



**PARAGON MINERALS CORPORATION**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

## REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

### To the Shareholders of Paragon Minerals Corporation

#### Report on the Financial Statements

We have audited the accompanying financial statements of Paragon Minerals Corporation, which comprise the balance sheets as at September 30, 2011 and 2010, and the statements of operations and deficit, comprehensive loss and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

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

#### Auditors' Responsibility

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

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

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

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Paragon Minerals Corporation as at September 30, 2011 and 2010 and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

#### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has limited working capital, no current sources of revenue and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

*"De Visser Gray LLP"*

#### CHARTERED ACCOUNTANTS

Vancouver, BC  
December 16, 2011

# PARAGON MINERALS CORPORATION

## BALANCE SHEETS AS AT SEPTEMBER 30

	2011	2010
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 3)	\$ 1,101,845	\$ 318,693
Amounts receivable	265,058	20,068
Marketable securities (Note 4)	36,000	206,890
Prepaid expenses and deposits	17,351	82,709
	1,420,253	628,360
<b>Equipment</b> (Note 5)	17,976	19,135
<b>Mineral properties</b> (Note 6)	10,946,817	9,096,795
	\$ 12,385,047	\$ 9,744,290
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 343,848	\$ 95,370
<b>Shareholders' equity</b>		
<b>Accumulated comprehensive loss</b>		
Deficit	(6,720,690)	(6,472,164)
Accumulated other comprehensive loss (Note 7)	(10,900)	(53,548)
	(6,731,590)	(6,525,712)
<b>Share capital</b> (Note 8)	17,077,243	14,696,513
<b>Contributed surplus</b> (Note 8)	1,695,546	1,478,119
	12,041,199	9,648,920
	\$ 12,385,047	\$ 9,744,290

Nature and continuance of operations (Note 1)

### Approved by the Board of Directors:

*"Michael Vande Guchte"*

Michael J. Vande Guchte  
Director

*"Kenneth Yurichuk"*

Kenneth R. Yurichuk  
Director

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

**PARAGON MINERALS CORPORATION**

## STATEMENTS OF OPERATIONS AND DEFICIT

YEARS ENDED SEPTEMBER 30

	<b>2011</b>	<b>2010</b>
<b>EXPENSES</b>		
Amortization	\$ 7,069	\$ 9,751
Investor relations	88,909	28,686
Office and miscellaneous	78,106	74,714
Part XII.6 flow-through tax	8,627	-
Professional fees	93,571	79,333
Salaries and benefits	166,483	155,354
Shareholder information	24,053	37,212
Stock-based compensation	131,497	119,518
Transfer agent and filing fees	24,214	17,235
Travel and accommodation	28,559	11,609
<b>Loss before other items</b>	<b>(651,088)</b>	<b>(533,412)</b>
<b>OTHER ITEMS</b>		
Interest income	19,072	454
Other income	-	476
Gain on optioning of mineral properties	10,377	-
Gain (loss) on sale of marketable securities	82,465	(121,328)
Write-off of mineral properties	(195,945)	(1,466,431)
	<b>(84,031)</b>	<b>(1,586,829)</b>
<b>Loss before income taxes</b>	<b>(735,119)</b>	<b>(2,120,241)</b>
<b>Future income tax recovery</b>	<b>486,593</b>	<b>231,000</b>
<b>Net loss for the year</b>	<b>(248,526)</b>	<b>(1,889,241)</b>
<b>Deficit, beginning of year</b>	<b>(6,472,164)</b>	<b>(4,582,923)</b>
<b>Deficit, end of the year</b>	<b>\$ (6,720,690)</b>	<b>\$ (6,472,164)</b>
Basic and diluted loss per common share	\$ (0.01)	\$ (0.06)
Weighted average number of common shares outstanding	49,408,580	31,188,315

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

**PARAGON MINERALS CORPORATION**

## STATEMENTS OF COMPREHENSIVE LOSS

YEARS ENDED SEPTEMBER 30

	<b>2011</b>	<b>2010</b>
<b>Net loss for the year</b>	\$ (248,526)	\$ (1,889,241)
Other comprehensive income		
Unrealized gain (loss) on change in fair value of marketable securities	125,113	(115,943)
Realized loss on sale of marketable securities	(82,465)	121,328
	42,648	5,385
<b>Comprehensive loss for the year</b>	\$ (205,878)	\$ (1,883,856)

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

# PARAGON MINERALS CORPORATION

## STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (248,526)	\$ (1,889,241)
Items not involving cash:		
Amortization	7,069	9,751
Stock-based compensation	131,497	119,518
Gain on optioning of mineral properties	(10,377)	-
(Gain) Loss on sale of marketable securities	(82,464)	121,328
Write-off of mineral properties	195,945	1,466,431
Future income tax recovery	(486,593)	(231,000)
	(493,449)	(403,213)
Changes in non-cash working capital items:		
Amounts receivable	(72,190)	(14,298)
Prepaid expenses and deposits	65,358	(58,197)
Accounts payable and accrued liabilities	37,640	8,445
	(462,641)	(467,263)
<b>INVESTING ACTIVITIES</b>		
Mineral properties	(1,980,252)	(888,018)
Equipment purchased	(3,710)	-
Proceeds from sale of marketable securities	311,002	397,142
Proceeds from optioning of mineral properties	15,000	-
	(1,657,960)	(490,876)
<b>FINANCING ACTIVITIES</b>		
Common shares issued for cash	3,119,401	1,000,028
Share issuance costs	(215,648)	(113,554)
	2,903,753	886,474
Increase (decrease) in cash and cash equivalents during the year	783,152	(71,665)
Cash and cash equivalents, beginning of year	318,693	390,358
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,101,845</b>	<b>\$ 318,693</b>
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for Income taxes	\$ -	\$ -

