a director of the Company.

### Nevada Properties

#### Wenban Springs Project

During the year ended November 30, 2010, the Company entered into an acquisition agreement to acquire a 100% interest in 350 mineral claims located in Lander County and Eureka County, Nevada (Wenban Springs), when the Company has:

(i) Paid $50,000 upon signing of the agreement (paid); and

(ii) Paid staking registration fees to the Nevada state office of the Bureau of Land Management and the Lander and Eureka County Recorders on or before June 29, 2010 (paid).

#### Toiyabe Pediment Property

On January 25, 2011, the Company entered into an option agreement with Genesis Gold Corp. ("GGC") to grant an exclusive option to acquire a 100% undivided interest in 119 mineral claims known as the Toiyabe claims located in Ladner County, Nevada. The claims are subject to a 3% NSR upon commencement of commercial production. In order to fulfil the terms of the option agreement, the Company is required to make payments, issue shares and incur exploration expenditures as follows (all amounts in US dollars):

- Cash payment to the vendors of $80,000 on final acceptance of the option agreement by the TSX-V (approval received January 31, 2011);
- Issue 300,000 shares after January 31, 2011 (issued);
- Issue 250,000 shares on or before January 31, 2012 (issued);
- Issue 250,000 shares on or before January 31, 2013; and
- Incur exploration expenditures of $1,500,000 on or before January 25, 2015.

**ZPG Copper/Gold Property**

On January 25, 2011, the Company entered into an option agreement with GGC to grant an exclusive option to acquire a 100% undivided interest in 96 mineral claims known as the ZPG claims located in Ladner County, Nevada. The claims are subject to a 3% NSR upon commencement of commercial production. In order to fulfil the terms of the option Agreement, the Company is required to make payments, issue shares and incur exploration expenditures as follows (all amounts in US dollars):

- Cash payment to the vendors of $160,000 on final acceptance of the Agreement by the TSX-V (approval received January 31, 2011);
- Issue 600,000 shares after January 31, 2011 (issued);
- Issue 500,000 shares on or before January 31, 2012 (issued);
- Issue 500,000 shares on or before January 31, 2013; and
- Incur exploration expenditures of $1,500,000 on or before January 25, 2015.

In order to fund the exploration activities and to provide working capital, the Company has relied on monies raised from the sale of the Common Shares from treasury. Since incorporation, the Company has raised approximately $110,000 from the Principals and $525,000 through the private placement sale of its Common Shares at $0.10 per share (the “Private Placement”).

The investment in and expenditures on its resource property interest comprise a significant portion of the Company’s assets. Realization of the Company’s investment in this asset is dependent upon the establishment of legal ownership, the attainment of successful production from the property or from the proceeds of its disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful life of the property upon commencement of commercial production or written off if the property is abandoned or the claims allowed to lapse.

Exploration Expenditures

| | Quest Lake | Nevada | | | Total |
|---|---|---|---|---|---|
| | | SCH | Toiyabe | ZPG | |
| Balance, November 30, 2011 | $ 919,392 | $ 340,420 | 352,553 | 780,792 | $ 2,393,157 |
| Acquisition | $ | $ - | 25,000 | 50,000 | $ - |
| Exploration costs | | | | | |
| Assaying | 248 | - | - | 19,148 | 19,396 |
| Camp and supplies | 114 | - | - | 7,605 | 7,719 |
| Claim maintenance | 1,094 | (29,943) | - | - | (28,849) |
| Consulting | (155) | - | - | 11,594 | 11,439 |
| Drilling | - | - | - | 241,862 | 241,862 |
| Equipment rental | - | - | - | 16,050 | 16,050 |
| Geological | 13,500 | - | 3,000 | 6,610 | 23,110 |
| Surveying | - | - | - | 3,030 | 3,030 |
| Travel | - | - | - | 1,404 | 1,404 |
| Total additions during the period | 14,801 | - | 28,000 | 357,303 | 370,161 |
| Balance, May 31, 2012 | $ 934,193 | $ 310,477 | 355,553 | 1,138,095 | $ 2,763,318 |

## RELATED PARTY TRANSACTIONS

The aggregate amount of expenditures paid to a company related by common directors, to the President of the Company, and to directors of the Company includes:

(a) Accounting fees of $6,000 (2011 - $6,000);
(b) Office expenses of $6,000 (2011 - $6,000);
(c) Rent of $6,000 (2011 - $3,000);
(d) Consulting fees of $8,364 (2011 - $16,402);
(e) Management fees of $47,000 (2011 - $30,000);
(f) Directors fees of $14,000 (2011 - $22,000).

