Form 51-102-F1

MONSTER MINING CORP.

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended July 31, 2012

Directors and Officers as at November 21, 2012

Directors:

Robert Eadie
Bill Harris
Andrew de Verteuil
Gary Arca

Officers:

President & CEO – Robert Eadie
Chief Financial Officer and Corporate Secretary – Gary Arca

Contact Name:	Robert Eadie
Contact e-mail address:	readie@imining.com
TSX Venture Exchange Symbol:	MAN

Form 51-102-F1

MONSTER MINING CORP.

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended July 31, 2012

1.1 Date of This Report

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of Monster Mining Corp. ("Monster", or the "Company") for the year ended July 31, 2012. All dollar amounts herein are expressed in Canadian Dollars unless stated otherwise.

This MD&A is prepared as of November 21, 2012.

This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

Application of IFRS

The financial information for the Company for the year ending July 31, 2012, has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), with restatement of results for the prior year . The Company had previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("Pre-changeover GAAP"). The explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided Section 1.12

1.2 Overall Performance

Description of Business

The Company was incorporated in the Province of British Columbia on May 3, 2007 under the Business Corporations Act (British Columbia) under the name "Northex Ventures Inc." and changed its name to "Monster Mining Corp." on August 20, 2008. The Company was registered as an extra-territorial corporation under the Business Corporations Act (Yukon) on July 10, 2009. The Company completed its Initial Public Offering ("IPO") pursuant to its prospectus dated April 26, 2011 (the "Prospectus") and commenced trading on the TSX Venture Exchange ("TSXV") on May 19, 2011.

1.3 Selected Annual Information

The highlights of financial data for the Company three most recently completed years ends are as follows:

	July 31, 2012 IFRS	July 31, 2011 IFRS	July 31, 2010 Pre-changeover GAAP
(a) Revenue	**24,019**	**3,395**	**Nil**
(b) Total expenses	**(684,351)**	**(1,459,015)**	**(108,561)**
(c) Net loss	**(660,332)**	**(1,325,620)**	**(47,561)**
(d) Loss per share – basic and diluted	**(0.02)**	**(0.05)**	**(0.01)**
(e) Total assets	**4,571,124**	**4,766,558**	**2,086,817**
(f) Total long-term liabilities	**Nil**	**Nil**	**122,000**
(g) Cash dividends declared per-share	**Nil**	**Nil**	**Nil**

1.4 Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the July 31, 2012 audited financial statements of the Company and notes attached hereto.

1.4.1 Property Activity

Keno-Lightning

By agreement dated August 1, 2007, the Company entered into an option agreement to acquire a 100% interest (the "Option") from the owners (the "Optionors") of certain mining claims situated in the Mayo Mining District, Yukon, more commonly known as the Keno-Lightning Property ("Keno").

In order to maintain the Option in good standing and earn a 100% undivided interest in Keno-Lightning, the Company must pay $100,000 and issue 700,000 common shares of the Company to the Optionor and incur $300,000 in exploration expenditures as follows:

(i) pay $10,000 upon signing the Agreement (paid);
(ii) pay an additional $15,000 by June 3, 2011 (paid);
(iii) pay an additional $15,000 by May 19, 2012 ($9,000 paid)*;
(iv) pay an additional $15,000 by May 19, 2013 ($9,000 paid);
(v) pay an additional $15,000 by May 19, 2014 ($9,000 paid);
(vi) pay an additional $15,000 by May 19, 2015 ($9,000 paid);
(vii) pay an additional $15,000 by May 19, 2016 ($9,000 paid);
(viii) issue 700,000 common shares of the Company by June 3, 2011 (issued); and
(ix) incur $300,000 in exploration expenses on Keno on or before December 31, 2009 (incurred).
** the Company has not made the additional payments of $6,000 and has not been notified by the optionors, one of whom is a related party.*

Keno is subject to a 3% NSR to the Optionors. The Company has the option to purchase up to 2% of this royalty interest for $300,000 for the first 1%, and $1,200,000 for the second 1%.

Of the consideration, $30,000 in cash payments ($7,500 paid) and 210,000 of the shares (issued) will be paid to a director of the Company.

The Company acquired a 25% interest in the Blanche Claim in the Keno Hill area of the Yukon on August 1, 2007 pursuant to a third party property option agreement whereby the Company was granted the claims as they fell within an area of interest. By agreement dated January 17, 2010, the Company acquired another 50% interest in the Blanche Claim, in consideration of 100,000 shares of the Company.

Property Description and Location

The Keno-Lightning property is located approximately 55 km northwest of Mayo in central Yukon. The project comprises 329 two-post quartz claims covering approximately 6650 hectares in the historic Keno Hill silver district, which represents 35% of the available land in the camp. Keno-Lightning is adjacent to Alexco Resource Corp.'s Bellekeno mine, (Indicated resource of 11.9 million oz Ag at a grade of 920 g/t Ag, Alexco Resource Corp. Annual Financial Report, November 17, 2010) and hosts eight identified precious metal Minfile occurrences. Although staked for its silver mineralization, the Keno-Lightning property is located within the Tintina gold belt, a zone of gold deposits associated with Cretaceous Tombstone suite granitic intrusions. Significant deposits hosted within the Tintina gold belt include the nearby Eagle Gold (Indicated resource of 153.4 Mt at 0.65 g/t Au for 3.21 M oz Au, Cox et al., 2010) and Brewery Creek (Indicated resource of 3.9 Mt at 1.14 g/t Au for 145,000 oz Au, Diment and Simpson, 2009), in addition to numerous prospects including Gold Dome, Clear Creek and Red Mountain.

Historical Exploration

Silver was discovered at Keno Hill district in 1919, and the first claims were staked on Keno-Lightning property that same year. Those claims covered seven Minfile occurrences; Nabob (Minfile No. 105M 006), Silver Basin (Minfile No. 105M 005), Duncan (Minfile No. 105M 003), Caribou (Minfile No. 105M 062), Avenue (Minfile No. 105M 053), Faith (Minfile No. 105M 002) and Homestake (Minfile No. 105M 011), with an eighth, Bema (Minfile No. 105M 073), discovered in 1966. The showings were discovered and staked in the late 1910's and early 1920's, and worked by hand (trenching, underground and open-cut mining) until about 1928. Four of the occurrences (Duncan, Caribou, Faith and Homestake) were hand mined in the 1920's; returning grades of up to 25,462 g/t Ag (Duncan) and 70% Pb (Caribou). Between the late 1940's and late 1980's most of the showings experienced some mechanized trenching, and minor soil geochemical surveying was conducted over the Faith, Avenue and Bema showings. In 2005, Mr. Matthias Bindig of Keno City staked 121 claims, which covered the original eight Minfile occurrences. Between 2005 and 2006 he completed minor prospecting and soil geochemical sampling programs, and undertook reclamation work on some of the old workings. Additional claims were added to the property in 2007 and the project was optioned to Northex Ventures (now Monster Mining Corp.), who undertook a trenching and geophysics program on the Homestake prospect. In 2008 Monster Mining Corp. completed 1,765.7m of diamond drilling in 17 holes at Homestake and Caribou and 1,510m of rotary air blast drilling (RAB) in 53 holes at Homestake, and excavated additional trenches at the Homestake, Caribou and Faith prospects.

