# FORM 5

## QUARTERLY LISTING STATEMENT

Name of CNSX Issuer: ARGENTIUM RESOURCES INC. (the "Issuer").

Trading Symbol: AOK

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the CNSX.ca website.

**General Instructions**

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the CNSX Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

**SCHEDULE A: FINANCIAL STATEMENTS**

The Unaudited Interim Condensed Consolidated Financial Statements for the three and six months ended June 30, 2012 (the "Financial Statements") are attached.

## SCHEDULE B: SUPPLEMENTARY INFORMATION

### 1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

**Other than those disclosed in Note 8 to the Unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2012, there are no other related party transactions in the first quarter.**

### 2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

**Please see notes 10 & 11 in the Financial Statements attached. Since September 9, 2011, the date of the Listing Statement (Form 2A) 900,000 commons shares were issued on May 2, 2012. No shares have been issued between May 3 and June 30, 2012.**

### 3. Summary of securities as at the end of the reporting period.

Provide the following information as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions – **unlimited number of common shares (see note 10, unaudited financial statements)**

**(b)** number and recorded value for shares issued and outstanding – **As at June 30, 2012, 46,712,274 shares issued and outstanding, $4,236,836**

**(c)** description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value – **as at June 30, 2012, 575,000 warrants are outstanding. See Note 10 in the Unaudited Condensed Consolidated Financial Statements for the six months ended June 30, 2012 for further details**

**(d)** number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer – **None**

**4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

- Directors:
  - John Moses
    - Chairman of Board,
    - Chairman of Compensation Committee
  - Stephen Knight
    - Chairman of Audit Committee
  - Bohdan Leshchyshen
    - Chairman of Governance Committee
  - Arthur John Carter

- Officers
  - Arthur John Carter – President, Chief Executive Officer
  - Robin Pilkey – Chief Financial Officer
  - Terry Loney – Vice President, Operations
  - Byron Hamilton – Vice President, Mining
  - Scott Joban-Bevans – Vice President, Exploration

## SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

The management's discussion and analysis for the period ended June 30, 2012 is attached hereto as Schedule "C".

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated August 27, 2012

Name of Director or Senior Officer

"John Carter"
Signature

President & CEO
Official Capacity

| | | |
|---|---|---|
| ***Issuer Details***<br>Name of Issuer<br><br>ARGENTIUM RESOURCE SINC. | For Quarter Ended<br>June 30, 2012 | Date of Report<br>YY/MM/D<br>August 27, 2012 |
| Issuer Address<br><br>8 King Street East, 4th Floor, | | |
| City/Province/Postal Code<br><br>Toronto, ON M5C 1B5 | Issuer Fax No.<br>( 888 ) 686-1405 | Issuer Telephone No.<br>( 416 )427-0382 |
| Contact Name<br>JOHN CARTER | Contact Position<br>PRESIDENT & CEO | Contact Telephone No.<br>(905)302-3843 |
| Contact Email Address<br><br>ROBIN_PILKEY@ARGENTIUM RESOURCES.COM | Web Site Address<br>www.argentiumresources.com | |

(an Exploration Stage Company)

# Unaudited Condensed Consolidated Financial Statements

*(Expressed in Canadian Dollars)*

**For the three and six months ended June 30, 2012 and 2011**

## MANAGEMENT'S RESPONSIBILITY FOR INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Argentium Resources Inc. [the "Company"] are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited consolidated interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "*John Carter*"
John carter
President and Chief Executive Officer

(signed) "*Robin Pilkey*"
Robin Pilkey
Chief Financial Officer

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**NOTICE TO READER**

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2012 and 2011 have not been reviewed by the Company's auditors.

**Argentium Resources Inc.**
(an Exploration Stage Company)

**Unaudited Interim Condensed Consolidated Statements of Financial Position**

**(Expressed in Canadian Dollars)**

| | **June 30, 2012** | December 31, 2011 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| ***Current Assets*** | | |
| Cash and cash equivalents *(Note 5)* | **11,635** | 21,792 |
| Trade and other receivables *(Note 6)* | **68,573** | 162,499 |
| Prepaid expenses | **41,824** | 25,922 |
| | **122,032** | 210,213 |
| Mineral Properties *(Note 13)* | **3,030,985** | 3,030,985 |
| | **3,153,017** | 3,241,198 |
| **Liabilities** | | |
| ***Current Liabilities*** | | |
| Trade and other payables *(Note 7)* | **484,034** | 456,642 |
| Related party note payables *(Note 8)* | **-** | 250,000 |
| | **484,034** | 706,642 |
| Debenture payable *(Note 13)* | **1,488,647** | 1,325,958 |
| | **1,972,681** | 2,032,600 |
| **Shareholders' Equity** | | |
| **Capital Stock** *(Note 10)* | **4,236,836** | 3,901,992 |
| **Share Payment Reserves** *(Note 11)* | **452,314** | 151,514 |
| **Deficit** | **(3,508,814)** | (2,844,908) |
| | **1,180,336** | 1,208,598 |
| | **3,153,017** | 3,241,198 |

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 15)

Approved on behalf of the Board on August 27, 2012:

Signed " "
Director

Signed " "
Director

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

**Argentium Resources Inc.**
(an Exploration Stage Company)

**Unaudited Interim Condensed Consolidated**
**Statements of Comprehensive Loss**

**(Expressed in Canadian Dollars)**

| | **Three month ended June 30** | | **Six month ended June 30** | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **$** | $ | **$** | $ |
| **Administrative Expenses** | | | | |
| Management and director fees *(Note 9)* | **23,000** | 269,500 | **47,000** | 391,500 |
| Listing fees | **36,163** | 1,270 | **73,573** | 2,773 |
| Travel and Promotion | **2,724** | 64,313 | **2,724** | 78,456 |
| Consultants *(Note 9)* | **108,450** | - | **193,950** | - |
| Share based compensation *(Note 11)* | **-** | - | **300,800** | - |
| Interest on debenture *(Note 13)* | **81,344** | 81,344 | **162,688** | 162,688 |
| General and administrative | **9,687** | 42,563 | **17,264** | 44,902 |
| Professional fees | **(5,148)** | 115,837 | **33,030** | 174,298 |
| Exploration and evaluation expenditures *(Note 12)* | **67,048** | 12,000 | **82,877** | 20,250 |
| **Net Loss and comprehensive loss for the period** | **323,268** | 586,828 | **913,906** | 874,867 |
| Loss per share - basic and diluted | | | **(0.025)** | (0.020) |
| Weighted average number of shares outstanding – basic and fully diluted | | | **36,052,698** | 42,823,548 |

