

**GOLDEN HARP RESOURCES INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**BALANCE SHEETS**  
**STATEMENTS OF OPERATIONS AND DEFICIT**  
**STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE INCOME**  
**STATEMENTS OF CASH FLOWS**  
**NOTES TO THE FINANCIAL STATEMENTS**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Golden Harp Resources Inc.:

We have audited the accompanying financial statements of Golden Harp Resources Inc. which comprises of the balance sheets as at June 30, 2011 and 2010, and the statements of operations and deficit, comprehensive loss and accumulated other comprehensive income and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Golden Harp Resources Inc. as at June 30, 2011 and 2010 and the results of its operations, and its cash flow for the years then ended, in accordance with Canadian generally accepted accounting principles.

### Emphasis of Matter

We draw attention to Note 1 to the financial statements, which describe certain conditions that give rise to substantial doubt about the entity's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not qualified in respect of this matter.



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED ACCOUNTANTS

Vancouver, Canada  
October 12, 2011

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**GOLDEN HARP RESOURCES INC.**Balance Sheets

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	June 30, 2011	June 30, 2010
	- \$ -	- \$ -
<b>ASSETS</b>		
Current assets		
Cash	79,681	87,719
Marketable securities	731,600	138,000
Amounts receivable (Note 4)	68,386	3,398
Prepaid expenses	5,394	7,282
	<hr/> 885,061	<hr/> 236,399
Restricted cash (Note 2)	23,000	23,000
Garnished funds (Note 4)	-	169,464
Mineral property (Note 3)	3,840,048	4,570,546
	<hr/> 4,748,109	<hr/> 4,999,409
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	20,654	24,793
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	6,114,858	6,114,858
Contributed surplus (Note 5)	907,301	708,176
Accumulated other comprehensive income	70,250	30,000
Deficit	(2,364,954)	(1,878,418)
	<hr/> 4,727,455	<hr/> 4,974,616
	<hr/> 4,748,109	<hr/> 4,999,409

GOING CONCERN CONTINGENCY (Note 1)

COMMITMENTS (Note 7)

Approved on Behalf of the Board:

/s/ "Seamus Young"

Seamus Young, Director

/s/ "Shaun Maskerine"

Shaun Maskerine, Director

The accompanying notes are an integral part of these financial statements.

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**GOLDEN HARP RESOURCES INC.**Statements of Operations and Deficit

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	Year ended June 30, 2011 - \$ -	Year ended June 30, 2010 - \$ -
<b>EXPENSES</b>		
Business development	10,414	40,519
Office and general (Note 4)	49,491	54,351
Professional fees	53,293	104,581
Salaries and management, consulting and directors fees (Note 4)	217,336	170,296
Stock-based compensation (Note 5)	195,075	215,157
Transfer agent and filing fees	20,391	20,490
	546,000	605,394
<b>NET LOSS BEFORE OTHER INCOME</b>	(546,000)	(605,394)
<b>OTHER INCOME</b>		
Interest income	243	71
Gain on sale of marketable securities	53,471	-
<b>NET LOSS BEFORE INCOME TAXES</b>	(492,286)	(605,323)
Future income tax recovery (Note 6)	5,750	-
<b>NET LOSS</b>	(486,536)	(605,323)
<b>DEFICIT, beginning</b>	(1,878,418)	(1,273,095)
<b>DEFICIT, ending</b>	(2,364,954)	(1,878,418)
<b>Basic and diluted loss per share</b>	(0.02)	(0.02)
<b>Weighted average number of shares outstanding – basic and diluted</b>	24,684,042	24,679,823

The accompanying notes are an integral part of these financial statements.

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**GOLDEN HARP RESOURCES INC.****Statements of Comprehensive Loss and Accumulated Other Comprehensive Income**

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	Year ended June 30, 2011 - \$ -	Year ended June 30, 2010 - \$ -
<b>NET LOSS FOR THE YEAR</b>	(486,536)	(605,323)
Unrealized gain (loss) on marketable securities, net of future income tax recovery of \$5,750	94,881	(7,500)
Reclassification adjustment for gains included in net loss upon sale of marketable securities	(54,631)	-
<b>COMPREHENSIVE LOSS</b>	(446,286)	(612,823)
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Beginning of the year	30,000	37,500
Unrealized gain (loss) on marketable securities, net of future income tax recovery of \$5,750	94,881	(7,500)
Reclassification adjustment for gains included in net loss upon sale of marketable securities	(54,631)	-
End of the year	70,250	30,000

The accompanying notes are an integral part of these financial statements.

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**GOLDEN HARP RESOURCES INC.**Statements of Cash Flows

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	Year ended June 30, 2011 - \$ -	Year ended June 30, 2010 - \$ -
<b>Cash Flow from Operating Activities</b>		
Net loss	(486,536)	(605,323)
Non-cash items		
Gain on sale of marketable securities	(53,471)	-
Stock-based compensation	195,075	215,157
Future income tax recovery	(5,750)	-
	(350,682)	(390,166)
Changes in non-cash working capital items		
Amounts receivable	(64,988)	(990)
Prepaid expenses	1,888	11,864
Garnished funds	169,464	(169,464)
Accounts payable and accrued liabilities	(4,139)	(14,773)
Due to related parties	-	(739)
Cash used in operations	(248,457)	(564,268)
<b>Cash Flow from Investing Activities</b>		
Option proceeds (mineral property expenditures), net	154,548	4,029
Proceeds on sale of marketable securities	85,871	-
Cash provided by (used in) investing activities	240,419	4,029
<b>Cash Flow from Financing Activities</b>		
Proceeds from issuance of shares	-	1,650
Cash provided by financing activities	-	1,650
Decrease in cash	(8,038)	(558,589)
Cash, beginning	87,719	646,308
Cash, ending	79,681	87,719
<b>Supplementary Cash Flow Information:</b>		
Non-cash transactions:		
Shares received pursuant to mineral property agreement	580,000	79,500
Cash paid for:		
Interest	-	-
Income taxes	-	-

The accompanying notes are an integral part of these financial statements.