### 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**

	Balance, September 30, 2009	Gross Expenditure/ (Recoveries)	Write-offs	Balance, September 30, 2010	Gross Expenditures/ (Recoveries)	Write-offs	Balance, September 30, 2011
<b>BASE METAL PROPERTIES</b>							
<b>South Tally Pond</b>							
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	106,302	-	1,081,005
Drilling	1,875,539	458,792	-	2,334,331	1,395,503	-	3,729,834
Geophysical	419,702	62,525	-	482,227	266,418	-	748,645
Travel	10,694	-	-	10,694	2,496	-	13,190
Other	17,697	5,525	-	23,222	7,581	(1,556)	29,247
Stock-based compensation	180,224	-	-	180,224	-	-	180,224
	3,943,126	691,572	-	4,634,698	1,778,300	(1,556)	6,411,442
Recoveries (3)	(37,779)	-	-	(37,779)	(275,000)	-	(312,779)
	3,905,347	691,572	-	4,596,919	1,503,300	(1,556)	6,098,663
<b>Lake Douglas</b>							
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	10,800	-	434,929
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	99,775	-	1,739,641
Recoveries (3)	(141,773)	-	-	(141,773)	-	-	(141,773)
	1,411,438	86,655	-	1,498,093	99,775	-	1,597,868
<b>Other Base Metal properties</b>							
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	13,235	-	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

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

**PARAGON MINERALS CORPORATION**  
**SCHEDULE OF MINERAL PROPERTIES**

	Balance, September 30, 2009	Gross Expenditure/ (Recoveries)	Write-offs	Balance, September 30, 2010	Gross Expenditures/ (Recoveries)	Write-offs	Balance, September 30, 2011
<b>GOLD PROPERTIES</b>							
<b>JBP Linear</b>							
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	75,366	-	418,539
Drilling	580,230	1,300	-	581,530	2,529	-	584,059
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	230,091	-	3,050,172
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	230,091	-	2,640,802
<b>Gold Star Property</b>							
Option payments (2)	-	31,600	-	31,600	38,250	-	69,850
Claim staking costs	-	10,060	-	10,060	11,430	-	21,490
Exploration costs							
Geological and geochemical	-	93,618	-	93,618	160,353	-	253,971
Travel	-	2,697	-	2,697	4,468	-	7,165
	-	137,975	-	137,975	214,501	-	352,476
<b>Golden Promise JV</b>							
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)
	-	-	-	-	-	-	-

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

**PARAGON MINERALS CORPORATION**  
**SCHEDULE OF MINERAL PROPERTIES**

	Balance, September 30, 2009	Gross Expenditure/ (Recoveries)	Write-offs	Balance, September 30, 2010	Gross Expenditures/ (Recoveries)	Write-offs	Balance, September 30, 2011
<b>Other Gold Properties</b>							
Acquisition costs (1)	\$ 747,699	\$ -	\$ (609,958)	\$ 137,741	\$ -	\$ (109,234)	\$ 28,507
Option payments (2)	173,869	-	(18,333)	155,536	-	(100,000)	55,536
Exploration costs							
Geological and geochemical	258,005	8,259	(6,911)	259,353	2,144	(89,998)	171,499
Drilling	707,587	4,100	-	711,687	-	(129,266)	582,421
Geophysical	435	-	-	435	242	(242)	435
Travel	7,878	-	-	7,878	-	(2,598)	5,280
Other	17,729	1,920	(7,950)	11,699	6,552	(14,022)	4,229
Stock-based compensation	74,675	-	-	74,675	-	(2,701)	71,974
	1,987,877	14,279	(643,152)	1,359,004	8,938	(448,061)	919,881
Recoveries (3)	(1,005,058)	-	-	(1,005,058)	-	253,672	(751,386)
Project management fees	(61,652)	-	-	(61,652)	-	-	(61,652)
Option payments received	(40,400)	(22,750)	-	(63,150)	(19,623)	-	(82,773)
	880,767	(8,471)	(643,152)	229,144	(10,685)	(194,389)	24,070
	\$ 9,619,538	\$ 943,688	\$ (1,466,431)	\$ 9,096,795	\$ 2,045,967	\$ (195,945)	\$ 10,946,817

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

SEPTEMBER 30, 2011 AND 2010

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### 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 Newfoundland and Ontario, Canada.

The Company is in the exploration stage. 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.

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 \$6,720,690 at September 30, 2011 (2010 - \$6,472,164). 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 financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

#### **Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the year. Significant areas requiring the use of management estimates relate to determination of stock-based compensation, impairment of assets, valuation of investments, provision for reclamation costs, and future income taxes. Actual results could differ from those estimates.