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

**Argentium Resources Inc.**
(an Exploration Stage Company)
**Unaudited Interim Condensed Consolidated Statements of Changes in Equity**
**(Expressed in Canadian Dollars)**

| | Capital Stock | | Reserves | | |
|---|---|---|---|---|---|
| | **Number of shares** | **Amount** | **Share based payments** | **Accumulated Deficit** | **Total** |
| **Balance at January 1, 2011** | **35,776,421** | **640,610** | **-** | **(401,378)** | **239,232** |
| Shares issued for business acquisition | 4,500,000 | 1,575,000 | - | - | 1,575,000 |
| Private placement | 4,235,701 | 1,482,500 | - | - | 1,482,500 |
| Private placement issue costs | - | (134,444) | - | - | (134,444) |
| Net loss and comprehensive loss for the period | - | - | - | (874,867) | (874,867) |
| **Balance at June 30, 2011** | **44,512,122** | **3,563,666** | **-** | **(1,276,245)** | **2,287,421** |
| Founders shares contribution | - | 39,600 | - | - | 39,600 |
| Reverse acquisition issue *(Note 14)* | 1,300,152 | 464,491 | - | - | 464,491 |
| Allocation of share capital to share based payment *(Note 14)* | - | (143,414) | 143,414 | - | - |
| Acquisition of net monetary assets of Tulox Resources Inc. *(Note 14)* | - | (22,351) | - | - | (22,351) |
| Fair value of Tulox Resources Inc. stock options converted on amalgamation | - | - | 8,100 | - | 8,100 |
| Net loss and comprehensive loss for the period | | | | (1,568,663) | (1,568,663) |
| **Balance at December 31, 2011** | **45,812,274** | **$ 3,901,992** | **$ 151,514** | **$ (2,844,908)** | **$ 1,208,598** |
| Fair value of stock options issued | - | - | 300,800 | - | 300,800 |
| Forgiveness of related party debt *(Note 8)* | - | - | - | 250,000 | 250,000 |
| Private placement | 900,000 | 450,000 | - | - | 450,000 |
| Private placement issue costs | - | (115,156) | - | - | (115,156) |
| Net loss and comprehensive loss for the period | | | - | (913,906) | (913,906) |
| **Balance at June 30, 2012** | **46,712,274** | **$ 4,236,836** | **$ 452,314** | **$ (3,508,814)** | **$ 1,180,336** |

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

**Argentium Resources Inc.**
(an Exploration Stage Company)
**Unaudited Interim Condensed Consolidated Statements of Cash Flows**
**(Expressed in Canadian Dollars)**

| | Six month ended June 30 | |
|---|---|---|
| | **2012** | 2011 |
| **Operating activities** | **$** | $ |
| Net Loss for the period | **(913,906)** | (874,867) |
| Adjustment to reconcile net loss to net cash used by operating activities: | | |
| Share based compensation | **300,800** | - |
| Interest on debenture | **162,688** | 162,688 |
| | **(450,418)** | (712,179) |
| Net Change in non-working capital items: | | |
| Trade and other receivables | **93,927** | 12,016 |
| Prepaid Expense | **(15,902)** | 1,795 |
| Trade and other payables | **27,392** | 65,199 |
| Cash flow used in operating activities | **105,417** | 79,010 |
| **Financing activities** | | |
| Issuance of common shares pursuant to private placements, net of issuance cost paid of $115,156 (2011 - 134,444) *(Note 10)* | **334,844** | 1,348,056 |
| Cash flow from financing activities | **334,844** | 1,348,056 |
| **Investing activities** | | |
| Acquisition of Soilfor shares | **-** | (24,865) |
| Cash flow from investing activities | **-** | (24,865) |
| **Increase (decrease) in cash** | **(10,157)** | 690,022 |
| Cash at beginning of period | **21,792** | 2,883 |
| **Cash at end of period** | **11,635** | 692,905 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Argentium Resources Inc. ("Argentium" or the "Company") was incorporated under the Canada Business Corporations Act on May 12, 2010. The Company's principal business activity is that of a mineral exploration and mining company. The Company has not yet established whether its mineral properties contain reserves that are economically recoverable. The recovery of amounts capitalized as resource properties on the balance sheet is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of the properties, and upon future profitable production or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis, all of which are uncertain.

As at June 30, 2012, the Company had a working capital deficiency of $362,002 (December 31, 2011- $496,429), had not yet achieved profitable operations, has accumulated losses of $3,508,814 (December 31, 2011 - $2,844,908) and expects to incur future losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of interest in mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, unregistered claims, and non-compliance with regulatory and environmental requirements.

Management plans to secure the necessary financing through a combination of the exercise of existing warrants for the purchase of common shares, the issue of new equity or debt instruments and the entering into joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

The Company will require substantial additional funds to further explore and, if warranted, develop its exploration properties. The Company has limited consolidated financial resources and no current source of recurring revenue, and there is no assurance that additional funding will be available to the Company to carry out the completion of its planned exploration activities. 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 the delay or indefinite postponement of further exploration and property development. The terms of any additional financing obtained by the Company could result in substantial dilution to the shareholders of the Company.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

The accounting policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of August 27, 2012, the date the Board of Directors approved the unaudited interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the annual consolidated financial statements for the year ending December 31, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

### 2.2 Basis of presentation and functional and presentation currency

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in the Company's December 31, 2011 annual financial statements. The comparative figures presented in these interim consolidated financial statements are in accordance with IFRS and have not been audited. The condensed consolidated financial statements are presented in Canadian Dollars, which is the functional currency of the Company.

