

***VANTEX RESOURCES LTD.***

***INTERIM MANAGEMENT'S DISCUSSION AND  
ANALYSIS***

***Nine-month period ended July 31, 2012***



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) presents an analysis of the financial position and results of operations of Vantex Resources Ltd. for the nine-month interim period ended July 31, 2012, and is complementary to the financial statements. It should be read in conjunction with the annual financial statements, the accompanying notes and the quarterly interim reports. Monetary values in the financial statements are in Canadian dollars.

The Company's interim financial statements for the period ended July 31, 2012, were prepared in accordance with IFRS. They have not been reviewed by the Company's independent external auditors. These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 1 *Presentation of Financial Statements*. The main accounting policies used in their preparation are summarized in Note 4 of the interim financial statements. The date of transition from GAAP to IFRS is November 1, 2010.

The Company's financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (GAAP). Canadian GAAP differ from IFRS in some areas. In preparing the January 31, 2012, April 30, 2012 and July 31, 2012, interim financial statements, Management has amended certain accounting and valuation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. Comparative information for 2011 has been restated to reflect these changes. Information relevant to an understanding of the Company's amended interim financial statements is provided in Note 18 of the financial statements as at July 31, 2012. This note also presents the reconciliation of shareholders' equity and earnings under Canadian GAAP and IFRS, as well as a description of the effect of the transition from Canadian GAAP to IFRS on these items.

This MD&A also includes a review of exploration activities, providing a brief summary of the work carried out and the progress made on projects underway. This review must also be read in conjunction with the financial statements and accompanying notes.

Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com) in the section containing documents filed by Vantex Resources Ltd. or on the Company's website at [www.vantexresources.com](http://www.vantexresources.com).

## FORWARD-LOOKING INFORMATION

This document contains forward-looking statements that reflect the Company's current expectations regarding future operations. To the extent that statements in this document contain information that is not historical, these statements are essentially forward looking. Forward-looking statements involve risk, uncertainty and other factors that could cause actual results that differ from the results anticipated or implied by such forward-looking statements.

Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements which only apply as of the date of this document. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities legislation.

## THE COMPANY

The Company was incorporated in 1987 under the laws of British Columbia and was continued under the Canada Business Corporations Act in June 1998. In February 2004, the Company changed its corporate name from Vantex Oil, Gas and Minerals Ltd. to Vantex Resources Ltd.

The capital stock consists of an unlimited number of common shares without par value, of which 62,962,579 were issued and outstanding as at the date of this MD&A. The Company's shares are listed on the TSX Venture Exchange under the symbol VAX.

## NATURE OF ACTIVITIES

The activities of Vantex Resources Ltd. ("Vantex") consist of acquiring, exploring, evaluating, developing and, if applicable, mining mineral properties. In addition, in line with achieving its objectives, Vantex could be required to sign various agreements specific to the mining industry, such as purchase or option agreements for mining claims and joint venture agreements.

## HIGHLIGHTS OF THE PERIOD

The net loss for the nine months ended July 31, 2012, totaled \$838,030 compared with \$1,399,348 for the corresponding period of 2011.

During the period ended July 31, 2012, the Company conducted exploration work totalling \$873,388 (\$1,148,207 for the period ended July 31, 2011), primarily on the Hurd property of the Galloway project.

In December 2011, the Company completed a private placement for \$482,000, issuing 2,410,000 flow-through shares at a price of \$0.20 and issuing 1,205,000 warrants at an exercise price of \$0.25, valid for one year.

In January 2012, an option agreement was signed with Aurtois Exploration Inc. under the terms of which it can acquire a 75% interest in the Guillet and Ortona properties in return for the issuance of 4,500,000 common shares, payment of \$120,000 in monthly instalments of \$10,000, and delivery of a pre-feasibility study within five years of signing the agreement. Aurtois can acquire the remaining 25% interest from Vantex for \$2,000,000 and a 1% NSR royalty on the two properties in question.

## INFORMATION ON MINING PROPERTIES

### - GALLOWAY PROJECT

In 2009, as part of the Galloway project, the Company signed option agreements for the Hurd, Ogima North, Sandborn, Perron, Francoeur and Cadillac Rang III mining properties, all located in Dasserat Township, Abitibi (**see press release of March 9, 2009**).

According to historical data, this project, with a total area of 2,285 hectares, has excellent potential for the development of large-tonnage open-pit gold deposits.

In December 2009, Vantex acquired the **Renault Bay property** from Teck Resources through the issuance of 150,000 common shares and 150,000 warrants. The property consists of eleven (11) claims located in the northwestern extension of the Soaker Hill showing (See press release of December 8, 2009).

Having fulfilled all its obligations to the original owners of the various blocks composing the Galloway project, the Company has, since February 2011, a 100% interest in the Sandborn, Cadillac Rang III, Francoeur and Perron properties, and a 90% interest in the Hurd and Ogima North properties. The original owners also retain a 2% NSR royalty (see press release of February 9, 2011). These interests were acquired in return for payments totaling \$282,500 and the issuance of 2,423,400 common shares from 2009 to 2011.

