



PARAGON MINERALS CORPORATION

INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended June 30, 2011

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

PARAGON MINERALS CORPORATION

BALANCE SHEETS

(Unaudited – Prepared by Management)

	June 30, 2011	September 30, 2010
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	\$ 1,895,737	\$ 318,693
Amounts receivable	57,759	20,068
Marketable securities (Note 5)	42,000	206,890
Prepaid expenses and deposits	27,263	82,709
	2,022,759	628,360
Equipment (Note 4)	16,601	19,135
Mineral properties (Note 6)	10,503,146	9,096,795
	\$ 12,542,506	\$ 9,744,290
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 261,522	\$ 95,370
Shareholders' equity		
Accumulated comprehensive loss		
Deficit	(6,927,431)	(6,472,164)
Accumulated other comprehensive loss (Note 8)	(4,900)	(53,548)
	(6,932,331)	(6,525,712)
Share capital (Note 7)	17,562,886	14,696,513
Contributed surplus (Note 7)	1,650,429	1,478,119
	12,280,984	9,648,920
	\$ 12,542,506	\$ 9,744,290

Nature and continuance of operations (Note 1)

Subsequent event (Note 12)

Approved by the Board of Directors:

Michael J. Vande Guchte

Michael J. Vande Guchte
Director

Kenneth R. Yurichuk

Kenneth R. Yurichuk
Director

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

PARAGON MINERALS CORPORATION

STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited – Prepared by Management)

	For the three months ended		For the nine months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Expenses				
Amortization	\$ 1,555	\$ 2,438	\$ 4,664	\$ 7,313
Investor relations	23,063	4,450	69,584	16,647
Office and miscellaneous	17,645	17,842	60,555	49,604
Part XII.6 flow-through tax	-	-	4,327	-
Professional fees	38,222	24,243	63,973	50,889
Salaries and benefits	42,568	39,307	124,768	124,077
Shareholder information	19,139	25,985	22,239	37,070
Stock-based compensation	23,854	32,921	86,380	108,657
Transfer agent and filing fees	1,653	1,165	23,074	16,378
Travel and accommodation	3,945	4,719	24,095	9,463
Loss before other items	(171,644)	(153,070)	(483,659)	(420,098)
OTHER ITEMS				
Interest income	5,917	-	15,316	199
Other income	-	-	-	476
Gain (loss) on sale of marketable securities	-	-	82,464	(121,328)
Write-off of mineral properties	-	-	(69,388)	-
	5,917	-	28,392	(120,653)
Net loss for the period	(165,727)	(153,070)	(455,267)	(540,751)
Deficit, beginning of the period	(6,761,704)	(4,970,604)	(6,472,164)	(4,582,923)
Deficit, end of the period	\$ (6,927,431)	\$ (5,123,674)	\$ (6,927,431)	\$ (5,123,674)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	52,939,254	32,936,467	48,218,683	30,597,268

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

PARAGON MINERALS CORPORATION
STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)

	For the three months ended		For the nine months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Net loss for the period	\$ (165,727)	\$ (153,070)	\$ (455,267)	\$ (540,751)
Other comprehensive income (loss)				
Unrealized gain (loss) on marketable securities	(15,000)	(74,085)	131,112	(209,263)
Realized loss (gain) on sale of marketable securities	-	-	(82,464)	121,328
	(15,000)	(74,085)	48,648	(87,935)
Comprehensive loss for the period	\$ (180,727)	\$ (227,155)	\$ (406,619)	\$ (628,686)

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

PARAGON MINERALS CORPORATION

STATEMENTS OF CASH FLOWS

(Unaudited – Prepared by Management)

	For the three months ended June 30,		For the nine months ended June 30,	
	2011	2010	2011	2010
OPERATING ACTIVITIES				
Net loss for the period	\$ (165,727)	\$ (153,070)	\$ (455,267)	\$ (540,751)
Items not involving cash:				
Amortization	1,555	2,438	4,664	7,313
Loss (gain) on sale of marketable securities	-	-	(82,464)	121,328
Stock-based compensation	23,854	32,921	86,380	108,657
Write-off of mineral properties	-	-	69,388	-
Changes in non-cash working capital items				
Amounts receivable	51,999	34,376	(37,691)	(17,062)
Prepaid expenses and deposits	46,011	(3,128)	55,446	(78,841)
Accounts payable and accrued liabilities	(1,622)	6,653	(11,184)	802
	(43,930)	(79,810)	(370,728)	(398,554)
INVESTING ACTIVITIES				
Mineral properties	(499,316)	(352,232)	(1,264,853)	(698,372)
Purchase of equipment	-	-	(2,130)	-
Proceeds from sale of marketable securities	-	-	311,002	397,142
	(499,316)	(352,232)	(955,981)	(301,230)
FINANCING ACTIVITIES				
Common shares issued for cash	-	-	3,119,401	1,000,028
Share issuance costs	-	-	(215,648)	(109,433)
	-	-	2,903,753	890,595
Change in cash and equivalents during the period	(543,246)	(432,042)	1,577,044	190,811
Cash and cash equivalents, beginning of period	2,438,983	1,013,211	318,693	390,358
Cash and cash equivalents, end of period	\$ 1,895,737	\$ 581,169	\$ 1,895,737	\$ 581,169

Supplemental disclosures with respect to cash flows (Note 9)

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

PARAGON MINERALS CORPORATION

SCHEDULE OF MINERAL PROPERTIES

(Unaudited – Prepared by Management)

	Balance, September 30, 2009	Gross Expenditure/ (Recoveries)	Write-offs	Balance, September 30, 2010	Gross Expenditures/ (Recoveries)	Write-offs	Balance, June 30, 2011
GOLD PROPERTIES							
JBP Linear							
Plan of arrangement acquisition costs (1)	\$ 1,625,276	\$ -	\$ -	\$ 1,625,276	\$ -	\$ -	\$ 1,625,276
Option payments (2)	48,858	15,000	-	63,858	15,000	-	78,858
Exploration costs							
Geological and geochemical	320,837	22,336	-	343,173	61,900	-	405,073
Drilling	580,230	1,300	-	581,530	1,499	-	583,029
Geophysical	96,320	-	-	96,320	137,196	-	233,516
Travel	2,386	-	-	2,386	-	-	2,386
Other	7,375	-	-	7,375	-	-	7,375
Stock-based compensation	100,163	-	-	100,163	-	-	100,163
	2,781,445	38,636	-	2,820,081	215,595	-	3,035,676
Recoveries (3)	(368,620)	-	-	(368,620)	-	-	(368,620)
Project management fees	(34,500)	-	-	(34,500)	-	-	(34,500)
Option payments received	(6,250)	-	-	(6,250)	-	-	(6,250)
	2,372,075	38,636	-	2,410,711	215,595	-	2,626,306
Golden Promise JV							
Plan of arrangement acquisition costs (1)	374,829	-	-	374,829	-	-	374,829
Option payments (2)	55,000	-	-	55,000	-	-	55,000
Exploration costs							
Geological and geochemical	67,889	-	-	67,889	-	-	67,889
Drilling	707,451	-	-	707,451	-	-	707,451
Travel	8,789	-	-	8,789	-	-	8,789
Other	24,775	-	-	24,775	-	-	24,775
Stock-based compensation	57,624	-	-	57,624	-	-	57,624
	1,296,357	-	-	1,296,357	-	-	1,296,357
Recoveries (3)	(859,444)	-	-	(859,444)	-	-	(859,444)
Project management fees	(52,919)	-	-	(52,919)	-	-	(52,919)
Option payments received	(383,994)	-	-	(383,994)	-	-	(383,994)
	-	-	-	-	-	-	-
Gold Star Property							
Option payments (2)	-	31,600	-	31,600	29,800	-	61,400
Exploration costs							
Geological and geochemical	-	93,618	-	93,618	122,936	-	216,554
Staking and maintenance	-	10,060	-	10,060	-	-	10,060
Travel	-	2,697	-	2,697	2,887	-	5,584
	-	137,975	-	137,975	155,623	-	293,598