## **1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS**

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Golden Harp Resources Inc. (the "Company") was incorporated on May 3, 2006 in the Province of British Columbia and is engaged in the acquisition, exploration and development of mineral properties throughout Canada. The Company's shares are listed on the TSX Venture Exchange ("TSX-V").

### **Going Concern**

These financial statements have been prepared on a going concern basis which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2011, the Company had working capital of \$864,407 (2010 – \$211,606) and has incurred losses since inception of \$2,364,954. Should the Company be unable to continue as a going concern, significant adjustments to asset values may be necessary. The ability of the Company to continue as a going concern is dependent upon the Company raising sufficient financing to complete exploration and development activities, the discovery of economically recoverable reserves, and upon future profitable operations or proceeds from disposition of resource property interests. The Company has not yet determined whether its mineral property interest contain economically recoverable resources. These uncertainties represent a liquidity risk and may impact the Company's ability to continue as a going concern in the future.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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a) **Basis of Presentation**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars.

b) **Cash and Cash Equivalents**

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

The Company's restricted cash consist of funds held on deposit as security for the Company's credit cards.

c) **Loss per Share**

The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from in-the-money stock options and other dilutive instruments are used to repurchase common shares at the prevailing market rate. Basic loss per share figures were calculated using the weighted average number of shares outstanding during the respective periods. Diluted loss per share figures are equal to those of basic loss per share for each year presented since the effects of the stock options and share purchase warrants have been excluded as they are anti-dilutive.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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d) Mineral Properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against future income of the property using the unit of production method over estimated recoverable reserves.

Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse or impaired, the unrecoverable amounts are charged to net loss. The recoverability of the carrying amounts of mineral properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether its mineral property contains economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions, including stock-based compensation, carrying value of mineral properties and estimating future income tax rates, that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates.

f) Asset Retirement Obligations

The Company follows the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110, relating to the recognition and disclosure of liabilities for long lived asset retirement obligations and associated asset retirement costs. A liability for future site reclamation costs, or other obligation, would be recorded at its fair value when determinable and a corresponding increase to the asset carrying value would be amortized over the useful life of the asset. Management have reviewed the anticipated obligations and retirement costs of long lived assets for known obligations under contract, common practice, or laws and regulations in effect or anticipated and has concluded that the Company has no material obligations relating to asset retirement.

g) Future Income Taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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h) Stock-Based Compensation

The Company follows the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock Based Payments". Under this standard, all stock options granted are recorded at the fair value of compensation, services or goods received using the Black-Scholes option pricing model on the date of grant and then expensed over the period of vesting. Upon exercise of the stock options, the amount previously recognized in contributed surplus is recorded as an increase to share capital together with any additional consideration paid by the option holder.

i) Flow-through Shares

The Company has adopted Emerging Issues Committee ("EIC") -146. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the investors. When resource expenditures are renounced to the investors and the Company has filed the applicable documents with Canada Revenue Agency, a future income tax liability is recognized and share capital is reduced. If the Company has sufficient unused tax losses carried forward to offset all or part of current years future income tax liability and no future income tax assets have been previously recognized for these losses, a portion of such unrecognized losses is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

j) Financial Instruments

The Company has made the following designations of its financial instruments: cash as held-for-trading; marketable securities as available for sale; amounts receivable as loans and receivables, and accounts payable as other financial liabilities.

CICA Handbook Section 3862-"Financial Instruments-Disclosure" requires an entity to classify fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The levels and inputs which may be used to measure fair value are as follows:

1. Level 1- fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities
2. Level 2- fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
3. Level 3- applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Financial instruments classified as level 1 – quoted prices in active markets include cash and marketable securities.

**GOLDEN HARP RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2011

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

k) Recent Accounting Pronouncement, Not Yet Adopted

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with International Financial Reporting Standards ("IFRS") for Canadian enterprises with public accountability. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended June 30, 2011. The Company is currently evaluating the impact of the conversion on the Company's financial statements and is considering accounting policy choices available under IFRS.

Other accounting pronouncements issued with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

**3. MINERAL PROPERTY**

A summary of expenditures incurred relating to the Company's mineral property is as follows:

Copper Hill Property, Ontario	June 30, 2011	Expenditures (Recoveries)	June 30, 2010	Expenditures (Recoveries)	June 30, 2009
	- \$ -	- \$ -	- \$ -	- \$ -	- \$ -
Acquisition costs	3,272,394	-	3,272,394	-	3,272,394
Exploration expenditures:					
Accommodation and meals	83,161	1,646	81,515	-	81,515
Assay and soil sampling	166,623	-	166,623	1,740	164,883
Diamond drilling	479,891	-	479,891	-	479,891
Geochemical	32,661	-	32,661	-	32,661
Geological wages and miscellaneous	209,310	4,050	205,260	5,974	199,286
Line cutting	74,192	-	74,192	-	74,192
Miscellaneous	56,622	5,749	50,873	11,615	39,258
Supervision	19,250	6,500	12,750	-	12,750
Surveys	292,814	-	292,814	-	292,814
Travel and Transport	28,106	6,557	21,549	-	21,549
Wages	38,024	-	38,024	1,642	36,382
Option payments received	(913,000)	(755,000)	(158,000)	(104,500)	(53,500)
	567,654	(730,498)	1,298,152	(83,529)	1,381,681
<b>Total</b>	<b>3,840,048</b>	<b>(730,498)</b>	<b>4,570,546</b>	<b>(83,529)</b>	<b>4,654,075</b>

### **3. MINERAL PROPERTY (continued)**

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#### **Copper Hill Project, Ontario**

Effective May 31, 2006, the Copper Hill Property was purchased from Acme Resources Inc. ("ARI"). At May 31, 2006 the Company was 100% owned by ARI. The acquisition price of \$3,200,000 was based on the valuation of an independent geologist. The payment on the property was completed by issuing 10,000,000 common shares of the Company to ARI at \$0.32 per share. Certain of the mineral claims are subject to net smelter return royalties ("NSR") varying from 1% to 3%. The Company is entitled to purchase all or part of the NSRs depending on the agreements.