### 2.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2012. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9 *'Financial Instruments: Classification and Measurement'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

## 2. BASIS OF PREPARATION (continued)

### 2.3 Adoption of new and revised standards and interpretations (continued)

- IFRS 12 '*Disclosure of Interests in Other Entities'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

The Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

## 3. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

All of the properties in which the Company currently has an interest are in the exploration stage with no operating revenues; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

There has been significant market turbulence worldwide due to the credit crisis and potential of a global recession. These market conditions have and are expected to continue to have an adverse impact on the ability of junior mining exploration companies to secure equity funding. The Company has historically relied on equity financing to raise capital and expects to be able to continue to do so, but its ability to do so may be impacted by the current global situation and economic uncertainties. Management has considered how these conditions have impacted the Company's viability given its current capital structure and considers that until the outcome of future financing activities is known there is considerable uncertainty about the appropriateness of the use of the going concern basis of accounting.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the company, is reasonable.

There were no changes in the Company's approach to capital management during the six month period ended June 30, 2012. The Company is not subject to externally imposed capital requirements.

## 4. FINANCIAL INSTRUMENTS

### Fair value

The Company has designated its cash and cash equivalents as Fair Value Through Profit or Loss ("FVTPL"), which are measured at fair value. Trade and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables, trade and other payables and due to related parties are determined from transaction values which were derived from observable market inputs.

As at June 30, 2012 the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

**i) Credit risk**
Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the balance sheet.

a. **Cash and cash equivalents** – Cash and cash equivalents are held with major Canadian banks and therefore the risk of loss is minimal.

b. **Trade and other receivables** – The Company is not exposed to significant credit risk as this amount is due from the Canadian government.

**ii) Liquidity risk**
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at June 30, 2012, the Company had a working capital deficiency of $362,002 (December 31, 2011 - $496,429). In order to meet its longer-term working capital and property exploration expenditures, the Company intends on securing further financing to ensure that those obligations are properly discharged. As such, management believes that the Company will then have sufficient working capital to discharge its current and anticipated obligations for a minimum of one year. There can be no assurance that Argentium will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Argentium may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its some or all of its interests and reduce or terminate its operations therein.

(Expressed in Canadian Dollars)

## 4. FINANCIAL INSTRUMENTS (continued)

### iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

#### a. Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

## 5. CASH AND CASH EQUIVALENTS

The balance at June 30, 2012, consists of $11,635 (December 31, 2011 - $21,792) on deposit with a major Canadian bank.

## 6. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from: trade receivables: sales and harmonized services tax ("HST") receivable due from government taxation authorities. These are broken down as follows:

| | As at, June 30, 2012 | As at, December 31, 2011 |
|---|---|---|
| HST receivable | **$ 63,112** | 158,779 |
| Other receivables | **5,461** | 3,720 |
| **Total Trade and Other Receivables** | **68,573** | 162,499 |

At June 30, 2012 the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 4. The Company holds no collateral for any receivable amounts outstanding as at June 30, 2012.

## 7. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

| | As at, June 30, 2012 | As at, December 31, 2011 |
|---|---|---|
| Less than 1 month | **$ 55,523** | $ 191,105 |
| 30 - 60 days | **40,679** | 51,566 |
| 60 – 90 days | **27,846** | 24,982 |
| Over 90 days | **359,986** | 188,989 |
| **Total Trade and Other Payables** | **$ 484,034** | $ 456,642 |

**(Expressed in Canadian Dollars)**

## 8. RELATED PARTY NOTE PAYABLE

The consolidated financial statements include balances with directors and/or officers of the Company. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties and represent fair market value.

These payables are summarized as follows:

| | **June 30, 2012** | December 31, 2011 |
|---|---|---|
| Note payable | **$ -** | $ 250,000 |

The Company issued a promissory note payable for $250,000 in return for the nine claims purchased from John Moses, John Rae and Gilead Mineral Corporation. The promissory note was non-interest bearing, unsecured and repayable in full on October 23, 2011. On April 15, 2012, the note was forgiven by all the parties.

## 9. RELATED PARTY TRANSACTIONS

The consolidated financial statements include balances and transactions with directors and/or officers of the Company. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties and represent fair market value.

These expenditures are summarized as follows:

| | **June 30, 2012** | June 30, 2011 |
|---|---|---|
| Management and director fees | **$ 47,000** | 391,500 |

Included in management fees for the six month period ended June 30, 2012, is $48,000 (June 30, 2011 – $15,000) paid to the Chief Financial officer of the Company, who is paid on a monthly basis for her services to the Company. Included in the June 30, 2011 management and director fees is $85,000 paid for services provided by John Moses, who is a director of the Company.

There are currently four Vice Presidents of the Company who have contracts with the Company that terminates on September 30, 2014 with monthly payments of $28,500. Should the Company terminate these contracts prior to expire date, Vice Presidents are entitled to a three month termination fee.

These expenditures are summarized as follows:

| | **June 30, 2012** | June 30, 2011 |
|---|---|---|
| Consultants | **$ 193,500** | - |

As at June 30, 2012, the trade and other payables balance includes related-party amounts of $71,524 (December 31, 2011 - $15,000) which are payable in the normal course of business.

**(Expressed in Canadian Dollars)**

## 10. CAPITAL STOCK

### (a) Authorized

An unlimited number of common shares.

