

The logo for Benton Resources Corp. features a stylized mountain peak icon to the left of the word "BENTON" in a large, bold, sans-serif font. Below "BENTON" is a thick horizontal line, and underneath that line is the word "RESOURCES CORP." in a smaller, bold, sans-serif font.

# **BENTON**

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## **RESOURCES CORP.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**For the three months ended September 30, 2011**

**December 21, 2011**

#### **GENERAL**

Benton Resources Corp. (the "Company") is a development stage public company engaged in exploration for mineral deposits in Canada. The Company is in the early exploration stage with respect to all of its properties.

The following discussion of the financial condition and results of operations of the Company constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended September 30, 2011. The discussion should be read in conjunction with the audited condensed consolidated interim financial statements of the Company for the three months ended September 30, 2011, including the notes thereto.

Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars and all financial information (as derived from the Company's condensed consolidated interim financial statements) has been prepared in accordance with International Financial Reporting Standards ("IFRS").

#### **FORWARD-LOOKING INFORMATION**

Certain information regarding the Company within Management's Discussion and Analysis (MD & A) may include "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD & A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking statements. When used in this MD & A the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Such statements are subject to known and unknown risks and uncertainties that may cause actual results in the future to differ materially from those anticipated in forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

#### **OVERVIEW OF BUSINESS**

The focus of the Company is to seek out and explore mineral properties of potential economic significance and advance these projects through prospecting, sampling, geological mapping and geophysical surveying, trenching, and diamond drilling in order for management to determine if further work is justified. The Company's property portfolio consists of projects focusing on gold, base metals, uranium, and platinum group metals.

## FINANCIAL & OPERATIONAL OVERVIEW

### Overall Performance

Recent times have witnessed the drastic decline and continued volatility of the global financial markets. Share prices of junior exploration companies listed on the exchange, including the Company, have experienced a significant impact as a result. Equity financing activity for the junior resource sector, its primary source of capital, is currently extremely difficult to obtain as the level of these financings that occurred in this sector in the most recent quarter declined sharply.

In response to this extreme volatility and uncertainty, the Company has taken several steps to ensure that it will endure the current economic environment and position itself favourably for the recovery by preserving capital. Company management has refocused the planned project expenditures by significantly reducing expenditures directed at new project evaluation and generation. As well, it has carefully budgeted to advance only key projects forward during this time and as a result, has reduced its field personnel to conserve capital. It has also reviewed its land positions and where favourable, will reduce its claim position to eliminate surplus claims and reduce costs. In addition, the Company has sought and is actively seeking interested partners on many of its projects in order to continue to advance them and conserve capital in the process by forming strategic joint ventures. Finally, the Company has reviewed its corporate overhead expenditures and reduced or eliminated the expenditures on all non-essential corporate costs.

While the Company currently holds no long-term debt and has significant working capital to fund current operations, the timing of the recovery of the financial markets cannot be determined. This will pose a challenge in the interim for the Company to effectively manage its capital through the down turn. The Company also feels however that during this time, there will be immense opportunities to add undervalued assets to its portfolio of projects for when the recovery does occur. Management has and will continue to evaluate strategic opportunities to aggressively acquire favourable advanced assets at depressed prices. This was demonstrated in its investment in the common shares of Coro Mining Corp. in early 2009.

Overall, the Company feels it can effectively balance its growth opportunities with its need to conserve capital at this time. Planned project expenditures are continually reviewed to ensure efficient and effective exploration is conducted and if needed, to reduce costs accordingly.

More recently, stronger commodity prices and an increase in the amount of capital available for equity financings has been an encouraging signal to the Company moving forward. However, the approach is still to proceed cautiously and effectively manage the capital of the Company.

### Financial Condition

The Company's cash balance as at September 30, 2011 was \$462,411 compared to \$57,517 as at June 30, 2011. Current assets of the Company as at September 30, 2011 were \$11,295,108 compared to \$12,820,081 as at June 30, 2011. The decrease in current assets was attributable to expenditures on exploration and evaluation particularly on the RIM and Abernethy properties and ongoing general and administrative expenditures. Total assets as at September 30, 2011 were \$42,848,361 compared to \$47,958,053 as at June 30, 2011. The decrease in total assets was largely attributable a significant decline in the fair market value of long term investments held at September 30, 2011. Current liabilities as at September 30, 2011 were \$1,422,957 compared to \$1,516,430 as at June 30, 2011. This decrease is attributable to a current income tax recovery in the current period based on a loss for the quarter and exploration and evaluation expenditures incurred during the period that are available for tax recovery.

### Results of Operations

The net loss and comprehensive loss for the period ended September 30, 2011 was \$4,739,121 (\$0.06 loss per common share) as compared to a net income and comprehensive income of \$3,313,237 (\$0.04 earnings per common share) in the comparative period in the previous year. The substantial change is due predominantly to the large swing in the value of its long term investments between the comparative periods.

The Company has seen a continual decline in the interest rates implicit on its investments in short term fixed income instruments throughout the economic down turn. This decline has impacted and will continue to impact the level of interest income that can be earned on these investments as these funds mature and are reinvested.

## Cash Flows

The cash used in operating activities was \$370,178 for the three months ended September 30, 2011 compared to cash used by operating activities of \$376,352 in the same period in the prior year, a marginal change. Cash used in financing activities was \$38,135 for the period ended September 30, 2011 as compared to \$nil cash provided by or used in financing activities during the same period in 2010; this change arose due to no private placement financings completed during the current period and the Company purchasing back shares under the normal course issuer bid during the current period. Cash from investing activities was \$813,207 for the period ended September 30, 2011 as compared to cash provided by investing activities of \$480,617 for the same period in 2010. This change arose due to a higher level of redemptions of short term investments during the current period compared to the same period in the prior year.

## Investment in Coro Mining Corp.

The Company completed the following investments and made the following transactions in Coro Mining Corp. over the life of the investment:

- During the year ended June 30, 2009, the Company announced that it completed a non-brokered private placement in Coro Mining Corp. (COP-TSX) ("Coro") by acquiring 27,272,727 units of Coro at a price of \$0.11 per unit for a total investment of \$3,000,000 each unit consisting of one common share and one common share purchase warrant of Coro. Each warrant entitles the Company to purchase one common share of Coro for a period of two years at a price of \$0.18 for the first year from the date of closing and at a price of \$0.20 thereafter until the expiry date of January 23, 2011. The warrants are subject to a forced exercise provision which provides that the Company will exercise the warrants if (i) the trading price of Coro's shares on the TSX trade at a price equal to or greater than \$0.50 for a period of 10 consecutive trading days; (ii) Coro has received approval for its Environmental Impact Study at its San Jorge project; and (iii) at the time of such exercise of warrants, Coro completes a concurrent equity financing at a price of not less than the gross proceeds of the warrants being exercised. Any warrants not exercised pursuant to the forced exercise provision will expire at the end of the 10 days.
- During the 2010 fiscal year the company sold and transferred 5 million warrants to an arms-length party at a price of \$0.07 per warrant for gross proceeds of \$350,000. The cost associated with the warrants sold was \$206,884 (using the Black-Scholes option pricing model). The Company recorded the net proceeds of \$143,116 in income during the fiscal 2010 period.
- During fiscal 2010 the Company exercised 5.6 million of its warrants at a price of \$0.18 per warrant for an aggregate cost of \$1,008,000.
- During the fiscal 2010 year, the Company acquired through a non-brokered private placement, an additional 4,875,000 units of Coro at a price of \$0.36 for a total additional investment of \$1.755 million, each unit consisting of one common share and one half of one non-transferable common share purchase warrant of Coro. Each whole warrant entitles the Company to purchase one common share of Coro for a period of two years at a price of \$0.50 on or before June 1, 2011 and at a price of \$0.65 thereafter until the expiry date of June 1, 2012. Such warrants, at the Company's election, are subject to accelerated expiry in the event that the Company's San Jorge copper gold project receives approval of its Environmental Impact Study and the market price of the Company's common shares is equal to or greater than \$0.625 prior to June 1, 2011 or equal to or greater than \$0.8125 thereafter, for 10 consecutive days. On June 1, 2011, the Company exercised its remaining 2,437,500 warrants at a price \$0.50 per warrant for a total outlay of \$1,218,750.
- During the fiscal 2010 year the Company acquired an additional 953,500 shares of Coro on the open market at a total cost of \$377,203.
- During the year ended June 30, 2011, the Company exercised all of its remaining 19,110,227 warrants at an exercise price of \$0.20 per share for a cash outlay of \$3,334,545 for 16,672,727 of the warrants and \$0.50 per share for a cash outlay of \$1,218,750 for the remaining 2,437,500 warrants.
- During the 2011 fiscal year the Company purchased an additional 55,300 shares on the open market at a cost of \$79,067. The Company holds a total of 57,866,754 common shares of Coro.