Highlights of the 2008 drilling include 1.67 m at 239 g/t Ag including 0.32 m at 1036 g/t Ag (08CH005), 2.96 m of 71.8 g/t Ag (08CH006) and 3.9 m of 50.3 g/t Ag and 1.19 g/t Au (08HS009); The Aho claims were added to the claim group in 2009 and a program of soil geochemical sampling was conducted on the Homestake, Faith and Mt McFaull grids. In 2010 Monster Mining Corp. completed 18 diamond drill holes for a total of 2,251.37 m on the Silver Basin and Homestake prospects. Drilling at Silver Basin targeted depth extensions of the No. 3 vein exposed in several historic open cuts, and the Nos. 1, 2, 5, and Main veins exposed in old open cuts, shafts, adits and trenches. At Homestake, drilling targeted high-grade gold and silver zones in the No. 2 and 2a veins, exposed in trenches and significantly mineralized intersections from the 2008 diamond drilling. Best results of this program included 1.98 m of 59 g/t Ag and 9.47 g/t Au (HS10-001) and 0.57 m of 359 g/t Ag and 4,880 ppb Au (HS10-009). See website www.monstermining.com for significant results from the 2008 RAB and 2008 and 2010 diamond drilling programs.

Placer gold has been mined continuously since 1902 on creeks which drain the property. Gold was first discovered on Duncan Creek in 1899 and exploration proceeded upstream into Lightning Creek and Thunder Gulch shortly thereafter. There are currently placer operations mining Lightning Creek and McNeil Gulch, the headwaters of which both drain Keno-Lightning claims.

Proposed Exploration and Development

A two-phase drill program is recommended by Jean Pautler, P. Geo. in the Company's 43-101 Technical Report dated March 29, 2011, which is filed on SEDAR.

Phase I, including prospecting, airborne and surface geophysics, trenching and diamond drilling of other prospects outside of the main Homestake and Silver Basin areas, was completed in October 2011. This program, which was estimated to cost $ 1,555,950, comprised::

- A 1,460 line kilometre SkyTEM airborne time-domain EM and magnetic survey covering the entire Keno-Lightning claim group to identify blind conductors to a depth of 300 m and generate exploration targets outside of the known mineral occurrences.

- A mapping, prospecting, soil sampling and trenching program designed to sample trenches excavated in 2008 and to test for extensions of known mineralization, and test vein-fault intersections at Faith Gulch.

- 1,800 m of HQ3 and NQ3 diamond drilling at the Caribou Hill and Homestake prospects to follow up on previously identified mineralization.

A Phase II diamond drill program with an estimated budget of $1,925,000 is recommended to follow up results from the Phase 1 program above, and previous significant drill and trench intersections on the Homestake. Work will also continue on prioritizing and testing targets generated by the geophysical program completed in June 2011.

Exploration Activity

The Company contracted Caron Diamond Drilling of Whitehorse, Yukon and Lyncorp Drilling Services of Smithers, BC, to complete a 3,000 m diamond drilling program at the Faith Gulch-Caribou Hill and Homestake prospects. At Faith Gulch-Caribou Hill, the drill program was designed to target down-dip and strike extensions of known mineralization, and possible intersections of the Caribou vein, Caribou Hill fault and two un-named north-east striking longitudinal veins in an area that returned anomalous gold and silver values in soils and a coincident high-grade grab sample that returned 4708 g/t Ag, 1.13 g/t Au, 34.1 % Pb and 5.73 % Zn. The Company utilized oriented NQ3 and HQ3 drill core to improve recovery, particularly in mineralized zones, and to better constrain structural parameters. Drilling at Homestake targeted the as yet untested Shaft and No. 1 veins, grab samples from which returned best results up to 3,266 g/t Ag, 2.43 g/t Au, 41.8 % Pb and 9,748 g/t Zn (Shaft Vein, sample No. 237601) and 4,717 g/t Ag, 695 ppb Au, 26 % Pb and 8,004 g/t Zn (No. 1 Vein, sample No. 54623).

The Company conducted trench and soil geochemical sampling at the Caribou Hill and Homestake prospects,. Chip samples from trench CH08-01 at Caribou Hill, which was excavated in 2008 but never sampled, returned 2.0 m of 2,953 g/t Ag, 1.01 g/t Au and 8.11 % Pb from an oxidized, gossanous breccia zone exposed within the trench. Previous results from this trench, included chip samples from trench CH08-01, excavated in 2008 but not previously mapped or sampled at Caribou Hill, one of the six known mineral occurrences identified on the property, returned best results of 3.3 m of 1.38 g/t Au, 2332 g/t Ag, 8.5 % Pb and 1.1 % Zn, 0.3 m of 1855 g/t Ag, 41.5 % Pb and 530 g/t Zn, 0.4 m of 0.62 g/t Au, 1,026 g/t Ag, 2.75 % Pb and 6417 g/t Zn, and 0.7 m of 0.57 g/t Au, 982 g/t Ag, 9.33 % Pb and 1.35 % Zn.

The Company also received the results of a 37-sample soil geochemical program conducted at Faith Gulch and designed to extend a 700 m by 800 m zone of coincident Au-As anomalism identified by a survey conducted in July 2011. The new results expanded the area of coincident Au-As anomalism by over 200 m to the south, and returned grades up to 10.1 g/t

Ag over an area interpreted to cover the intersection of the Caribou vein, Caribou fault and two un-named north-east trending longitudinal veins. Intersections of veins and cross faults historically have provided the highest grades and most tonnage in the Keno Hill district, and the results of this program advance the Faith Gulch prospect as a future drill target. Anomalism remains open to the south and east.