#### **Marketable securities**

Marketable securities are classified as available for sale and carried at their market value based upon quoted market prices.

#### **Equipment**

Equipment is recorded at cost less accumulated amortization. Amortization is recognized using the declining balance method at the following annual rates:

Furniture and office equipment	20%
Computer equipment	30%
Software	45%

# PARAGON MINERALS CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

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

#### **Mineral properties**

The Company records its interest in mineral properties at cost. Acquisition, option payments and direct exploration costs are deferred until the properties are placed into production, sold or abandoned, at which time these deferred costs will be amortized on a unit-of-production basis, charged to operations if sold, or written-off.

Mineral property cost includes any cash consideration and advance royalties paid, and the fair market value of shares issued, if any, on the acquisition of mineral property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition, option payments and direct exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company's management reviews capitalized costs on its property interests on a periodic and annual basis for impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Administration and management fees earned, which generally range from 8% to 10% of the allowable expenditures associated with exploration on certain properties, are offset against the historical costs deferred on those properties. Administrative costs are expensed as incurred.

#### **Asset retirement obligation**

The Company recognizes the fair value of an Asset Retirement Obligation ("ARO") in the period in which it is incurred when a reasonable estimate of the fair value can be made. The fair value is determined through a review of engineering studies, industry guidelines and managements estimate on a site-by-site basis. The fair value of the ARO is recorded as a liability, with a corresponding increase in the amount of the related asset. The capitalized amount is depleted on the unit-of-production method based on proven and probable reserves. The liability amount of accretion is expensed in the period. Actual costs incurred upon the settlement of the ARO are charged against the liability. At September 30, 2011, the Company does not have any asset retirement obligations.

#### **Impairment of long-lived assets**

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount of the asset exceeds its estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

#### **Environmental expenditures**

The operations of the Company have been and may in the future, be affected in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable. Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs are recognized when the ultimate liability is reasonably determinable, and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

# PARAGON MINERALS CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

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

#### **Financial instruments**

The Company classifies its financial instruments into one of the following categories: held-to-maturity investments, loans and receivables, available-for-sale, held for trading or other financial liabilities. The Company has designated its cash and cash equivalents as held-for-trading, marketable securities as available-for-sale, accounts receivable as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend upon initial classification as follows: held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

Transactions costs that are directly attributable to the acquisition or issue of financial instruments and that are classified as other than held-for-trading, are expensed as incurred and included in the initial carrying value of such instruments.

#### **Loss per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding.

The Company uses the treasury stock method for computing diluted loss per share. This method assumes that any proceeds obtained upon exercise of options or warrants would be used to purchase common shares at the average market price during the period.

The result of this calculation is anti-dilutive to basic loss per share and it is therefore not presented in those circumstances.

#### **Stock-based compensation**

The Company uses the fair value method for measuring compensation costs and therefore all stock based awards to employees and non-employees are recorded at fair value on the date of the grant and the associated expense is amortized over the vesting period.

Consideration received on the exercise of stock options and compensation options and warrants is recorded as share capital and the related contributed surplus, originally recognized when the options were granted, is transferred to share capital.

#### **Flow-through shares**

Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and shareholders' equity is reduced.

If the Company has sufficient unused tax loss carry-forwards to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these carry-forwards, a portion of such unrecognized losses is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

# PARAGON MINERALS CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

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

#### Income taxes

The Company accounts for the tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

#### Comprehensive income (loss)

Comprehensive income is the overall change in the net assets of the Company for the period, other than changes attributed to transactions with shareholders. It is made up of net income and other comprehensive income. The historical make up of net income has not changed. Other comprehensive income includes gains or losses which, in accordance to Canadian GAAP, are recognized in comprehensive income, but excluded from net income.

#### 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 standard may have on the financial statements of the Company. The IFRS changeover plan is discussed in its Management Discussion and Analysis for the year ended September 30, 2011.

### 3. CASH AND CASH EQUIVALENTS

	2011		2010	
Cash	\$	20,708	\$	41,802
Redeemable term deposit		624,857		-
Bankers acceptances with under 3 month maturity		-		276,891
Money market instruments		456,280		-
	\$	1,101,845	\$	318,693

### 4. MARKETABLE SECURITIES

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Common shares in public companies	\$ 36,000	\$ 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

SEPTEMBER 30, 2011 AND 2010

### 5. EQUIPMENT

The Company's equipment is summarized as follows:

	2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and office equipment	\$ 5,186	\$ 2,826	\$ 2,360	\$ 2,950
Computer equipment	57,945	46,919	11,026	13,165
Software	26,882	22,292	4,590	3,020
	\$ 90,013	\$ 72,037	\$ 17,976	\$ 19,135

### 6. MINERAL PROPERTIES

The following is a summary of the Company's material exploration property transactions and holdings.