Coro is a Latin America focused exploration and development company whose principal asset is the San Jorge copper gold project, located in the Province of Mendoza, Argentina. In April 2008, Coro announced the conclusions of an independent Preliminary Economic Assessment (“PEA”), for a Float Only project at San Jorge which contemplates the production of an average of 39,500 metric tonnes (approximately 90,000,000 lbs) per year of copper and 39,000 oz per year of gold contained in concentrate for a period of 16 years. The Float Only project has NI 43-101 compliant Measured and Indicated Resources of 152 million tonnes at 0.48%CuT and 0.20g/t Au containing approximately 719,000 tonnes (1,584 million lbs) of copper and 984,000 ounces of gold. It also has Inferred Resources of 11 million tonnes at 0.38%CuT and 0.16g/t Au containing approximately 43,000 tonnes (95 million lbs) of copper and 57,000 ounces of gold. At a copper price of US\$1.65/lb and a gold price of US\$600/oz, the PEA concluded that the project has an after tax NPV 10 of US\$82 million with an IRR of 17.7%. At US\$2.00/lb copper and US\$600/oz gold, the NPV 10 increases to US\$220 million with an IRR of 28.6%. Note: for the purposes of the PEA mineral resources that are not mineral reserves do not have demonstrated economic viability.

During the 2010 fiscal year, Coro announced that the National Technological University (“UTN”) of Mendoza has completed its evaluation of the San Jorge Project Environmental Impact Study (EIS) on behalf of the Provincial Government of Mendoza. This report is an important milestone in the EIS approval process as it provides the government and people of Mendoza with an impartial and independent evaluation of the Project. The UTN report states that the San Jorge Project EIS has satisfactorily complied with all national and provincial environmental regulations, and has concluded that the Project, if developed in full compliance with these regulations, would have a highly positive economic impact on the Province of Mendoza in general and the district of Uspallata in particular. The report makes a number of observations and recommendations for further work to be carried out by the Company in the subsequent phases of the Project’s development. During the 2011 fiscal year, Coro announced that the Provincial Government of Mendoza, Argentina had approved the EIS and that the resulting Environmental Impact Declaration (“EID”) was to be submitted to the Provincial Legislature for ratification.

Coro’s management has significant exploration and mine development experience in Latin America, and is led by President, CEO & Director, Alan Stephens, who prior to co-founding Coro in 2005, was VP Exploration for First Quantum Minerals. Other key members of the Coro management team include Juan Carlos Roman, Senior VP and Chief Operating Officer (ex Antofagasta Minerals), Michael Philpot, Executive VP, Secretary & Director and Damian Towns, CFO, (both ex First Quantum Minerals), Angelo Peri, VP Exploration (ex Vale) and Marcelo Cortes, Environmental and Infrastructure Manager (ex Antofagasta Minerals).

During the period ended September 30, 2011, Coro announced that the Provincial Legislature of Mendoza voted against the ratification of Coro’s approved Environmental Impact Declaration (“EID”), notwithstanding that the EID was conditional, inter alia, upon Coro’s Argentinean subsidiary, Minera San Jorge (“MSJ”), complying with the highest standards of environmental protection, control and monitoring prior to, and during the construction and operation of the project. Over the past 3 years, Coro has strictly complied with all laws and regulations, including the 7722 law which required the ratification of the approved EID, and has made every effort to ensure that the legislators were fully informed about the project. In addition, a Mendoza court recently determined that the process which led to the approval of the EID was neither illegitimate nor arbitrary, and therefore fully complied with provincial law.

As recently as August 24th, 2011 the head of the Lower House confirmed that the ratification vote would take place after the elections scheduled for October 2011, in order that the decision could be taken based on the merits of the project and not on a calculation of electoral advantage. Unfortunately, the vote took place in any event, without consideration of the conclusions of the legislature’s commissions who have spent the last several months evaluating the EID, and more pertinently, the validity of the process which led to its approval. The decision to not ratify the EID was taken against the clearly expressed wishes of the current government, with whom Coro was in advanced discussions aimed at delivering a carried 10% interest in MSJ to the province.

Coro will now consider its alternatives to seek legal redress and compensation through the Argentinean and international courts. In particular, the 7722 law is currently subject to legal challenges of its constitutionality by Coro and several other parties. Coro anticipates that this lawsuit may be resolved by mid 2012 and in the event that the courts find that the law is indeed unconstitutional, the denial of legislative ratification of Coro’s valid and approved EID, may be deemed to be null and void.

While Benton is disappointed with this decision, it fully supports the Coro team moving forward and feels that any action taken by Coro will be in the best interest of its shareholders. Benton in addition attributes significant value to

Coro's other mineral properties located in Chile and while they are early stage in nature, are showing very promising signs of future success based on current exploration results.

Benton views the investment in Coro as an excellent opportunity to become involved in an exciting portfolio of advanced projects and continues to working closely with Coro's management.

The Company has recorded its investment in Coro as an equity investment. At September 30, 2011, the Company holds approximately 41.87% of the issued and outstanding shares of Coro with a market value of \$13,888,021 (based on the September 30, 2011 closing price of \$0.24 per share).

For the three months ended September 30, 2011, the Company recorded net equity and dilution losses totaling \$742,735.

## **EXPLORATION AND EVALUATION ASSETS**

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production, or written-down if the properties are allowed to lapse, are impaired, or are abandoned. The deferred costs associated with each property for the period ended September 30, 2011 and the year ended June 30, 2011 is summarized in the tables below:

**For the three months ended**  
**September 30, 2011**

	<b>Saganaga/Q9</b>	<b>Long Range</b>	<b>Rim Property</b>	<b>Shebandowan</b>	<b>Abernethy</b>	<b>Sewell</b>	<b>Other</b>	<b>Total</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>	<b>(f)</b>	<b>(g)</b>	
<b>June 30, 2011 - Acquisition Costs</b>	\$ 279,317	200,010	20,857	65,381	13,478	-	872,247	1,451,290
Additions	-	-	-	-	91	24,500	156	24,747
Writedowns/Recoveries/Disposals (h)	-	-	-	-	-	-	-	-
<i>Subtotal</i>	\$ -	-	-	-	91	24,500	156	24,747
<b>Sept. 30, 2011 - Acquisition Costs</b>	<b>\$ 279,317</b>	<b>200,010</b>	<b>20,857</b>	<b>65,381</b>	<b>13,569</b>	<b>24,500</b>	<b>872,403</b>	<b>1,476,037</b>
<b>June 30, 2011 - Exploration and Evaluation Expenditures</b>	\$ 1,226,528	963,729	540,412	665,951	645	-	2,182,959	5,580,224
Assaying	3,019	-	4,753	7,820	2,316	1,151	1,861	20,920
Prospecting	2,538	-	-	2,381	10,052	16,545	2,606	34,122
Geological	9,486	-	11,920	19,185	3,183	22,280	29,706	95,760
Geophysical	777	-	-	-	-	38,089	400	39,266
Line Cutting	81,335	-	-	583	4,629	35,458	-	122,005
Trenching	23,468	-	-	-	-	-	-	23,468
Diamond Drilling	853	-	750,220	-	164,758	947	271	917,049
Miscellaneous	182	115,776	-	541	3,597	-	10,676	130,772
Writedowns/Recoveries/Disposals (h)	-	-	-	-	-	-	(15,542)	(15,542)
<i>Subtotal</i>	\$ 121,658	115,776	766,893	30,510	188,535	114,470	29,978	1,367,820
<b>Sept. 30, 2011 - Exploration and Evaluation Expenditures</b>	<b>\$ 1,348,186</b>	<b>1,079,505</b>	<b>1,307,305</b>	<b>696,461</b>	<b>189,180</b>	<b>114,470</b>	<b>2,212,937</b>	<b>6,948,044</b>
<b>September 30, 2011 - Total</b>	<b>\$ 1,627,503</b>	<b>1,279,515</b>	<b>1,328,162</b>	<b>761,842</b>	<b>202,749</b>	<b>138,970</b>	<b>3,085,340</b>	<b>8,424,081</b>