-Continued-

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

PARAGON MINERALS CORPORATION

SCHEDULE OF MINERAL PROPERTIES (continued)

(Unaudited – Prepared by Management)

	Balance, September 30, 2009	Gross Expenditure/ (Recoveries)	Write-offs	Balance, September 30, 2010	Gross Expenditures/ (Recoveries)	Write-offs	Balance, June 30, 2011
GOLD PROPERTIES (cont'd...)							
Other Gold Properties							
Plan of arrangement acquisition costs (1)	\$ 747,699	\$ -	\$ (609,958)	\$ 137,741	\$ -	\$ -	\$ 137,741
Option payments (2)	173,869	-	(18,333)	155,536	-	-	155,536
Exploration costs							
Geological and geochemical	258,005	8,259	(6,911)	259,353	2,144	(65,230)	196,267
Drilling	707,587	4,100	-	711,687	-	-	711,687
Geophysical	435	-	-	435	242	(242)	435
Travel	7,878	-	-	7,878	-	(1,215)	6,663
Other	17,729	1,920	(7,950)	11,699	-	-	11,699
Stock-based compensation	74,675	-	-	74,675	-	(2,701)	71,974
	1,987,877	14,279	(643,152)	1,359,004	2,386	(69,388)	1,292,002
Recoveries (3)	(1,005,058)	-	-	(1,005,058)	-	-	(1,005,058)
Project management fees	(61,652)	-	-	(61,652)	-	-	(61,652)
Option payments received	(40,400)	(22,750)	-	(63,150)	(30,000)	-	(93,150)
	880,767	(8,471)	(643,152)	229,144	(27,614)	(69,388)	132,142
BASE METAL PROPERTIES							
South Tally Pond							
Plan of arrangement acquisition costs (1)	110,947	-	-	110,947	-	-	110,947
Option payments (2)	518,350	-	-	518,350	-	-	518,350
Exploration costs							
Geological and geochemical	809,973	164,730	-	974,703	74,497	-	1,049,200
Drilling	1,875,539	458,792	-	2,334,331	783,747	-	3,118,078
Geophysical	419,702	62,525	-	482,227	266,419	-	748,646
Travel	10,694	-	-	10,694	2,496	-	13,190
Other	17,697	5,525	-	23,222	2,075	-	25,297
Stock-based compensation	180,224	-	-	180,224	-	-	180,224
	3,943,126	691,572	-	4,634,698	1,129,234	-	5,763,932
Recoveries (3)	(37,779)	-	-	(37,779)	(100,000)	-	(137,779)
	3,905,347	691,572	-	4,596,919	1,029,234	-	5,626,153

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

PARAGON MINERALS CORPORATION

SCHEDULE OF MINERAL PROPERTIES (continued)

(Unaudited – Prepared by Management)

	Balance, September 30, 2009	Gross Expenditures /(Recoveries)	Write-offs	Balance, September 30, 2010	Gross Expenditures/ (Recoveries)	Write-offs	Balance, June 30, 2011
BASE METAL PROPERTIES (cont'd...)							
Lake Douglas							
Plan of arrangement acquisition costs (1)	\$ 267,720	\$ -	\$ -	\$ 267,720	\$ -	\$ -	\$ 267,720
Option payments (2)	243,500	65,000	-	308,500	88,250	-	396,750
Exploration costs							
Geological and geochemical	408,449	15,680	-	424,129	4,941	-	429,070
Drilling	322,390	-	-	322,390	-	-	322,390
Geophysical	193,281	-	-	193,281	-	-	193,281
Travel	2,549	-	-	2,549	-	-	2,549
Other	750	5,975	-	6,725	725	-	7,450
Stock-based compensation	114,572	-	-	114,572	-	-	114,572
	1,553,211	86,655	-	1,639,866	93,916	-	1,733,782
Recoveries (3)	(141,773)	-	-	(141,773)	-	-	(141,773)
	1,411,438	86,655	-	1,498,093	93,916	-	1,592,009
Other Base Metal properties							
Plan of arrangement acquisition costs (1)	905,059	-	(788,194)	116,865	-	-	116,865
Option payments (2)	19,720	-	(19,520)	200	8,385	-	8,585
Exploration costs							
Geological and geochemical	64,711	8,362	(5,517)	67,556	-	-	67,556
Drilling	3,614	81,035	150	84,799	-	-	84,799
Geophysical	81,199	-	-	81,199	-	-	81,199
Travel	574	-	-	574	-	-	574
Other	19,995	-	(19,995)	-	4,850	-	4,850
Stock-based compensation	8,252	-	-	8,252	-	-	8,252
	1,103,124	89,397	(833,076)	359,445	4,850	-	372,680
Recoveries (3)	(45,111)	(87,946)	9,797	(123,260)	(4,250)	-	(127,510)
Project management fees	(8,102)	(4,130)	-	(12,232)	-	-	(12,232)
	1,049,911	(2,679)	(823,279)	223,953	8,985	-	232,938
	\$ 9,619,538	\$ 943,688	\$(1,466,431)	\$ 9,096,795	\$ 1,475,739	\$ (69,388)	\$10,503,146

1. Properties acquired pursuant to the Rubicon Plan of Arrangement were valued at their carrying amounts on Rubicon's books, which consisted of historical acquisition and exploration expenditures.
2. Option payments include cash, share payments, and advanced royalty payments made pursuant to various property agreements.
3. Recoveries represent exploration and acquisition costs funded by partners, exploration grants received and option payments received.

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

PARAGON MINERALS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2011
(Unaudited – Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated in Canada under the Canada Business Corporations Act on July 4, 2006 and is in the business of acquiring and exploring mineral property interests in Canada. The Company was incorporated to be the recipient of the Newfoundland portfolio of mineral exploration properties previously owned by Rubicon Minerals Corporation (“Rubicon”) as part of Rubicon’s re-organization under a Plan of Arrangement. The Plan of Arrangement became effective on December 8, 2006.

Pursuant to the Rubicon Plan of Arrangement, the Company received all of Rubicon’s Newfoundland mineral properties and Newfoundland office equipment in exchange for 12,801,768 common shares of the Company, which were distributed to the Rubicon shareholders of record at that time. The Company also accepted the obligation to issue shares upon the exercise of stock options and warrants issued under the Plan of Arrangement. These options and warrants represent the portion of the value of Rubicon options and warrants outstanding at the completion of the plan of arrangement attributable to the spun-out Newfoundland assets.

At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its Canadian properties and the ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property. The Company is in the exploration stage.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and has an accumulated operating deficit of \$6,927,431 at June 30, 2011. The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate equity financing to fund its exploration and administrative expenses. The financial statements do not include any adjustments to the recoverability and classification of reduced asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations. These adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited interim financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in the notes to the annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the audited financial statements for the year ended September 30, 2010 together with the notes thereto. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended September 30, 2010 except as disclosed below.

Comparative figures

Certain comparative figures have been reclassified to conform to the current period’s presentation.

Future accounting changes

Convergence to International Financial Reporting Standards (“IFRS”)

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition date of October 1, 2011 will require the restatement, in the financial statement for the year ended September 30, 2012, of amounts reported by the Company for the year ended September 30, 2011, as such comparative information will also be prepared under IFRS. The Company is currently evaluating the impact that this new

PARAGON MINERALS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2011
(Unaudited – Prepared by Management)

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

standard may have on the financial statements of the Company. The IFRS changeover plan is discussed in its Management Discussion and Analysis for the nine month period ended June 30, 2011.