### (b) Issued

| | No. of Shares | $ |
|---|---|---|
| **Balance at January 1, 2011** | **35,776,421** | **640,610** |
| Issued for cash: | | |
| Private placements for cash | 4,235,701 | 1,482,500 |
| Private placement issue costs | - | (134,444) |
| Shares issued on Soilfor mining claims | 4,500,000 | 1,575,000 |
| Shares issued on Tulox amalgamation *(Note 14)* | 1,300,152 | 442,140 |
| Founder's shares price contribution | - | 39,600 |
| Allocation of share capital to share based payments | - | (143,414) |
| **Balance at December 31, 2011** | **45,812,274** | **$ 3,901,992** |
| Issued for cash: | | |
| Private placements for cash | 900,000 | 450,000 |
| Private placement issue costs | - | (115,156) |
| **Balance at June 30, 2012** | **46,712,274** | **$ 4,236,836** |

On March 8 2011, the Company closed a private placement for aggregate gross proceeds of $1,482,500. The Company issued 4,235,701 common shares at $0.35 per share and paid 8% commissions of $118,600 to its agent and $15,844 in legal fees for net cash proceeds of $1,348,056.

On August 11, 2011, as part of the amalgamation of Tulox Resources Inc. ('Tulox") and Argentium Resources Inc. ("Argentium") to form a new company, Argentium Resources Inc. (the "Company"), whereby shareholders of Tulox received one (1) share of the Company for every six (6) shares of Tulox. At amalgamation date, Tulox had 7,800,911 shares outstanding, which resulted in the issuance of 1,300,152 shares of the Company. These shares had a market value at amalgamation date of $458,894. Legal fees of $65,483 were paid upon closing the transaction

On August 29, 2011, the Founder's added $39,600 of capital to their initial share purchase in order to comply with listing requirements for the CNSX exchange that the stated capital of Founder's Shares be at least a minimum of $0.005 per share.

On May 2, 2012, the Company closed a brokered private placement for aggregate gross proceeds of $450,000. The Company issued 250,000 common shares and 650,000 flow-through common shares at $0.50 per share and paid 8% commissions of $18,000, legal fees of $63,531 and other fees of $33,625, for net cash proceeds of $334,844. As part of the same transaction, 575,000 warrants were issued to which are exercisable into one common share on payment to the Company of $0.75 per share, any time prior to November 1, 2013. As well, the broker received 65,000 options which entitles the holder to purchase one common share at $0.50 per share until October 26, 2013.

**(Expressed in Canadian Dollars)**

## 10. CAPITAL STOCK (continued)

### (c) Stock Options

Upon amalgamation of Tulox and Argentium, the Company acquired a stock option plan ("the Tulox Plan") that had been in effect at Tulox which was used by Tulox as a method of providing incentives as a form of remuneration to its officers, directors, employees and consultants. As per the amalgamation agreement, dated April 8, 2011, this plan was subject to the same 1:6 share exchange as the outstanding common shares. Total options available under this plan amount to 41,677 common shares.

Effective June 22 2012, a new stock option plan ("the Argentium Plan") was approved by the Shareholders of the Company and approved the 1,350,000 stock options had been granted to the current directors and officer at $0.54, expiring on March 5, 2017.

Stock option transactions and the number of stock options outstanding are as follows:

| | | **June 30, 2012** | | | December 31, 2011 | |
|---|---|---|---|---|---|---|
| | | **Weighted Average Exercise Price** | **Number of Options** | | Weighted Average Exercise Price | Number of Options |
| **Outstanding at beginning of period/year** | **$** | **0.60** | **41,667** | | - | - |
| Transactions during the period/year: | | | | | | |
| Granted under the Tulox Plan | | | | | 0.60 | 41,667 |
| Granted under the Argentium Plan | | **0.54** | **1,350,000** | | | |
| **Outstanding at end of period/year** | **$** | **0.54** | **1,391,667** | $ | 0.60 | 41,667 |

## 11. RESERVE FOR SHARE BASED PAYMENTS

A summary of the changes in the Company's reserve for share based payments for the period is set out below:

| | **June 30, 2012** | December 31, 2011 |
|---|---|---|
| | **Amount $** | Amount $ |
| **Balance at beginning of period/year** | **151,514** | - |
| Fair value of Tulox stock options converted upon amalgamation | **-** | 8,100 |
| Allocation of share capital from amalgamation *(Note 14)* | **-** | 143,313 |
| Issuance of 1,350,000 stock options | **300,800** | - |
| **Balance at end of period/year** | **452,314** | 151,514 |

**(Expressed in Canadian Dollars)**

## 12. EVALUATION & EXPLORATION

The evaluation and exploration expenditures for the Company are broken down as follows:

| | **Six months ended June 30** | | **Cumulative to date** |
|---|---|---|---|
| | **2012** | 2011 | |
| | **$** | $ | **$** |
| **Sill Lake, Ontario** | **75,230** | 18,351 | 200,550 |
| **Nye County, Nevada** | **7,647** | 1,899 | 9,546 |
| **Exploration and evaluation expenditures** | **82,877** | 20,250 | 210,096 |

## 13. MINERAL PROPERTIES

**June 30, 2012**

| | **Opening Balance** | Additions | **Closing Balance** |
|---|---|---|---|
| **Sill Lake, Ontario (a)** | **$ 1,431,077** | - | **$ 1,431,077** |
| **Nye County, Nevada (b)** | **1,599,863** | - | **1,599,863** |
| **Mineral Properties** | **$ 3,030,985** | - | **$ 3,030,985** |

**December 31, 2011**

| | Opening Balance | Additions | Closing Balance |
|---|---|---|---|
| **Sill Lake, Ontario (a)** | $ 1,431,077 | $ - | $ 1,431,077 |
| **Nye County, Nevada (b)** | - | 1,599,863 | 1,599,863 |
| **Mineral Properties** | $ 1,431,077 | $ 1,599,863 | $ 3,030,985 |

### (a) Sill Lake Property

The Company is indebted to RX Exploration Inc. for the face amount of $1,901,300, without interest, in connection with a settlement agreement dated on November 30, 2010. The debenture is repayable in full on November 30, 2013. The Company granted to the debenture holder a security interest in the assets comprising the Sill Lake Claims. As well, additional common shares of 146,348 will be issued at market value, bringing the total RX shareholdings to 1,146,348 or 2.5% of the issued and outstanding capital, in satisfaction of the settlement agreement.