**For the year ended June 30, 2011**

		<b>Saganaga/Q9</b>	<b>Long Range</b>	<b>Rim Property</b>	<b>Shebandowan</b>	<b>Abernethy</b>	<b>Other</b>	<b>Total</b>
		<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>	<b>(g)</b>	
<b>June 30, 2010 - Acquisition Costs</b>	\$	223,750	112,857	20,377	-	-	883,619	1,240,603
Additions		55,567	103,153	480	65,381	13,478	63,628	301,687
Writedowns/Recoveries/Disposals (h)		-	(16,000)	-	-	-	(75,000)	(91,000)
<i>Subtotal</i>	\$	55,567	87,153	480	65,381	13,478	(11,372)	210,687
<b>June 30, 2011 - Acquisition Costs</b>	\$	<b>279,317</b>	<b>200,010</b>	<b>20,857</b>	<b>65,381</b>	<b>13,478</b>	<b>872,247</b>	<b>1,451,290</b>
<b>June 30, 2010 - Exploration and Evaluation Expenditures</b>	\$	1,055,870	665,858	523,190	-	-	9,812,802	12,057,720
Assaying		57,204	-	-	13,310	-	82,027	152,541
Prospecting		7,597	-	100	1,304	645	54,199	63,845
Geological		58,375	2,280	12,407	6,887	-	137,028	216,977
Geophysical		648	-	1,915	189,810	-	13,157	205,530
Line Cutting		-	-	-	113,907	-	9,507	123,414
Trenching		36,055	-	-	-	-	-	36,055
Diamond Drilling		5,614	-	2,800	338,627	-	1,004,684	1,351,725
Miscellaneous		5,165	295,591	-	2,106	-	71,270	374,132
Writedowns/Recoveries/Disposals (h)		-	-	-	-	-	(9,001,715)	(9,001,715)
<i>Subtotal</i>	\$	170,658	297,871	17,222	665,951	645	(7,629,843)	(6,477,496)
<b>June 30, 2011 - Exploration and Evaluation Expenditures</b>	\$	<b>1,226,528</b>	<b>963,729</b>	<b>540,412</b>	<b>665,951</b>	<b>645</b>	<b>2,182,959</b>	<b>5,580,224</b>
<b>June 30, 2011 - Total</b>	\$	<b>1,505,845</b>	<b>1,163,739</b>	<b>561,269</b>	<b>731,332</b>	<b>14,123</b>	<b>3,055,206</b>	<b>7,031,514</b>

### **(a) Saganaga Lake/Q9 Property**

The Saganaga Lake Property consists of mining rights for 100% of 20 claims totalling 51 units and the Company also has the right to earn 100% in one claim totalling 2 units and 99% of 10 claims under option from Wing Resources in the Saganaga Lake area of Thunder Bay. Pursuant to an option agreement dated September 27, 2005, the Company has the right to acquire a 100% interest in the mining claims by paying the vendor a total of \$100,000 in cash and issuing 100,000 shares over a four year period. The vendor will retain a 3% NSR of which the Company will have the right to buy back up to 50% for \$500,000 per 0.5% NSR.

The Q-9 property is located approximately 160 km west of Thunder Bay, Ontario and adjoins the Saganaga Gold property. The project is subject to an asset purchase, sale and royalty agreement dated May 8, 2006 between the Company and Stares Contracting Corp., a company controlled by Stephen Stares, Director and Officer and Michael Stares, Director of the Company, whereby the Company can earn a 100% interest subject to a 2% NSR in the project by making payments of \$75,000 cash (paid) and issuing 200,000 shares (issued) over four years.

During the year ended June 30, 2009 the Company completed line cutting on the 100%-owned Saganaga property along with extensive ground geophysics and grid mapping and diamond drilling commenced.

During fiscal 2010, the Company announced drilling results from its drill program that consisted of approximately 2,700 metres in 20 drill holes of which assay results for 16 of the holes have been received. Drill holes SAG09-01 to SAG09-12 tested the historical Powell vein of which 8 holes intersected significant gold values. Drill holes SAG09-13 and 14 tested the Starr zone mineralization below where Teck Cominco Ltd intersected 20.0m grading 5.36gpt gold in 2006. Both holes intersected significant gold mineralization. Hole SAG09-13 cut 20.5m grading 3.0gpt Au including 4.0m grading 7.3gpt Au and a second lower zone grading 8.26gpt Au over 1.0m. Holes SAG09-15 and 16 were drilled in the North Starr area where significant gold assays were also encountered such as 3.6gpt Au over 4.3m including 2m grading 7.2gpt Au in SAG09-16. Results for drill holes SAG09-17 (North Starr showing) and SAG09-19 and 20 (Megan Showing) are pending. Not only did the drill program intersect numerous shallow gold zones but it also provided valuable information on the nature and controls of the gold mineralization. The current drill results are being compiled with the recent geological mapping, ground geophysics (induced polarization and magnetics), soil geochemistry, and prospecting to help prioritize a second phase of diamond drilling scheduled for 2010. New gold zones uncovered by prospecting and the soil geochemical survey will be followed up with surface trenching and additional diamond drill testing.

During the period ended September 30, 2011, the Company completed further line cutting, soil sampling, trenching and ground geophysics on the Saganaga property and upon receipt and compilation of results, intends to conduct a diamond drilling program on identified target areas.

### **(b) Long Range Property**

The Long Range property is located in central Newfoundland and is the result of a 40%/40%/20% joint venture agreement initially formed between the Company, Buchans Minerals Corporation ("Buchans") and Golden Dory Resources Corp. ("Golden Dory") and is comprised of claims totaling 222 km<sup>2</sup>. The joint venture was subsequently revised to a 50%/50% joint venture between the Company and Buchans upon Golden Dory withdrawing from the agreement and the remaining two parties assuming an equal interest. Buchans is currently operating the project.

The Range prospect is located within the north-east portion of the Long Range property that is operated as a 50/50 Joint Venture with Buchans Minerals. Since completing a four hole drill program to test the Range Copper prospect in April 2010, the Companies have drilled three more holes in the winter of 2011 that have successfully identified the orientation and character of the copper and cobalt prospect. The 3 holes drilled in the winter of 2011 extended the copper-bearing sulphide mineralization over a minimum strike length of 200 metres, with the zone open in both strike directions and at depth. New assays suggest the overall sulphide abundance, thickness and copper grades may be increasing to the north. Assays from new drilled intersections include hole LR-11- 17 that returned 12.9 metres (estimated true width) averaging 0.48% Copper and 0.023% Cobalt, including 0.91 metres averaging 2.24% Copper and 0.011% Cobalt. Given the positive nature of these results, the Companies are planning additional geophysical surveys and diamond drilling to test the Range prospect in 2011. This work will focus on extending the zone to the north and down dip, where potential exists for the zone to expand into a significant copper sulphide deposit. The companies have also identified a significant gold prospect named Goldquest. Sampling of boulders, which occur

over 1km on surface, has returned assays up to 123.81g/t Au and 414.2g/t Ag as well as 104.1g/t Au and 425.7g/t Ag.