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which replace CICA Handbook Sections 1581, Business Combinations, and Section 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning October 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

3. CASH AND CASH EQUIVALENTS

	June 30, 2011	September 30, 2010
Cash	\$ 77,079	\$ 41,802
Redeemable term deposit	1,354,857	-
Bankers acceptances with under 3 month maturity	-	276,891
Money market instruments	463,801	-
	\$ 1,895,737	\$ 318,693

4. EQUIPMENT

The Company's equipment is summarized as follows:

			June 30, 2011	September 30, 2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and office equipment	\$ 5,186	\$ 2,679	\$ 2,507	\$ 2,950
Computer equipment	57,945	45,852	12,093	13,165
Software	23,102	21,101	2,001	3,020
	\$ 86,233	\$ 69,632	\$ 16,601	\$ 19,135

5. MARKETABLE SECURITIES

The Company's marketable securities are summarized as follows:

	June 30, 2011		September 30, 2010	
	Fair Value	Cost	Fair Value	Cost
Common shares in public companies	\$ 42,000	\$ 46,900	\$ 206,890	\$ 260,438

The fair values of marketable securities have been determined from the quoted market value of the shares on the exchange where they are listed, as of the end of the period. A change in market value of its marketable securities is included as a component of other comprehensive income.

PARAGON MINERALS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 2011

(Unaudited – Prepared by Management)

6. MINERAL PROPERTIES

With the exception of the following properties, there were no changes in the mineral property interests and commitments of the Company during the nine month period ended June 30, 2011.

Gold Star Property

The Company has an option to acquire a 100% interest in certain mineral claims located in northwestern Ontario, subject to a 1.5% net smelter royalty (“NSR”). During the first quarter of fiscal 2011, the Company paid \$12,000 and issued 40,000 shares with a value of \$8,600 pursuant to the option agreement.

On September 7, 2010, the Company signed a letter agreement to acquire a 100% interest in one mineral claim, the Sturgeon Supreme Option, which is contiguous with and forms part of the Gold Star Property. To earn its interest, the Company is required to make cash payments of \$52,500 and issue 110,000 common shares of the Company to the property vendor over four years. During the first quarter of fiscal 2011, the Company paid \$7,500 and issued 10,000 shares with a value of \$1,700 upon approval of the TSX Venture Exchange obtained on October 1, 2010. The property is subject to a 2% NSR, of which 50% can be purchased by the Company for \$1,000,000.

Other Gold Properties

Huxter Lane Property

During the second quarter of fiscal 2011, the Company received option payments of \$15,000 and 100,000 common shares of Golden Dory Resources Corp. (“Golden Dory”) pursuant to the option agreement signed on February 25, 2009 with Golden Dory.

Maritec Property

During the second quarter of fiscal 2011 the Company allowed the 100% owned claims to lapse and accordingly, wrote off the deferred costs of \$69,388. The property was located in the Baie Verte area of Newfoundland.

Glenwood Property

The Glenwood Property claims, located near Gander, Newfoundland were considered non-core to the Company and allowed to lapse in April 2011. The costs associated with these claims will be written off the in the fourth quarter.

Lake Douglas Property

Under the terms of the 2006 Plan of Arrangement the Company acquired an option to earn a 100% interest in the Lake Douglas property, subject to a 2% NSR. During the second quarter of fiscal 2011, the Company paid \$50,000 and issued 150,000 shares with a value of \$38,250 pursuant to the option agreement.

Other Base Metal Properties

Seal Bay Property

On February 7, 2011, the Company entered into an agreement to acquire a 100% interest in certain mineral claims located in Newfoundland. To earn its interest, the Company is required to make cash payments of \$122,500 and issue 230,000 common shares of the Company to the property vendor over a four year period as follows:

- Pay \$7,500 (paid) and issue 5,000 shares (paid \$885 in lieu of shares) on TSX-V approval (April 5, 2011);
- Pay \$10,000, and issue 15,000 shares on or before February 7, 2012;
- Pay \$20,000, and issue 30,000 shares on or before February 7, 2013;
- Pay \$35,000 and issue 60,000 shares on or before February 7, 2014;
- Pay \$50,000 and issue 120,000 shares on or before February 7, 2015.

PARAGON MINERALS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2011
(Unaudited – Prepared by Management)

6. MINERAL PROPERTIES *(continued)*

The Company has the option to pay cash in lieu of issuing shares. The cash equivalent value will be deemed at the 10 day average closing price prior to each anniversary date, and subject to a \$1.50 maximum.

The property vendor will retain a 2% NSR, of which 50% can be purchased by the Company at any time for \$1,000,000 and have a right of first refusal on the remaining 1%.

The Company is also required to make annual advance royalty payments of \$5,000 on February 7 of each year, starting 2018. The advance royalty payments shall be deductible from future NSR.

Winterhill Property

On May 15, 2009, the Company entered into an option agreement with Golden Touch Resources Corp. (formerly GFE Capital Corp.) (“Golden Touch”) whereby Golden Touch may earn a 70% interest in the property by funding \$700,000 in exploration expenditures over a four-year period (\$100,000 incurred) and making cash payments of \$60,000 to the Company.

On May 30, 2011, Golden Touch notified the Company that it would not proceed with the option agreement. The Company retains a 100% interest in the property.

7. SHARE CAPITAL

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited number of common shares without par value			
Issued			
Balance, September 30, 2009	26,040,079	\$ 14,058,649	\$ 1,319,391
Flow-through private placement	5,333,330	800,000	-
Non-flow-through private placement	1,428,772	200,028	-
Acquisition of mineral properties	140,000	21,600	-
Share issuance costs	-	(152,764)	39,210
Stock-based compensation	-	-	119,518
Future income taxes related to flow-through share renunciation	-	(231,000)	-
Balance, September 30, 2010	32,942,181	14,696,513	1,478,119
Flow-through private placement	11,449,240	1,946,371	-
Non-flow-through private placement	7,914,500	1,108,030	-
Acquisition of mineral properties	200,000	48,550	-
Exercise of agent’s options	433,333	104,210	(39,210)
Share issuance costs	-	(340,788)	125,140
Stock-based compensation	-	-	86,380
Balance, June 30, 2011	52,939,254	\$ 17,562,886	\$ 1,650,429

PARAGON MINERALS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2011
(Unaudited – Prepared by Management)

7. SHARE CAPITAL (continued)

Share issuance

During the nine month period ended June 30, 2011, the Company:

- a) Issued 50,000 common shares pursuant to Gold Star mineral property agreements with a total value of \$10,300.
- b) Issued 150,000 common shares pursuant to Lake Douglas mineral property agreements with a total value of \$38,250.
- c) Completed a non-brokered private placement of 7,914,500 non-flow-through units at a price of \$0.14 per unit and 11,449,240 flow-through common shares at a price of \$0.17 per share for gross proceeds of \$3,054,401. Each non-flow-through unit is comprised of one non-flow-through common share and one share purchase warrant; each share purchase warrant entitles the holder to acquire one additional non-flow-through share at a price of \$0.20 until December 3, 2012. The Company paid a finder's fee of \$162,095 and issued 1,003,553 finder's warrants. The finder's warrants have the same terms as the warrants issued under the private placement. The finder's warrants were valued at \$125,140 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.63%, an expected life of 2 year, annualized volatility of 123.45% and a dividend rate of 0%).
- d) Issued 433,333 common shares at \$0.15 per share from the exercise of agent options for gross proceeds of \$65,000. Accordingly, \$39,210 was transferred from contributed surplus to capital stock.