In 2011 the Company conducted a 1,460 line kilometre time domain electromagnetic (TDEM) survey over Keno-Lightning. Results of the broad scale interpretation at Keno-Lightning indicate that both the EM and magnetic data sets are effective in identifying structural targets in the appropriate orientation, and the EM data appears to map lithology. There are a number of features in both the EM and magnetic data sets that correlate with known veins and vein faults, and significantly, more than 40 features in the correct orientation that have not been previously identified. The EM response has identified a number of highly resistive zones, which correlate extremely well with metamorphosed intrusive bodies, where these bodies are known and have been mapped. A number of the resistive zones do not appear to be related to outcropped intrusions, and may represent buried diorite and dolerite, which have historically proven to be good mineralization hosts due to their brittle nature. Several of these EM highs have gaps, which may represent structures, and are considered high-priority exploration targets.

Seven structures were identified in the Homestake prospect area, only one of which has been tested to date. Previous drilling from the Homestake veins has returned grades up to 4,027 g/t Ag over narrow intervals (43-101dated March 29, 2011, www.monstermining.com). The proximity of Homestake to Alexco Resource Corp.'s Bellekeno mine and the favourable orientation of the structures identified by the survey (one of which correlates to a known and tested vein) means that Homestake remains a high priority target for the future. The survey also identified two previously unidentified structures in the Faith-Caribou area. Results of soil sampling in the Faith area this year indicated a zone of Au-Ag-As anomalism coincident with possible extensions of known veins (***see News Releases of September 8 and October 5, 2011***), and the survey appears to support this interpretation.

The TDEM survey has identified more than 40 structures within the Keno-Lightning claim block, all of which will be evaluated in the context of geology to determine whether they warrant follow up exploration, and in what priority. Many of these structures are unrelated to known veins or structures, but are within the range of preferred orientations for mineralized structures within the Keno Hill camp and as such represent a considerable expansion of potential targets on the Keno-Lightning property. Targets require confirmation in the field, using mapping, soil geochemical sampling, and trenching, and drill targets will be refined based on the results of geochemical sampling and mapping and prospecting. Please refer to our website www.monstermining.com for maps.

In its ***news release dated January 18, 2012,*** the Company announced final results from its 2011 diamond drilling program at Keno-Lightning. The Company completed 25 HQ3 and NQ3 diamond drill holes for 1,819.3 m at its Caribou Hill and Homestake prospects. Highlights of the drilling program include Caribou Hill drill holes CH11-09 with 1.4 m of 1696 g/t Ag and 0.46 ppm Au from 15.5 m; CH 11-17 with 0.5 m of 1787 g/t Ag and 2.30 g/t Au from 22.9 m; and CH11-18 with 0.9 m of 1151 g/t Ag from 24.1 m and 1.6 m of 1183 g/t Ag from 34.7 m.

Results of the Caribou Hill diamond drilling program, in conjunction with results of trench sampling and the airborne geophysical program means that Caribou Hill remains a high priority target for follow-up. The Homestake drilling program did not return any significant results; however, as recoveries were generally poor at Homestake, averaging 74 % throughout the program, and significantly less in vein and fault zones. The Company will be evaluating the drilling methods used in an effort to reduce significant core losses in future programs. Table 1 presents best results from the 2011 diamond drilling program.

Table 1: Highlights of 2011 Drilling Program at Caribou Hill

Hole ID	Prospect	From	To	Interval	Ag g/t	Au ppm
CH11-07	Caribou Hill	15.9	17.2	1.3	770	
CH11-08	Caribou Hill	13.4	14.8	1.4	493	
CH11-09	Caribou Hill	15.5	16.9	1.4	1,696*	0.46*
CH11-10	Caribou Hill	35.21	35.84	0.63	447	
CH11-11	Caribou Hill	39.7	40.6	0.9	119	***1.90***
CH11-13	Caribou Hill	16.5	17.7	1.2	401	
CH11-15	Caribou Hill	13.5	15	1.5	116	
CH11-15	Caribou Hill	16.4	18.4	2	221	
CH11-16	Caribou Hill	11.4	13.4	2	352	
CH11-17	Caribou Hill	22.9	23.4	0.5	1,787	***2.30***
CH11-18	Caribou Hill	24.1	25	0.9	1,151	
CH11-18	Caribou Hill	34.7	36.3	1.6	1,183	
CH11-20	Caribou Hill	22.5	23.5	1	380	

*Weighted Average
Values in **bold** and *italics* are g/t Au.

The Company also received the last of the results of a trench sampling program conducted at Keno-Lightning during the 2011 field season. Chip and panel samples from Homestake returned best results of 1 m x 1 m (panel) of 11.05 g/t Au, 0.35 m (chip) of 9.13 g/t Au, 0.35 m (chip) of 7.80 g/t Au and 0.5 m (chip) of 3.11 g/t Au from strongly oxidized arsenopyrite and scorodite-bearing brecciate quartz veins exposed in trench HS-TR01. Previously reported results (***press releases dated September 8, 2011 and October 5, 2011***) include 3.3 m of 2,332 g/t Ag, 1.38 g/t Au, 8.5 % Pb and 1.1 % Zn, 0.3 m of 1,855 g/t Ag, 41.5 % Pb and 530 ppm Zn, 0.4 m of 1026 g/t Ag, 0.62 ppm Au, 2.75 % Pb and 6,417 ppm Zn, and 0.7 m of 982 g/t Ag, 0.57 ppm Au, 9.33 % Pb and 1.35 % Zn from Caribou Hill.

Initial results from the Homestake trenching and sampling program returned 0.7 m of 1,155 g/t Ag, 0.30 g/t Au, 6.27 % Pb and 10.09 % Zn and 0.35 m of 761.4 g/t Ag, 5.72 % Pb and 1.50 % Zn from oxidized and gossanous material exposed in Trench Tr04. Table 2 presents the best results from the 2011 trench sampling program.