#### BASE METAL PROPERTIES

##### South Tally Pond Property

On September 1, 2006 the Company signed an option to acquire a 100% interest in 2 mineral licenses (249 claims) located in central Newfoundland. The two mineral licenses are subject to a 2% NSR royalty. In order for the Company to acquire the interest in the two mineral licenses it must:

- Fund exploration expenditures of \$30,951 incurred by the option or prior to the option effective date (paid);
- Issue 250,000 shares on December 15, 2006, the option effective date (issued);
- Issue 250,000 shares on December 15, 2007 (issued); and
- Issue 500,000 shares on the earlier of December 15, 2014 or completion of a bankable feasibility study

The South Tally Pond property consists of several contiguous claim blocks and/or properties including the two above-mentioned optioned mineral licenses, the 100% owned Harpoon Property, and other 100% owned claims staked by the Company. The Harpoon Property is subject to a 2% NSR of which the Company may purchase a 1% NSR for \$1,000,000 and a right of first refusal on the remaining 1% NSR royalty. Certain of these claims staked by the Company that occur within the 2 kilometre area of interest of the Barren Lake Property (returned) remain subject to a 2.5% NSR royalty to the Barren Lake Property vendor of which the Company may purchase 1.5% for \$1,500,000 and a right of first refusal on the remaining 1% NSR royalty.

##### Lake Douglas Property

The Company acquired an option to earn a 100% interest in the Lake Douglas Property by issuing 450,000 common shares and paying \$500,000 over 5 years. The option is under two agreements, the Lake Douglas East Agreement (\$450,000 cash, 450,000 shares) and the Lake Douglas West Agreement (\$50,000). On January 10, 2009, the agreements were amended to decrease the aggregate cash option payments from \$500,000 to \$350,000 (\$250,000 paid) and to increase the number of common shares to be issued from 450,000 common shares to 600,000 common shares (450,000 shares issued). The Company is required to pay the remaining \$100,000 and issue 150,000 shares by January 17, 2012 to earn a 100% interest in the property. The property is subject to a 2% NSR royalty, of which the Company may purchase 1% for \$1,000,000 and retains a right of first refusal on the remaining 1% NSR royalty.

# PARAGON MINERALS CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

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### 6. MINERAL PROPERTIES *(continued)*

#### **Other Base Metal Properties**

As of September 30, 2011, the Company retains interests in three other base metal properties, including an option to acquire a 100% interest in the Seal Property, a 100% interest in the Winterhill Property and 40% interests in two properties (Victoria Lake and Victoria Lake 10188M). The properties are subject to NSR royalties of up to 2.5% of which up to 50% can be re-purchased by the Company and joint venture partners at any time for varying amounts.

The Victoria Lake and Victoria Lake 10188M Properties (collectively, the Victoria Lake Project) were subject to an option agreement with Crosshair, described earlier in these notes, pursuant to which Crosshair has earned a 60% interest in these properties (see Other Gold Properties – Victoria Lake Option Agreement).

#### **Seal Bay Property**

On February 7, 2011, the Company entered into a letter agreement to acquire a 100% interest in certain mineral claims located in north-central 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\*) upon TSX-V approval;
- 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; and
- Pay \$50,000 and issue 120,000 shares on or before February 7, 2015

\* 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 is subject to a 2% NSR, of which a 1% NSR 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**

The Company holds a 100% interest in the property, subject to a 0.5% NSR royalty, which can be purchased by the Company for \$500,000.

On May 15, 2009, the Company entered into an option agreement with Golden Touch Resources 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 and making cash payments of \$60,000 to the Company. During the year ended September 30, 2011, Golden Touch notified the Company that it would not proceed with the option agreement. The property thus reverted 100% back to the Company.

### **GOLD PROPERTIES**

#### **JBP Linear Property**

The Company holds a 100% interest in the JBP Linear Property, subject to advance royalties of \$15,000 per year that commenced in 2007 and Net Smelter Return (NSR) royalties of up to 3%, of which up to 2% can be re-purchased by the Company.

# PARAGON MINERALS CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

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### 6. MINERAL PROPERTIES *(continued)*

#### **Golden Promise Property**

The Company holds a 40% interest in the Golden Promise Property which is subject to a joint venture agreement with Crosshair Exploration & Mining Ltd (“Crosshair”). On April 8, 2009, the Company entered into a joint venture agreement with Crosshair on the Golden Promise Property as follows:

#### Golden Promise Joint Venture Agreement – Crosshair Exploration & Mining Ltd.

Under the terms of the joint venture agreement Crosshair issued to the Company 2,655,000 of its common shares and earned a 60% interest in the Golden Promise project during fiscal 2009. Crosshair will provide the Company with a \$2,000,000 carried interest in exploration expenditure to be completed prior to May 2013. Crosshair can extend this time frame by one year upon issuing a further 250,000 common shares to the Company. The property is subject to NSR of up to 2%, of which 1% can be re-purchased by the joint venture partners.

On completion of the initial \$2,000,000 in exploration expenditures, Crosshair can elect to earn an additional 10% interest (to 70%) by providing the Company with an additional \$1,000,000 carried interest in exploration expenditures within a one year period. Crosshair can extend this time frame by one year upon issuing a further 100,000 common shares to the Company. If Crosshair does not complete the additional exploration expenditures, it can purchase the 10% interest by paying to the Company the difference between the incurred additional exploration expenditures and the \$1,000,000 or retain a 60% interest.