Stock Options

The Company has amended its incentive stock option plan under which it is authorized to grant options to directors, officers, employees and consultants of the Company enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option shall not be less than the market price of the Company's shares immediately preceding the day of the grant, less a discount permitted under the TSX Venture Exchange policies. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2009	1,840,932	\$ 0.64
Options granted	1,310,000	0.15
Expired/cancelled	(439,266)	0.52
Balance, September 30, 2010	2,711,666	0.42
Options granted	555,000	0.20
Expired/cancelled	(398,333)	0.40
Balance, June 30, 2011	2,868,333	\$ 0.38
Exercisable at June 30, 2011	2,542,003	\$ 0.41
Weighted average fair value of options granted during the period		\$0.15 (2010 - \$0.11)

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NOTES TO THE FINANCIAL STATEMENTS
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(Unaudited – Prepared by Management)

7. SHARE CAPITAL *(continued)*

As at June 30, 2011, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
820,000	\$ 0.70	March 1, 2012
365,000	0.61	February 5, 2013
75,000	0.30	June 3, 2013
3,333	0.67	October 20, 2013
1,050,000	0.16	December 30, 2014
200,000	0.22	December 7, 2015
50,000	0.25	January 4, 2016
105,000	0.175	February 1, 2016
200,000	0.19	February 25, 2016
2,868,333		

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions during the nine months ended June 30:

	2011	2010
Risk-free interest rate	1.96%	1.87%
Expected life	3 years	3 years
Expected volatility	124.86%	119.79%
Expected dividend yield	0%	0%

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2009	695,607	\$ 1.05
Warrants granted	4,095,435	0.22
Warrants expired	<u>(695,607)</u>	1.05
Balance, September 30, 2010	4,095,435	0.22
Warrants granted	<u>8,131,167</u>	0.20
Balance, June 30, 2011	12,226,602	\$ 0.22
Exercisable at June 30, 2011	12,226,602	\$ 0.22

PARAGON MINERALS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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(Unaudited – Prepared by Management)

7. SHARE CAPITAL (continued)

The following warrants to acquire common shares were outstanding at June 30, 2011:

Number of Warrants	Exercise Price	Expiry Date
2,883,330	\$ 0.29	December 18, 2011
1,428,772	0.24	February 17, 2012
7,914,500	0.20	December 3, 2012
12,226,602		

As at June 30, 2011, the following finder's warrants were outstanding:

Number of Finder's Warrants	Exercise Price	Expiry Date
1,003,553	\$ 0.20	December 3, 2012

8. ACCUMULATED OTHER COMPREHENSIVE LOSS

	June 30, 2011	September 30, 2010
Accumulated other comprehensive loss, beginning of period	\$ (53,548)	\$ (58,933)
Other comprehensive income	48,648	5,385
Accumulated other comprehensive loss, end of period	\$ (4,900)	\$ (53,548)

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the nine month period ended June 30, 2011 included:

- The Company issued 1,003,553 finder's warrants with a value of \$125,140 as finder's fee for a private placement.
- The Company issued 200,000 common shares pursuant to mineral property agreements with a total value of \$48,550.
- The Company received 100,000 common shares of Golden Dory Resources Corp. pursuant to mineral property agreement with a total value of \$15,000.
- Included in accounts receivable are \$2,200 of proceeds from sale of equipment.
- Included in mineral property costs are \$215,670 related to accounts payable and accrued liabilities.

Significant non-cash transactions during the ninemonth period ended June 30, 2010 included:

- The Company issued 433,333 agent's options with a value of \$39,210 as finder's fee for a private placement.
- The Company issued 140,000 common shares pursuant to mineral property agreements with a total value of \$21,600.
- The Company received 75,000 common shares of Golden Dory Resources Corp. pursuant to mineral property agreement with a total value of \$12,750.
- Included in mineral property costs are \$5,198 related to accounts receivable.
- Included in mineral property costs are \$27,770 related to accounts payable and accrued liabilities.

PARAGON MINERALS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2011
(Unaudited – Prepared by Management)

10. FINANCIAL INSTRUMENTS

The Company classified its cash and cash equivalents as held for trading, marketable securities as available-for-sale, accounts receivables as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

The Company's financial instruments are exposed to the following risks:

Credit Risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk with respect to its cash and cash equivalents and marketable securities are minimal as they are held with high-credit quality financial institutions. Amounts receivable at June 30, 2011 includes mainly harmonized sale tax receivable due from the provincial government of British Columbia. Management believes that the credit risk concentration with respect to receivables is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's only liquidity risk from financial instruments is its need to meet operating accounts payable requirements. The Company maintains sufficient cash balances to meet these needs.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

a) Interest Rate Risk

The Company is exposed to interest rate risk on its cash equivalents. The majority of these investments are in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases. The interest rate risks on cash equivalents are not considered significant.

b) Foreign Exchange Risk

The Company has no foreign exchange risk as all its activities are carried out in Canada and all its financial assets and liabilities are denominated in Canadian dollars.

Fair Value

CICA Handbook Section 3862 "Financial Instruments – disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate their fair values due to the relatively short period to maturity of these financial instruments. The fair value of marketable securities represents the market value of quoted investments.

PARAGON MINERALS CORPORATION

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(Unaudited – Prepared by Management)

10. FINANCIAL INSTRUMENTS *(continued)*

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,895,737	\$ -	\$ -	\$ 1,895,737
Marketable securities	\$ 42,000	\$ -	\$ -	\$ 42,000

11. CAPITAL MANAGEMENT

The Company's objectives for the management of capital are to safeguard its ability to continue as a going concern including the preservation of capital, and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash and short term investments to be its manageable capital. The Company's policy is to maintain sufficient cash and investment balances to cover operating and exploration costs over a reasonable future period, generally one to one and a half years. The Company accesses capital markets through equity issues as necessary and may also acquire additional funds where advantageous circumstances arise.

Excess cash investments are restricted to bankers' acceptances of major Canadian banks or instruments of equivalent or better quality. No investments in asset-backed commercial paper are permitted.

The Company currently has no externally-imposed capital requirements except to maintain sufficient cash and investment balances to meet exploration commitments entered into pursuant to flow-through share purchase agreements. There were no changes in the Company's approach to capital management during the period ended June 30, 2011.

12. SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the Company granted incentive stock options to directors, officers and consultants of the Company to purchase an aggregate of 1,005,000 common shares at an exercise price of \$0.11 per share. The stock options expire on July 4, 2016.



PARAGON MINERALS CORPORATION
MANAGEMENT DISCUSSION & ANALYSIS

For the Nine Months Ended June 30, 2011

PARAGON MINERALS CORPORATION
Management Discussion & Analysis
For the nine month period ended June 30, 2011

INTRODUCTION

The following Management Discussion and Analysis (“MD&A”) of the financial position and results of operations of Paragon Minerals Corporation (“Paragon” or the “Company”) dated August 24, 2011, should be read in conjunction with the unaudited interim financial statements and related notes of the Company for the nine month period ended June 30, 2011, and the audited financial statements and related notes of the Company for the year ended September 30, 2010. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The Company’s head office and principal business address is Suite 1500, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6 and its registered and records office is located at 2800 Park Place, 666 Burrard Street, Vancouver, BC, V6C 2V6. The Company is a reporting issuer in the provinces of British Columbia, Alberta, Ontario and Quebec; and is listed on the TSX Venture Exchange under the symbol “PGR”.

This Management’s Discussion and Analysis contains “forward-looking statements” (see “Forward Looking Statements”) that are subject to various risks and uncertainties concerning the specific factors disclosed under the heading “Risk Factors”. Such information contained herein represents management’s best judgment as of the date hereof based on information currently available. The Company does not assume the obligation to update any forward-looking statement other than as required pursuant to applicable securities law.

OVERVIEW

Paragon is a Canadian-based junior exploration company engaged in the acquisition, exploration and development of mineral properties. The Company was incorporated as “Paragon Minerals Corporation” under the Canadian Business Corporations Act (“CBCA”) on July 4, 2006 in order to facilitate a Plan of Arrangement carried out by Rubicon Minerals Corporation (“Rubicon”), a public company whose shares are listed on the Toronto Stock Exchange and NYSE Amex. For additional details on the Plan of Arrangement, please refer to the Rubicon Management Information Circular dated July 7, 2006 and filed on SEDAR at www.sedar.com

The Company has a strategic focus on gold and base metal exploration in the Canadian provinces of Newfoundland and Ontario, which it is exploring through a combination of Company-funded exploration and partner-funded exploration. Management of the Company remains very encouraged by the exploration results from its key 100%-owned projects including the South Tally Pond VMS property, the JBP Linear gold project, and the newly acquired Gold Star gold project, as well as results from partner-funded exploration on its joint ventured projects.