Table 2: Highlights of trench sampling program at Homestake Zone

Prospect	Sample No	Location	Easting	Northing	Sample Width (m)	Au (ppm)	Ag (ppm)	Pb (%)	Zn (%)	Released
Caribou	580003	TR-06	492801	7091187	2	0.26	454.1			8-Sep-11
Caribou	580004	TR-06	492801	7091189	0.5	0.12	127.1	1.15		8-Sep-11
Caribou	580011	CH TR08-01	492796	7091079	0.4	0.616	***1,026***	2.75		8-Sep-11
Caribou	580013	CH TR08-01	492800	7091070	0.8	0.495	450.1	2.75		8-Sep-11
Caribou	580014	CH TR08-01	492800	7091067	0.7	0.571	***981.6***	9.33	1.35	8-Sep-11
Caribou	580016	CH TR08-01	492787	7091058	0.3	0.093	***1,855.7***	41.5		8-Sep-11
Caribou	580018	CH TR08-01	492781	7091050	1.2	0.301	107.6			8-Sep-11
Caribou	580022	CH TR08-01	492781	7091053	1.5	0.028	96.5			8-Sep-11
Caribou	580024	CH TR08-01	492795	7091038	1.7	1.676	***3,332.7***	13.88	1.07	8-Sep-11
Caribou	580025	CH TR08-01	492793	7091038	1.6	1.074	***1,268.4***	2.76	1.12	8-Sep-11
Caribou	580026	CH TR08-01	492793	7091036	1.6	0.222	194.2	0.98		8-Sep-11
Caribou	580028	CH TR08-01	492789	7091009	1.5	0.481	954.2	4.81	1.05	8-Sep-11
Caribou	580030	CH TR08-01	492791	7090997	1.5	0.251	539	2.13	1.05	8-Sep-11
Caribou	580031	CH TR08-01	492791	7091042	2.0	1.005	***2,953.1***	8.11		5-Oct-11
Caribou	580032	CH TR08-01	492796	7091028	0.5	0.344	109.3	2.19		5-Oct-11
Caribou	580033	CH TR08-01	492781	7090961	0.8	0.106	138.5	1.35		5-Oct-11
Homestake	580102	TR04	489780	7086838	1.1	0.052	***283.6***	1.41	2	5-Oct-11
Homestake	580114	TR04	489840	7086856	0.35	0.056	***761.4***	5.72	1.5	5-Oct-11
Homestake	580116	TR04	489844	7086857	0.4	0.07	***227.9***			5-Oct-11
Homestake	580119	TR04	489852	7086866	0.7	0.295	***1,155.3***	6.27	10.09	5-Oct-11
Homestake	580128	TR01	489988	7086794	1x1 panel	***11.05***	27.5	1.79		This release
Homestake	580129	TR01	489988	7086794	0.35	7.795	166.9	11.76	2.68	This release
Homestake	580132	TR01	489986	7086792	0.35	9.131	19.7	2.11		This release
Homestake	580134	TR01			0.5	3.113	65.6		1.95	This release
Homestake	580137	TR05	490229	7086890	1.5	2.241	89.4	4.13		This release
Homestake	580138	TR05	490229	7086890	1.2x0.5 panel	0.13	1.7			This release
Homestake	580139	TR05	490229	7086886	0.8	1.502	84.8	3.05		This release
Homestake	580148	TR west of TR05	490206	7086876	1.5	1.137	36.4			This release

Values in **bold** and *italics* are g/t.

<u>Sampling Method, Quality Assurance and Quality Control, Chain of Custody and Data Verification</u>

Drilling was completed with skid-mounted drills utilizing HQ3 (61.1 mm) and NQ3 (45.0 mm) diameter core. Diamond drill core was transported at the end of each shift to core logging and processing areas located at the camp. The core was logged, and select intervals were either split using a hydraulic splitter or sawn using a diamond saw, placed with their sample tag into a labeled plastic bag, then sealed and placed into a labeled rice bag for shipment. One half of the sample was submitted for analysis, the other half remains on site.

The rice bags were delivered by the Company to Acme Analytical Laboratories' Whitehorse preparation facility, where they were crushed and pulped, then sent internally to Acme's Vancouver analytical facility for analysis. Sample security was maintained by the Company personnel, under the supervision of the senior project geologist, from the drill to the preparation facility in Whitehorse, at which time sample security was assumed by Acme. The remaining core is stored in racks at the Homestake prospect. Samples were submitted to the lab with standards, blanks and field duplicates to check for quality assurance and quality control at the laboratory. Quality control samples were inserted at regular intervals in every hole, and particularly after a vein zone to detect contamination. Both the Whitehorse preparation facility and the Vancouver analytical facility are ISO9001:2008 registered (Certificate No. FM 63007).

All samples were submitted to Acme for analysis of Ag, Al, As, Au, B, Ba, Bi, Ca, Cd, Co, Cr, Cu, Fe, Ga, Hg, K, La, Mg, Mn, Mo, Na, Ni, P, Pb, S, Sb, Sc, Se, Sr, Te, Th, Ti, Tl, V, W and Zn using an aqua-regia (1:1:1 HCl-HNO_3-

H_2O) digest and ICP-MS (inductively coupled plasma mass spectroscopy) analysis, on a 15 g sample (analytical method 1DX2). Samples returning > 500 ppb Au or > 100 ppm Ag were re-analyzed by fire assay with an atomic absorption (AA) finish. Laboratory-inserted blanks (analytical and method), standards and duplicates (pulp and preparation) verify internal quality assurance/quality control procedures. All analyses are reported as drilled intervals and should not be interpreted as true widths.

McKay Hill Project

By agreement dated September 1, 2007 and amended November 21, 2010, the Company entered into an option agreement to acquire a 100% interest in 20 mining claims situated in the Mayo Mining District, Yukon ("McKay Hill").

In order to maintain the option in good standing and to acquire a 100% undivided interest in the McKay Hill property the Company must pay $110,000, issue 300,000 common shares of the Company to the vendors and incur an aggregate of $100,000 in exploration expenditures as follows:

(i) pay $20,000 upon signing the Agreement (paid);
(ii) pay $15,000 by June 3, 2011 (paid);
(iii) pay an additional $15,000 by May 19, 2012 ($9,000 paid)*;
(iv) pay an additional $15,000 by May 19, 2013 ($9,000 paid);
(v) pay an additional $15,000 by May 19, 2014 ($9,000 paid);
(vi) pay an additional $15,000 by May 19, 2015 ($9,000 paid);
(vii) pay an additional $15,000 by May 19, 2016 ($9,000 paid);
(viii) issue 300,000 common shares by June 3, 2011 (issued); and
(ix) incur $100,000 in exploration expenses on McKay Hill before December 31, 2011 (incurred).

** the Company has not made the additional payments of $6,000 and has not been notified by the optionors, one of whom is a related party.*

The property is subject to a 3% NSR to the vendors. The Company has the option to purchase up to 2% of this royalty interest for $300,000 for the first 1%, and $1,200,000 for the second 1%.

Of the consideration, $44,000 in cash payments ($14,000 paid) and 190,000 of the shares (issued) will be paid to a director of the Company.

In 2010, an additional 124 claims were staked by the Company at a cost of $13,429.