Upon issuance of the debenture, the Company estimated its fair value by applying a discount rate of 25% per annum to maturity. The difference between the face value of $1,901,300 and the estimated fair value of $973,466 at issuance is accreted using the interest effective yield method. Interest is expensed over the term of the debenture.

**(Expressed in Canadian Dollars)**

## 13. MINERAL PROPERTIES (continued)

### (a) Sill Lake Property (continued)

| | June 30, 2012 | December 31, 2011 |
|---|---|---|
| **Debenture payable** | **$ 1,488,647** | $ 1,325,958 |
| **Balance at end of period/year** | **$ 1,488,647** | $ 1,325,958 |

### (b) Nye County, Nevada

On February 8, 2011, the Company purchased all of the issued and outstanding shares in Soilfor Resources, Inc., a Florida Corporation owned by Canusa Explorations, Inc., a company controlled by a shareholder of Argentium. Soilfor Resources, Inc. has 12 claims registered in Nye County, Nevada. Argentium issued 4,500,000 common shares and capitalized the acquisition at the fair value of the shares issued of $1,575,000 plus legal costs of $24,863.

## 14. REVERSE ACQUISITION

Argentium signed an Amalgamation and Qualifying Transaction Agreement (the “Amalgamation Agreement”) dated April 8, 2011, with Tulox Resources Inc. (“Tulox”), relating to Tulox’s proposed Qualifying Transaction under the policies of the TSX Venture Exchange Capital Pool Company Program. Pursuant to the Amalgamation Agreement, Tulox would acquire all of the issued and outstanding shares of Argentium in exchange for shares from treasury whereby one pre-existing share of Argentium would be exchanged for one share of Tulox and whereby Tulox Shareholders will exchange six (6) Tulox Share in exchange for one (1) Tulox Shares. Immediately following the share exchange, the two companies would amalgamate and continue as Argentium Resources Inc.

On August 11, 2011, Tulox closed the Qualifying Transaction pursuant to the Canada Business Corporations Act (the “CBCA”) under the terms and conditions set out in the Amalgamation Agreement, and changed its name to Argentium Resources Inc. Pursuant to the Amalgamation Agreement, former holders of pre-amalgamation Tulox common shares and options tendered these instruments in exchange for the equivalent instruments of newly formed Tulox multiplied by an exchange ratio of 0.1667, with a proportionate upward adjustment to the exercise price of the options, with other terms and conditions remaining unchanged from the original issue. On closing of the Qualifying Transaction, Tulox’s shareholders held 1,300,155 common shares of the resulting issuer and pre-amalgamation Argentium shareholders held 44,512,122 common shares of the resulting issuer, essentially effecting what is commonly referred to as a reverse acquisition transaction under IFRS. Accordingly, for accounting purposes Argentium was deemed the acquirer of Tulox although Tulox was the legal acquirer and reporting issuer.

As a result of the transaction, the former shareholders of the original Argentium Resources Inc. owned approximately 97.162% of the amalgamated entity, with the remaining 2.838% being owned by the former shareholders of Tulox.

**(Expressed in Canadian Dollars)**

**14. REVERSE ACQUISITION** (continued)

The value of net monetary assets of Tulox acquired in exchange for all of the issued and outstanding common shares of Argentium is set out as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 7,495 |
| Accounts receivable | | 18,905 |
| Accounts payable | | (48,751) |
| Net monetary liabilities assumed | $ | (22,351) |

In accordance with IFRS 3, Business Combinations, the substance of the transaction was a reverse acquisition of a non-operating company. The transaction does not constitute a business combination since Tulox does not meet the definition of a business under the standard. As a result, under IFRS the transaction is accounted for as a capital transaction with the original Argentium Resources Inc. being identified as the acquirer with the transaction being measured at the fair value of the equity consideration issued to Tulox.

IFRS 2, Share-based Payment applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Since Argentium shareholders have issued shares with a value in excess of the net assets received, IFRS 2 would indicate that the difference is recognized in comprehensive loss as reverse acquisition issue cost.

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the reverse takeover transaction. By reference to the proceeds of the Private Placement common shares completed by Argentium in March 2011, the fair value of each Argentium common share at the time of the Qualifying Transaction was $0.35. Accordingly, the total market capitalization of Argentium, based on 44,512,122 common shares outstanding, was $15,579,242. Thus, the value of the 2.838% of the share capital owned by former owners of Tulox before the reverse takeover was $442,140.

The amount assigned to reverse acquisition issue cost is $464,491, being the difference between the fair value of the consideration ($442,140) being the quoted market value of Tulox on the date of amalgamation and the net identifiable liabilities assumed ($22,351). Under IFRS, this amount is included in the statement of loss and comprehensive loss as listing expense on amalgamation for the year ended December 31, 2011.

| | | |
|---|---|---|
| Fair value of shares issued as consideration | $ | 442,140 |
| Net monetary liabilities assumed | | 22,351 |
| Unidentifiable assets acquired | $ | 464,491 |

**(Expressed in Canadian Dollars)**

## 14. REVERSE ACQUISITION (continued)

The transaction is in accordance with a provision of the CBCA, which requires that the amount attributable to common shares of an amalgamated entity must be equal to the aggregate of the common share balances of the two amalgamated entities immediately prior to the amalgamation, adjusted proportionately for the share exchange ratio. The adjustment to share capital is set out as follows:

| | | |
|---|---|---|
| Value of Argentium common shares prior to Qualifying Transaction | $ | 3,603,266 |
| Value attributed to shares issued on acquisition of Tulox net monetary liabilities assumed | | (22,351) |
| Argentium share value | | 3,580,915 |
| | | |
| Deemed Argentium common share value | | 3,603,266 |
| Deemed Tulox value after application of exchange ratio | | 121,063 |
| Value of common shares in terms of provisions of CBCA | | 3,724,329 |
| | | |
| Allocation of share value to contributed surplus | $ | 143,414 |