Subsequent to September 30, 2011, the Company and Buchans provided the results from their initial drill test of the Goldquest gold prospect. The companies drilled eight holes totalling 823 metres to test mineralized quartz veins in bedrock and float associated with the Goldquest trend, an open-ended 750-metre-long trend defined by anomalous gold in bedrock and float. Results include intersections of mineralized quartz veins in the Goldquest North area, including 5.49 grams per tonne gold and 4.5 g/t silver over 0.30 metre as well as 2.13 g/t gold and 8.4 g/t silver over 0.10 m. All four holes drilled in the North area returned anomalous assays exceeding 0.5 g/t gold, intersecting multiple sulphide-bearing quartz veins ranging from centimetres to 0.3 metre in width. Drilling in the Goldquest South area intersected variably mineralized bedrock containing minor quartz veins with anomalous gold values; however, no large veins similar to the abundant high-grade quartz float discovered by recent prospecting and trenching were intersected in either of the four holes drilled in this area.

The companies believe the source of large high-grade quartz float discovered in the Goldquest South area remains undiscovered nearby. The Company is currently reviewing the results to determine if further work is warranted on this project.

### **(c) Rim Property**

During the 2008 fiscal year, the Company acquired, through staking, 1,823 claims in Northern Labrador. The property is located nearly 100km south of Voisey's Bay and adjacent to the Pants Lake Intrusion.

During the period ended September 30, 2011, the Company announced that it had commenced diamond drilling on the project. The program consisted of 6-7 diamond drill holes totaling approximately 3000 metres testing a series of east-west trending conductive anomalies located within the mapped outline of the main Suture Zone. The Company believes that the conductors may represent magmatic sulphide along an east-west trending structural conduit cutting through the Suture Zone similar to the emplacement of the Voisey's Bay deposit. Results of the drilling will be released after they been completed and compiled by Company personnel.

Subsequent to September 30, 2011, the Company completed the diamond drill program and yielded no significant results. The Company is evaluating if it will continue exploration in the future. Benton Resources Corp would like to acknowledge and thank the government of Newfoundland and Labrador for the \$150,000 JCEP grant to assist in this program.

### **(d) Shebandowan Property**

The Shebandowan property is located approximately 90 kms west of Thunder Bay, Ontario. The Company acquired by staking a 100% interest in 17 staked claims totaling 209 units. The Company also entered in an agreement with Trillium North Minerals Ltd. ("Trillium North") that grants the Company the exclusive right to earn up to a 70% interest in 5 adjoining mineral claims totaling 27 units by paying Trillium North \$80,000 cash (\$20,000 paid), issuing 100,000 shares of the Company (25,000 shares issued) and spending \$1 million on the property over a period of seven years.

Located less than 20 km along strike to the west are the past producing Ardeen and Coldstream gold deposits as well as the Moss Lake gold deposit. The Moss Lake deposit hosts a NI 43-101 compliant resource of 56.1Mt grading 0.92 g/t gold containing approximately 1.51 million ounces of gold ([www.mosslakegold.com](http://www.mosslakegold.com)). The Coldstream deposit contains a historic resource (non NI 43-101 compliant) of 5.1Mt grading 1.4 g/t gold ([www.altoventures.com](http://www.altoventures.com)). Approximately 20 km along strike to the west of the North Shebandowan project sits the Swamp River / Band-Ore gold deposit with a historic resource (non NI 43-101 compliant; Canadian Mines Handbook, 1998-99, p.63) of 998,000T grading 0.12 oz/T gold (approximately 905,000t grading 4.11 g/t) and the Vanguard Copper-Zinc-Gold deposit is situated only 4 km along strike to the east ([www.trilliumnorth.com](http://www.trilliumnorth.com)). Historic base metal production from the Shebandowan greenstone belt consisted of 8.7 million tons grading 2.07% nickel, 1% copper and approximately 3 g/t combined platinum group metals plus gold ([www.nap.com](http://www.nap.com)) with current measured and indicated resources (NI 43-101 compliant) totaling 2.58 million tonnes grading 0.91% nickel, 0.62% copper, 1.09 g/t palladium, 0.34 g/t platinum, and 0.23 g/t gold (NAP NR, October 25, 2007).

A till sampling survey covering the Shebandowan greenstone belt was completed by the Ontario Geological Survey ("OGS") in 2002. The survey identified a 5 km trend of samples containing high counts of pristine gold grains taken

on Benton's newly acquired ground. Other OGS till sampling programs completed in northern Ontario have identified similar areas of anomalous gold grain counts in the samples which have led to significant gold discoveries. The recent gold discovery by Northern Superior Resources Inc and Rainy River Resources Ltd on their TKP joint venture in Northern Ontario and the Rainy River deposit located near Emo, Ontario are two such examples. In addition, historical prospecting has identified high grade copper values with associated highly anomalous gold. Benton completed an exploration program consisting of grid establishment and ground geophysical surveys (magnetic and induced polarization) and also conducted a 7 hole, 1,280m diamond drill program.

Limited prospecting by Benton personnel has returned assays up to 13.3 g/t gold over a minimum 3km strike length. The mineralization is hosted in a shear zone with intense alteration consisting of iron-carbonate, sericite, chlorite, and silicification (ubiquitous and as veining). Benton has initiated an exploration program consisting of grid establishment and ground geophysical surveys (magnetic and induced polarization) to help define diamond drill targets. Phase I drilling was completed in the spring of 2011 and five of seven holes outlined a number of anomalous gold horizons as well as anomalous copper and PGE's. Grades were as high as 19.5gpt Au over 0.8m plus 0.156gpt over 60m. This initial testing of priority geological and geophysical targets proves that there is significant mineralization throughout the project and Benton looks forward to continued exploration on the project.

### **(e) Abernethy Property**

The Abernethy property is located 10 kms southwest of Kenora, Ontario. The Company acquired through staking, a 100% interest in the property which consists of 9 claims totaling 67 units.

It covers a historically defined 640 metre long and up to 210 metre wide electromagnetic conductor outlined by Hudson Bay Exploration and Development Co. Ltd in 1974. The anomaly was tested by Hudson Bay with a single drill hole and intersected anomalous gold throughout the hole including one section that returned 17.8 gpt gold over 1.52 metres. Subsequently in 1987 the project was acquired by Mingold Resources Inc. who further tested the same zone with two diamond drill holes spaced at 61 metres apart. This drilling also intersected significant anomalous gold throughout both drill holes including 6.30 gpt gold over 6.1 metres in drill hole ABE-1 and 1.62 gpt gold over 6.7 metres (including 10.0 gpt gold over 0.61 metres) in drill hole ABE-3. Research of historical assessment work filed with the provincial government indicate there are only three historical drill holes in the electromagnetic conductor suggesting the zone is open at depth and along strike in both directions. Recent forestry logging operations have opened access to several areas within the claim group providing good infrastructure. Benton recently completed a 1400m drill program.

The drill program identified a large gold system of multiple gold-rich horizons that measures more than 500m in strike length and up to 77m core length in width. The system is open in all directions. Notably, the hole furthest to the west (ABE 11-07) cut multiple gold horizons that averaged 0.53gpt Au over 77.1 meters with several higher grade sections listed in the table below. Visible native gold is noted in the section 162.5m–164m. Hole ABE 11-07 was collared more than 200m west of two historical drill holes that returned gold grades of 17.8 gpt gold over 1.52 metres and 6.30 gpt gold over 6.1 metres. The Company is encouraged with the results and is currently planning a larger winter program to expand on the known gold mineralization. The remainder of the results will be released once they are received and compiled.