#### Galloway-Pitchvein showing

Historical data from most of the exploration work carried out by Kerr Addison Mines and Minnova (both subsidiaries of Noranda Mines at the time), as well as Silver Century (subsidiary of Agnico-Eagle at the time), show that this showing was traced over a strike length of nearly 1,200 metres (1.2 km) and intersected by drilling to a vertical depth of almost 1,000 metres and over a core length of nearly 396 metres.

Hole KOD86-01, drilled on the Perron block approximately 900 metres south-southwest of the Galloway shaft (internal report – Kerr Addison Mines), intersected this gold bearing structure over a core length of 395.8 metres with an average grade of 0.75 g/t Au including two zones respectively yielding 1.23 g/t Au and 1.34 g/t Au over 67.67 and 42.98 metres.

About 200 metres further west, hole KOD86-4 (internal report – Kerr Addison Mines) intersected this same structure with a grade of 1 g/t Au over 53.64 metres, while hole KHD87-7 (GM 46760) returned a grade of 1.1 g/t Au over nearly 87 metres. Hole KHD-24 (GM 49129) returned 0.7 g/t Au over 133.5 metres and hole 93-H-5 (GM 53650), drilled approximately 120 metres northeast of the Galloway shaft, yielded 1.03 g/t Au over 100.55 metres.

### Soaker Hill showing

Located approximately one kilometre north of the Galloway shaft, the Soaker Hill showing's mineralization is associated with zones of pyrite-bearing quartz-carbonate veins. The mineralization consists of sulphides, pyrite and chalcopyrite. According to historical data, several drill holes intersected gold values on this showing. The presence of visible gold was noted (GM 62744).

Surface work (GM 47673) identified a set of quartz veins with molybdenum, copper and gold mineralization. A small bulk sample yielded 0.49% MoS<sub>2</sub>, 0.36% Cu, 0.70 g/t Au and 5.83 g/t Ag (MB 86-14).

Three holes drilled in 2010 on this showing did not return significant results. No work was performed on the showing in 2011 and 2012.

### Renault Bay area

Located 1 to 2.5 km north of the Galloway shaft, the Renault Bay area contains many gold showings. According to historical data, several drill holes intersected gold values in this area (GM 41568), including hole RB83-2, which cut grades of 4.32 g/t Au over 0.3 m from 43.9 to 44.2 m and 12.44 g/t Au over 1.5 m from 132.3 to 133.8 m.

The hole drilled in 2011 at the end of the spring-summer program to test a NNE structure did not return significant results.

### Fayolle showing

The Fayolle showing is located approximately 1.4 kilometres north-northeast of the Galloway shaft. The host rock is a syenite porphyry intrusion in rhyolite of the Black River Group. Since 1929, the showing has been explored intermittently and a large number of veins and shear zones have been identified by prospecting, trenches, exploration shafts and diamond drilling. Many gold and copper values have been reported in the past.

In addition, several holes drilled outside these mineralized showings returned values in excess of 1 g/t, such as hole 95-H-12 (Silver Century), which yielded 2.25 g/t Au over 4.0 m from 92 to 96 m and 1.09 g/t Au and 0.14% Cu over 2 m from 143 to 145 m. Hole 95-H-18 returned 2.23 g/t Au over 4 m from 47.40 to 51.40 m, and KDH-87-7 cut a zone yielding 2.28 g/t Au over 6.10 metres and another grading 8.49 g/t Au over 4.57 metres (GM 46760).

No work was done in this area in 2011 and 2012.

### Sandborn - Ogima North – Cadillac – Francoeur blocks

These blocks form the eastern and southeastern parts of the Galloway project. Many gold, silver and copper showings occur in this part of the project. A few holes were drilled in 2010 on Ogima North but none returned significant values.

In 2012, depending on budget availability, a drilling program is planned in the Ogima North area to test a few geophysical and stratigraphic anomalies.

#### Sandborn showing

The mineralization is associated with a shear zone well mineralized with chalcopyrite. Grades of 2.39% Cu, 1.47 g/t Au, 6.79 g/t Ag (grab sample, PR-390, Page 36) and 1.12% Cu over 2.74 m (hole 82-2, GM 40427) were also noted in previous work.

Depending on budget availability, the Company is planning some drill holes in this area in 2012 to check previous work and also test a few stratigraphic showings.

#### Payrock

The mineralized zone is along a NE shear zone with which the deposit's three main veins are associated. The mineralization is massive and disseminated, occurring in lenses and quartz-carbonate veins. In GM 53294, it was reported that a grab sample by Norex returned a grade of 24.7 g/t Au.

The Company is not planning any work in this area in 2012.