- A. On June 1, 2009, the Company signed an agreement granting Benton Resources Corp. ("Benton") the option to acquire an initial 60% interest in the Block A portion of the Copper Hill Property, which represents 351 of the Company's 855 claim units by:
1. Paying the Company a total of \$75,000 in accordance with the following schedule:
    - a. \$25,000 within five days of the effective date of the agreement (received);
    - b. \$25,000 on or before the first anniversary of the effective date (received); and
    - c. \$25,000 on or before the second anniversary of the effective date (received).
  2. Issuing the Company a total of 550,000 common shares in the capital stock of Benton in accordance with the following schedule:
    - a. 150,000 common shares of Benton within five days of the effective date of the agreement (received with a fair value of \$28,500);
    - b. 150,000 common shares of Benton on or before the first anniversary of the effective date of the agreement (received with a fair value of \$79,500); and
    - c. 250,000 common shares of Benton on or before the second anniversary of the effective date of the agreement (received with a fair value of \$235,000).
  3. Incurring a total of \$2,000,000 in exploration expenditures on the property as follows:
    - a. \$500,000 to be incurred on or before 12 months of the effective date (incurred);
    - b. \$750,000 to be incurred on or before 24 months of the effective date (incurred); and
    - c. \$750,000 to be incurred on or before 36 months of the effective date (incurred).

On October 26, 2010, Mineral Mountain Resources Ltd. ("Mineral Mountain") assumed all of Benton's rights and obligations under the Option Agreement dated June 1, 2009 between the Company and Benton.

On May 2, 2011 Mineral Mountain provided the Company with notice ("Second Option Notice") of its intention to acquire a further 10% interest in the property by:

- a) Paying the Company \$50,000 within five days of providing the Second Option Notice (received); and
  - b) Incurring a further \$1,000,000 in costs on the property within 24 months of providing the Second Option Notice.
- B. On August 27, 2010, the Company signed an Option Agreement with Mineral Mountain whereby Mineral Mountain can acquire up to 60% of the Company's 100% interest in its Main Block portion of the Copper Hill Property, which represents 504 of the Company's 855 claim units by:
1. Paying the Company a total of \$650,000 in accordance with the following schedule:
    - a. \$100,000 received upon receipt of TSX-V approvals (received);
    - b. a further \$150,000 to be received on or before August 26, 2011 (not received); and
    - c. a further \$200,000 to be received on or before August 26, 2012; and
    - d. a further \$200,000 to be received on or before August 26, 2013.

### **3. MINERAL PROPERTY (continued)**

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#### **Copper Hill Project, Ontario (continued)**

2. Issuing the Company a total of 3,500,000 common shares in the capital stock of Mineral Mountain in accordance with the following schedule:
  - a. 750,000 common shares of Mineral Mountain received upon receipt of TSX-V approvals (received with a fair value of \$345,000);
  - b. a further 750,000 common shares of Mineral Mountain to be received on or before August 26, 2011 (not received); and
  - c. a further 1,000,000 common shares of Mineral Mountain to be received on or before August 26, 2012; and
  - d. a further 1,000,000 common shares of Mineral Mountain to be received on or before August 26, 2013.
  
3. Incurring a total of \$6,000,000 in exploration expenditures on the property as follows:
  - a. \$1,500,000 to be incurred on or before August 26, 2011 (not incurred);
  - b. \$3,000,000 to be incurred in aggregate on or before August 26, 2012; and
  - c. \$4,500,000 to be incurred in aggregate on or before August 26, 2013; and
  - d. \$6,000,000 to be incurred in aggregate on or before August 26, 2014.

### **4. RELATED PARTY TRANSACTIONS**

Except as disclosed elsewhere in these financial statements related party transactions incurred during the year ended June 30, 2011 are as follows:

- (a) Consulting fees totalling \$80,000 (2010 - \$28,833) were paid for services provided by a director of the Company.
- (b) Management fees of \$2,800 (2010 - \$19,100) were paid for services provided by the Chief Financial Officer of the Company.
- (c) The Company paid a private company owned by a director \$6,500 (2010 - \$Nil) for providing supervision services on the Company's mineral property, which has been capitalized as exploration expenditures.
- (d) Rent of \$1,500 (2010 - \$9,000) was paid to a relative of a director. The rental agreement is on a month by month basis for consideration of \$750. The agreement was terminated during the year ending June 30, 2011.
- (e) During the year ended June 30, 2010, a former director commenced legal proceedings against the Company claiming \$169,464 in terms of an employment agreement. At June 30, 2010, this amount was garnished by the British Columbia Court of Justice. During the year ended June 30, 2011, legal proceedings by a former director against the Company were settled outside the Court.
- (f) Directors fees of \$nil (2010 - \$8,590) were paid for services provided by directors of the Company during the year ended June 30, 2011.

Related party transactions have been recorded at their exchange amounts, which are the amounts agreed to by the related parties.

**GOLDEN HARP RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2011

**5. SHARE CAPITAL**

**a) Common Shares**

Authorized:

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Issued:	Number of shares	- \$ -
Balance, June 30, 2009	24,673,042	6,113,208
Warrants exercised	11,000	1,650
Balance, June 30, 2011 and 2010	24,684,042	6,114,858

During the year ended June 30, 2011, the Company did not issue any shares.

During the year ended June 30, 2010, the Company issued 11,000 shares pursuant to warrants exercised at \$0.15 per share for proceeds of \$1,650.

**b) Escrowed Shares**

Effective January 9, 2008, 1,281,682 common shares were voluntarily placed in escrow pursuant to an escrow agreement. All shares have been released from escrow as at June 30, 2011.