#### **Gold Star Property**

On November 9, 2009, the Company entered into a letter agreement to acquire a 100% interest in certain mineral claims located in northwestern Ontario. To earn its interest, the Company is required to make cash payments of \$95,000 and issue 200,000 common shares of the Company to the property vendor over three years as follows:

- Pay \$25,000 (paid) and issue 40,000 shares (issued) upon signing and TSX-V approval;
- Pay \$12,000 (paid), and issue 40,000 shares (issued) on or before December 1, 2010;
- Pay \$18,000, and issue 50,000 shares on or before December 1, 2011; (subsequently paid and issued) and
- Pay \$40,000 and issue 70,000 shares on or before December 1, 2012

The property is subject to a 1.5% NSR, of which 50% can be purchased by the Company at any time for \$750,000.

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 as follows:

- Pay \$7,500 (paid) and issue 10,000 shares (issued) upon signing and TSX-V approval (obtained on October 1, 2010);
- Pay \$7,500 (paid), and issue 10,000 shares (issued) by September 23, 2011;
- Pay \$10,000, and issue 20,000 shares by September 23, 2012;
- Pay \$12,500 and issue 30,000 shares by September 23, 2013; and
- Pay \$15,000 and issue 40,000 shares by September 23, 2014

The property is subject to a 2% NSR, of which 50% can be purchased by the Company for \$1,000,000. The Company has a right of first refusal on the remaining 1%.

# PARAGON MINERALS CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

### 6. MINERAL PROPERTIES *(continued)*

#### Other Gold Properties

As of September 30, 2011, the Company retains a 100% interest in two gold properties, (Huxter Lane and Long Pond) and a 40% interest in one gold property (South Golden Promise). These gold properties are subject to NSR royalties of up to 3%, of which up to 2% can be re-purchased by the Company at any time for varying amounts.

#### Huxter Lane Option Agreement (Huxter Lane Property) – Golden Dory Resources Corp.

The Company holds a 100% interest in the Huxter Lane Property. On February 17, 2009, the Company entered into an option agreement with Golden Dory Resources Corp. (“Golden Dory”) whereby Golden Dory may earn a 60% interest in the Huxter Lane Property by funding \$2,000,000 in exploration expenditures, making cash payments of \$50,000 (\$30,000 received) and issuing 350,000 shares (225,000 shares received) to the Company over a four year period. On completion of the 60% earn-in commitment, Golden Dory may then elect to earn an additional 10% interest (to 70%) by issuing an additional 150,000 shares to the Company and completing a bankable feasibility study. Golden Dory is the operator during the earn-in period.

#### Long Pond Option Agreement (Long Pond Property) – Metals Creek Resources Corp.

On August 14, 2008, the Company optioned its 100%-owned Long Pond gold property located in the Baie Verte area of north central Newfoundland to Metals Creek Resources Corp. (“Metals Creek”). Under the terms of the agreement, Metals Creek must spend \$500,000 over four years, including \$50,000 firm in the first year, and make share issuances totaling 300,000 shares (100,000 shares received) to earn a 60% interest in the project. During the year ended September 30, 2010, Metals Creek notified the Company that it withdrew from the option agreement and accordingly Metals Creek retains no interest in the property.

The property is subject to a 0.5% NSR that can be purchased by the Company at any time for \$500,000.

#### Victoria Lake Option Agreement (South Golden Promise property) – Crosshair Exploration & Mining Ltd.

Crosshair has completed its requirements to acquire a 60% interest in one of the Company’s other gold properties (South Golden Promise Property) and two of the Company’s base metal properties (Victoria Lake Property and Victoria Lake 10188M Property – see Other Base Metal Properties). Under the terms of this agreement, Crosshair spent \$1,750,000 over a four-year period and issued a total of 400,000 shares (issued previously to Rubicon). A formal Joint Venture agreement with Crosshair to operate this project is pending.

#### Other gold property interests dropped

During the year ended September 30, 2011, the Company dropped its interests in the Maritec Property and accordingly, wrote off the deferred costs of \$73,839.

During the year ended September 30, 2011, the Company dropped its interests in the Glenwood Property and accordingly, wrote off the deferred costs of \$120,550.

### 7. ACCUMULATED OTHER COMPREHENSIVE LOSS

	2011	2010
Accumulated other comprehensive loss, beginning of year	\$ (53,548)	\$ (58,933)
Other comprehensive income	42,648	5,385
Accumulated other comprehensive loss, end of year	\$ (10,900)	\$ (53,548)

**PARAGON MINERALS CORPORATION**

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

**8. 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	210,000	49,500	-
Exercise of agent's options	433,333	104,210	(39,210)
Share issuance costs	-	(340,788)	125,140
Stock-based compensation	-	-	131,497
Future income taxes related to flow-through share renunciation	-	(486,593)	-
Balance, September 30, 2011	52,949,254	\$ 17,077,243	\$ 1,695,546

**Share issuance**

During the year ended September 30, 2011, the Company:

- Issued 60,000 common shares pursuant to Gold Star mineral property agreements with a total value of \$11,250.
- Issued 150,000 common shares pursuant to Lake Douglas mineral property agreements with a total value of \$38,250.
- 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%).
- 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.