## 15. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

## 16. SEGMENTED INFORMATION

### Operating Segments

At June 30, 2012 the Company's operations comprise a single reporting operating segment engaged in mineral exploration in the United States and Canada. The Company's corporate division does not earn revenues and therefore does not meet the definition of an operating segment as defined in **IFRS 8 *'Operating Segments'*.** As the operations comprise a single reporting segment, amounts disclosed in the unaudited interim consolidated financial statements also represent operating segment amounts.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

**(Expressed in Canadian Dollars)**

## 16. SEGMENTED INFORMATION (continued)

### Geographic Segments

Argentium is in the business of mineral exploration and production in Canada and the USA. As such, management has organized the Company's reportable segments by geographic area. The USA segment is responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities and is responsible for the Canadian mineral exploration and production activities. Information concerning Argentium's reportable segments is as follows:

| | **Six months ended June 30, 2012** | Six months ended June 30, 2011 |
|---|---|---|
| **Consolidated net loss** | $ | $ |
| Canada | **906,260** | 872,968 |
| USA | **7,646** | 1,899 |
| | **913,906** | 874,867 |

| | **As at June 30, 2012** | As at December 31, 2011 |
|---|---|---|
| **Identifiable assets** | $ | $ |
| Canada | **1,553,154** | 1,641,335 |
| USA | **1,599,863** | 1,599,863 |
| | **3,153,017** | 3,241,198 |

**ARGENTIUM RESOURCES INC.**
**Management's Discussion and Analysis**
**Period Ended June 30, 2012**
**Dated August 27, 2012**
(Form 51-102F1)

*This Management Discussion and Analysis ("MD&A") is provided for the purpose of reviewing the second quarter period ended June 30, 2012. The MD&A was prepared as of August 27, 2012 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and corresponding notes for the period ending June 30, 2012. The unaudited interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. All monetary amounts are expressed in Canada dollars unless otherwise indicated.*

Additional information related to the Company is available for view on SEDAR at www.sedar.com and at the Company's website located at www.argentiumresources.com

## Management's Assessment of Internal Control Over Financial Reporting ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

As the Company is a CNSX Issuer (as defined under under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109.

## Description of Business

Argentium Resources Inc. (the "Company") is a mineral exploration company focused on the acquisition and exploration of mineral resources, primarily silver, in the Province of Ontario, Canada and the State of Nevada, USA.

The Company is a reporting issuer in the Province of Ontario and its common shares trade on the Canadian National Stock Exchange ("CNSX") under the symbol AOK.

Argentium is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of such properties.

The profitability and operating cash flow of the Company is affected by various factors, including the market price of minerals under exploration, operating costs, interest rates, regulatory and environmental compliance, general and administrative costs, the level of exploration and development expenditures and other discretionary costs. While the Company seeks to manage the level of risk associated with its business, many of the factors affecting these risks are beyond the Company's control.

On April 15, 2012, the Promissory note between the Company and Gilead Mineral Corporation and John Moses and John Rae, was forgiven.

On May 2, 2012, the Company closed a brokered private placement for aggregate gross proceeds of $450,000. The Company issued 250,000 common shares and 650,000 flow-through common shares at $0.50 per share and paid 8% commissions of $18,000, legal fees of $63,531 and other fees of $33,625, for a net cash proceeds of $334,844. As part of the same transaction, 575,000 warrants were issued to which are exercisable into one common share on payment to the Company of $0.75 per share, any time prior to November 1, 2013. As well, the broker received 65,000 options which entitles the holder to purchase one common share at $0.50 per share until October 26, 2013.

The Company has now completed the 3D modeling of the resource, has identified drill targets and prepared a budget for a proposed drill program. Based on this modeling, management feels that the results from the proposed drill program could potentially increase the size of the available resource by a substantial amount. All current data and results from the proposed drill program would used to compile an updated NI 43-101 Report. The timing of the drill program will be dependent on the availability of funds.

## 1.2 Overall Performance

In summary, the Company's financial condition has improved slightly over the past six months ended June 30, 2012. Working capital increased $134,427 from ($496,429) at December 31, 2011 to ($362,002) at June 30, 2012. The increase is mainly attributable to:

(a) forgiveness of loan payable to a related party of $250,000;
(b) net proceeds from sale of 900,000 common shares of $334,844;
(c) collection of outstanding HST refunds of $129,996;
(d) increase in trade payables of $27,392

## 1.3 Selected Annual Information

The following table provides selected financial information and should be read in conjunction with the Company's Interim Condensed Consolidated Financial Statements.

| | Quarter Ended 30-Jun-12 | Year Ended 31-Dec-11 | Year Ended 31-Dec-10 |
|---|---|---|---|
| | $ | $ | $ |
| Revenue | Nil | Nil | Nil |
| Income (loss) for the period | (323,268) | (2,443,530) | (151,378) |
| Net income (loss) for the period | (323,268) | (2,443,530) | (151,378) |
| Net income (loss) per share (1) | (0.025) | (0.056) | (0.014) |
| Total assets | 3,153,017 | 3,241,198 | 1,521,513 |
| Long-term debt | 1,488,647 | 1,325,958 | 1,000,581 |
| Dividends per share | Nil | Nil | Nil |

Notes: (1) basic and diluted

## 1.4 Results of Operations

For the six month periods ended June 30, 2012 and 2011, the Company had no revenue.

Expenses incurred during the period consist of:

i) Management and director fees of $47,000 (2011 - $391,500) primarily for the Chief Financial Officer;

ii) Listing fees of $73,573 (2011 - $2,773), which include listing fees, filing fees and investor relations expenses;

iii) Consultants of $193,950 (2011 - $Nil) which included the fees for the President and CEO, VP Operations, VP Mining and VP Exploration;

iv) Share based compensation of $300,800 (2011 - $Nil) which relates to the issuance of 1,350,000 stock options to Directors and Management on March 6, 2012;

v) Interest on debenture of $162,688 (2011 - $162,688).General and administrative of $17,264 (2011 - $44,902) representing rent, insurance, and office expenses;

vi) Professional fees of $33,030 (2011 $174,298) relates primarily to legal and accounting fees incurred during the period;

vii) exploration and evaluation expenditures of $82,877 (2011 - $20,250); for work done on the Sill Lake, ON and Nye County Nevada claims.