**c) Warrants**

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of shares	Weighted average exercise price - \$ -
Balance, June 30, 2009	7,614,360	0.46
Exercised	(11,000)	0.15
Expired	(7,603,360)	0.15
Balance, June 30, 2011 and 2010	-	-

During the year ended June 30, 2010, 7,612,200 warrants were re-priced to \$0.15 from \$0.45 per share and the term of the warrants were extended for six months. The incremental fair value resulting from this re-pricing and extension was \$191,239 and was recorded as stock based compensation and contributed surplus. The following assumptions were used for the Black-Scholes valuation: dividend yield – 0; Expected stock price volatility – 120%; Risk-free interest rate – 1.89%; Expected life of warrants – 0.64 years.

As at June 30, 2010 and 2011, no share purchase warrants were outstanding.

**5. SHARE CAPITAL (continued)**

**d) Stock Options**

Under the Company's stock option plan, the Company may grant options to employees, consultants and directors when the number of shares that may be purchased under that option and all previously granted options, does not exceed 10% of the Company's issued shares at the time of grant. The exercise price of the options granted will be no less than 85% of the fair market value per share of common shares on the option grant date; and the maximum term of the options will be 10 years measured from the option grant date.

During the year ended June 30, 2011, the Company granted a total of 1,475,000 (2010 - 175,000) stock options to directors and consultants in terms of the Company's stock option plan. These options have an aggregate fair value determined by management to be \$199,125 (2010 - \$20,748) using the Black-Scholes option pricing model, and were fully vested on the date of grant.

Stock-based compensation of \$4,050 (2010 - \$Nil) was capitalized to mineral properties for options granted and \$195,075 (2010 - \$20,748) was expensed to operations for options granted to directors, officers and consultants of the Company.

During 2010 total compensation expense recognized for stock options granted was \$23,918 including an amount of \$3,170 compensation expense recognized for stock options granted during fiscal 2009 but vesting during 2010.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price - \$ -
Balance, June 30, 2009	3,075,496	0.30
Granted	175,000	0.13
Expired	(2,936,211)	0.30
Balance, June 30, 2010	314,285	0.24
Granted	1,475,000	0.16
Balance, June 30, 2011	1,789,285	0.17

At June 30, 2011 the following share purchase options were outstanding:

Number of Options	Exercise Price - \$ -	Weighted average Exercise contractual Life (Years)	Expiry Date
89,285	0.35	0.00	July 31, 2011
75,000	0.35	0.08	June 11, 2013
75,000	0.10	0.12	June 9, 2014
75,000	0.13	0.13	August 13, 2014
1,475,000	0.16	3.48	September 20, 2015
1,789,285		3.83	

Subsequent to June 30, 2011, 89,285 stock options expired unexercised.

**GOLDEN HARP RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2011

**5. SHARE CAPITAL (continued)**

**d) Stock Options (continued)**

The fair value of the stock options issued was determined using the following weighted average assumptions:

	2011	2010
Expected volatility	123%	150%
Risk-free interest rate	2.41%	2.52%
Expected life of options	5 years	5 years
Dividend rate	0%	0%

**e) Contributed Surplus**

	\$
Balance, June 30, 2009	493,019
Fair value of stock options	23,918
Fair value of warrants re-priced	191,239
Balance, June 30, 2010	708,176
Fair value of stock options	199,125
Balance, June 30, 2011	907,301

**6. INCOME TAXES**

A reconciliation of income taxes at statutory rates for the years ended June 30, 2011 and 2010 with the reported taxes is as follows:

	2011	2010
	\$	\$
Loss before income taxes	(492,286)	(605,323)
Tax rate	29.5%	29.50%
Expected income tax recovery	(145,224)	(178,570)
Decrease resulting from:		
Stock-based compensation	57,547	63,471
Non-deductible permanent differences	(7,752)	896
Effect of change in tax rates	11,622	13,550
Other	17,416	-
	(66,391)	(100,653)
Change in valuation allowance	60,641	100,653
Future income tax recovery	(5,750)	-

**GOLDEN HARP RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
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**6. INCOME TAXES (continued)**

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Details of future income tax assets are as follows:

	\$	\$
Future income tax assets:		
Non-capital loss carry forwards	597,972	511,623
Mineral property	(290,295)	(300,853)
Equipment	2,475	2,574
Share issue costs	22,548	49,215
Marketable securities	(9,500)	-
	323,200	262,559
Valuation allowance	(323,200)	(262,559)
Net future income tax assets	-	-

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As at June 30, 2011, the Company had non-capital losses of \$2,391,889 (2010 - \$1,967,779) to carry forward to reduce future years' taxable income, expiring as follows:

	\$
2027	266,828
2028	604,894
2029	609,825
2030	487,750
2031	422,592
<u>Total</u>	<u>2,391,889</u>

At June 30, 2011, the Company had cumulative Canadian exploration expenses of approximately \$141,000 (2010 - \$141,000) which are deductible against future years' taxable income and have no expiry date.

At June 30, 2011, the Company had cumulative Canadian development expenses of approximately \$2,459,000 (2010 - \$3,272,000) which are deductible against future years' taxable income and have no expiry date.

A full valuation allowance has been recorded against the potential future income tax assets as their utilization is not considered more likely than not.

**7. COMMITMENTS**

The Company is committed to aggregate premise lease payments of \$104,308 as follows:

- \$18,175 for fiscal 2012;
- \$20,617 for fiscal 2013;
- \$20,689 for fiscal 2014;
- \$21,480 for fiscal 2015;
- \$21,551 for fiscal 2016 and
- \$1,796 for fiscal 2017.