Property Description and Location

The McKay Hill Ag-Pb-Zn±Au±Cu project is located on the south slopes of McKay and Horseshoe Hills within the Ogilvie Mountains in central Yukon. The property is located approximately 100 km by air north of Mayo in central Yukon. The project covers approximately 415 hectares and comprises 144 unsurveyed Yukon Quartz claim staked in tranches between 2007 and 2010.

The property covers the 106D 037 (White Hill) and 038 (McKay Hill) Yukon MinFile occurrences, which comprise precious- and base-metal rich quartz-sulfide veins. Much of the historic and recent exploration on the property has focused on the central claims area, and the majority of the project remains untested. McKay Hill is strategically located between several major prospects and deposits, including the Keno Hill silver district, Dublin Gulch's intrusion related gold system (IRGS) Eagle Zone and the recently discovered Rau and Nadaleen trends.

Historical Exploration

The central claims of the McKay Hill claim group, which cover the McKay Hill (106D 038) and White Hill (106D 037) MinFile occurrences, were staked between 1922 and 1925. The main showing area was evaluated by Consolidated

Mining and Smelting Co. Ltd, the precursor company to Cominco, in 1925, which identified nine veins, primarily as lines of float, on the White Rock, Snowdrift, Carrie and Black Hawk claims. Consolidated Mining optioned the White Rock and Carrie claims along with five other claims in 1926 and carried out trenching on the No. 6 vein in 1927 and 1928. Trenching across the No. 6 vein in 1927 returned average grades of 182 g/t Ag, 29.0 % Pb and 4.9 % Zn across an average width of 1.7 m and was followed up in 1929 by 832 m of drilling on the same vein. Results were reportedly disappointing with only trace galena identified, although it is likely that the veins were not adequately tested as the drill mast had a limited dip range and several drill holes appear to have missed their targets due to fault offsets in the veins. Tetrahedrite showings in the area returned best results of 1302.8 g/t Ag, 4.58 % Pb, and 8.84 % Cu, and 2129.1 g/t Ag, 9.27 % Pb and 15.04 % Cu. East Bay Mining Ltd. shipped 143 tonnes of ore from the No. 6 vein with an average grade of 390.9 g/t Ag and 74.1 % Pb.

In July 2007 Mr. Matthias Bindig restaked the 106D 038 showing and surrounds as the Snoose 1-20 claims and optioned them to Monster. In both 2007 and 2008 Monster conducted prospecting programs to locate the veins, trenches and drill holes reported by Consolidated Mining between 1926 and 1929. Forty two rock samples were collected from outcrop and float during the course of these programs, the results of which verified grades reported by Consolidated Mining. Best results were obtained from the Snowdrift and No. 8 veins. A grab sample from the Snowdrift vein returned 15.6 g/t Au, 668 g/t Ag, 2.40 % Pb, 0.94 % Zn and 3.9 % Cu; a 1.5 m wide chip sample from the same vein returned 1.37 g/t Au, 57.2 g/t Ag, 1.51 % Pb, 4.70 % Zn and 0.63 % Cu. A grab sample from the No. 8 vein returned 16.8 g/t Au, 646 g/t Ag, 27.0% Pb, 0.14% Zn and 0.64% Cu. During the 2007 and 2008 programs, Monster successfully located 17 veins and confirmed grades reported from these veins in the 1920's. Of these veins, 14 were sampled and 10 returned significant gold and silver analyses.

In 2009 Monster staked an additional 70 claims to cover known vein extensions and the White Hill showing (Minfile occurrence 106D 037), and conducted a YMIP-funded exploration program which successfully located and delineated the White Hill showing and highlighted a 450 m x 300 m zone of soil geochemical anomalism over the Snoose 5-8 and Snoose 16 claims. The property outside of the central claims area remains untested.

Exploration Activity

Significant results from the 2007 and 2008 prospecting programs may be found on the Company's website at www.monstermining.com.

In its ***news release dated November 28, 2011,*** the Company announced that it had completed its 2011 exploration program and had received the results and interpretation of the airborne geophysical program conducted in June this year reported in the ***news release of June 15, 2011.***

The Company conducted a TDEM survey at McKay Hill which highlighted several areas on the property with similar geophysical properties to those of the known veins and associated alteration. Gold and silver mineralization at McKay Hill is associated with zones of intense iron carbonate alteration and the margins of mafic to intermediate composition intrusions or lava flows. The survey indicates that known mineralization is associated with a magnetic low on the margins of a magnetic high, interpreted to reflect magnetite destructions associated with carbonate alteration on the edges of diorite intrusions. This pattern is reflected elsewhere in untested areas of the property and suggests the potential for further undiscovered veins in the northeast of the property. Resistivity data indicates that known mineralization is associated with resistivity highs, interpreted to reflect quartz and carbonate alteration associated with gold and silver mineralization. The survey has identified at least four sub-parallel zones with similar high resistivity and in the same orientation as known mineralization in untested areas of the property, all of which are high-priority targets for ground follow up. The maps can be found at the Company website www.monstermining.com.

The company also completed a Yukon Mining Incentives Program (YMIP) -funded mapping and prospecting program on the property in 2011. The mapping program, which was designed to evaluate the structural architecture and structural controls on mineralization at McKay Hill, was completed by Dr. Kirsten Nicholson of Ball State University, Indiana. Her work identified four deformation events on the property and suggests that mineralization at McKay Hill occurs at the intersection of D2 quartz-carbonate veins and D3 faults. Results of the geophysical survey and the structural mapping project have refined exploration targets in the central claims area of the McKay Hill prospect and identified new targets outside of the areas of historic focus.

The Company does not have any immediate plans to undertake a drilling program on the McKay Hill Project at this time

Cobalt Hill

By agreement dated March 28, 2012, the Company entered into an option agreement to acquire a 100% interest (the "Option") from the owner (the "Optionor") in 20 unsurveyed mining claims situated in the Mayo Mining District, Yukon more commonly known as the Cobalt Hill Property ("Cobalt Hill").