## 1.5 Summary of Quarterly Results

Total assets as at the end of June 30, 2012 were $3,153,017 (June 30, 2011 - $3,788,586) and consisted of cash $11,635 (June 30, 2011 - $692,905), trade and other receivable of $68,573 (June 30, 2011 - $64,697), prepaid expenses of $41,824 (June 30, 2011 - $nil), mineral properties of $3,030,985 (June 30, 2011 - $3,030,985) which represent the value assigned the twelve (12) claims in Nevada acquired through the purchase of Soilfor Inc., a Florida company and the cost of 24 Sill Lake, Ontario unpatented mining claims, representing 88 claim units.

Total current liabilities as at June 30, 2012 were $484,034 (June 30, 2011 - $87,898) consisting primarily of trade payables. The June 30, 2011 balance includes a note payable of $250,000 to related parties which was forgiven by all parties on April 15, 2012.

The Company has a debenture payable of $1,488,647 (June 30, 2011 - $1,163,269) to RX Exploration Inc., for the purchase of 15 Sill Lake, Ontario unpatented mining claims representing 68 claim units.

The Company has no sales and has never earned revenues with the exception of non-material interest revenue. Raising capital through sales of its common shares funds the Company's exploration operations.

**Three months Ended June 30, 2012 Compared to three months Ended June 30, 2011**

*Operating Revenues:* The Company is a mineral exploration company and has no operating revenues.

*Expenses:* Expenses for the three months ended June 30, 2012 were $323,268. These amounts are for expenses for management and consultant fees to operate the company, for fees related with the maintenance of a public company, professional fees, management fees, interest on the RX debenture, as well as general and administrative,

*Net earnings (loss):* The Company incurred a net loss of ($323,268) for the three months ended June 30, 2012. Since the Company had no revenue, the net losses are attributable to the expenses noted above.

**Summary of Quarterly Results to June 30, 2012**

| Description | Jun 30/12 | Mar 31/12 | Dec 31/11 | Sep 30/11 | Jun 30/11 | Mar 31/11 | Dec 31/10 | Sep 30/10 | Jun 30/10 |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Sales/Revenue | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Net Income/Loss | (323,268) | (590,638) | (423,850) | (1,118,847) | (589,828) | (288,038) | (106,221) | (45,147) | Nil |
| Net Income/Loss Per share – Basic & Diluted | (0.012) | (0.013) | (0.010) | (0.026) | (0.017) | (0.007) | (0.010) | (0.026) | Nil |

## 1.6 Liquidity

As at June 30, 2012, the Company had cash and cash equivalents in the amount of $11,635 (December 31, 2011 - $21,792) and current liabilities of $484,034 (December 31, 2011 - $706,642). As at June 30, 2012, the Company has a working capital deficiency of $362,002 (December 31, 2011 - $496,429). As a result, the Company has liquidity risk and is dependent on raising capital.

## 1.7 Capital Resources

For its long term business objectives, the Company will require funds for ongoing exploration work on its Sill Lake Property, to work on any other mineral projects that it acquires, as well as to meet its ongoing day-to-day operating requirements and will have to continue to rely on equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company. The Company does not have any other commitments for material capital expenditures over either the near or long term or none are presently contemplated other than as disclosed above and/or over normal operating requirements.

The Company is not in default of its obligations on any of its mineral properties at this time.

## 1.8 Off-Balance Sheet Arrangements

At August 27, 2012, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## 1.9 Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount. Related party transactions have disclosed in note 10 of the financial statements.

## 1.10 Proposed Transactions

The Company is actively investigating mineral properties with a view toward potentially optioning or purchasing. The Company is primarily interested in properties within the State of Nevada but will also consider mineral properties of merit in other jurisdictions. In the future, the Company will also consider bringing joint venture partners into mineral properties that the Company has previously optioned or purchased.

There are no proposed or pending transactions as of August 27, 2012.

## 1.11 Critical Accounting Estimates and Judgements

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's asset, liabilities, equity or earnings. . Actual results could differ from those estimates.

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to impairment assessments of mineral properties, estimating the fair value of the debenture payable, recoverability of trade and other receivables and the calculation of share based payments. The most significant judgments relate to the use of the going concern assumption in the preparation of the financial statements, recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

## 1.12 Going Concern

The Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, it does not give effect to adjustments, if any, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the Financial Statements.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, unregistered claims, and non-compliance with regulatory and environmental requirements. Management plans to secure the necessary financing through a combination of the issue of new equity or debt instruments and the entering into joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

The Company will require substantial additional funds to further explore and, if warranted, develop its exploration properties. The Company has limited consolidated financial resources and no current source of recurring revenue, and there is no assurance that additional funding will be available to the Company to carry out the completion of its planned exploration activities. 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 favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and property development. The terms of any additional financing obtained by the Company could result in substantial dilution to the shareholders of the Company.

## 1.13 Changes in Accounting Policies including Initial Adoption

### International Financial Reporting Standards ("IFRS")

The Company's unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and accounting policies the Company adopted in accordance with International Financial Reporting Standards (IFRS).

The Company's unaudited interim condensed consolidated financial statements should be read in conjunction with its 2011 annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

### Basis of Preparation

The financial statements are presented in Canadian dollars.