#### Côté-Laporte

A hole drilled immediately north of the Cadillac Break by Kerr-Addison in 1987 yielded a value of 1.78 g/t Au over 0.76 m (GM 44428 - hole CLD-86-1). Another hole located over 500 metres to the north intersected a gold value of 2.7 g/t over 3 metres, while several holes southeast of Lake Desvaux yielded values ranging from 1.4 to 3.9 g/t Au over widths from 1.2 to 2.1 metres.

The Company is not planning any work in this area in 2012.

### **2009 work:**

Drilling results obtained to date confirm the accuracy of the old data (see press releases of April 22 and May 20 and 28, 2009). In addition, a prospecting program was carried out to detect new showings on the various properties of the Galloway project. Three new showings were discovered by prospecting (see August 12, 2009, press release) in the Ogima North area.

The Company also carried out a stripping and channel sampling program on the Soaker Hill showing, located about 1,000 metres north of Galloway-Pitchvein, to better define and understand the gold showing's mineralized structures. Results indicate the presence of gold in another structure located approximately 1.5 kilometres north of the showing.

## **2010 work:**

### *GP zone*

A 1,500-metre program of eight holes drilled on the Galloway-Pitchvein zone was completed in June 2010. The results of this first phase were reported in the July 7 and August 11, 2010, press releases.

In summer and fall 2010, the Company continued work on the GP zone to establish a first NI 43-101 resource estimate (see press releases of November 30 and December 14, 2010). The results of this last drill program clearly show the significant potential of the GP zone (see press releases of December 14, 2010, and March 22, 2011).

## **2011 work**

### *Moriss zone*

Following an exploration program conducted in 2010, the Company made a significant discovery in the western part of the project, about 600 metres from the GP showing (see October 8, 2010, press release). This new gold structure appears to contain several economic gold zones. A drilling program of almost 4,000 metres traced the new structure over more than 200 metres and to a depth of more than 150 metres (see press releases of November 12 and 19, 2010, and January 20, 2011).

In spring 2011, the Company undertook a 3,000-metre drilling program in this area. Results from holes VPE11-24 to VPE11-29 show continuity at depth in this area and the presence of gold in some places. Free gold was also observed in some holes.

Holes VPE11-30, VPE11-33 and VPE11-34 were drilled in the eastern extension of the Moriss zone toward the GP zone, while holes VPE11-31, VPE11-32 and VPE11-35 were drilled southwest of the Moriss zone to test an induced polarization (IP) anomaly (see press releases of April 28, May 25 and June 14, 2011).

Another 2,226-metre drilling program was completed in December 2011, targeting the Moriss zone and/or other gold showings identified in the area.

The Company applied to the MRNF and the MDDEP to obtain the right to acquire approximately 150 hectares as a western extension of the Moriss zone.

### *GP zone*

SRK Consulting of Toronto was retained to conduct a resource assessment of the GP zone. In addition, Management received a report from the URSTM, of Rouyn-Noranda, regarding various metallurgical and mineralogical tests on ore from the GP area. The results of this work were sent to SRK to be integrated into the assessment under way. Channel sampling (117 samples totalling 130.85 m) was also carried out to complete the information on the GP area.

SRK has also requested a more complete survey map to design the open pit, which will enable it to better assess the available resource.

### *Hendrick zone*

The Company also extended hole VPE10-15 in the Hendrick zone and drilled another hole (VPE11-36) in the same area. The latter intersected 0.56 g/t Au over 558.70 metres, including 144 metres at 1.01 g/t Au and 1.23 g/t Ag.

### *Hurd area*

The Company stripped two areas (1,492 m<sup>2</sup>) and carried out channel sampling (237 samples totalling 195.7 m) to better document the attitude of gold mineralization in the area.

## **2012 work**

### *GP zone*

At the request of SRK Consulting, the Company carried out an aerial topographic survey, which allowed SRK to complete the NI 43-101 resource assessment for the GP zone of the Galloway project. It was received on September 5, 2012, and was the subject of a press release on September 19, 2012.

Results of an initial mineral resource estimate for the GP zone, located in the western part of the Galloway project, are available on SEDAR and on the Company's website ([www.vantexresources.com](http://www.vantexresources.com)).

The NI 43-101 report by SRK Consulting gives a drill-indicated resource of 18,140,000 metric tons at a grade of 0.41 g/t Au representing 240,000 ounces of gold, and an inferred resource of 2,510,000 metric tons at 0.39 g/t Au for 32,000 ounces of gold.

Only the GP zone of the Galloway project was modeled. Other gold zones, such as Morris and Hendrick, were not included in this estimate.

### *Hendrick zone*

Holes VPE10-47 and VPE10-48 were completed in June 2012, for a total of 2,535 metres. These two holes were drilled to check the geology in the Golden Triangle formed by the GP, Hendrick and Morris showings, and to confirm the dip and continuity of the Hendrick zone at depth. Management considers the results released on July 4, 2012, very encouraging.

### *Moriss zone*

A three-hole drilling program, totalling almost 700 metres, was carried out on the Morris showing in August 2012. The results obtained (see press release of August 30, 2012) confirm the western extension of the Morris zone. They show major potential for gold in this sector of the Galloway project.