In order to maintain the Option in good standing and earn a 100% undivided interest in Cobalt Hill, the Company must pay $200,000 and issue 695,000 common shares of the Company to the Optionor and incur $400,000 in exploration expenditures over a period of 5 years from the effective date of April 19, 2012 as follows:

i) pay $30,000 upon signing the Agreement (paid);
ii) issue 100,000 shares on April 19, 2012 (issued);
iii) issue 100,000 shares by April 19, 2013;
iv) pay an additional $30,000, issue 100,000 shares and incur exploration expenditures of $50,000 by April 19, 2014;
iv) pay an additional $40,000, issue 100,000 shares and incur exploration expenditures of $50,000 by April 19, 2015;
v) pay an additional $50,000, issue 145,000 shares and incur exploration expenditures of $100,000 by April 19, 2016;
vi) pay an additional $50,000, issue 150,000 shares and incur exploration expenditures of $200,000 by April 19, 2017;

The Cobalt Property is subject to a 3% NSR ("Royalty Interest") in favour of the Optionor. The Company may purchase one-half of the Royalty Interest for $1,500,000 at any time, leaving the Optionor with a 1.5% Royalty Interest.

Property Description and Location

The Cobalt Hill property is located at the eastern end of the historic Keno Ag-Pb district, approximately 20 km northeast of Keno City. The Cobalt Hill Property comprises 20 road-accessible claims contiguous with Monster Mining Corp.'s flagship Keno-Lightning project. The property covers Yukon Minfile occurrence 105M 034, a Keno-Hill style polymetallic Ag-Pb-Zn±Au vein trending 330° with a strike length of approximately 120 m hosted within phyllitic quartzite and metabasalt. Originally staked in 1922, 4.5 tonnes of high-grade ore assaying about 2,228 g/t Ag and 80 % Pb were shipped to the United Keno Hill mill in 1949. Grab samples collected in the early 1970's by the Geological Survey of Canada returned average grades of 1,306.3 g/t Ag and 72.5% Pb2. The acquisition of the Cobalt Hill claims increases Monster's land holdings at Keno-Lightning to 349 claims covering approximately 7,070 hectares.

Franklin Creek

Pursuant to a purchase agreement dated May 5, 2007, as amended on March 14, 2008 and December 1, 2010, between the Company and Dynamic Resources Corp. ("Dynamic") the Company acquired a 100% interest in three claim groups in the Yukon and Northwest Territories, more commonly known as the MAG Claim Group and the ALAN Claim Group, Northwest Territories and 16 claims known as the Franklin Creek Claim Group (Guy 1 – 16) located in the Whitehorse Mining District, Yukon Territory. Consideration paid was as follows:

(i) Payment of $50,000 in cash (paid);
(ii) issuance of 100,000 common shares (issued); and

By Sale Agreement dated March 25, 2010, between the Company and O'Connor Lake Mines Ltd., ("O'Connor") the Company granted O'Connor an undivided 100% interest in the MAG Claim Group and the ALAN Claim Group, in consideration of O'Connor issuing to the Company 100,000 common shares (received and recorded at $5,000).

In addition, for the acquisition of the MAG Claim Group, the Company is to receive:

(i) Payment of $10,000 and 100,000 shares of O'Connor common stock to the Company within 15 business days of O'Connor's shares being listed on the Canadian National Stock Exchange ("CNSX") or the TSXV;
(ii) a further $10,000 and 100,000 shares to be issued on the first anniversary of the listing date of O'Connor's shares on the CNSX or the TSXV; and
(iii) 1,000,000 shares of O'Connor upon completion of a bankable feasibility study.

In addition, for the acquisition of the ALAN Claim Group, the Company is to receive:

(i) Payment of $10,000 and 100,000 shares of O'Connor common stock to the Company within 15 business days of O'Connor's shares being listed on the CNSX or the TSXV;
(ii) a further $10,000 and 100,000 shares to be issued on the first anniversary of the listing date of O'Connor's shares on the CNSX or the TSXV; and
(iii) 1,000,000 shares of O'Connor upon completion of a Bankable Feasibility study.

Under the agreement O'Connor is required to maintain all claims in good standing and to pay to the Company a 2% NSR.

On September 27, 2010, the Company entered into an agreement with Strategic Metals Ltd. ("SMD") to sell the Franklin Creek Claim Group (Guy 1-16).

The Company agreed to sell an undivided 100% interest in the claims to SMD in consideration of one half (50%) of any of the proceeds from any sale, option or disposition of all or any part of the claims, as well as from SMD's Hopper Claims (Hopper 1 – 168 and 170 mineral claims in the Whitehorse Mining District) and SMD's Gal claims (Gal 1 – 8 mineral claims, also in the Whitehorse Mining District) (the Company and SMD's combined claims collectively referred to as the "Property").

"Proceeds" from the Property include any and all cash payments, share issuances and royalty interests.

During the year ended July 31, 2012, the Company received $100,000 from SMD as its share of the proceeds related to the Hopper claims. The proceeds were allocated, $76,888 to prior amounts capitalized in E&E activities and $23,113 (July 31, 2011: $Nil) as revenue in the Company's statement of comprehensive loss.

Subsequent to July 31, 2012, the Company sold its undivided 50% beneficial interest in each and all of the Guy, Hopper and Gal claims to Strategic Metals Ltd. for $125,000.

Red Ridge

On June 4, 2011, the Company entered into an option agreement (the "Agreement") to earn a 100% undivided interest in 30 mining claims in the Whitehorse Mining District, more commonly known as the Red Ridge Property (the "Property") During the year ended July 31, 2012, the Company terminated the proposed acquisition of the Property. Consequently, the Company recorded a write-down of $40,884 in the statement of comprehensive loss relating to payments and expenditures on this property.

1.4.2 Results of Operations

The Company incurred a loss for the year ended July 31, 2012 of $660,332 as compared to a loss for the comparative year ended July 31, 2011 of $1,325,620 as follows:

Years ended July 31,		**2012**		2011
Finance revenue	**$**	**(907)**	$	(3,395)
Revenue from option agreements		**(23,112)**		-
Accounting and audit fees		**49,596**		201,492
Depreciation		**20,963**		16,539
Finance cost		**6,217**		2,802
Foreign exchange loss		**5,514**		11
Legal and corporate services		**59,725**		484,364
Loss on sale of equipment		**539**		-
Management activities		**102,602**		379,553
Office, rent and administration		**72,324**		97,539
Shareholders communications		**253,582**		221,903
Transfer agent and filing fees		**72,405**		54,812
Write-down of property		**40,884**		-
Deferred income tax recovery		**-**		(130,000)
Loss for the year	**$**	**660,332**	$	1,325,620

The Company completed its IPO in the previous year ended July 31, 2011 and has fully commenced exploration activity.