The Company currently has two joint venture partners exploring on four properties including Crosshair Exploration & Mining Ltd. (“Crosshair”) on the Golden Promise/South Golden Promise gold properties and the Victoria Lake VMS property, and Golden Dory Resources Corp. (“Golden Dory”) on the Huxter Lane gold property. All exploration work on these properties is currently being funded by the joint venture partners.

During the nine month period ended June 30, 2011, the Company incurred a net loss of \$455,267. During the period, the Company spent \$1,264,853 on mineral property acquisition and exploration. The Company has not earned any significant revenues to date and is in the process of exploring its resource properties. It has not yet determined whether these properties contain ore reserves that are economically recoverable.

The Company’s priority in fiscal 2011 will be advance its key 100%-owned projects including the South Tally Pond, JBP Linear and Gold Star projects; maintain its current partners and look to secure additional partners on appropriate projects; continue to evaluate new opportunities for the Company; and secure new financings for future exploration programs and operating costs.

MINERAL PROPERTIES

As of June 30, 2011, the Company has five gold properties and five base metal properties in the province of Newfoundland & Labrador and one gold property in the province of Ontario. Four of the properties in Newfoundland (three gold and one base metal property) are under option to partners or subject to joint venture agreements with partners.

PARAGON MINERALS CORPORATION
Management Discussion & Analysis
For the nine month period ended June 30, 2011

On May 30, 2011, Golden Touch Resources Corp. (formerly GFE Capital Corp.) terminated its option to earn an interest in the Winterhill property. The Company retains a 100% interest in the Winterhill property.

During the nine months ended June 30, 2011, the Company entered into a letter agreement dated February 7, 2011 to acquire a 100% interest in the Seal Bay VMS property which consists of 3 mineral licenses (75 mineral claims) located in north-central Newfoundland. To earn its interest, the Company is required to make cash payments of \$122,500 (\$7,500 subsequently paid) and issue 230,000 common shares of the Company (\$885 subsequently paid in lieu of 5,000 shares) to the property vendor over a four year period. The property vendor will retain a 2% net smelter royalty, of which 50% can be purchased by the Company at any time for \$1,000,000. The transaction was approved by the TSX Venture Exchange on April 5, 2011.

During the nine month ended June 30, 2011, the Company allowed the 100%-owned Maritec claims to lapse in January, 2011. The claims were located in the Baie Verte area of Newfoundland. The Company also allowed the 100%-owned Glenwood property, located near Gander, Newfoundland to lapse in April, 2011.

Environmental liabilities associated with the Company's mineral properties are deemed to be minimal, consisting mainly of ongoing drill site and trench reclamation requirements. No historical or current mining operations exist on the Company properties.

EXPLORATION UPDATE

During the quarter ended June 30, 2011, the Company focused primarily on its 100%-owned South Tally Pond VMS where diamond drilling is continuing through the summer. The exploration work during the quarter included 3 diamond drillholes (875 metres) at the Beaver Lake prospect, a ground EM geophysical survey (20.75 line kilometres) over the Lemarchant Prospect, and 3 weeks of follow-up prospecting on new airborne EM geophysical targets. The Company also completed two weeks of prospecting on its 100%-owned Gold Star Property. Results of the Induced Polarization (IP) ground geophysics on the 100%-owned JBP Linear gold project were further reviewed and reported on for assessment work. Joint venture partner, Golden Dory postponed drilling on the Huxter Lane JV property until appropriate drilling permits are received. Results and highlights from the work completed during the quarter are summarized below with additional project information available on the Company website.

Base Metal Projects

South Tally Pond Project

The South Tally Pond Project is located 35 kilometres south of the community of Millertown in central Newfoundland. The exploration target is volcanogenic massive sulphide ("VMS") deposits similar to other VMS deposits in the area (i.e. Buchans, Duck Pond). The project consists of five, contiguous 100%-owned properties including the Harpoon property, Gills Pond property, Higher Levels property, South Tally Pond property and the South Tally Pond Extension property. The South Tally Pond property is under option from Altius Resources Inc., whereby the Company can earn a 100% interest in this property by making one remaining share payment to the vendors in 2014. The Harpoon property is subject to a 2% net smelter return royalty to the property vendors of which 50% is purchasable by the Company.

The properties are situated in the same volcanic belt and have strong similarities to the rocks that host Teck Resources producing Duck Pond Copper-Zinc Mine (5.48 million tonnes of 3.3% copper, 5.8% zinc, 0.9% lead, 59 g/t silver and 0.86 g/t gold). The Company has a large land position covering approximately 21,400 hectares immediately southwest of the Teck's Duck Pond Mine & Mill complex. The Company has made a significant base metal discovery at the Lemarchant Prospect with numerous other prospects on the property that remain to be fully evaluated. Paragon has completed 42 drill holes totaling 16,168 metres at the Lemarchant Prospect since the Company discovered massive sulphides in September 2007.

To date, drilling at the Lemarchant Prospect has outlined a semi-massive to massive sulphide zone between Section 101N to 104N (the Main Lens) with 29 drillholes spaced from 25 to 100 plus metres apart. Mineralization at the

PARAGON MINERALS CORPORATION
Management Discussion & Analysis
For the nine month period ended June 30, 2011

Lemarchant prospect is characterized by high-grade polymetallic massive sulphides and barite with significant precious metal (gold, silver) contents. The semi-massive to massive sulphides of the Main Lens vary in thickness from 5 to 30.1 metres and are underlain by a sequence of intensely altered and barium-enriched felsic volcanic rocks. A gently, west-dipping thrust fault (Lemarchant Fault) appears to cut the mineralization and underlying footwall sequence to the east, which suggests the mineralization may be repeated at depth (~300 to 400 m) to the west in the footwall of the thrust fault. Evidence of repeated massive sulphides at depth are present in drillhole LM08-37 (section 106N) in the North Target area where massive sulphides are preserved at depth to the west beneath as similar thrust fault.

The Lemarchant Prospect and associated footwall alteration extends northward from section 104N to section 108N (the North Target area) where wide-spaced drilling (100 metres) has intersected two massive sulphide zones at 300 metre and 420 metres depths. The massive sulphide intersections are hosted in a thick sequence of highly altered felsic volcanic rocks. The North Target area is host to the thickest sequence (>300 metres) of intensely altered felsic volcanic rocks observed at the Lemarchant prospect. This, in conjunction with a prevalence of syn-volcanic mafic intrusive rocks, supports the interpretation that the North Target area represents the higher temperature, vent-proximal zone of the VMS system. The massive sulphides and thick alteration system in the North Target area demonstrate the presence a preserved massive sulphide system at depth beneath the Lemarchant Fault.

During the quarter ending June 30, 2011, the Company completed initial drill testing at the Beaver Lake prospect. Three wide-spaced drillholes, totaling 875 metres, were completed at Beaver Lake; a priority target area located 3 kilometres north of the Lemarchant Cu-Pb-Zn-Ag-Au massive sulphide discovery. The drilling intersected thick sequences of altered felsic volcanic rocks (rhyolite) in all three drillholes which contain zones of anomalous copper, lead, zinc mineralization with elevated gold and silver. Significant assay results are 4.24% Cu and 11.0 g/t Ag over 0.5 metre and 1.2% Zn and 8.5 g/t Ag over 1.5 metres from drillhole BL11-01. Lithochemical sampling of the Beaver Lake drillholes shows that the alteration intensity is similar to that observed at the nearby Duck Pond Mine.

Ground follow-up was completed on three high priority targets areas on the Gills Pond Block located from 5 to 15 kilometres southwest of the Duck Pond Mine. Prospecting resulted in the discovery of disseminated base metal sulphides within altered felsic volcanic rocks to the south of a 4 kilometre long airborne EM conductor with assays up to 770 ppm Zn and 230 ppm Cu.

In June, the Company completed 20.75 line kilometres of Deep Penetrating Time-Domain Ground EM (DEEPEM) geophysical survey over the Lemarchant Prospect. The survey covered 9 gridlines spaced 200 metres apart from 96N to 112N. The survey data is being further reviewed and modeled by a consulting geophysicist.