**PARAGON MINERALS CORPORATION**

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

**8. SHARE CAPITAL (continued)****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	1,560,000	0.14
Expired/cancelled	(398,333)	0.40
Balance, September 30, 2011	3,873,333	\$ 0.31
Exercisable at September 30, 2011	2,924,251	\$ 0.37
Weighted average of remaining life in years	2.98 (2010 - 2.89)	
Weighted average fair value of options granted during the year	\$0.10 (2010 - \$0.11)	

As at September 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	0.155	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
1,005,000	0.11	July 4, 2016
3,873,333		

**PARAGON MINERALS CORPORATION**

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

**8. SHARE CAPITAL (continued)**

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:

	2011	2010
Risk-free interest rate	1.91%	1.88%
Expected life	3 years	3 years
Expected volatility	115.27%	118.89%
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	(695,607)	1.05
Balance, September 30, 2010	4,095,435	0.22
Warrants granted	8,131,167	0.20
Balance, September 30, 2011	12,226,602	\$ 0.22
Exercisable at September 30, 2011	12,226,602	\$ 0.22

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

Number of Warrants	Exercise Price	Expiry Date
2,883,330	\$ 0.29	December 18, 2011
1,428,772	0.19	February 17, 2012
7,914,500	0.20	December 3, 2012
12,226,602		

As at September 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

# PARAGON MINERALS CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

### 9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended September 30, 2011 included:

- a) The Company issued 1,003,553 finder's warrants with a value of \$125,140 as finder's fee for a private placement.
- b) The Company issued 210,000 common shares pursuant to mineral property agreements with a total value of \$49,500.
- c) The Company received 100,000 common shares of Golden Dory Resources Corp. pursuant to mineral property agreement with a total value of \$15,000.
- d) Included in mineral property recovery are \$175,000 related to amounts receivable.
- e) Included in mineral property costs are \$249,172 related to accounts payable and accrued liabilities.

Significant non-cash transactions during the year ended September 30, 2010 included:

- a) The Company issued 433,333 agent's options with a value of \$39,210 as finder's fee for a flow-through private placement.
- b) The Company issued 140,000 common shares pursuant to mineral property agreements with a total value of \$21,600.
- c) The Company received 75,000 common shares of Golden Dory Resources Corp. pursuant to mineral property agreement with a total value of \$12,750.
- d) Included in accounts receivable is \$2,200 of proceeds from sale of equipment.
- e) Included in mineral property costs are \$38,334 related to accounts payable and accrued liabilities.

### 10. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2011	2010
Net loss before future income tax recovery for the year	\$ (735,119)	\$ (2,120,241)
Expected income tax recovery	(197,563)	(612,220)
Net adjustment for deductible and non-deductible expenses	49,645	479,504
Recognized benefit of tax assets	(338,674)	(98,284)
Total income tax recovery	\$ (486,593)	\$ (231,000)

The significant components of the Company's future income tax assets and liabilities are as follows:

	2011	2010
Future income tax assets (liabilities):		
Net mineral property carrying amounts in excess of tax pools	\$ (795,467)	\$ (355,266)
Non-capital loss carryforwards	755,038	669,909
Capital loss carryforwards	36,061	46,722
Other assets	18,138	16,371
Future income tax assets	13,770	377,736
Valuation allowance	(13,770)	(377,736)
Net future income tax assets	\$ -	\$ -

# PARAGON MINERALS CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

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### 10. INCOME TAXES *(continued)*

At September 30, 2011, the Company has non-capital losses available for deduction against future taxable income amounting to \$2,745,000. These losses, if not utilized, will expire through 2031. Subject to certain restrictions, the Company also has mineral property expenditures of approximately \$7,765,000 and capital losses of approximately \$133,000 available to reduce taxable income in future years. The Company has not recognized any future benefit for these tax losses and resource deductions as it is not considered likely that they will be utilized. If unused, the non-capital losses will expire as follows:

Year	Amount
	\$
2027	382,000
2028	853,000
2029	500,000
2030	460,000
2031	550,000
	<u>2,745,000</u>

### 11. 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. Receivables mainly consist of harmonized sale tax and Newfoundland mining exploration grants due from the federal and provincial governments. 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.

#### *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.

# PARAGON MINERALS CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

### 11. FINANCIAL INSTRUMENTS *(continued)*

#### *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, amounts 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:

<b>2011:</b>				
Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,101,845	\$ -	\$ -	\$ 1,101,845
Marketable securities	\$ 36,000	\$ -	\$ -	\$ 36,000

  

<b>2010:</b>				
Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 318,693	\$ -	\$ -	\$ 318,693
Marketable securities	\$ 206,890	\$ -	\$ -	\$ 206,890

### 12. 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 year ended September 30, 2011.



**PARAGON MINERALS CORPORATION**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**PARAGON MINERALS CORPORATION**  
**Management Discussion & Analysis**  
**For the Year Ended September 30, 2011**

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**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 December 16, 2011, should be read in conjunction with the annual audited financial statements of the Company for the year ended September 30, 2011. 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”.