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

The Company shares office space with a company related by common directors and management and, as of March 2008, pays $3,000 on a month-to-month basis for shared office and administrative costs. The monthly fee is split evenly between accounting fees, office expenses and rent, as noted above.

In a prior year, the Company acquired an interest in a resource property partially owned by a director of the company (note 8).

## PROPOSED TRANSACTIONS

There are no proposed assets or business acquisitions or dispositions, other than those in the ordinary course of business, before the Board of Directors for consideration.

**SUBSEQUENT EVENTS**

On June 12, 2012, the Company announced that its shareholders approved all matters presented at the Annual General Meeting held on June 8, 2012.

The Company's shareholders re-elected Crichy Clarke, Allan Fabbro, Richard Jordens, Ernest Peters, Glen MacDonald, Bruce Hamilton, Don Merrick and John Zimmerman to the Board of Directors. Each shall serve as a Director of the Company until the 2013 Annual General Meeting.

Shareholders of the Company also re-appointed Smythe Ratcliffe, Chartered Accountants, as auditors for the ensuing year and approved the 2012 10% Rolling Stock Option Plan, the particulars of which are set out in more detail in the Company's Management Information Circular dated May 4, 2012.

On June 25, 2012 the Company announced that further to its news release of April 13, 2012, and due to current market conditions, the Company has amended its Private Placement and plans to place up to 5,000,000 Units at a price of $0.075 per Unit. This will now provide gross proceeds of up to $375,000. The Warrants will be exercisable at a price of $0.12 for 24 months following the Closing. The Company may pay finder's fees on a portion of the private placement of 8% of gross proceeds and may issue non-transferable options which will now be priced at $0.12 per share for a period of one year. All other terms and use of funds are unchanged as per the April 13, 2012 news release.

## TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2006, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to be converged with International Financial Reporting Standards ("IFRS"). In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal periods beginning on or after January 1, 2011 ("adoption date") with appropriate comparative data in respect of the prior year. The Company will issue its first IFRS annual financial statements for the fiscal year ending November 30, 2012, with restatement of comparative balance sheets as at November 30, 2011 and December 1, 2010 and statement of earnings for the year ended November 30, 2011. During the year ending November 30, 2012, the Company will issue interim IFRS financial statements prepared in accordance with IAS 34 – Interim Financial Reporting ("IAS 34") for the periods ending February 29, 2012, May 31, 2012, and August 31, 2012 with restatement of comparative balance sheets as at November 30, 2011 and December 1, 2010 and statements of earnings for the comparative periods presented.

### Transition Plan

Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy that must be addressed. The Company's transition plan from Canadian GAAP to IFRS includes identifying and assessing these differences, making applicable changes to the Company's accounting policies, information technology and data systems, internal control over financial reporting, disclosure controls and procedures and financial expertise and training requirements. The Company is examining the specific impact of IAS 36 related to the measuring the impairment of assets and our options with regard to IFRS – Exploration for an Evaluation of Mineral Resources. IFRS 6 allows issuers to follow an approach similar to Canadian GAAP allowing exploration expenditures can either be expensed or capitalized.

Management is completing the following (a) the assessment and quantification of the impact of converting to IFRS on the Company's opening IFRS balance sheet as at December 1, 2010, and comparative IFRS information for the periods ended February 28, 2011, May 31, 2011, August 31, 2011, and the year ended November 30, 2011, (b) the assessment and identification of the impact of converting to IFRS on the Company's financial reporting, systems and processes, and (c) the design, implementation and testing of changes to the Company's financial reporting systems and processes to support the preparation of IFRS financial statements for the opening IFRS balance sheet as a December 1, 2010, fiscal 2011 and thereafter.

The Company changed over to IFRS on December 1, 2011. The International Accounting Standards Board ("IASB") may make further pronouncements before the financial statements as at November 30, 2012 are prepared. As a result, there can be changes or amendments to the standards that were used to prepare information as at December 1, 2010, November 30, 2011 and May 31, 2012 and will impact the preparation of the Company's first IFRS annual financial statements for the fiscal year ending November 30, 2012.