Drilling is continuing through the summer on the Main lens of the Lemarchant Prospect with the aim of defining an initial NI43-101 compliant resource on this mineralized zone.

Lake Douglas Project

The Lake Douglas Project is located immediately south of the South Tally Pond Project approximately 25 kilometres southwest of the Duck Pond Mine. The property is subject to an option agreement, whereby the Company can earn a 100% interest in the project by making cash and share payments to the vendors.

Prospecting was completed on several priority airborne EM geophysical targets during June. Highlights include an assay of 2.05% Zn from an outcropping zone of zinc stringer mineralized felsic volcanic rocks along the Lake Douglas East Trend. The Company is looking for a Joint Venture partner to advance this project.

Other Base Metal Projects

Winterhill JV Project

The Winterhill property is located 17 kilometres northeast of Harbour Breton on the south coast of Newfoundland. On May 30, 2011, Golden Touch Resources Corp. (formerly GFE Capital Corp.) terminated its option to earn an interest in the Winterhill property. The Company retains a 100% interest in the Winterhill property. No further work was completed during the nine month period-ended June 30, 2011.

PARAGON MINERALS CORPORATION
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Victoria Lake JV Project

The Victoria Lake JV project is located approximately 60 kilometres southwest of the town of Buchans, Newfoundland. The property is subject to joint venture terms with Crosshair, whereby Crosshair holds a 60% interest in the property.

During the quarter-ended June 30, 2011, the Joint Venture reviewed the results of an airborne electromagnetic and magnetic geophysical survey completed on the property in March, 2011. The survey has identified a number of short strike length conductors that are associated with the Long Lake alteration zone. The data is currently being reviewed and interpreted by a consulting geophysicist.

Gold Projects

JBP Linear Project

The Company owns a 100% interest in the JBP Linear gold property, a high-grade gold project located near Gander, Newfoundland. The property is subject to annual advanced royalty payments of \$15,000.

The results of a Time Domain Induced Polarization (IP) geophysical survey completed by the Company in March 2011 were compiled and reviewed. The IP survey conducted over the north end of the JBP Linear Property produced numerous geophysical responses that are similar to gold bearing quartz vein zones drilled at the nearby H-Pond and Pocket Pond Prospects. At least three high priority geophysical and geological trends have resulted from the survey. These include:

- 1) NW Arm Trend 1 and 2 - Two parallel IP chargeability and resistivity trends (0.9 and 1.4 kms long) along the NW arm of H-Pond;
- 2) 798 Trend - a weak IP chargeability response with resistivity low immediately south and west of the 798 Prospect; and
- 3) Quartz Pond Trend – a 1.2 km long trend proceeding NE from the Quartz Pond occurrence.

The NW Arm Trends are associated with gold bearing quartz vein float (assays up to 3.7 g/t gold) and highly anomalous gold-in-soil samples (up to 2.1 g/t gold). The 798 Trend is associated with float and anomalous gold-in-soil anomalies of the 798 Prospect, where prospecting has located quartz vein float assaying up to 798 g/t gold. The Company is looking for a Joint Venture partner to advance this project.

Golden Promise JV Property

The Golden Promise JV property is a high-grade, narrow vein gold system located near the town of Badger, in central Newfoundland. The property is subject to a Joint Venture Agreement with Crosshair Exploration and Mining Ltd., whereby Crosshair holds a 60% interest in the property and is required to fund the first \$2.0 million in exploration. Crosshair can acquire up to a 70% interest by funding \$3.0 million in exploration.

During the quarter ended June 30, 2011, the Joint Venture continued to review the results of the bulk sample and diamond drilling completed in 2010. Crosshair plans to prepare a new resource estimate by late 2011 that will include the 2010 drilling and bulk sample results. Crosshair has spent approximately \$1.0 million (includes the gold recovery) on exploration expenditures and future exploration programs will continue to be funded by Crosshair as part of the Joint Venture Agreement. Paragon retains a 40% interest in the Golden Promise JV Project.

Gold Star Project

The 100% owned Gold Star gold project is located near the community of Savant Lake, Ontario approximately 230 kilometres northwest of Thunder Bay, Ontario, Canada. The project is subject to two option agreements, whereby the Company can earn a 100% interest in the properties by making cash and share payments to the vendors. The property consists of 35 claims (373 units) covering 5,968 hectares.

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During the quarter ended June 30, 2011, the Company completed a 2-week prospecting program on the southern block of the Gold Star Property. A majority of south block claim area is covered by Sturgeon Lake. The prospecting program was successful in returning anomalous gold values in two separate areas. Gold assays of 319 and 441 ppb gold were obtained from a small island ("Rainbow Island South") located along strike to the east Oz Island prospect which host significant gold of 23.1 g/t gold. A second area of anomalous gold mineralization, south of Morgan Island, has returned 692 ppb gold from quartz veins hosted in mafic volcanic rocks.

The Company plans to continue exploration on the property in early September, 2011 with further prospecting, geochemical sampling and geological mapping aimed at defining winter drill targets.

Other Gold Projects

Huxter Lane JV Project

The Huxter Lane JV Project is near surface, bulk tonnage gold target located 90 kilometres south of Grand Falls-Windsor in central Newfoundland. The property is subject to an option agreement with Golden Dory Resources Corp. whereby Golden Dory may earn up to a 60% interest in the Huxter Lane property by funding \$2,000,000 in exploration expenditures over a four year period. Golden Dory may then earn an additional 10% interest (to 70%) by completing a bankable feasibility study. Golden Dory is the operator on the project.

In February, 2011, Golden Dory and the Company announced that it would resume drilling at the Huxter Lane project. The planned diamond drill program would include up to 2,300 metres focused on further expanding the NI43-101 compliant gold resource at the Mosquito Hill Gold Deposit and to test a large, untested geophysical and geochemical gold anomaly situated 1,000 metres to the northwest of the currently defined gold deposit. Golden Dory has postponed the drill program, subject to appropriate drill permitting until September/October 2011

As of June 30, 2011, Golden Dory has completed approximately \$800,000 in exploration expenditures since optioning the property in February 2009, and has defined a National Instrument (NI) 43-101 compliant gold resource on the Mosquito Hill Prospect.

South Golden Promise JV Project

The South Golden Promise JV project is located in central Newfoundland immediately south of the Golden Promise JV Project. Crosshair has earned a 60% interest in the property and is subject to joint venture terms. No field work was completed during the nine-month period-ended June 30, 2011.

Long Pond Project

The 100%-owned Long Pond gold project is located 65 kilometres east of the town of Baie Verte, Newfoundland. No field work was completed during the nine-month period-ended June 30, 2011.

Maritec Project

The 100%-owned Maritec gold project is located 10 kilometres east of the town of Baie Verte, Newfoundland. The Company allowed the Maritec claims to lapse in January, 2011.

Glenwood Project

The 100%-owned Glenwood gold project is located 25 kilometres west of the town of Gander, Newfoundland. The Company allowed the Glenwood claims to lapse in April, 2011.

EXPLORATION OUTLOOK

The Company has a strategic focus on gold and base metal exploration in highly prospective areas in Newfoundland and Ontario that also feature political stability and infrastructure favourable for mine development. Management of the Company remains encouraged by the exploration results at its 100%-owned South Tally Pond VMS property, the JBP Linear and Gold Star gold projects and results from partner-funded exploration on its joint ventured gold projects. The Company remains committed to advancing its projects through a combination of both company-funded and partner-funded exploration. The Company anticipates continuing exploration on its key projects in 2011 and locating new joint venture partners.

QUALIFIED PERSONS

The property update information in this document has been reviewed and approved by David Copeland, M.Sc., P.Geo., Exploration Manager for the Company and Qualified Person as defined by National Instrument (NI) 43-101. Work on the Company's 100%-owned exploration projects and the Winterhill JV project is being carried out by the Company's employees and consultants and is supervised by David Copeland, M.Sc., P.Geo, Exploration Manager for the Company and Qualified Person as defined by NI 43-101. Historical results were obtained from published reports available in the public domain.