The financial statements are prepared on the historical cost basis except historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value,

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2011. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9 *'Financial Instruments: Classification and Measurement'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

The Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company

**Principles of Consolidation**

a) Subsidiaries

All entities, in which the Company has a controlling interest, specifically when it has the power to direct the financial and operational policies of these companies to obtain benefit from their operations, are fully consolidated.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Soilfor, Inc.

b) Transactions eliminated on consolidation

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

**Mineral Properties**

Exploration and evaluation activities (IFRS 6)

All direct expenditures related to the acquisition continue to be capitalized, while exploration and evaluation costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property will be capitalized. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base. All initial acquisition costs relating to the properties are capitalized with regular impairment analysis conducted to assess the viability of each property

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

**Investments**

Financial instruments at fair value through profit or loss ("FVTPL") are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the income statement. Where the Company has the positive intent and ability to hold reclamation bonds to maturity, they are stated at amortized cost less impairment losses.

Other financial instruments held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly under other comprehensive income, except for impairment losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss. The fair value of financial instruments classified as FVTPL and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as FVTPL or available-for-sale investments are recognized or derecognized by the Company on the date it commits to purchase or sell the investments respectively. Securities held-to-maturity are recognized or derecognized on the day they are transferred to or by the Company respectively.

Impairment losses for the different financial assets and liabilities are recognized as follows:

*FVTPL:* An impairment loss on a financial asset or financial liability classified as held for trading is recognized in net income in the period in which it arises.

*Available-for-sale financial assets:* When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is transferred to profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

*Held-to-maturity securities:* The recoverable amount of the Company's investments in held-to-maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). An impairment loss is recognized in net income and through the amortization process. Effective interest method: The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognized on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

The Company's financial instruments measured at fair value on the balance sheet consist of cash, reclamation bonds, accounts payable and accrued liabilities, restoration liabilities and promissory notes payable. Cash is measured at level 1 of the fair value hierarchy. The Company does not have any financial instruments at level 2 or 3 of the fair value hierarchy. The three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

**Cash and Cash Equivalents**

The "cash" category consists of cash in banks.

**Debenture payable and Other Borrowings**

Interest-bearing loans and other borrowings are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

**Provisions**

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Trade and Other Payables**

Trade and other payables are stated at cost.

**Share-based Compensation**

Employees (including directors and senior executives) of the Company will sometimes receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

***Equity settled transactions***

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

**Loss Per Share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the six months ended June 30, 2012 and 2011 all the outstanding stock options and warrants were anti-dilutive.

**Consolidated Balance Sheet**

Assets and liabilities expected to be realized in, or intended for sale or consumption in, the entity's normal operating cycle, usually equal to 12 months, are recorded as current assets or liabilities.

**Consolidated Statement of Cash Flows**

The Company prepares its consolidated statement of cash flows using the indirect method.

**1.15(b)(i) Additional Disclosure for Venture Issuers Without Significant Revenue**

Additional disclosure concerning the Company's: (a) capitalized or expensed exploration and development costs; (b) expensed research and development costs; (c) deferred development costs; (d) general and administrative expenses; and (e) any material costs, deferred or expenses, not already referred to in (a) through (d), is provided in the Company's Consolidated Statement of Comprehensive Income (Loss) contained in its unaudited Interim Condensed Consolidated Financial Statements for the period ended June 30, 2012, which can be accessed on SEDAR under the Company's profile page at www.sedar.com.

**1.15(b)(ii) Disclosure of Outstanding Share Data**

The Company's authorized share capital consists of unlimited common shares without par value.

Issued and outstanding: June 30, 2012 – 46,712,277;
Issued and outstanding: August 27, 2012 (date of this report) – 46,712,277

Warrants outstanding: June 30, 2012– 575,000
Warrants outstanding: August 27, 2012 – 575,000

Options outstanding: June 30, 2012 – 1,391,667
Options outstanding: August 27, 2012 – 1,391,667

**Dividend Policy**

No dividends have been paid on any shares of the Corporation since the date of its incorporation, and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

**Controls and Procedures**

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures, for the nature and size of the entity, are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, is made known to the Company's certifying officers. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that these controls and procedures are effective, for the nature and size of the entity, in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

**Litigation**

There is no litigation pending, nor does management have knowledge of any potential litigation.

**Risks Associated with Exploration and Mining Operations**

The exploration of mineral properties involves a high degree of risk which cannot be avoided despite the experience, knowledge and careful evaluation of prospective properties by management. There can be no assurance commercial quantities of ore will be discovered on the Corporation's mineral properties. Even if such commercial quantities are subsequently discovered by the Corporation's exploration efforts, there can be no assurance such properties can be brought in to commercial production. Operations may be subject to disruption due to weather conditions, labour unrest or other causes beyond the control of the Corporation. Hazards such as unexpected formations, pressures, flooding, or other conditions over which the Corporation does not have control may be encountered and may adversely affect the Corporation's operations and financial results.

## Environmental Risks

Environmental legislation is continuing to evolve such as will require strict standards and enforcement, increased fines and penalties for non-compliance, more stringent assessment of proposed projects and a greater degree of corporate responsibility. There can be no assurance that future changes to environmental legislation may not adversely affect the Corporation's operations.

## Mineral Market

The market for minerals is subject to factors beyond the Corporation's control, such as market price fluctuation, currency fluctuation and government regulation. The effect of such factors cannot be accurately calculated. The existence of any or all such factors may restrict the access to a market, if same exists, for the sale of commercial ore which may be discovered.

## Funding Requirements

In order to move forward with its exploration activities, the Corporation may require additional funding. There can be no guarantee that such funds will be available as and when required or, if available, be accessible on reasonable commercial terms.

## Reliance on Management

The Corporation anticipates that it will be heavily reliant upon the experience and expertise of management with respect to the further development of the mineral properties. The loss of any one of their services or their inability to devote the time required to effectively manage the affairs of the Corporation could materially adversely affect the Corporation.

## Auditors, Transfer Agent and Registrar

The auditors of the Corporation are Parker Simone LLP, Chartered Accountants of Mississauga, Ontario. The Transfer Agent and Registrar for the Common Shares of the Corporation is Computershare of Vancouver, British Columbia.

## Forward Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's internal projections, expectations, future growth, performance and business prospects and opportunities and are based on information currently available to the Company. Since they relate to the Company's current views with respect to future events, they are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.