**FORWARD LOOKING STATEMENTS**

This Management 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 headings “Going Concern” and “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 under the Canadian Business Corporations Act (“CBCA”) on July 4, 2006.

The Company has a strategic focus on gold and base metal exploration in 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 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 and funding exploration on its properties including Crosshair Exploration & Mining Ltd. (“Crosshair”) on the Golden Promise/South Golden Promise gold properties and Victoria Lake VMS property, and Golden Dory Resources Corp. (“Golden Dory”) on the Huxter Lane gold property.

During the year ended September 30, 2011, the Company incurred a net loss of \$248,526. During the year, the Company spent, net of recoveries, \$2,045,967 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.

***Financings***

In December 3, 2010, the Company completed a \$3.05 million non-brokered private placement of 11,449,240 flow-through shares at a price of \$0.17 per share for gross proceeds of \$1,946,371 and 7,914,500 non-flow-through units at a price of \$0.14 per unit for gross proceeds of \$1,108,030.

Proceeds from the December 3, 2010 financing were to be used for exploration on the Company's South Tally Pond VMS project, the Gold Star project, the JBP Linear project, and as general working capital. All funds have been applied as committed through to December 16, 2011. Flow-through expenditure commitments have been met.

The Company’s priority in fiscal 2012 will be to continue advancing its 100% controlled projects including the South Tally Pond, JBP Linear and Gold Star projects; maintain its current partners; 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.

**PARAGON MINERALS CORPORATION**  
**Management Discussion & Analysis**  
**For the Year Ended September 30, 2011**

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**GOING CONCERN**

The financial statements of the Company have been prepared on the basis of Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern. The appropriateness of this methodology is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital.

The audited financial statements for the year ended September 30, 2011 have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company’s ability to generate future profitable operations and/or generate continued financial support in the form of equity or other financings. Management feels that sufficient working capital will be obtained from public share offerings and the sale of marketable securities to meet the Company’s liabilities and commitments as they come due. The financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

**MINERAL PROPERTIES**

As of the year ended September 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. Exploration expenditures by partners for the period ending September, 30 2011 was approximately \$350,000.

During the year ended September 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.

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

During the year ended September 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 fiscal year ended September 30, 2011, the Company completed exploration work on three of its key 100% controlled projects including the South Tally Pond VMS project, the JBP Linear project, and the Gold Star project.

At the 100% controlled South Tally Pond VMS project in central Newfoundland, the Company completed 29 diamond drillholes (9,269 metres) including 24 drillholes (7,746 metres) at the Lemarchant Prospect; three drillholes (871 metres) at the Beaver Lake Prospect; one drillhole (443 metres) at the Duck West Prospect; and one drillhole (209 metres) at the Cookstown Prospect. The Company also completed 1,388 line kilometres of airborne electromagnetic and magnetic geophysical surveys on 3 survey blocks (STP Extension, Gills Pond Block and Lemarchant Prospect area); borehole Pulse EM (“PEM”) geophysics was completed on five of the Lemarchant drillholes (2,830 metres); a ground PEM geophysical survey (20.7 line kilometres) was completed over the Lemarchant Prospect, and 3 weeks of follow-up

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prospecting on new airborne EM geophysical targets. In mid-September, the Company initiated the first National Instrument (NI) 43-101 Resource Estimate on the Lemarchant Prospect.

At the 100% controlled JBP Linear project in central Newfoundland, the Company completed 74 line kilometres of exploration grid cutting and 68.5 line-kilometres of Induced Polarization (IP) ground geophysics.

At the 100% controlled Gold Star project in northwest Ontario, the Company completed a 3 week trenching program in two key areas. Subsequent to the year-ended September 30, 2011, the Company completed a 4-week follow-up geological mapping and prospecting program and staked 14 additional claims.

The Company's exploration partners funded exploration work on three projects during the year ended September 30, 2011, including the completion of a bulk sample by Crosshair on the Golden Promise JV Project (40% Paragon), airborne electromagnetic and magnetic geophysics (404 line kilometres) on the Victoria Lake JV project (40% Paragon), and humus sampling by Crosshair on the South Golden Promise JV project (40% Paragon). Subsequent to the year-ended September 30, 2011, partner Golden Dory began a 2,000 metres drill program on the Huxter Lane JV property.

Results and highlights from the work completed during the fiscal year ended September 30, 2011 are summarized below with additional project information available on the Company website.

**Base Metal Projects**

***South Tally Pond VMS 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 (ie. Buchans, Duck Pond). The project consists of five, contiguous 100% owned or controlled 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 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 21,400 hectares immediately southwest of the Duck Pond Mine and has made a significant base metal discovery at the Lemarchant Prospect with numerous other prospects on the property that remain to be fully evaluated.

***South Tally Pond Project - Lemarchant Prospect***

In 2007, the Company made a significant precious metal-rich base metal discovery at the Lemarchant Prospect. Drilling to-date has intersected semi-massive to massive sulphide mineralization over a 500-metre strike length between sections 101N and 106N. A total of 74 drillholes totaling 24,263 metres (includes 14 historic drillholes) have now been completed at the Lemarchant Prospect with numerous precious metal-rich copper-lead-zinc massive sulphide drill intercepts. Results of all the drilling are provided on the Company website.