## **8. MANAGEMENT OF CAPITAL**

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The Company manages its capital structure, which is substantially represented by its cash resources, marketable securities and share capital, and makes adjustments to it depending on the funds available to the Company for acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The property in which the Company currently has an interest is in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for on-going general and administrative expenses, the Company will use existing working capital and expects to raise additional amounts through related party loans or private placements of its common shares as needed. The Company will continue to assess new properties and seek to acquire interests in additional properties if sufficient geologic or economic potential is established and adequate financial resources are available.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the year ended June 30, 2011.

## **9. RISK MANAGEMENT**

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The Company is exposed in varying degrees to a variety of financial instrument related risks as follows:

- (a) Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash accounts. This risk is managed through the use of a major financial institution which has high credit quality as determined by the rating agencies.
- (b) Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash account affected by changes in short term interest rates is minimal.
- (c) Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and raising capital through debt and equity financing.
- (d) Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company operates in Canada and is consequently not exposed to foreign exchange risk arising from transactions denominated in foreign currency.
- (e) Market risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in market prices. The Company is exposed to market risk in its marketable securities. A 1% changes in market prices will increase or decrease the fair value of the marketable securities by \$73,160.

**GOLDEN HARP RESOURCES INC.**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**DATE**

For the year ended June 30, 2011

**INTRODUCTION**

Golden Harp Resources Inc. was incorporated in the Province of British Columbia on May 3, 2006 and is extra-provincially registered in the Province of Ontario and the Province of Alberta. It is engaged in the acquisition, exploration and development of Canadian mineral properties. The Company is currently exploring for gold and base metals on its Copper Hill Property in Northern Ontario. The Company is a reporting issuer in British Columbia, Alberta and Ontario and its shares trade on the TSX Venture Exchange under the symbol GHR.

The following management discussion and analysis (MD&A) of the financial position of Golden Harp Resources Inc. (“Golden Harp” or “Company”) and results of operations should be read in conjunction with the audited annual financial statements and accompanying notes for the year ended June 30, 2011. The audited annual financial statements together with the following MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to potential future performance.

This MD&A includes material occurring up to and including October 12, 2011.

**FORWARD LOOKING STATEMENTS:**

This MD&A may contain forward-looking statements including but not limited to comments regarding the timing and content of upcoming operation, exploration and business development plans. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. Forward looking statements are usually identified by our use of certain terminology, including but not limited to “will”, “believes”, “may”, “expects”, “should”, “seeks”, “anticipates” or “intends” or by discussions of strategy or intentions.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove to be incorrect, our actual results may vary materially from those expected, estimated or projected. Forward-looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

**BUSINESS OF THE COMPANY**

**Overview**

Golden Harp’s Copper Hill property is located 100 kilometres south of Timmins, between Shining Tree and Gowganda, 87 kilometres southwest of Kirkland Lake along Highway 560 in Northern Ontario, Canada. It consists of 855 contiguous claim units covering approximately 145 square kilometers in the Larder Mining District of the prolific Abitibi Greenstone Belt. There are a number of high priority gold and base metal targets on the property, which require further evaluation.

Historical work to date on the various gold occurrences has shown that there is good potential for the property to host both

narrow-vein, high-grade targets and near-surface, bulk tonnage targets. The property also hosts a number of base metal occurrences in and around the Copper Hill Zone. Further, there are also numerous additional gold and base metal occurrences, which have received limited or no exploration and require evaluation.

The property is 100%-owned subject to certain mineral claims, which are subject to net smelter royalties (“NSR”) varying from 1% to 3%. The Company is entitled to purchase all or part of the NSRs depending on the underlying option agreements.

The Company entered into an option agreement with Benton Resources Inc. on the Block A ground in June, 2009. The Block A Property represents 351 of the 855 claim units in the northeastern portion of the Company’s claim block. Benton may earn up to a 70% interest by spending \$3 million in exploration, issuing the Company cash and common shares of Benton. Further details can be found in the audited annual financial statements for the period ended June 30, 2009.

On October 26, 2010, Mineral Mountain Resources Inc. assumed all obligations under the Benton Resources Inc. option agreement. Mineral Mountain Resources Ltd. has fulfilled all conditions and has met all terms to earn a 70% interest in Block A of the Company’s Property at Shining Tree. The Company and Mineral Mountain formed a Joint Venture on the Block A property in the last quarter of the fiscal year.

The Company entered into an option agreement with Mineral Mountain Resources Inc. on the Main Block ground in August, 2010. The Main Block Property covers two historic gold occurrences including the Golden Sylvia Gold Zone and the North Foley Lake Gold Zone and represents one of the largest prospective land packages in the Shining Tree Mining Camp including a total of 504 of the 855 claim units in the Company’s claim block. Mineral Mountain may earn up to a 60% interest in the Company’s 90 km<sup>2</sup> Main Block gold property situated in MacMurchy Township, Ontario adjoining the western boundary of Tyrell Township in the Shining Tree Mining Camp by making \$650,000 Cash payments over a three year period, issuing a total of 3,500,000 common shares of Mineral Mountain over a three year period, and spending no less than \$6,000,000 on exploration of the property by August 26, 2014. As at the date of this report, the Company had not received the cash and share payments due on August 26, 2011. The Company is currently discussing alternatives to proceed with the Main Block option with the optionor.

## **Summary of Projects**

### *Golden Harp Exploration:*

During the fiscal year ended June 30, 2010, the Company completed a prospecting program to advance and prioritize targets for a future drill program. Approximately twelve areas of interest associated with induced polarization (IP) targets and/or magnetic anomalies were examined. On the west shore of North Foley Lake a strongly sheared and heavily carbonate altered quartz eye porphyritic intrusive was identified on the south side of a strong IP anomaly covered by low lying ground. The North Foley IP target appears to be related to a historical drill hole (CH05-14) under North Foley Lake a short distance east of the Golden Harp IP zone. Hole CH05-14 ended prematurely in disseminated sulphide mineralization hosted within altered leucoxene mafics marking the start of a new gold zone. Historical assays near the end of this hole returned 1.1 g/t gold over 1.4 metres from 347.1 to 348.5 metres, and the last metre of the hole assayed 1.35 g/t gold from 350 to 351 metres. At this time there is a distinct possibility that the IP target adjacent to the porphyry intrusive is representative of the strike extension of the new gold zone found at the bottom of CH05-14. Further drilling is required to fully evaluate this priority target. Further, sulphide zones with limited exposure were noted on two of the priority geophysical target areas and these zones returned anomalous gold values. Drilling is warranted to definitively evaluate these targets. The Company did not conduct any additional exploration during the current fiscal year.