### **(f) Sewell Property**

The Sewell property is located in the Sewell Township in the west Timmins mining area. The Company entered into an agreement with four prospectors to acquire a 100% interest in the property by paying \$200,000 cash (\$20,000 paid) and issuing 200,000 (20,000 shares issued) shares of the Company over a four year period. The property is also subject to a 2% Net Smelter Return with the Company retaining the option to buy back 1%.

### **(g) Other Property**

Other property consists of several early stage projects and projects that the Company is not actively exploring at the period ended September 30, 2011. Included in Other property are certain projects that are subject to agreements that are more fully described below.

*(i) Kingurutik Lake Property*

The Kingurutik Lake property was acquired 100% by staking in late October 2006. The Property is located approximately 60 km north of Voisey's Bay, Labrador and consists of 488 claim units.

The Company has entered into a Participation Agreement with Teck Resources Ltd. ("Teck") whereby the Company and Teck will form the Kingurutik Lake project by amalgamating and jointly exploring certain of their land positions in Labrador. The project is located approximately 60 km north of the Voisey's Bay copper-nickel deposit and consists of 488 claim units held by the Company, (previously known as the NBK property), and 266 claim units held by Teck.

Under the terms of the Agreement, Teck completed a private placement financing with the Company during a previous fiscal year whereby the Company issued 1,000,000 common shares at \$0.70 per share for total proceeds of \$700,000 which resulted in the Company and Teck each holding a 50% interest in the combined properties. The Company then agreed to fund the initial \$600,000 in exploration work to be carried out by Teck, which Teck then has the option to increase its interest in the property to 60% by incurring an additional \$4 million in expenditures over the initial three years with an additional right to increase its interest to 70% by incurring an additional \$7 million in expenditures (for a total of \$11 million) over a further three years.

During the 2009 fiscal year, Teck notified the Company that it has elected to exercise its option to increase its interest in the project to 60% by incurring the aforementioned expenditures. However, during fiscal 2010, Teck informed the Company that it did not fulfill its expenditure requirement under the 60% option and would not be participating in future exploration programs. The Company will assume operatorship and will dilute Teck's interest accordingly.

During the year ended June 30, 2009, the Company was advised that Teck Resources mobilized a ground geological and geophysical crew to evaluate strong conductive zones identified from the recently flown AeroTEM II airborne survey on the remaining ground not covered by the 2007 survey on the property. The ground crew will conduct mapping, sampling and ground geophysics with hope of discovering new nickel and copper mineralization in addition to mineralization discovered as part of the previous airborne follow-up program.

To date a total of 324 grab samples have been collected from numerous conductive target areas identified by the 2007 survey. The selected samples from many of the targets returned encouraging nickel, copper, and cobalt values. Ground geophysical (UTEM) surveying over one of the targets, target "P", detected a strong conductive response that may form part of a future drill program.

During the year ended June 30, 2010, the Company announced that it would commence drilling on the property. Benton has designed a diamond drill program comprised of 12 holes totaling approximately 3,000 meters to test the various targets outlined by Teck's work programs. Benton will act as operator as Teck has elected not to participate in the proposed program choosing to focus their exploration efforts on their core commodities in 2010.

During the year ended June 30, 2011 the Company received assay results from the drill program. Teck did not contribute to the current program and as a result will incur dilution of its interest which was 50% prior to the program. The amount of dilution will be calculated once the final program expenditures have been approved. Several of the drill targets tested intersected magmatic sulphide mineralization that returned significant amounts of nickel, copper, and cobalt values that suggests further work is warranted to evaluate the size of these mineralized zones. Of particular interest are the results from the A Zone area that was tested with a single drill hole (KL10-11). This hole intersected multiple intervals of semi-massive sulphide with several sections grading better than 1% nickel and 1% copper. Follow-up work is currently being planned for early spring to explore and delineate the significant mineralization. The Company and Teck are currently evaluating and prioritizing the land position and are working to determine if further exploration work is warranted.

*(ii) Bark Lake Property*

The Bark Lake property consists of 19 claims totaling 3,884 hectares in the Boot Bay Area, Northwestern Ontario and is owned 100% by the Company. During the 2011 fiscal year, the Company entered into an agreement granting Platinum Group Metals Ltd. ("PTM") the exclusive right to earn up to a 75% interest in the project. Under the terms of the agreement, PTM must pay \$145,000 cash to the Company (\$35,000 received), issue 215,000 shares of PTM to the Company and expend \$1,625,000 on the property over a seven year period. PTM has the option to earn the final 5% (75% total) by completing a pre-feasibility study.

The Bark Lake property is host to numerous newly discovered platinum (Pt), palladium (Pd), gold (Au), copper (Cu) and nickel (Ni) showings consisting of mineralized ultramafic rock either in outcrop or dozens of mineralized boulders. The mineralized occurrences are situated along the Quetico Fault, a major crustal-scale east west oriented structure. Samples collected during the first phase prospecting program have identified high grade nickel (Ni) and copper (Cu), along with platinum (Pt), palladium (Pd), and gold (Au). These samples, which were taken approximately 200 meters to the north of the initial mineralized zone, have returned individual assays grading up to 1.5% Ni, 1.2% Cu, 2.6 gram per tonne (gpt) of Pd and 0.7gpt Au.

Through additional staking, the Company had more than doubled its initial land position and has completed its initial prospecting and line cutting programs as well as geological mapping and ground geophysics including magnetic, Max-Min electromagnetic and an induced polarization survey.

During the year ended June 30, 2008, the Company completed a 1,414 meter diamond drill program in seven holes to test various geophysical anomalies. Two of the drill holes intersected the mineralized mafic-ultramafic intrusive rock unit that may represent the source of the high-grade mineralized boulders located due south. Although the platinum (Pt) to palladium (Pd) ratios in the drill core and mineralized boulders are similar, additional drilling is required to determine the exact location of the mineralized boulders.

*(iii) Forester Lake*

The Forester Lake property was acquired by staking and is owned 100% by the Company and consists of 21 claims totaling 272 units and is located approximately 100 kms north of Pickle Lake, Ontario. During the 2011 fiscal year, the Company entered into an agreement with Parkside Resources Corp. ("Parkside") granting Parkside the right to earn a 60% interest in the property. Under the terms of the agreement, Parkside must pay the Company \$50,000 in cash (\$15,000 received), issue to the Company 1 million Parkside common shares (received) and expend \$300,000 on the property over a period of three years with a minimum of \$100,000 to be spent in each 12 month period of the three year period. Parkside can earn an additional 10% (70% total) by expending an additional \$700,000 on the property over an additional three year period. In addition, the Company provided Parkside with \$200,000 in equity financing in fiscal 2011 (including \$150,000 in flow through financing) in exchange for an additional 2 million common shares of Parkside (taking the Company's share position to 3 million shares). Parkside is currently a private corporation and is working toward a listing on the TSX Venture Exchange.

The ground was acquired due to its location and geophysical similarities to the Musselwhite Gold mine located 25 km northwest of the property. Historic drilling intersected gold mineralization grading up to 16.2 g/t over 0.5m, 12.3 g/t over 1.5m and 13 g/t over 0.9m. Benton completed an 897 line kilometer airborne magnetic survey to help define exploration targets.

*(iv) Onion Lake Property*

The Onion Lake property was acquired by staking and consists of 105 claims totaling 1,198 units and is located 30 kms north of Thunder Bay, Ontario. In fiscal 2010, the Company entered into an agreement with Glory Resources Limited ("Glory") which grants Glory the right to earn an initial 30% interest in the property (earned) by paying the Company \$95,000 cash (received) and expending \$500,000 on the property over a period of two years following the effective date (expended). Glory can earn an additional 30% (taking interest to 60%) by expending an additional \$1.8 million on the property over an additional two year period (currently earning). Glory may earn an additional 10% (taking interest to 70%) by expending an additional \$1.5 million on the property over an additional 18 month period.