With regard to the application made to the MRNF to obtain the western extension, Management expects the process to be completed in fall 2012.

#### Airborne geophysical survey

An airborne geophysical survey was also completed in June. Several interesting targets were defined on the properties making up the Galloway project. Some of them may be tested by drilling during the current year.

#### - **Guillet and Ortona properties**

**The Guillet property**, consisting of 40 claims, is located in Guillet Township near the town of Belleterre in the Témiscamingue region. These claims were acquired in 2002, 2003 and 2004, in return for the issuance of 1,025,000 common shares and payment of \$2,000.

Major exploration work has been conducted on the property since May 2003; the results of the various programs were announced in press releases that can be viewed on [www.sedar.com](http://www.sedar.com) in the section containing documents filed by Vantex.

Eight gold zones have been outlined in the Lake Expanse showing. Most of these are associated with quartz veins in silicified chlorite schist.

An additional claim was also acquired by staking on the eastern edge of the Guillet property. Channel sampling on the claim in 2007 revealed high gold values (see press release of November 5, 2007). During the same period, the Company expanded the stripped area in the northern extension of the Lake Expanse showing. A geophysical survey was also conducted in the eastern part of the Guillet property.

**The Ortona property** consists of 17 claims and is located near the Guillet property. It was acquired in 2007 in return for the issuance of 130,000 common shares.

In January 2012, an option agreement was signed with Aurtois Exploration Inc. under the terms of which it can acquire a 75% interest in the Guillet and Ortona properties in return for the issuance of 4,500,000 common shares, payment of \$120,000 in monthly instalments of \$10,000, and delivery of a pre-feasibility study within five years of signing the agreement.

Aurtois can acquire the remaining 25% interest from Vantex for \$2,000,000 and a 1% NSR royalty on the two properties in question. To date, Aurtois Inc. has fulfilled all the obligations related to monthly payments and issuance of shares stipulated in the agreement.

#### - **Heva property**

The Heva property is located about 20 kilometres east of the town of Rouyn-Noranda, in the Abitibi region. It consists of two adjacent lots in Joannès Township and covers an area of 80 hectares. It was wholly acquired in October 2004 in return for payment of \$50,000 and issuance of 800,000 common shares of the Company to the vendors. The original vendors are entitled to a 1% NSR royalty in the event of production.

In June 2005, a partnership agreement was signed with public company Stellar Pacific Ventures Inc., entitling the latter to acquire a 50% interest in the property by issuing 500,000 common shares to Vantex and investing a total of \$500,000 in exploration work over the next two years. After carrying out about \$300,000 of exploration work and issuing 250,000 common shares to Vantex, Stellar finally earned a 25% interest in the Heva property.

On January 28, 2008, the management of the Company signed an agreement yielding its 75% interest to Aurizon Mines Ltd. in return for a total of \$600,000 in cash payments and a 1.5% NSR royalty. Two payments totaling \$600,000 were received in February 2008 and January 2009.

Moreover, upon completion of a positive feasibility study on the Joannès project (including the Heva deposit), Aurizon will pay Vantex an advance royalty of \$500,000 and issue common shares with an aggregate value of \$200,000. Upon commencement of commercial production of the Heva deposit, Aurizon will pay Vantex a second advance royalty of \$500,000 and issue common shares with an aggregate value of \$250,000 (see February 20, 2008, press release).

Aurizon Mines Ltd. can buy back 50% of the royalty from Vantex for \$500,000. If Aurizon decides to abandon the project, Vantex has the option to buy it back for \$1.00.

#### **- Ana property**

The Ana property, acquired by staking in January 2005, consists of 17 contiguous cells totalling 887 hectares and is located on the northern edge of Opinaca Reservoir, in the James Bay area. This property is particularly interesting because it is adjacent to Virginia Gold Mines' former Éléonore property, site of the "Roberto" gold discovery.

Depending on budget availability, the Company could conduct a geological survey on the property in 2012.

#### **- Opi property**

The Opi property, located in the southern portion of Opinaca Reservoir, was acquired by map designation. It consists of 41 cells.

A first geological survey was conducted on the property during fall 2006 and the Company carried out a geophysical survey on the eastern portion of the property during winter 2007.

Since the Company has not done any work on this property in the past few years and is not planning any in the near future, it wrote off the property. However, Vantex still holds the claims.

### **- Mitsumi property**

The Mitsumi property (NTS sheet 33C01), acquired by staking, is located south of Opinaca Reservoir, more specifically in the folded extension of the Anatacau-Pivert geological trend. It originally consisted of 44 cells and covered an area of approximately 2,300 hectares. In 2009, the Company abandoned 24 cells and kept 20 in the part of the property considered most interesting.

Some gold deposits and significant gold showings occur in this geological unit, including the Lac à l'Eau Claire deposit (Eastmain Resources: 900,000 ounces of gold - press release of March 3, 2005).