Exploration work on partner-funded joint venture projects (excluding the Winterhill project) is being carried out by the JV partner employees and consultants and supervised by Qualified Persons of the JV partner. NI 43-101 resources estimates on Golden Promise JV project and Huxter Lane JV project were prepared for Crosshair and Golden Dory, respectively by independent consultant Mr. Gary Giroux, P.Eng, M.Sc of Giroux Consultants Limited, an Independent Qualified Person as defined in NI 43-101.

RESULT OF OPERATIONS

Three month period ended June 30, 2011

For the three months ended June 30, 2011, the Company incurred a net loss of \$165,727 as compared to a net loss of \$153,070 incurred in the three months ended June 30, 2010. The net loss in the current period relates primarily to general administrative expenses of \$171,644 (2010 - \$153,070).

General administrative expenses excluding stock-based compensation expenses for the three months ended June 30, 2011 were \$147,790 (2010 - \$120,149). The variance in the general administrative costs is mainly attributable to:

- Investor relations of \$23,063 (2010 - \$4,450) has increased over the comparative period due to a monthly fee of \$6,000 paid to an investor relations firm engaged in December 2010.
- Professional fees of \$38,222 (2010 - \$24,243) are comprised of \$28,922 (2010 - \$15,719) for legal fees and \$9,300 (2010 - \$8,524) for accounting related fees. The increase in legal fees relates mainly to the annual general meeting and other general corporate matters.
- Shareholder information of \$19,139 (2010 - \$25,985) includes the costs of the annual general meeting and news dissemination. The decrease is due to the Company changing to a different newswire service provider with lower costs.
- Stock-based compensation expenses of \$23,854 (2010 - \$32,921), a non-cash charge, are the estimated fair value of the vesting portion of stock options granted in fiscal 2010 and 2011. The Company used the Black-Scholes option pricing model for the fair value calculation.

Nine month period ended June 30, 2011

For the nine months ended June 30, 2011, the Company incurred a net loss of \$455,267 as compared to a net loss of \$540,751 incurred in the nine months ended June 30, 2010. The net loss in the current period is inclusive of general administrative expenses of \$483,659 (2010 - \$420,098) and an income from other items of \$28,392 (2010 - a loss of \$120,653).

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General operating expenses excluding stock-based compensation expenses for the nine months ended June 30, 2011 were \$397,279 (2010 - \$311,441). The variance in the general administrative costs is mainly attributable to:

- Investor relations of \$69,584 (2010 - \$16,647) relates to fees to investor relations consultants and costs of printing promotional materials, marketing and investor conferences. The increase over the comparative period is mainly due to a monthly fee of \$6,000 paid to an investor relations firm engaged in December 2010.
- Office and miscellaneous of \$60,555 (2010 - \$49,604) relate to costs for general office maintenance and are higher than the comparative period due to the increase in general corporate activities.
- Professional fees of \$63,973 (2010 - \$50,889) are comprised of \$34,333 (2010 - \$21,325) for legal fees and \$29,640 (2010 - \$29,564) for accounting related fees. The increase in legal fees relates mainly to the annual general meeting and other general corporate matters.
- Shareholder information of \$22,239 (2010 - \$37,070) includes the costs of the annual general meeting and news dissemination. The decrease is due to the Company changing the newswire service provider with lower costs.
- Travel and accommodation of \$24,095 (2010 - \$9,463) relates mainly to trips made by the Company's management for attending investor conferences and site visits to the mineral properties. The increase over the comparative period was due to increased activities in 2011.
- Stock-based compensation expenses of \$86,380 (2010 - \$108,657), a non-cash charge, are the estimated fair value of the vesting portion of stock options granted in fiscal 2010 and 2011. The Company used the Black-Scholes option pricing model for the fair value calculation.

Income from other items include interest income of \$15,316 (2010 - \$199), a gain of \$82,464 (2010 - a loss of \$121,328) on sale of marketable securities, and a write-off of mineral properties of \$69,388 (2010 - \$nil). The increase in interest income is due to higher interest rates and a higher average cash and cash equivalents balance during the period.

SUMMARY OF QUARTERLY RESULTS

Results for the eight most recent quarters ending with the last quarter for the three months ending on June 30, 2011 are:

	For the Three Months Ending							
	Fiscal 2011			Fiscal 2010				Fiscal 2009
	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010	Jun. 30, 2010	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Income Statement Data								
Total revenues	-	-	-	-	-	-	-	-
Income (loss) before discontinued operations and extraordinary items	(165,727)	(253,787)	(35,753)	(1,348,490)	(153,070)	(226,104)	(161,577)	(1,455,770)
Net income (loss)	(165,727)	(253,787)	(35,753)	(1,348,490)	(153,070)	(226,104)	(161,577)	(1,455,770)
Income (loss) per common share outstanding – basic and diluted								
Income (loss) before discontinued operations and extraordinary items	(0.00)	(0.01)	(0.00)	(0.04)	(0.00)	(0.01)	(0.01)	(0.05)
Net income (loss) per share	(0.00)	(0.01)	(0.00)	(0.04)	(0.00)	(0.01)	(0.01)	(0.05)

The financial data presented above is derived from the Company's financial statements, which are prepared in accordance with accounting principles generally accepted in Canada and in Canadian dollars.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2011, the Company had a cash and cash equivalents of \$1,895,737 compared to \$318,693 as at September 30, 2010. The Company had working capital as at June 30, 2011 of \$1,761,237 compared to working capital of \$532,990 as at September 30, 2010.

Current quarter

During the third quarter, the cash and cash equivalent balance decreased by \$543,246 (2010 - \$432,042). Cash used in operating activities was \$43,930 (2010 - \$79,810). Cash used in investing activities during the current quarter was \$499,316 (2010 - \$352,232), which mainly related to mineral exploration activities. The Company did not have any cash flows relating to financing activities during the current and comparative quarters.

At present, management believes that the current working capital is sufficient to pay for its operating costs and accomplish planned exploration for its resource properties for fiscal 2011. The Company's priority in 2011 will be to maintain its current partners, secure additional partners for several of its 100%-owned gold and base metal projects, evaluate new opportunities for the Company, and secure new financings for future exploration programs.

Going Concern

The Company's operations do not generate cash flow and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. The annual and interim financial statements do not include any adjustments to the recoverability and classification of reduced asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations. These adjustments could be material. The Company is not subject to material externally-imposed capital constraints.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant areas requiring the use of management estimates relate to determination of stock-based compensation, impairment of assets, valuation of investments, and future income taxes. Actual results could differ from these estimates.

CHANGES IN ACCOUNTING POLICIES

Future accounting changes

Convergence to international Financial Reporting Standards ("IFRS")

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition

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date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The detail of the Company's IFRS project is summarized under

Changeover Plan to International Financial Reporting Standards.

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which replace CICA Handbook Sections 1581, Business Combinations, and Section 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning October 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

FINANCIAL INSTRUMENTS

The Company classified its cash and cash equivalents as held for trading, marketable securities as available-for-sale, accounts receivables as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities. The Company's financial instruments are exposed to the following risks:

Credit Risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk with respect to its cash and cash equivalents and marketable securities are minimal as they are held with high-credit quality financial institutions. Amounts receivable at June 30, 2011 includes mainly harmonized sale tax receivable due from the provincial government of British Columbia. Management believes that the credit risk concentration with respect to receivables is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's only liquidity risk from financial instruments is its need to meet operating accounts payable requirements. The Company maintains sufficient cash balances to meet these needs.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

a) Interest Rate Risk

The Company is exposed to interest rate risk on its cash equivalents. The majority of these investments are in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases. The interest rate risks on cash equivalents are not considered significant.

b) Foreign Exchange Risk

The Company has no foreign exchange risk as all its activities are carried out in Canada and all its financial assets and liabilities are denominated in Canadian dollars.