The main difference on expenses from 2012 to 2011 was due to non-cash share-based compensation expenses. In the prior year ended July 31, 2011, the Company's expenses included $716,045 compared to $64,769 for the year ended July 31, 2012. The share-based compensation expense is distributed amongst the amounts reported according to function above as follows:

		July 31, 2012		July 31, 2011
Accounting and audit fees	**$**	**-**	$	93,536
Legal and corporate services		**-**		257,089
Management activities		**-**		267,245
Shareholders communications		**64,769**		98,175
Total share-based compensation	**$**	**64,769**	$	716,045

The share-based compensation is equal to the fair value calculated for the stock options granted and vested during the year ended July 31, 2012. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant and the expense will vary depending on the subjective variables which affect this calculation, including expected annual volatility and risk-free interest rate.

The most significant expense are the Shareholder communications expense in the year ended July 31, 2012 of $253,582, management activities of $102,602 and transfer agent and filing fees of $72,405 that reflect increased efforts to promote the Company and raise short and long-term financing and ongoing corporate overhead expenses.

The Company terminated the proposed acquisition of the Red Ridge Property and recorded a write-down of $40,884 (*see section 1.4.1*).

Investor Relations Activities

During the year ended July 31, 2011, the Company retained Michael Baybak and Company Inc. (“MBC”) to conduct media awareness and investor relations services for a one-year term at US$8,000 per month. Pursuant to the agreement, the Company has also granted a total of 350,000 incentive stock options, exercisable at $0.40, to principals of MBC, for a period of two years. The options were granted pursuant to the Company's Stock Option Plan and vest in accordance with the provisions therein and the policies of the TSX Venture Exchange. During the year ended July 31, 2012 the Company extended this agreement on a month to month basis.

Financings, Principal Purposes & Milestones

On February 7, 2012, the Company announced a non brokered private placement of up to 8,000,000 units (the “Units”) at $0.30 per Unit, for proceeds of $2,400,000. On April 27, 2012 the Company announced the cancelation of this private placement due to current market conditions.

During the year ended July 31, 2011 pursuant to the IPO, the Company issued 5,000,000 units at a price of $0.40 per unit for proceeds of $2,000,000. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable at $0.65 per share for a period of 12 months expiring May 18, 2012, provided that should the Company’s shares trade at or above $0.75 per share for a period of 20 consecutive trading days, the Company may then accelerate the expiry date of the Warrants to not less than 60 days following notice being given of such acceleration. The agent for the offering received a cash commission of $160,000, being 8% of the gross proceeds of the IPO, a corporate finance fee of $25,000, warrants to acquire an aggregate of 500,000 shares, exercisable at $0.65 per share for a period of 12 months expiring May 19, 2012 and $26,000 for their expenses incurred.

In addition, prior to the IPO, during the year ended July 31, 2011, the Company:

(i) Completed three non-brokered private placements for proceeds of $1,262,000 pursuant to the issuance of 5,048,000 common shares at $0.25 per share;
(ii) Completed a non-brokered flow through private placement for proceeds of $154,499 pursuant to the issuance of 561,815 common shares at $0.275 per share; and
(iii) Issued 122,812 common shares at a price of $0.25 pursuant to a debt settlement of $30,703.

1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight quarterly periods completed to date:

	Q4 31-Jul-11 IFRS	Q3 30-Apr-12 IFRS	Q2 31-Jan-12 IFRS	Q1 31-Oct-11 IFRS
Revenue:	$ 3	$ 904	$ 23,112	$ -
Income (Loss)	$ (72,960)	$ (180,865)	$ (125,837)	$ (280,670)
Per share – basic and fully diluted income (loss)	$ (0.02)	$ (0.01)	$ (0.00)	$ (0.01)

	Q4 31-Jul-11 IFRS	Q3 30-Apr-11 IFRS	Q2 31-Jan-11 IFRS	Q1 31-Oct-10 IFRS
Revenue:	$ 3,995	$ -	$ -	$ -
Income (Loss)	$ (844,077)	$ (192,749)	$ (166,604)	$ (122,190)
Per share – basic and fully diluted income (loss)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.01)

Discussion

In finalizing the year end IFRS transition adjustments and policy decisions, certain adjustments were made to the revenue amounts for flow-through shares recorded in the July 31, 2011 year end that are reflected above.

For the discussion on the year ended July 31, 2012, please refer to Section 1.4 Results of Operations.

1.6 Liquidity and Capital Resources

In management's view, given the nature of the operations, which currently consists of its interest in certain resource properties, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the extent to which it can determine whether its resource properties contain reserves, which are economically recoverable.

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The Company does not expect to receive significant income in the foreseeable future.

As at July 31, 2012, the Company had $8,293 in cash, working capital deficiency of $516,370 and no long-term debt. The Company's ability to continue as a going concern is dependent upon its existing working capital and obtaining the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

Management has estimated that the Company's existing working capital will not be adequate to meet corporate, development, administrative and property obligations for the coming year. As a result, the Company will require additional financing and, while the Company has been successful in raising equity financing through the issuances of common shares in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. As such, there remains significant doubt as to the Company's ability to continue as a going concern.

1.7 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed. The Company has optioned two of its mineral properties from a director of the Company.

1.8 Transactions with Related Parties

The following is a summary of charges incurred by the Company with related parties:

Year ended	July 31, 2012	July 31, 2011
Accounting and audit fees	$ 21,000	$ 87,130
Exploration and evaluation assets	10,500	232,250
Finance cost	743	733
Legal and corporate services	-	60,130
Management activities	90,000	338,745
Office, rent and administration	60,000	58,000
Shareholders communications	15,000	15,000
Total	$ 197,243	$ 791,988

Year ended	July 31, 2012	July 31, 2011
Management and director fees	$ 90,000	$ 139,250
Share-based payment	-	387,505
Total	$ 90,000	$ 526,755

During the year ended July 31, 2012, the Company incurred office, rent and administration charges of $60,000 (July 31, 2011: $58,000), accounting and audit fees of $21,000 (July 31, 2011: $27,000), and shareholders communications of $15,000 (July 31, 2011: $21,000), finance cost of $743 (July 31, 2011: $Nil) to a company controlled by a director and officer of the Company.

The Company also paid management fees of $90,000 (July 31, 2011: $71,500) to two officers and the Company's president who are also directors of the Company and consulting fees included in Exploration and evaluation assets of $Nil (July 31, 2011: $61,750) to a company controlled by a former director and officer and Finance Cost of $Nil (July 31, 2011: $733) to a company controlled by a director of the Company.

During the year ended July 31, 2011, the Company granted share purchase options to directors and officers. The fair value of the options granted to directors and officers of $60,130 are included in legal and corporate services and accounting and audit expenses respectively. The fair value of options granted to directors that serve as officers of $267,245 is included in management activities. No options were granted to directors or officers during the year ended July 31, 2012.