Since the Company has not done any work on this property in the past few years and is not planning any in the near future, it wrote off the property. However, Vantex still holds the claims.

### **- Manic property**

The Manic property, which consists of 16 cells located in the Radisson area, north of the LG2 reservoir, covers uranium anomalies. Since the Company has not done any work on this property in the past few years and is not planning any in the near future, it wrote off the property. However, Vantex still holds the claims.

### **- Payne property**

The Company is not planning any work on the property in 2012 and is looking for a partner interested in developing this project. The two main showings that make up the property (Amaruk and Avingaluk showings) were abandoned during the year. Only the 1998 showing, consisting of five cells, remains.

This property had previously been written off. However, the Company still holds the claims.

### **- Cookie Monster property**

In August 2011, the Company staked the 28 claims forming the Cookie Monster property. Subsequently, a joint-venture agreement was signed with Amseco Exploration Ltd. allowing it to obtain a 50% interest in the property in return for a payment of \$5,000 and the issuance of 400,000 common shares to Vantex.

Management is considering the possibility of conducting, with its partner, a drilling program of approximately 1,000 metres on this project to test some geophysical and structural targets. This project is located in the Fancamp deformation corridor, which hosts several gold showings (see Vantex website - [www.vantexresources.com](http://www.vantexresources.com)).

## 2012 exploration budget

| <u>Project</u> | <u>Work</u> | <u>Budget</u> |
|----------------|-------------|---------------|
| Galloway       | Drilling    | \$2,000,000   |
| Ana            | Geology     | \$50,000      |
| Cookie Monster | Drilling    | \$100,000     |

The Company's management is planning to periodically revise its exploration budgets during 2012 according to the results of the work carried out, fluctuations in the price of gold, and the resulting potential for financing.

### OVERALL PERFORMANCE

The net loss for the nine months ended July 31, 2012, amounted to \$838,030 compared with a net loss of \$1,399,348 for the nine months ended July 31, 2011. These results include a stock-based compensation expense of \$106,700, (\$701,470 in 2011) as well as an expense related to changes in fair value of quoted shares held for trading in the amount of \$94,895 (\$243,300 in 2011).

Exploration work totalling \$873,388 was carried out during the nine months ended July 31, 2012, compared with \$1,148,207 for the corresponding period of 2010–2011.

### FINANCIAL POSITION

|                              | July 31<br><u>2012</u><br>\$ | October 31<br><u>2011</u><br>\$ |
|------------------------------|------------------------------|---------------------------------|
| Cash and cash equivalents    | 1,208,574                    | 2,426,963                       |
| Income tax credit receivable | 410,181                      | --                              |
| Mining assets                | 8,594,559                    | 8,428,305                       |
| Total assets                 | 10,866,972                   | 11,512,708                      |
| Capital stock                | 18,038,159                   | 17,793,520                      |
| Working capital              | 2,181,694                    | 2,791,734                       |

The Company's capital stock consists of an unlimited number of common shares, of which 62,962,579 were issued as at July 31, 2012 (60,552,579 as at October 31, 2011).

### EXPLORATION EXPENSES

|                              | <u>2012</u><br>\$ | <u>2011</u><br>\$ |
|------------------------------|-------------------|-------------------|
| Drilling                     | 459,581           | 847,017           |
| General exploration expenses | 52,012            | 25,596            |
| Reports and analyses         | 172,399           | 106,386           |
| Line cutting and geophysics  | 105,546           | 57,267            |
| Planning and supervision     | <u>83,850</u>     | <u>111,941</u>    |
|                              | <u>873,388</u>    | <u>1 148,207</u>  |

Exploration expenses by property:

|                | <u>2012</u> | <u>2011</u> |
|----------------|-------------|-------------|
|                | \$          | \$          |
| Hurd           | 872,618     | 1 143,559   |
| Guillet        | 170         | 4,648       |
| Cookie Monster | 600         | --          |
|                | <hr/>       | <hr/>       |
|                | 873,388     | 1,148,207   |
|                | <hr/>       | <hr/>       |

## OPERATING RESULTS

The Company incurred a net loss of \$838,030 (\$0.013 per share) for the nine-month period ended July 31, 2012, compared with a net loss of \$1,399,348 (\$0.028 per share) for the corresponding period of 2011.

Summary of quarterly results:

|   | <u>2012</u> | <u>2011</u> |
|---|-------------|-------------|
|   | \$          | \$          |
| Net loss  | (838,030)   | (1,399,348) |
| Net loss per share                                      | (0.013)     | (0.028)     |
| Stock-based compensation                                | 106,700     | 701,470     |
| Changes in fair value of quoted shares held for trading | (94,895)    | (243,300)   |
| Premium on the issuance of flow-through shares          | 120,500     | --          |

Principal administrative expenses:

|   |         |         |
|---|---------|---------|
| Management fees                               | 224,541 | 115,831 |
| Fees for consulting and professional services | 218,915 | 232,140 |
| Rent and office supplies                      | 60,376  | 18,989  |
| Travel expenses and entertainment             | 62,067  | 38,137  |

The increase in management fees reflects the hiring of a vice president in December 2011. In addition, the increase in rent expenses, office supplies and travel is due to opening an office in Toronto during the period.