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Fair Value

CICA Handbook Section 3862 “Financial Instruments – disclosures” establishes a fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

The carrying values of cash and cash equivalent, accounts receivable, accounts payable and accrued liabilities, approximate their fair values due to the relatively short period to maturity of these financial instruments. The fair value of marketable securities represents the market value of quoted investments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalent	\$ 1,895,737	\$ -	\$ -	\$ 1,895,737
Marketable securities	\$ 42,000	\$ -	\$ -	\$ 42,000

OUTSTANDING SHARE DATA

The Company had the following common shares, stock options and warrants outstanding as at the date of this report:

Issued and Outstanding Common shares	52,939,254
Stock options	3,873,333
Warrants	12,226,602
Finder’s warrants	1,003,553
	<hr/>
	70,042,742

RISK FACTORS

Companies operating in the mining industry face many and varied kinds of risk. While risk management cannot eliminate the impact of potential risks, the Company strives to manage such risks to the extent possible and practical. The following are the risk factors most applicable to the company:

Industry

Exploring and developing mineral resource projects bears a high potential for all manner of risks. The Company properties are in the exploration stage and are without a known body of commercial ore. Development of any of the Company’s properties will only follow upon obtaining satisfactory exploration results, mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that Company’s mineral exploration activities will result in the discovery of a body of commercial ore on any of its properties. Several years may pass between the discovery of a deposit and its exploitation. Most exploration projects do not result in the discovery of commercially mineable mineralized deposits

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Financing

The Company is in the exploration stage and as such has no significant source of revenue. Its continued operations are dependent upon the ability of the company to obtain additional equity or partner financing. Obtaining further financing may be dependent upon market conditions and results of exploration. There is no assurance that the Company's exploration efforts will be successful or that market conditions will be favourable. The Company will require additional funding to maintain its mineral properties in good standing. The lack of additional financing could result in delay or indefinite postponement of further exploration and possible, partial or total loss of Paragon's interest in its mineral properties.

Title

There is no guarantee that title to properties in which Company has a material interest will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties. Before a number of claims under option can be recorded in Company's name, the underlying title holder has to assign title to the Company once the Company satisfies its option agreement obligations. There are no assurances that the underlying title holder will assign title.

Operating Hazards and Risks

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs.

Environmental Factors

The Company currently conducts exploration activities in the Canadian Province of Newfoundland and Labrador and Ontario. Such activities are subject to various laws, rules and regulations governing the protection of the environment. In Canada, extensive environmental legislation has been enacted by federal and provincial governments. Such legislation imposes rigorous standards on the mining industry to reduce or eliminate the effects of wastes generated by extraction and processing operations and subsequently deposited on the ground or emitted into the air or water. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. The cost of compliance with changes in governmental regulations has the potential to preclude entirely the economic development of a property.

The Company is able to conduct its exploration within the provisions of the applicable environmental legislation without undue constraint on its ability to carry on efficient operations. The estimated annual cost of environmental compliance for all properties held by the Company in the exploration stage is minimal and pertains primarily to carrying out diamond drilling, trenching or stripping. Environmental hazards may exist on the Companies properties, which hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties.

Governmental Regulation

Exploration activities on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi)

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expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Changes in such regulation could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

The Company is at the exploration stage on all of its properties. Exploration on the Company's properties requires responsible best exploration practices to comply with company policy, government regulations, maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting license (required to prospect or explore for minerals on Crown Mineral Land or to stake a claim) in any Canadian province in which it is carrying out work.

Mineral exploration primarily falls under provincial jurisdiction. However, the Company is also required to follow the regulations pertaining to the mineral exploration industry that fall under federal jurisdiction, such as the Fish and Wildlife Act.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters.

FORWARD LOOKING STATEMENTS

This MD&A contain certain statements that may be deemed "forward-looking statements". All statements in this document, other than statements of historical fact, that address events or developments that the Company expects to occur, are forward looking statements.

Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs, joint venture partner participation, and liquidity. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change. These statements are based on a number of assumptions, including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of Paragon and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for Paragon's proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.

CHANGEOVER PLAN TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the AcSB confirmed that publicly accountable enterprises are required to adopt IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Following this timeline, the Company will issue its first set of financial statements prepared under IFRS for the interim periods ending December 31, 2011 and for the fiscal period ending September 30, 2012. The standard also requires that the comparative figures for 2011 be based on IFRS.

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The Company's IFRS project consists of three phases – scoping and planning, evaluation and design, and implementation and review. The Company has completed the scoping and planning stage which included putting together an initial project plan, education, and identification of a number of differences between Canadian GAAP and IFRS that relate to the Company. The Company is now in the evaluation and design stage.

In phase one the Company had identified some areas where there is the most potential for a significant impact to the Company's financial statements. These areas do not represent a complete list of expected changes and may be subject to change as the Company progresses through the second phase. The areas which could have a material impact are as follows.

• *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”)

The adoption of IFRS requires the application of IFRS 1 which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company has not yet made any final decisions on policies or elections on IFRS 1 and therefore continued this process into the fiscal 2011.

• *Share-Based Payment* (“IFRS 2”)

IFRS and Canadian GAAP largely converge on the accounting treatment for share based transaction with only a few differences. For stock options that vest in installments, IFRS 2 requires the Company to determine the fair value of each installment as a separate share option grant while Canadian GAAP treats the entire grant of stock options as a pool and recognize expense on a straight line basis. Starting the first quarter of 2010, the Company moved from a straight line basis to a graded basis vesting for the recognition of stock-based compensation expense. A greater portion of expense is recorded in the initial vesting periods compared to distributing the expense equally over all vesting period. In addition, under IFRS the Company must make an estimate of stock options that are forfeited before they vest whereas under Canadian GAAP the Company records forfeitures as they occur. The change in this accounting policy is not expected to have a material impact on the Company's financial statements.

• *Exploration for and evaluation of mineral resources* (“IFRS 6”)

Under the Company's current accounting policy, acquisition and exploration costs of mineral properties are capitalized as incurred. IFRS 6 permits mining companies to retain their existing policies with respect to the capitalization of exploration and evaluation costs until guidance that is more definitively developed in this area. Such guidance is not expected to be issued until after the Company's changeover to IFRS. The Company will retain its existing policies with respect to mining interests and exploration costs.

• *Income Taxes* (“IAS 12”)

Fundamentals of accounting for income taxes are the same under IFRS as they are under Canadian GAAP. In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes. The International Accounting Standards Board (“IASB”) is currently reviewing IAS based on various meetings and comments received and will consider whether to propose limited amendments. The Company does not expect any changes to its accounting policies related to income taxes that would have a material impact on its financial statements.

Upon completion of the second phase, the Company will move into the implementation phase, in which it will update its significant accounting policies, adjust its accounting systems, and design tools and processes for the preparation of IFRS information, including comparative and opening balance sheet information. In addition, the Company will evaluate its internal and disclosure control processes as a result of its conversion to IFRS. The Company will also design model IFRS financial statements including all note disclosures and disclosures required for the MD&A.

In the period leading up to the changeover in 2011, IASB will also continue to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

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SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the Company granted incentive stock options to directors, officers and consultants of the Company to purchase an aggregate of 1,005,000 common shares at an exercise price of \$0.11 per share. The stock options expire on July 4, 2016.

EFFECTIVENESS OF DISCLOSURE CONTROLS

The Chief Financial Officer and Chief Executive Officer have evaluated the effectiveness of the Company's disclosure controls as of June 30, 2011. They have concluded that the Company's disclosure controls and procedures provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company, particularly during the period during which this report was being made.

ADDITIONAL INFORMATION

Additional information concerning the Company and its operations is available on SEDAR at www.sedar.com and on the Company web site at www.paragonminerals.com.

APPROVAL

The Board of Directors of Paragon Minerals Corporation has approved the contents of this management discussion and analysis. A copy of this MD&A will be provided to anyone who requests it.