*(v) Goodchild Property*

The Goodchild Project is located approximately 15 kilometres north of Marathon, Ontario and is host to several nickel showings with grab samples assaying up to 6.72% nickel (Falconbridge/Xstrata personnel). The large ultramafic intrusion measures approximately 5 by 8km and has numerous untested airborne electromagnetic anomalies detected from a survey completed almost 20 years ago.

During the year ended June 30, 2009, the company announced phase one drilling results on the Goodchild project. This first phase program consisted of approximately 2000 metres of diamond drilling to test numerous conductive responses delineated by airborne and ground geophysics near and along strike from high grade surface nickel showings. Planned exploration for the upcoming periods include prospecting and mapping previously identified geophysical targets for potential follow up diamond drilling in the summer.

During the year ended June 30, 2010, the Company announced that phase 2 drilling had been completed. The program targeted several electromagnetic VTEM responses along the eastern margins of the Goodchild Ultramafic Intrusion. Several of the drill holes cut various narrow intervals of massive sulphide but only anomalous amounts of base and precious metals were returned. Two of the drill holes contained minor amounts of native copper in the ultramafic indicating a sulphur under-saturated situation and combined with extremely low nickel values locally of less than 100 ppm in the ultramafic may suggest that the nickel has been previously removed from the ultramafic melt and formed a nickel-rich sulphide deposit at depth. The Company is currently evaluating the project for future exploration work.

**(h) Writedowns/Recoveries/Disposals**

Reductions to the carrying costs of associated properties pertaining to writedowns or as a result of cost recoveries or earn-ins, or due to dispositions during the period ended September 30, 2011 and the year ended June 30, 2011 were as follows:

	<u>Three months ended September 30, 2011</u>	<u>Year ended June 30, 2011</u>
	\$	\$
<i><u>Writedowns:</u></i>		
Genex Property	15,542	88,478
Armit Lake Property	-	1,340,232
Spike Lake Property	-	3,356
Caramat Property	-	4,200
Whitehead Property	-	320
Deloro Property	-	1,150,660
<i>Subtotal</i>	<u>15,542</u>	<u>2,587,246</u>
<i><u>Recoveries:</u></i>		
South Sibley Property	-	25,000
Kingurutik Lake Property	-	150,000
Bark Lake Property	-	35,000
Forester Lake	-	147,708
Long Range	-	16,000
Onion Lake Property	-	50,000
<i>Subtotal</i>	<u>-</u>	<u>423,708</u>
<i><u>Disposals:</u></i>		
Bermuda Property (i)	-	4,795,854
Copper Hill Option (ii)	-	1,285,907
<i>Subtotal</i>	<u>-</u>	<u>6,081,761</u>
<b>Total</b>	<b><u>15,542</u></b>	<b><u>9,092,715</u></b>

(i) *Bermuda Property*

During the year ended June 30, 2011, the Company completed an asset purchase and sale agreement with Stillwater Mining Company (“Stillwater”) whereby Stillwater agreed to purchase the Bermuda property and the Company’s 2% net smelter royalty that the Company retained on the Bamooos lease for \$14 million on a one-half cash, one-half Stillwater common share basis. The Company will retain a 1% net smelter royalty on Bermuda should more than 2.5 million ounces of Pd+Pt+Au combined be produced from the property. The Company recognized a gain on the sale of the property in the amount of \$9,204,146 based on the proceeds less capitalized costs for the project.

(ii) *Copper Hill Option*

During the year ended June 30, 2011, the Company transferred (the “transfer”) its option and all of its rights and obligations under the option agreement between the Company and Golden Harp to Mineral Mountain Resources Ltd. (“Mineral Mountain”). In consideration for the transfer, Mineral Mountain will issue to the Company a total of 8 million common shares staged in three payments consisting of 4 million common shares on approval from the TSX Venture Exchange (received), a further 2 million common shares within 12 months of the agreement, and a final 2 million common shares (for a total of 8 million common shares) within 18 months of the agreement (subsequently received). In addition, Mineral Mountain will grant a 1% NSR to the Company over certain claims encompassing the original agreement with Golden Harp. The Company recognized a gain on the sale of the option in income in the amount of \$754,093 based on the proceeds from the on-signing share payment less the costs into the project.

Management of the Company has reviewed all ongoing exploration projects and determined that no further write downs of capitalized exploration and development expenditures would be required at this time other than what has been written down already in the period. The Company will continue to assess the exploration potential of each project on a recurring basis and make adjustments when necessary.

### **Plan of Arrangement**

During the year ended June 30, 2011, the Company announced that it is initiating a process of separating its investment in Coro Mining Corp. (“Coro”) from substantially all of its other assets and activities. It is anticipated that this will be implemented by a spin out of the majority of Benton’s projects, cash and equity investments (other than Coro) into a new exploration company (“Newco”). After the spin out is completed Benton’s assets will consist of 57.87 million common shares of Coro (representing approximately 41.97% of the issued capital of Coro), one 43-101 compliant project and a cash balance in a yet to be determined amount sufficient to maintain ongoing operations and objectives. Benton’s ongoing exploration activities will thereafter be carried out through Newco.

Benton’s current market capitalization is significantly below the market value of its equity holdings in other listed companies. Moreover, the market is attributing no value to Benton’s current cash position or its extensive property portfolio and joint ventures with companies such as Teck Resources, Glory Resources, and Platinum Group Metals Ltd. This substantial disconnect between the underlying value of Benton’s assets and its stock market valuation has prompted Benton to propose the spin out to its shareholders in order to maximize the value of its cash, equities and exploration assets as well as to unlock the value of its holding in Coro. Benton is currently working with its corporate legal counsel and has retained Canadian taxation advisors in order to determine a separation of the Company’s assets for the spin out that achieves optimal tax efficiency and fairness. The share ratio was announced as a one for one basis. The spin out transaction will be completed pursuant to a plan of arrangement and remains subject to regulatory and shareholder approvals. The Company is currently working with the TSX Venture Exchange to obtain conditional approval for the Plan of Arrangement.

## SELECTED ANNUAL FINANCIAL INFORMATION

Description	Year ended June 30, 2011 (IFRS) \$	Year ended June 30, 2010 (CDN GAAP) \$	Year ended June 30, 2009 (CDN GAAP) \$	Year ended June 30, 2008 (CDN GAAP) \$
Operating expenses	3,268,510	2,455,082	2,046,132	2,185,953
Interest income	241,839	588,567	626,478	588,524
Adjustment to fair market value of held for trading investments	5,720,821	751,101	(9,145)	(107,480)
Write down of mineral properties	(2,587,246)	1,823,115	1,266,959	54,954
Net income (loss) being comprehensive income (loss)	11,485,002	(1,117,834)	(2,278,403)	(463,250)
Earnings (loss) per share – basic (1) (2)	0.15	(0.02)	(0.03)	(0.01)
Cumulative mineral properties and deferred development expenditures	7,031,514	13,298,323	11,592,324	11,208,044
Total assets	47,958,053	31,853,263	29,501,504	30,174,127

- (1) Basic per share calculations are made using the weighted-average number of shares outstanding during the year.
- (2) Earnings (loss) per share on a diluted basis is the same as the basic calculation per share as all factors are anti-dilutive except in fiscal 2011 where fully diluted earnings per share was \$0.14.