## SUMMARY OF QUARTERLY RESULTS

|                      | <u>2011–2012</u> |           |           | <u>2010–2011</u> |           |           | <u>2009–<br/>2010</u> |           |
|----------------------|------------------|-----------|-----------|------------------|-----------|-----------|-----------------------|-----------|
|                      | <u>Q3</u>        | <u>Q2</u> | <u>Q1</u> | <u>Q4</u>        | <u>Q3</u> | <u>Q2</u> | <u>Q1</u>             | <u>Q4</u> |
|                      | \$               | \$        | \$        | \$               | \$        | \$        | \$                    | \$        |
| Net income           |                  |           |           |                  |           |           |                       | 137,467   |
| Net loss             | 490,394          | 200,585   | 147,051   | 1,109,189        | 280,200   | 337,933   | 781,215               | --        |
| Net income per share | (0.008)          | (0.003)   | (0.002)   | (0.02)           | (0.01)    | (0.01)    | (0.02)                | 0.01      |

The income for the fourth quarter of 2009–2010 includes an unrealized gain on investments in the amount of \$354,405.

The net loss for the first quarter of 2010–2011 includes an expense for stock-based compensation of \$530,400.

The net loss for the fourth quarter of 2010–2011 includes an expense of \$936,903 resulting from the write-off of mining assets.

The net loss for the third quarter of 2011-2012 includes an expense of \$240,030 related to the variation in the fair value of investments.

#### VARIATIONS IN CAPITAL STOCK ISSUED

|                                | <u>Number</u>     | <u>Amount</u>       |
|--------------------------------|-------------------|---------------------|
| Balance as at October 31, 2011 | 60,552,579        | \$17,793,520        |
| Private flow-through financing | <u>2,410,000</u>  | <u>244,639</u>      |
| Balance as at July 31, 2012    | <u>62,962,579</u> | <u>\$18,038,159</u> |

In December 2011, the Company completed a private placement for \$482,000 through the issuance of 2,410,000 flow-through shares at a price of \$0.20 and issuance of 1,205,000 warrants at an exercise price of \$0.25, valid for one year. This financing is presented net of the fair value of warrants determined using the Black-Scholes valuation, amounting to \$37,355, of the premium of \$120,500 included in the issue price of the shares, and of issuance costs totaling \$79,506.

#### WARRANTS

|                          | Weighted average<br>exercise price<br><u>2012</u> | July 31<br><u>2012</u> | October 31<br><u>2011</u> |
|--------------------------|---|------------------------|---------------------------|
| Outstanding at beginning | \$0.27  | 3,815,044              | 12,691,667                |
| Issued                   | 0.25  | 1,205,000              | 3,665,044                 |
| Exercised                |   | --                     | (10,621,500)              |
| Expired                  | <u>0.29</u>                                       | <u>(2,515,044)</u>     | <u>(1,920,167)</u>        |
| Outstanding at end       | \$0.25  | <u>2,505,000</u>       | <u>3,815,044</u>          |

Warrants outstanding:

| <u>Number</u>    | <u>Exercise price</u> | <u>Expiry</u> |
|------------------|-----------------------|---------------|
| 1,205,000        | \$0.25                | December 2012 |
| <u>1,300,000</u> | \$0.25                | July 2013     |

## STOCK OPTIONS

The shareholders of the Company approved a Stock Option Plan under which the Board of Directors may grant stock options allowing its directors, officers, employees and consultants to acquire common shares of the Company. Stock options can be exercised at any time. The maximum number of stock options that may be granted is 6,290,000.

|                                    | Weighted average<br>exercise price<br><u>2012</u> | July 31<br><u>2012</u> | October 31<br><u>2011</u> |
|------------------------------------|---|------------------------|---------------------------|
| Outstanding at beginning           | 0.22  | 6,998,333              | 3,588,333                 |
| Cancelled                          | 0.20  | (3,458,333)            | (400,000)                 |
| Granted                            | 0.10  | 1,800,000              | 5,065,000                 |
| Exercised                          |   | <u>          --</u>    | <u>(1,255,000)</u>        |
| Outstanding and exercisable at end | 0.19  | <u>5,340,000</u>       | <u>6,998,333</u>          |

In November 2011, the Company granted 150,000 stock options to a consultant at an exercise price of \$0.13, valid for two years.

In May 2012, the Company granted 1,550,000 stock options at an exercise price of \$0.10, valid for five years, to some directors and consultants.

In November 2012, the Company granted 100,000 stock options to a consultant at an exercise price of \$0.10, valid for one year.