Included in prepaid expenses at July 31, 2012, is $5,000 (July 31, 2011: $5,000; August 1, 2010: $Nil) for prepaid rent and refundable expenses advance with a company controlled by a director and $Nil (July 31, 2011: $Nil, August 1, 2010: $30,448) for advances to a company with a director in common.

Included in accounts payable and accrued liabilities at July 31, 2012 is $159,079 (July 31, 2011: $3,267, August 1, 2010: $39,631) due to companies controlled by directors for consulting, expense reimbursement, exploration and evaluation assets and management fees.

Included in advances payables at July 31, 2012, is $120,000 (July 31, 2011: $Nil, August 1, 2010: $Nil) due to a director and to two companies controlled by a director of the Company. These amounts are unsecured and bear no interest. Subsequent to July 31, 2012, $105,000 of these advances were repaid.

These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

1.9 Fourth Quarter

The fourth quarter ended July 31, 2012, is comparative to the previous quarter but differs significantly from the comparative quarter in the prior year as a result of the completion of the IPO and non-cash share-based compensation expenses. See Section 1.5 for a summary of expenses incurred during the fourth quarter and Section 1.4.2 for a discussion.

1.10 Proposed Transactions

N/A

1.11 Critical Accounting Estimates

a) Exploration and Evaluation Expenditures

The application of the Company accounting policy for E&E expenditures requires judgment in determining whether it is likely that future economic benefits will follow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the Company's profit or loss in the period the new information becomes available.

b) Title to Mineral Property Interests

Although the Company takes steps to verify title to mineral properties in which it has an interest, these procedures do no guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

d) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with employees, and some with non-employees, by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10 of the Company's audited financial statements.

1.12 Changes in Accounting Policies Including Initial Adoption

Convergence with International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises were required to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company has transitioned from pre-changeover Canadian GAAP reporting and commenced reporting under IFS effective the quarter ended October 31, 2011 with restatement of comparative information presented. The conversion to IFRS from pre-Changeover Canadian GAAP has affected the Company's reported financial position and results of operations and the Company's accounting policies, internal control over financial reporting and disclosure controls and procedures.

The Company's conversion plan to IFRS consisted of four primary stages including planning, assessment, design and implementation with periodic meetings with the Audit Committee to report progress and findings. The Company has completed the conversion plan and is reporting in accordance with IFRS. This will include ongoing monitoring of changes in IFRS, the potential or probable effect of which will be evaluated and disclosed as applicable.

The areas noted below had the most significant effect on financial reporting. Note 16 to the audited Financial Statements includes additional detail on the financial statement and accounting effect of the transition to IFRS.

First time adoption

The Company's adoption of IFRS required application of IFRS1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply IFRS effective at the transition date retrospectively, with specific mandatory exemptions and a limited number of optional exemptions.

Depreciation of Equipment

Under pre-changeover GAAP, the Company computed depreciation of equipment using the declining balance method. Under IFRS, this method is no longer allowable and as such, all equipment is now depreciated on a straight-line basis over the useful life of the asset while taking into account residual values. This change had no effect on the Company's financial statements.

Flow-through shares

Under pre-changeover Canadian GAAP, the proceeds from issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium if any investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting period, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

As a result, for issuances of flow-through shares for which expenditures have been incurred, share capital was decreased by $57,000 at the date of transition (July 31, 2011: $71,000) deferred income tax liability was decreased by $6,000 (July 31, 2011: $nil) and deficit was decreased by $63,000 (July 31, 2011: $71,000).

Available-for-Sale Investments

The Company's marketable securities were classified as held-for-trading investments under Pre-changeover GAAP. These investments were carried at their fair value and any fluctuations in their values, whether realized or unrealized, were reported as a gain or loss in the Company's loss for the period. Under IFRS, these investments are classified as available-for-sale and any fluctuations in their fair values, which are not deemed to be other than temporary, are reported in the Company's comprehensive loss for the period.

As a result, the Company's deficits as at August 1, 2010 and July 31, 2011, have been increased by $51,000, and $21,000, respectively for accumulated net gains which had previously been reported in the Company's deficit and the Company's accumulated comprehensive gain at those dates have been increased by the same amount to reflect the reclassification.

Similarly, the Company's loss for the year ended July 31, 2011 has been increased by $30,000, as those unrealized gains and losses, respectively, have been included in the Company's total comprehensive loss for that year.

1.13 <u>Financial and Other Instruments</u>

Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of July 31, 2012. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

Credit Risk

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 is exposed to credit risk with respect to its cash balance, the balance of which at July 31, 2012 is $8,293. Cash is held at a chartered Canadian financial institution.. The Company is also exposed to credit risk with regard to the drilling advance.

Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company achieves this by maintaining sufficient cash reserves and highly liquid short-term investments. As at July 31, 2012, the Company had $8,293 in cash, working capital deficiency of $516,370 and no long-term debt; the Company does not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, there is no assurance it will be able to raise funds in this manner in the future and there remains significant doubt as to the Company's ability to continue as a going concern. The Company's trade and other payables are due in the short term.

Currency Risk

Currency risk is the risk that funds held in currencies other than the operating currency will fluctuate negatively, resulting in a foreign exchange loss. At July 31, 2012, the Company held no funds in foreign denominations.

1.14 Other

1.14.1 Disclosure of Outstanding Share Capital as at November 21, 2012:

	Number		Book Value
Common Shares	29,025,847	$	4,796,158

Pursuant to TSXV policy guidelines, at July 31, 2012, 6,970,129 common shares were held in escrow and will be released in 4 instalments, each 6 months, until May 19, 2014.

In conjunction with the IPO completed during the year ended July 31, 2011, the Company issued 2,500,000 warrants exercisable at $0.65 per share until May 18, 2012 and 500,000 agents' warrants exercisable at $0.65 per share until May 19, 2012. In addition the Company granted to its directors, key employees and consultant an aggregate of 2,887,000 share purchase options, each option allowing the holder to acquire an additional share of the Company at $0.40 per share for a period of five years from the listing date of the Company's shares on the Exchange. The Company has also granted a total of 350,000 incentive stock options, exerciseable at $0.40, to principals of MBC, for a period of two years.

During the year ended July 31, 2012, the Company extended the expiry and exercise price of 2,500,000 warrants from May 18, 2012 to May 18, 2013 and amended the exercise price from $0.65 to $0.30. The 500,000 Agent warrants expired unexercised.