### *Benton Resources and Mineral Mountain Resources Exploration on the Block A Option Ground:*

During the first quarter of 2010, Benton continued an aggressive exploration program and began its second drill program on the Block A ground. The drill program was designed to follow up on the previously released high-grade results from the Cook Zone and to test the strike length of the MC Zone. The Cook Zone was subject to the first three holes. The remaining bulk of the drilling was focused on the MC Zone where exploration programs during the summer of 2009 identified a strike extensive coincident induced polarization chargeability response and soil geochemical anomaly up to

900 metres long where individual samples returned greater than 0.5 g/t gold with the highest value returning 5.11 g/t gold. This target occurs along strike to the north west of the MC Zone where diamond drilling in 2008 by Golden Harp intersected 3.6 g/t gold over 9.0m (including 14.29 g/t Au over 2.0m) from hole GH-019. A substantial drill program is planned to systematically test the new coincident soil and IP anomaly and the MC Zone. Prospecting and geological mapping programs continued concurrently.

Benton's exploration program also identified a new gold zone (the Crocker Zone) with assay results of up to 9.65 grams per tonne (g/t) gold (Au) from surface grab samples. A total of 20 samples were collected over a strike length of 340 metres (m) with values ranging from 0.012 g/t to 9.65 g/t Au. Five of the samples returned gold values of greater than 2.0 g/t Au (9.65, 9.50, 6.07, 2.27 and 2.24 g/t Au) while 9 samples returned values ranging from 0.15 to 0.81 g/t Au. This new zone is located approximately 300m north of the MC zone Like the MC zone, the Crocker Zone is hosted within pyrite-rich green carbonate altered ultramafic volcanic rocks.

During the second quarter of 2010 Benton Resources issued the drill results from the Phase 2 drill program on the Block A option ground. A compilation of Phase 1 and Phase 2 results for holes GH09-01 to GH09-10 on the Cook Zone identified a bulk tonnage gold target which includes intercepts of 1.69 g/t gold over 37.6 meters from GH09-01, 2.05 g/t gold over 45.1 metres from GH09-02, 1.36 g/t gold over 15 metres from GH09-09 and 0.92 g/t gold over 27 meters in GH09-10. See NR, November 20, 2009 for further details.

In addition, drilling identified wide zones of highly anomalous gold mineralization from the MC zone as well as from several Induced Polarization (IP) and soil geochemical targets located between the Cook and MC zones.

The Phase Two drill program included; three holes (GH09-08 to GH09-10) which tested the Cook zone, three holes (GH09-21 to GH09-23) which tested the MC zone and 11 holes (GH09-11 to 20 and GH09-23) which tested various IP and soil geochemical exploration targets located between the Cook and MC zones.

Benton issued drill results from the Phase 3 drill program on Block A during the last quarter of fiscal 2010. The 12 hole, 2,852 meter drill program consisted of a series of stratigraphic fences designed to test a wide area of low grade gold mineralization and alteration associated with the MC and Crocker zones. This altered and mineralized stratigraphy is over 300 meters in width and is bounded by two north-northwest faults splaying off of the Hydro Creek fault. Previous drilling by Golden Harp Resources (GH drill holes) and by Benton (GH09 drill holes) have intersected significant intervals of gold mineralization including 0.90 g/t Au over 43.8 meters (GH-25), 0.62 g/t Au over 28.3 meters (GH-23), 4.5 g/t Au over 7.0 meters and 0.68 g/t Au over 20.5 meters (GH-19) and 0.43 g/t Au over 56 meters (GH09-22). The drilling program was cut short due to the spring breakup.

Mineral Mountain announced a 3,500 meter drill program at the Cook zone during the second quarter of the fiscal year. The program was expanded to 10,000 meters during the current quarter. The drill program has been successful in expanding gold intersections to a depth of 300 m.

Highlights of the assays include:

- GH10-38 intersected 4.66 g/t Au over 14.0 m including 13.01 g/t Au over 4.0 m
- GH11-41 intersected 3.17 g/t Au over 15.0 m including 9.29 g/t over 4.05 m and 31.11 g/t Au over 1.05 m
- GH11-44 intersected 3.46 g/t Au over 13.25 m including 5.17 g/t over 6.9 m and 10.28 g/t Au over 1.0 m
- GH 11-53 intersected 67.5 m assaying 1.00 g/t Au including 13.5 m assaying 2.04 g/t

Subsequent to the end of the fiscal year Mineral Mountain announced the results for an additional 6 diamond drill holes (GH11-55 to 59) at the Cook zone. Highlights of these results were:

- GH11-60 intersected 7.04 m assaying 4.284 g/t Au within a broader interval of 24.5 m assaying 2.444 g/t Au
- GH11-59, the deepest intersection in the Cook Zone to date at -400 m vertical, intersected 3 separate gold zones of 4.3 m grading 4.4 g/t Au, 3.0 m grading 2.7 g/t Au and 38.0 m grading 0.822 g/t Au.

Also subsequent to the end of the fiscal year, Mineral Mountain announced the final results of a combined 64 hole reverse circulation (RC) drilling program and a 292 shovel pit sampling program covering both the Main Block and Block A. This RC sampling technique has proven to be highly effective in identifying and pinpointing the best gold zones within large gold systems. The program succeeded in identifying a very fertile N-S gold corridor located in the northern part of Block A that is up to 5 km long ranging from 200 to 600 m wide.