Stock options outstanding:

| <u>Number</u>  | <u>Exercise price</u> | <u>Expiry</u>  |
|----------------|-----------------------|----------------|
| 200,000        | \$0.11                | March 2015     |
| 975,000        | \$0.11                | April 2015     |
| 200,000        | \$0.13                | July 2015      |
| 100,000        | \$0.15                | August 2012    |
| 375,000        | \$0.17                | September 2015 |
| 1,650,000      | \$0.25                | November 2015  |
| 250,000        | \$0.30                | May 2016       |
| 100,000        | \$0.23                | June 2016      |
| 90,000         | \$0.50                | June 2013      |
| 600,000        | \$0.22                | June 2016      |
| 150,000        | \$0.13                | November 2013  |
| 550,000        | \$0.10                | May 2017       |
| <u>100,000</u> | \$0.10                | June 2013      |
| <br>5,340,000  |                       |                |
| -----          |                       |                |

### **Stock options issued to brokers:**

In December 2011, the Company completed a private placement for \$482,000. The brokers received a commission of \$38,560 and 144,600 options valid for a period of 18 months. Each option entitles the holder to acquire one common share at a price of \$0.20 accompanied by one-half warrant. Each whole warrant is exercisable until June 2013 at a price of \$0.25 per share.

### **CASH POSITION AND FINANCING**

As at July 31, 2012, working capital amounted to \$2,181,694. Management considers that this cash position will allow the Company to cover administrative expenses and continue its exploration programs.

### **CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

#### **a) Royalties**

Royalties will be payable in the event of commercial production of some mining properties. These royalties range from 1.00% to 3.00% as at July 31, 2012.

In the event of a positive feasibility study on the Perron property, the Company will pay the seller an amount of \$100,000. Moreover, in the event that the property is put into production, the Company will pay \$500,000 to the seller at the beginning of construction of the proposed mine and then pay \$1 for each ounce of gold produced annually.

#### **b) Lease agreements**

1. The Company has signed a lease for an annual amount of \$17,592 for office space. This lease, signed with a company controlled by an officer of the Company, is valid for a period of three years beginning January 1, 2010. As at July 31, 2012, the balance of this commitment was \$7,330.

2. In April 2011, the Company made a commitment to make monthly payments totaling \$1,288 for a period of 48 months for the rental of two pick-up trucks. The monthly payments include interest at a rate of 3.9%. As at July 31, 2012, the balance of these commitments was \$41,200.

#### **c) Service agreements**

In August 2012, the Company signed a three-year service agreement with a consulting firm for accounting and administrative services. The agreement provides for a monthly remuneration of \$5,500.

## RELATED PARTY TRANSACTIONS

The following transactions occurred during the nine-month periods ended July 31, 2012, and 2011, in the ordinary course of business. They were recorded at the amount of consideration paid:

|   | <u>2012</u> | <u>2011</u> |
|---|-------------|-------------|
|   | \$          | \$          |
| Administration costs:                             |             |             |
| Consulting and management fees paid to officers   | 253,091     | 164,839     |
| Salary paid to an officer                         | 52,500      | --          |
| Exploration expenses:                             |             |             |
| Fees, salary and rent paid to an officer          | 65,694      | 91,946      |
| Stock-based compensation - officers and directors | 85,560      | 517,900     |
| Accounts payable to related parties:              |             |             |
| Companies controlled by officers                  | 6,059       | 10,687      |

## SUBSEQUENT EVENTS

Stock options:

In September 2012, the Company reduced the maximum number of shares issuable upon the exercise of stock options from 7,290,000 to 6,290,000.

## FINANCIAL INSTRUMENTS

With the exception of investments held for trading, which are measured at market value, the fair market value of the Company's financial assets and liabilities is close to the carrying amount, since they expire in the short term.

The balance of the bank current account, accounts receivable and accounts payable do not bear interest. Part of the cash balance is kept in a savings account bearing interest at rates that vary with the base rate.

Financial assets and financial liabilities are initially recognized at fair value and subsequent measurement depends on their classification as described below.

In accordance with CICA Handbook provisions regarding recognition and measurement of financial instruments, the Company has implemented the following classifications:

The short-term investment and investments held for trading are classified as financial assets held for trading and are measured at fair value. Changes in fair value are recorded in income.

Cash and cash equivalents and cash reserved for exploration are classified as loans and receivables.

Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest method.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As at July 31, 2012, the Company had no off-balance sheet arrangements.

## **ACCOUNTING POLICIES**

For a description of the Company's principal accounting policies, see Note 4 of the interim financial statements.

### **- INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS):**

Canadian generally accepted accounting principles for publicly accountable enterprises have been replaced by IFRS for fiscal years beginning on or after January 1, 2011. There are significant differences in recognition, measurement and disclosure in IFRS. Regulatory bodies that promulgate Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between pre-changeover Canadian GAAP and IFRS and their impact on the Company's financial statements in future years.