The Company has updated the descriptions of its accounting policies for the changeover to IFRS, as applicable, in the notes of the interim financial statements and there were no material quantified transition effects identified as a December 1, 2010, November 30, 2011 and May 31, 2012.

## IFRS and CANADIAN GAAP DIFFERENCES

The Company considered the following at transition:

1) Exploration and Evaluation Expenditures

IFRS 6 – Exploration for and Evaluation of Mineral Resources permits a reporting entity to choose an accounting policy to expense or capitalize exploration and evaluation expenditures. This includes expensing certain exploration and evaluation expenditures, while capitalizing other exploration and evaluation expenditures, as long as the accounting policy is applied consistently. The Company has chosen to apply the same accounting policy under Canadian GAAP on conversion to IFRS.

IAS 36 – Impairment of Assets ("IAS 36") assesses the impairment of an asset using a one-step process which compares the carrying amount to the recoverable amount, calculated as the greater of the value in use, being the estimated discounted future expected pre-tax cash flows, and fair value less costs to sell ("FVLCS") of the asset being tested. Upon conversion to IFRS, the process for assessing impairment under IFRS is similar to the process under Canadian GAAP, except that cash flows used under Canadian GAAP are on an undiscounted basis where goodwill is not applicable. The use of a one-step process to test for impairment under IFRS as compared to a two-step process under Canadian GAAP may result in more frequent impairment charges where carrying amounts of mining interests may have been supported under Canadian GAAP on an undiscounted cash flow basis, but cannot be supported on a discounted cash flow basis under IFRS.

The Company reviewed its mining interests for impairment as at November 30, 2010 in accordance with IAS 36 and determined that no impairment losses were required to be recognized for the purpose of its opening IFRS balance sheet as a December 1, 2010.

2) Share-based Compensation

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. Management had adopted graded method to vesting under Canadian GAAP and considered fair value of the services rendered by their consultants. Hence, no material adjustments are made accordingly under IFRS.

3) IFRS 1 - First-time Adoption of International Financial Reporting Standards

In general, accounting policies adopted in accordance with IFRS are to be applied retrospectively. The mandatory exception applicable to the Company is:

i) Estimates: Estimates used in preparing the Company's opening IFRS balance sheet as at December 1, 2010 and restating its 2010-11 comparative periods under IFRS must be consistent with estimates previously made for the same date under Canadian GAAP after adjustments to reflect any difference in accounting policies, unless there is objective evidence that those estimates were in error. More specifically, an entity may be in possession of inform about estimates it made under Canadian GAAP that was not available at the time those estimates were made. IFRS 1 requires the receipt of such information to be accounted for prospectively.

The significant exemption from retrospective application of IFRS the Company has elected to apply is:

ii) Share-based Payment: As a first-time adopter, the Company elected to not apply IFRS 2 retrospectively to equity instruments that were granted on or before November 7, 2001 and is also not required to apply IFRS 2 to equity instruments that were granted after November 7, 2002 that vested before the date of transition to IFRS (December 1, 2010).

## DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management so that appropriate decisions can be made regarding public disclosure. The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures.

Based on that evaluation, management has concluded that as of the end of the period covered by this management discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under National Instrument 52-109 – Certification of disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company's internal controls over financial reporting during the Company's six-month period ended May 31, 2012 that materially affected, or was reasonably likely to materially affect, the Company's internal control over financial reporting.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company evaluated the design of its internal controls and procedures over financial reporting as defined under National Instruments 52-109 for the period ended May 31, 2012. The Company maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. The Board of Directors has responsibility for developing and implementing the Company's approach to governance issues. Committees of the Board presently consist of an Audit Committee. Based on the evaluation, management has concluded that the design of these internal controls and procedures over financial reporting was effective.

## DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com). No securities commission or regulatory authority has reviewed the accuracy of the information presented herein. The Company maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. The Board of Directors has responsibility for developing and implementing the Company's approach to governance issues. Committees of the Board presently consist of an Audit Committee.

## CAUTIONARY STATEMENT RISKS AND UNCERTAINTIES

This MD&A may contain "forward looking statement" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate", and similar expressions are intended to identify forward-looking statements, which by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied, by these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: unavailability of financing, unfavorable feasibility studies, fluctuations in the market valuation for the minerals, difficulties in obtaining required approvals for the development of a mine and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company does not intend, and does not assume any obligation to update these forward looking statements.