The technical information regarding the Benton Resources Corp. exploration results is extracted from press releases issued by Benton Resources Corp. and technical information regarding the Mineral Mountain Resources Ltd. exploration results is extracted from press releases issued by Mineral Mountain Resources Ltd. Although Golden Harp believes the information included in the press releases to be generally reliable, the data has not been independently verified and Golden Harp does not assume any liability for the accuracy or completeness of such information.

#### **SELECTED ANNUAL INFORMATION:**

	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008
Total Revenues	NIL	NIL	NIL	NIL
Net loss	486,536	605,323	345,462	667,982
Net income (loss) per share (Basic and diluted)	(0.02)	(0.02)	(0.001)	(0.004)
Total Assets	4,748,109	4,999,409	5,410,937	5,889,885
Total long term financial liabilities	NIL	NIL	NIL	NIL

#### **RESULTS OF OPERATIONS - FINANCIAL:**

The Company is an exploration stage company and normally at this stage, without revenues. Revenues recorded during the year were mainly from the sale on marketable securities. Net loss for the year ended June 30, 2011 was \$486,536, compared with \$605,323 for the same period the previous year, a decrease of \$118,787. The decrease in the net loss was primarily the result of management's efforts to reduce overhead, professional and legal fees and expenditures. Significant line item changes during the year were as follows:

- Stock-based compensation was \$195,075 in 2011 compared to \$215,157 in 2010, a decrease of \$20,082 due to the grant of incentive stock options to the directors and management of the Company.
- Salaries, management, consulting and director's fees were \$217,336 for the year ended June 30, 2011 compared to \$170,296 for the year ended June 30, 2010, a increase of \$47,040, partly due to settlement costs due to legal proceedings by a former director.
- Business development expenses were \$10,414 in 2011 compared to \$40,519 in 2010, a decrease of \$30,105 mainly due to the scaling down on business travelling expenses.
- Professional fees were \$53,293 in 2011 compared to \$104,581 in 2010. The decrease of \$51,288 year over year resulted from less legal fees that were primarily related to the costs associated with the re-pricing and extension of warrants during 2010.
- A gain on sale of marketable securities of \$53,471 in 2011 compared to \$Nil during 2010. The revenue of \$53,471 resulted from efforts implemented by management to benefit shareholders.

## SUMMARY OF QUARTERLY RESULTS

	June 30, 2011	Mar 31, 2011	Dec 31, 2010	Sept 30, 2010	June 30, 2010	Mar 31, 2010	Dec 31, 2009	Sept 30, 2009
Total Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net income (loss)	(155,173)	(26,233)	(59,187)	(245,943)	(252,846)	(83,430)	(116,306)	(152,741)
Net income (loss) per share (Basic and diluted)	(0.007)	(0.001)	(0.002)	(0.010)	(0.010)	(0.003)	(0.005)	(0.006)

The Company is an exploration company without revenues. During the second and third quarter of 2011 the gain on sale of marketable securities caused a decrease in losses. During the first quarter of the current fiscal year, the Company recorded stock based compensation of \$195,075 causing an increase loss. During the fourth quarter of 2010 a non-cash stock-based compensation charge of \$191,239 was recorded due to the re-pricing and extension of warrants.

The operating results of junior exploration companies are capable of demonstrating wide variations from period to period. Other than the descriptions regarding administrative costs already discussed, management of Golden Harp does not believe that meaningful information about the Company's operations can be derived from an analysis of quarterly fluctuations in any more detail than presented herein.

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company's significant accounting policies are set out in Note 2 of the audited annual financial statements for the year ending June 30, 2011. All financial amounts are in Canadian dollars.

The audited annual financial statements have been prepared on a going concern assumption which contemplates the Company will continue in operation and realize its assets and discharge its liabilities in the normal course of operations as disclosed in Note 1 of the year-end financial statements.

### LIQUIDITY AND CAPITAL RESOURCES:

As at June 30, 2011, current assets were \$885,061 consisting of \$79,681 in cash, \$731,600 in marketable securities and the remainder in amounts receivable and prepaid expenses. Current liabilities for the period totaled \$20,654, which consisted of accounts payable. As at June 30, 2011, the Company had working capital of \$864,407 which management considers sufficient to continue operations for the 2011 fiscal year.

For the year ended June 30, 2011, net cash used in operating activities was \$248,457. The company received cash of \$154,548 after accounting for the receipt of \$175,000 from property option payments and exploration costs of \$20,452. The Company realized a net decrease of \$8,038 from the Company's cash position in fiscal 2010.

The company recorded a decrease in the value of its mineral interests of \$730,498 as a result of the receipt of \$755,000 in cash and shares pursuant to its option agreements and its own exploration costs (both cash and non-cash). See Note 3 accompanying the annual financial statements for the year ended June 30, 2011 for further details on the expenditures.

The Company owns 30% of the block A portion of the Copper Hill property and 100%, subject to an option agreement of 60% or 70%, interest in the Main block portion of the Copper Hill property and subject to outstanding NSR's. More details can be seen in note 3 to the audited annual financial statements for the year ended June 30, 2011. It has met all the terms of the various contract agreements for the Copper Hill property, above and beyond the exploration work required to keep the property in good standing. The exploration work completed during fiscal 2011 and fiscal 2010 generated significant assessment credits to keep the Block A claims in good standing for the 2012 fiscal year ahead. The company optioned Block A to Benton Resources. Mineral Mountain Resources assumed all of Benton's rights and obligations

under the Option agreement. The company has optioned the Main Block of its property to Mineral Mountain Resources where they can earn up to 60%. Mineral Mountain must keep the Main Block claims in good standing as part of the Option Agreement. As at the date of this report, the Company had not received the share and cash payments required at August 26, 2011 under the Main Block option agreement. The Company is currently discussing options with Mineral Mountain to continue their involvement on the Main Block.