The interim financial statements for the three months ended January 31, 2012, were the Company's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition from GAAP to IFRS is November 1, 2010. The January 31, 2012, April 30, 2012, and July 31, 2012, interim financial statements were prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Information relevant to an understanding of the Company's interim financial statements is provided in Note 18 of the financial statements as at July 31, 2012. This note also presents the reconciliation of shareholders' equity and earnings under Canadian GAAP and IFRS, as well as a description of the effect of the transition from Canadian GAAP to IFRS on these items.

Upon transition, IFRS 1 dictates certain mandatory exceptions and certain optional exemptions from full retrospective application. The Company has not adopted any optional exemptions. The following exception was adopted by the Company:

Mandatory exception:

#### Estimates:

The Company's estimates according to IFRS, on the date of transition to IFRS, are consistent with estimates made for the same date under Canadian GAAP, after adjustments to reflect any differences in accounting principles.

#### *Presentation differences:*

Differences in presentation between the accounting standards in force before the changeover and IFRS do not affect reported income or total equity, particularly with regard to share issuance expenses and interest from cash.

#### Exploration and evaluation assets:

The items "Mining properties" and "Deferred exploration expenditures" were grouped together for presentation under "Exploration and evaluation assets".

#### Cash reserved for exploration:

Under GAAP, cash reserved for exploration was presented as a long-term asset. Under IFRS, this item is now included in current assets if the funds are to be used during the relevant financial period.

*The following narratives explain significant differences between the Company's previous accounting policies under Canadian GAAP and current accounting policies under IFRS:*

#### Share issuance expenses:

Under GAAP, share issuance expenses were recognised as an increase in the deficit in the financial period in which they were incurred. Under IFRS, issuance expenses are applied against issued capital stock. Applying this new method, the deficit and the capital stock have been reduced by \$384,633 as at November 1, 2010, by \$788,231 as at July 31, 2011, and by \$792,806 as at October 31, 2011.

#### Flow-through shares:

Under GAAP, the issue of flow-through shares was recognized in the capital stock at issue price and a deferred tax liability was recorded at the effective date of the renunciation of tax deductions. Under current accounting policies, the difference between the value of the shares on the stock market and the issue price is recognised as a deferred gain. When the qualifying expenses have been incurred, the deferred gain is reversed into earnings and a deferred tax expense is recognized.

#### Effects of this new measure:

The premium of \$120,500 on the price of flow-through shares issued in December 2011 has reduced the capital stock. As at July 31, 2012, the qualifying expenses having been incurred, a corresponding income was recorded.

Cash flow:

No adjustment has been made to the cash flow statement, except for the reclassification to current assets of cash reserved for exploration. The components of cash and cash equivalents under GAAP are similar to those presented under IFRS.

## **RISKS AND UNCERTAINTIES**

The following statements involve a number of risks which, according to Management, could materially affect the Company's activities.

- Financial risk

Mineral exploration and development have a high degree of risk and only a small number of the properties explored ultimately become producing mines. The Company has never made a profit and there is no guarantee that its mineral properties will generate a profit, be mined profitably or generate a return on investment in the future.

Eventually, the Company will require additional funds. It will then issue more shares, which may dilute the interests of existing shareholders. There is no assurance that the Company will obtain additional financing to carry out its planned activities, undertake further exploration, or have access to the substantial capital usually required for commercial production of a property.

- Risks related to property title

Although the Company has obtained title opinions with respect to some of its properties and has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests.

- Market risk

The Company is exposed to market risk with respect to metal prices.

- Risk related to government regulations

The Company's activities must comply with a variety of legislation governing exploration and development, environmental protection and the overall approval of mining operations. The Company is of the opinion that it is in compliance with the material aspects of such legislation. Any changes in legislation could have an adverse effect on its activities.

- Risk related to taxation

There can be no assurance that Canadian or Quebec taxation authorities will agree that the Company's expenditures qualify as Canadian Exploration Expenses.

- Risks related to mineral exploration

The proposed exploration program is an exploratory search for ore and these operations may require permits from various government authorities. There can be no assurance that the Company will obtain all the permits and licenses that may be required for exploration and development of its projects.

- Conflict of interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are engaged in the same industry. Such associations can lead to conflicts of interest.

### **MANAGEMENT'S RESPONSIBILITY**

As an emerging company, the Company's management is composed of a limited number of key people, creating a situation where the division of labor is limited and must be compensated by more effective supervision by the CEO and CFO. Management will continue to closely monitor all the Company's financial activities and will continue its oversight in key areas.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations in the certification of disclosure in the annual and interim filings.

The Company's management is responsible for the financial statements as at July 31, 2012, and other information in this report. They were prepared in accordance with IFRS and were approved by the Board of Directors. These financial statements include certain amounts based on the use of estimates and judgments. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

La Prairie, September 26, 2012

(s) Guy Morissette  
Guy Morissette  
Chief Executive Officer

(s) Denis Tremblay  
Denis Tremblay  
Chief Financial Officer