## SUMMARY OF QUARTERLY RESULTS

Three Month Period Ending	Net Earnings/(Loss) \$	Net Earnings/(Loss) per Share Basic and Diluted (1) (2) \$
June 30, 2011 (IFRS)	(3,465,773)	(0.04)
March 31, 2011 (IFRS)	4,758,420	0.06
December 31, 2010 (IFRS)	6,879,619	0.09
September 30, 2010 (IFRS)	3,312,736	0.04
June 30, 2010 (CDN GAAP)	(64,608)	(0.00)
March 31, 2010 (CDN GAAP)	(470,335)	(0.01)
December 31, 2009 (CDN GAAP)	(953)	(0.00)
September 30, 2009 (CDN GAAP)	(581,938)	(0.01)

- (1) Basic loss per share calculations are made using the weighted-average number of shares outstanding during the period.
- (2) Earnings (loss) per share on a diluted basis is the same as the basic calculation per share as all factors are anti-dilutive except in the 2011 fiscal year where diluted earnings per share was \$0.14.

During the three months ended September 30, 2011, the Company's cash on hand increased by \$207,013 to \$462,411 as compared to \$255,398 for the same period in 2010. The increase in cash on hand is attributed to the timing of redemptions of temporary investments to fund operations and exploration activity. Temporary investments decreased from \$12,320,836 at June 30, 2011 to \$10,300,785 at September 30, 2011 as a result of redemptions to fund exploration and evaluation activity and general and administrative expenditures. Accounts and other receivables increased from \$312,203 at June 30, 2011 to \$321,223 at September 30, 2011 related to accrued interest on temporary investments recorded during the period and HST receivables. Exploration and evaluation assets increased from \$7,031,414 at June 30, 2011 to \$8,424,081 at September 30, 2011 due mainly to ongoing exploration

activity at the Company's RIM, Saganaga, Abernethy, and Sewell properties. Share Capital decreased from \$30,197,161 at June 30, 2011 to \$30,154,080 at September 30, 2011 due mainly to purchase and cancellation of the Company's shares under the share buy-back plan.

## SHARE DATA

As at December 21, 2011, the Company has 76,273,531 common shares issued and outstanding as well as: (a) stock options to purchase an aggregate of 12,771,250 common shares expiring at various dates between February 7, 2012 and April 14, 2016 and exercisable at various prices between \$0.28 and \$1.18 per share. For additional details of share data, please refer to note 9 of the September 30, 2011 condensed consolidated interim financial statements.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, temporary investments, accounts and other receivables, long-term investments, refundable security deposits and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has a net working capital as at September 30, 2011 of \$9,872,151 (\$11,303,651 as at June 30, 2011) and cash on hand of \$462,411 (\$57,517 as at June 30, 2011) and a deficit of \$1,199,754 (retained earnings of \$3,539,367 as at June 30, 2011).

During the year ended June 30, 2010, the Company completed a non-brokered private placement for gross proceeds of \$2.8 million by issuing 5.6 million flow-through common shares. Pursuant to the private placement, cash commissions totalling \$168,000 (6% of gross proceeds) and 336,000 broker warrants were paid to the finder. The warrants will be exercisable at a price of \$0.50 for a period of 18 months following the closing of the private placement. All warrants issued in this private placement were exercised in the 2011 fiscal year.

During the 2009 fiscal year, the Company announced its intent to make a normal course issuer bid (the "Bid") to purchase through the facilities of the TSX Venture Exchange (the "Exchange") certain of its outstanding common shares. The number of common shares to be purchased through the Exchange during the period of the Bid from August 26, 2008 to August 26, 2009 will not exceed 3,000,000 common shares. The actual number of shares that may be purchased and the timing of any such purchases will be determined by the Company. All shares purchased under the Bid were cancelled.

During the year ended June 30, 2010, a total of 20,000 common shares were acquired at a total cost of \$7,600 all of which were cancelled. During the year ended June 30, 2009, a total of 1,459,000 common shares were acquired at a total cost of \$275,555 all of which were cancelled. The Bid expired during the current period and was renewed to June 18, 2011 giving the Company the ability to buy back no more than 5 million common shares for cancellation. At June 30, 2011 the Company has repurchased a total of 2,280,000 shares under the plan at a total cost of \$2,285,664. All shares purchased to the June 30, 2011 period were cancelled during the year. During the three month period ended September 30, 2011, the Company repurchased and cancelled a total of 105,000 shares under the plan at a total cost of \$38,135.

The Company's condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and/or generate continued financial support in the form of equity financings. Management feels that sufficient working capital will be obtained from public share offerings to meet the Company's liabilities and commitments as they come due. The audited consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

The recovery of amounts shown as mineral properties and deferred development expenditures is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain adequate financing to

complete development, and upon future profitable operations from the properties or proceeds from the dispositions thereof.

The Company currently has no operations that generate cash flow and its long-term financial success is contingent upon management's ability to locate economically recoverable resources. This process can take many years to complete, cannot be guaranteed of success, and is also subject to factors beyond the control of management. Factors such as commodity prices, the health of the equity markets and the track record and experience of management all impact the Company's ability to raise funds to complete exploration and development programs.

The Company has taken numerous steps to ensure that it will continue to have adequate working capital to fund operations. The Company has set a conservative exploration budget for the upcoming year that will focus on a few key project advancement initiatives. It has reduced its budget for new project evaluation and generation substantially to ensure exploration is focused on advancing primary projects. This has also reduced the need for additional field personnel which will reduce labour costs. As well, the Company has and will continue to actively seek out strategic joint venture partners on certain of its projects to ensure that they will be advanced while at the same time preserving its capital. The Company has also reviewed corporate overhead costs to allow for only essential expenditures.

The Company anticipates that the continued sale of Flow Through shares/warrants should enable it to maintain exploration activities on its mineral properties. However, there can be no assurance that these activities will be sufficient to enable the Company to carry on its planned activities given the current economic climate.

## **CAPITAL MANAGEMENT**

The Company's objectives when managing capital are as follows:

- i) To safeguard the Company's ability to continue as a going concern;
- ii) To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties;
- iii) To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short term working capital requirements, and its planned exploration and development program expenditure requirement. The capital structure of the Company is composed of working capital and shareholders' equity. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

## **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. the recoverability of amounts receivable and prepayments which are included in the condensed consolidated interim statement of financial position;
- ii. the carrying amount and recoverability of exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow 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 costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available;

- iii. the estimated useful lives of property and equipment which are included in the condensed consolidated interim statement of financial position and the related depreciation included in the condensed consolidated interim statement of comprehensive income (loss) for the period ended September 30, 2011;
- iv. the inputs used in accounting for share-based payment expense in the condensed consolidated interim statement of comprehensive loss; and
- v. the provision for income taxes which is included in the condensed consolidated interim statements of comprehensive income (loss) and composition of deferred income tax assets and liabilities included in the condensed consolidated interim statements of financial position at September 30, 2011.

### Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash-generating units; and
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not participated in any off-balance sheet or income statement arrangements.

### **RELATED PARTY TRANSACTIONS**

The transactions entered into by the Company and related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and are detailed in note 10 of the Condensed Consolidated Interim Financial Statements as at September 30, 2011.

During the 2010 fiscal year, the Company received \$13,500 in proceeds for the sale of certain exploration equipment to Rare Earth Metals Inc., a company related by common directorship. In addition, the Company received \$5,277 during fiscal 2011 from Rare Earth Metals Inc. for reimbursement of common office expenses associated with shared premises.

During the 2011 fiscal year, the Company accrued director fees to one of its directors totaling \$12,500 for services rendered on the Company's Audit Committee. The director is to receive \$2,500 per quarter and the accrual included amounts from the previous year. The fees were paid to the director subsequent to the three month period ended September 30, 2011. The Company accrued \$2,500 in director fees during the three month period ended September 30, 2011 and were paid subsequently.

Key management personnel remuneration during the period included \$131,191 (September 30, 2010 - \$139,438) in salaries and benefits and \$nil (September 30, 2010 - \$338,960) in share-based payments.

## CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

### Statement of Compliance and Conversion to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian Securities regulatory authorities.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements to be presented in accordance with IFRS for the year ending June 30, 2012. Previously, the Company prepared its annual and interim financial statements in accordance with GAAP.

### Initial Adoption of IFRS

IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. Following the initial examination the Company plans to apply the following exemptions to its opening balance sheet dated July 1, 2010:

- **Business combinations**  
To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that occurred prior to July 1, 2010.
- **Share-based payment transactions**  
To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- **IAS 27 – Consolidated and separate financial statements**  
To apply IAS 27 Consolidated and Separate Financial Statements prospectively, as the Company has elected to apply IFRS 3 Business Combinations prospectively.
- **Restoration, rehabilitation and environmental obligations**  
The company has elected to apply the exemption from full retrospective application of decommissioning provisions allowed under IFRS 1. As a result, the company has re-measured the provisions at July 1, 2010 under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.
- **IFRIC 4 Determining Whether an Arrangement Contains a Lease**  
The Company has elected to apply the transition provisions of IFRIC 4 Determining Whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date. The Company has no leases.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those made under Canadian GAAP.

With respect to mandatory exceptions to retrospective application, hindsight was not used to create or revise estimates and, accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

As stated in note 2 of the condensed consolidated interim financial statements, these are the Company's first condensed consolidated interim financial statements for the period covered by the first annual financial statements prepared in accordance with IFRS.

The accounting policies in note 2 of the condensed consolidated interim financial statements have been applied in preparing the condensed consolidated interim financial statements for the three months ended September 30, 2011, the comparative information for the three months ended September 30, 2010, the financial statements for the year ended June 30, 2011 and the preparation of an opening IFRS statement of financial position on the Transition Date, July 1, 2010.

In preparing its opening IFRS statement of financial position, comparative information for the three months ended September 30, 2010 and financial statements for the year ended June 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemption for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

**[a] Investments in associates**

IFRS requires that the investor's financial statements to be prepared using uniform accounting policies for like transactions and events in similar circumstances. If an associate uses accounting policies other than those of the investor for like transactions and events in similar circumstances, adjustments shall be made to conform the associate's accounting policies to those of the investor when the associate's financial statements are used by the investor in applying the equity method.

The Company follows the practice of capitalizing all costs related to the acquisition of, exploration for and evaluation of mineral claims and crediting all revenue received against the cost of related claims. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the income statement. This policy differs from that of its associate, Coro Mining Corp. whereby Coro expenses exploration and evaluation costs in the period incurred.

As a result of the adoption of IFRS, the company was required to adjust Coro's profit and loss figure for the purposes of applying the equity method from the period of initial acquisition by the Company of the investment for exploration and evaluation costs that were expensed net of writedowns by Coro that would have otherwise been deferred and capitalized under the Company's accounting policy. The result was a change to both the carrying amount of the equity accounted investment and the net equity gains or losses that were charged to income in each period. In addition, the deferred tax differences that resulted from the change to the carrying amount of the investment were also adjusted in the transition to IFRS.

**[b] Deferred flow through premium**

Under GAAP, the Company, in accounting for flow through funds received, recorded the funds to share capital. IFRS requires that excess to market value upon issuance of flow through common shares be recorded in the statement of loss and comprehensive loss (deferred liability for flow through raised funds at time of issuance of flow through common shares and charged to the statement of loss and comprehensive loss as the necessary expenditures to be renounced under flow through common share agreements are spent). The Company had all flow through funds both expensed and renounced prior to the date of transition and as a result, the only adjustment was made at transition between share capital and deficit.

**[c] Reclassification within equity section**

IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company reviewed its contributed surplus account and concluded that as at the Transition Date, the entire amount of \$9,513,489 relates to "Equity settled employee benefit reserve". As a result, the Company believes a reclassification would be necessary in the equity section between "Contributed surplus" and the "Equity settled employee benefit reserve" account. For comparatives, as at September 30, 2010, the entire "Contributed surplus" account was reclassified into "Equity settle employee

benefit reserve". Additionally, as at June 30, 2011, "Contributed surplus" account was reclassified as "Equity settled employee benefit reserve".

#### Impact of Adopting IFRS on the Company's Business

The adoption of IFRS has resulted in some changes to the Company's accounting systems but largely the impact has been minimal from the perspective of the day to day operations. The greatest changes occurred in the manner and extent of disclosures contained in the Condensed Consolidated Interim Financial Statements. The transition adjustments and related GAAP to IFRS reconciliations are detailed in note 18 of the corresponding Condensed Consolidated Interim Financial Statements for the three months ended September 30, 2011.

The Company's staff and advisors involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies. In addition, the Board of Directors and Audit Committee have been updated regularly throughout the Company's IFRS transition process, and are aware of the key changes affecting the Company as a result of transition to IFRS.

#### Ongoing IFRS Conversion Monitoring

The Company has completed its IFRS conversion process, which included a scoping and planning phase, preparation of detailed assessments of IFRS standards and transition adjustments, and implementing the adjustments and changes within each of the Company's operations. On an ongoing basis, the Company will continue to monitor the preparation of financial information in accordance with IFRS, as well as continue to monitor ongoing changes in the IFRS standards which may impact the Company's reporting in future periods. The International Accounting Standards Board is currently working on several projects which could result in new or revised IFRS standards or IFRIC interpretations that could have an impact on the Company's financial reporting in future periods.

Note 18 to the Condensed Consolidated Interim Financial Statements for the three months ended September 30, 2011 includes further details on the significant transition adjustments between Canadian accounting principles and IFRS, and details on the Company's decisions on first-time adoption exemptions and accounting policies under IFRS are included in note 2 of the Condensed Consolidated Interim Financial Statements.

#### New and Future Accounting Pronouncements

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not early adopted these standards and is currently assessing the impact they will have on the condensed consolidated financial statements.

**IFRS 10, Consolidated Financial Statements:** IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities.

**IFRS 11, Joint Arrangements:** IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities-Non – Monetary Contributions by Venturers.

**IFRS 12, Disclosure of Interests in Other Entities:** IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

**IFRS 13, Fair Value Measurements:** IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

In July 2011, the IASB agreed to defer the effective date of IFRS 9, Financial Instruments from 2013 to 2015. The standard is the first part of a multi-phase project to replace IAS 39, Financial Instruments: Recognition and Measurement.

IAS 28, Investments in Associates and Joint Ventures: IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures. Early application is permitted.

IAS 1 – Presentation of Financial Statements: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted.

## **RISKS AND UNCERTAINTIES**

### Nature of Mineral Exploration and Mining

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to discover, develop, exploit and generate revenue out of mineral deposits. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incidental to exploration and development of mineral properties, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards, such as unusual or unexpected formation, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

### Fluctuating Prices

Factors beyond the control of the Company may affect the marketability of any copper, nickel, gold, platinum or any other minerals discovered. Resource prices have fluctuated widely and are affected by numerous factors beyond the Company's control. The effect of these factors cannot accurately be predicted.

### Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

### Financing Risks

The Company has limited financial resources and no current revenues. There is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests.

### Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required to carry on with activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such laws and regulations. However, such laws and regulations are subject to change. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

### No Assurance of Titles

The acquisition of title to mineral projects is a very detailed and time consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in the name of the Company where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interest of the Company in any of its properties may not be challenged or impugned.

### Environmental Regulations

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploration and mining operations, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

### Conflicts of Interest

The directors and officers of the Company may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interest of the Company. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director is required by the *Business Corporations Act* (Ontario) to disclose the conflict of interest and to abstain from voting on the matter.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### Dependence on Key Personnel

The Company is dependent on a relatively small number of key people, the loss of any of whom could have an adverse effect on its operations. Any key person insurance which the Company may have on these individuals may not adequately compensate for the loss of the value of their services.

The MD&A was reviewed and approved by the Audit Committee and Board of Directors and is effective as of December 21, 2011.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).