There are no other known demands, commitments, events or uncertainties that would adversely affect the trends and expected fluctuations in the Company's liquidity. However, at this time, the Company does not own any operating mines and has no operating income/sales from mineral production. Funding for operations is raised primarily through equity financings. Realization of the carrying value of mineral interests is dependent upon funding, the ability of the Company and third parties to bring mineral interests into profitable production, or recovery from sale. In the longer term, in order to continue operations, the Company will need to raise additional capital through equity financings. There is no guarantee that financing will be available on terms acceptable to the Company, given the current climate in the financial markets and reduced availability of funding.

The Company has no material debt obligations, other than short-term liabilities incurred in the normal monthly activities of exploration and administration. The Company has no long-term debt.

#### **OFF BALANCE SHEET ARRANGEMENTS:**

The Company has no off-balance sheet arrangements that would potentially affect current or future operations, or the financial condition of the Company.

#### **RELATED PARTY TRANSACTIONS:**

Related party transactions are described in Note 4 accompanying the audited annual financial statements for the year ended June 30, 2011. Rates for the services provided by the related party transactions represent normal commercial rates.

#### **FOURTH QUARTER RESULTS:**

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Twelve Months Ended June 30, 2011	Twelve Months Ended June 30, 2010
	-\$-	-\$-	-\$-	-\$-
Business Development	1,422	6,173	10,414	40,519
Office and general	8,280	11,059	49,491	54,351
Professional fees	12,736	13,766	53,293	104,581
Salaries, benefits, management and director's fees	136,030	27,674	217,336	170,296
Stock-based compensation	-	191,239	195,075	215,157
Transfer agent and filing fees	2,513	2,962	20,391	20,490
Interest Income	(58)	(27)	(243)	(71)
Gain on sale of marketable securities	-	-	(53,471)	-
Future Income tax recovery	(5,750)	-	(5,750)	-
	155,173	252,846	486,536	605,323

For the three months ended June 30, 2011 the general and administration expenses totalled \$155,173 compared with \$252,846 in the fourth quarter of 2010, representing an decrease of \$97,673. Significant line item changes during the quarter were as follows:

- Stock-based compensation was \$Nil for quarter four of 2011 compared to \$191,239 in the fourth quarter of 2010, a decrease of \$195,239, as no stock-based compensation was recorded in the fourth quarter of 2011.
- Salaries, benefits, management and director's fees was \$136,030 for quarter four of 2011 compared to \$27,674 in the fourth quarter of 2010, an increase of \$108,356. The main reason for the increase was due to settlement costs due to legal proceedings by a former director.
- Business development costs were \$1,422 for the fourth quarter of 2011 compared to \$6,173 in the fourth quarter of 2010, a decrease of \$4,751. The decrease resulted mainly from decreases in travel expenses.

## **PROPOSED TRANSACTIONS:**

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the audited annual financial statements for the year ended June 30, 2011.

## **FUTURE ACCOUNTING POLICIES:**

### Basis of presentation

The audited annual financial statements of the Company have been prepared by management in accordance with Canadian GAAP and are presented in Canadian dollars. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality. The significant accounting policies follow that of the most recently reported annual audited financial statements for the year ended June 30, 2011.

### Recent Accounting Pronouncement, Not Yet Adopted

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards ("IFRS") over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The adoption of IFRS will require the Company to prepare its comparative figures for the year ended June 30, 2011 in accordance with IFRS. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Other accounting pronouncements issued with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended September 30, 2011. The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Provisions, including asset retirement obligations;
- Stock-based compensation;
- Accounting for joint ventures;
- Accounting for income taxes; and

- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures; information technology; internal controls; contractual arrangements; and employee training. The summary below is the expected timing of activities related to the Company's transition to IFRS.

- Initial analysis of key areas for which changes to accounting policies may be required – Finalized.
- Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes of those with accounting policy alternatives - Finalized.
- Assessment of first-time adoption (IFRS 1) requirements and alternatives – Final stage.
- Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives - Complete.
- Resolution of the accounting policy change implications on information technology, internal controls and contractual agreements - Complete.
- Management and employee education and training - Throughout the transition process.
- Quantification of the Financial Statements impact of changes in accounting policies – Final stage.

## **RISKS AND UNCERTAINTIES:**

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of properties will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production. The following are some of the risks to the Company, recognizing that it may be exposed to other additional risks from time to time:

- Limited business history of the Company, including lack of revenues and no assurance of profitability
- Dependence on key management personnel
- Reliance on availability and performance of independent contractors
- Challenges by other unknown parties to property title
- Environmental issues
- Federal and provincial political risk
- Commodity price risk
- Financial markets

The Company is diligent in minimizing exposure to business risk, but by the nature of its activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

## **FINANCIAL INSTRUMENTS**

The carrying value of cash, marketable securities, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Financial assets that may be exposed to credit risk consist primarily of cash, which are placed with a major Canadian

financial institution. None of the funds are invested in asset backed commercial paper type securities.

The Company's functional currency is the Canadian dollar and the Company does not operate in foreign jurisdictions, which could give rise to exposure to market risk from foreign currency rate changes.

#### **ADDITIONAL INFORMATION:**

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 should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

#### **DISCLOSURE BY VENTURE ISSUER WITHOUT SIGNIFICANT REVENUE**

An analysis of the material components of the Company's general and administrative expenses is disclosed in the audited annual financial statements for the year ended June 30, 2011 to which this MD&A relates. An analysis of the material components of the acquisition and deferred exploration costs of the Company's mineral property is disclosed in Note 3 to the audited annual financial statements for the year ended June 30, 2011 to which this MD&A relates.

#### **SHARE CAPITAL:**

At October 12, 2011, the Company had the following number of securities outstanding:

<b>Securities</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry date</b>
Common shares issued and outstanding	24,684,042		
Stock options	1,700,000	\$0.10 to \$0.35	June 13, 2013-September 20,2015
Fully diluted share capital	26,384,042		