The Lemarchant Prospect area is underlain by a north striking sequence of bimodal submarine volcanic rocks (rhyolites and basalts) of the Tally Pond volcanic belt. The mineralization is hosted within a 4,000 metre long and 700 metre wide sequence of highly altered felsic volcanic rocks. The host rock to the polymetallic sulphide mineralization are moderate to intensely altered, proximal felsic volcanic rocks consisting of rhyolite breccias, massive flows and lesser tuffaceous rocks. The footwall to the semi-massive to massive sulphide mineralization is characterized by a well developed base-metal stringer system, barium enrichment, and moderate to intense quartz-sericite-chlorite to quartz-chlorite alteration.

During the year ended September 30, 2011, the Company completed a 24-drillhole diamond drill program (including 2 drillhole extensions) totaling 7,746 metres, surveyed 5 drillholes (2,830 metres) with Pulse EM ("PEM") geophysics and

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completed a ground PEM geophysical survey (20.7 line kilometres) at the Lemarchant Prospect. Results are summarized below.

Between February and July, 2011, the Company completed 8 drillholes and two drillhole extensions totaling 3,384 metres that focused on the North Target area between section 104N and 108N. All drillholes, except LM11-58 intersected mineralized felsic volcanic stratigraphy similar to that associated with massive sulphides to the immediate south.

**Drillholes LM11-49 and 50** (Section 108+00N), a 100-metre step-out to the north of any previous drilling, intersected altered felsic volcanic rocks with abundant stringer pyrite mineralization. The drilling targeted airborne EM and downhole Pulse EM geophysical targets that appear to be related to a pyrrhotite-rich mudstone horizon located at the top of the felsic volcanic package. A similar mudstone horizon is associated with the Lemarchant massive sulphide mineralization to the south and, based on the airborne EM geophysics; the mudstone horizon is projected to continue a further 400 metres to the north of the two new drillholes. Downhole PEM geophysics has outlined a large (200 x 50 metre) and strong conductor that continues to the north of drillhole LM11-49. This area has not been drill tested.

**Drillhole LM08-28ext** (Section 106+00N) was extended from a previously drilled depth of 299 metres to 515 metres. The drillhole extension intersected 142 metres of altered felsic volcanic rocks with disseminated and stringer base metal mineralization. Significant assays include 2.29% zinc, 0.20% copper and 10.30 g/t silver over 2.0 metres at a downhole depth of 371 metres. Drillhole LM08-28ext further demonstrates the presence of the Lower Felsic Block which consists of a thick sequence of proximal felsic volcanic rocks below the mafic volcanic hanging wall.

**Drillholes LM11-51, 70 and 71** (Section 104+50N) intersected a sequence of altered felsic volcanic rocks with disseminated to stringer base metal sulphide mineralization. The mineralization is located 50 metres “down-dip” of the semi-massive base metal sulphide/barite horizon intersected in drillhole LM08-19. Significant assays include 3.03% zinc, 0.28% copper and 7.09 g/t silver over 1.9 metres at a downhole depth of 123.6 metres (LM11-51).

**Drillholes LM07-17ext, LM11-56, 57 and 58** (Section 104+00N) tested the continuation of massive sulphides within the Lemarchant Main Zone massive sulphide and tested for the presence and continuity of the Lower Felsic Block at depth (~300 metres). Three of the drillholes (LM07-17ext, LM11-56 and LM11-57) successfully crossed through the interpreted Lemarchant fault zone and intersected moderate to intensely altered felsic volcanic rocks of the Lower Felsic Block containing disseminated to stringer copper-lead-zinc mineralization. The Lower Felsic Block remains open for further massive sulphide discoveries similar to those intersected 100 and 200 metres to the north on sections 105+00N and 106+00N.

Between March and September, 2011, the Company completed 16 drillholes (LM11-52 to 55; LM11-59 to 69; LM11-72) totalling 4,360 metres that focused on infill and expansion drilling on the Lemarchant Main Zone massive sulphides. The drilling program was aimed at further expanding the known massive sulphides mineralization and providing the appropriate drill density to complete an initial National Instrument 43-101-compliant resource estimate. The drilling consistently intersected thick accumulations of precious metal-rich massive base metal sulphides. Two of these drillholes successfully extended the massive sulphide zone a further 35 metres up-dip to the west (to 140 metres wide) on sections 103+00N and 102+50N.

In September, 2011, the Company initiated a NI43-101 resource estimate on the Lemarchant Main Zone. The resource estimate and preliminary metallurgical testing is scheduled to be completed in Q2 (January, 2012).

Drilling to-date at the Lemarchant Prospect has outlined a significant semi-massive to massive sulphide zone between section 101N to 104N (the Lemarchant Main Zone) with 29 drillholes spaced from 25 to 50 metres apart. The mineralization is characterized by high grade copper-lead-zinc massive sulphides plus barite with significant gold and silver contents. The sulphide mineralization ranges from 1.7 to 30.4 metres in thickness and are underlain by a thick sequence of intensely altered, barium-enriched felsic volcanic rocks. A gentle, west-dipping thrust fault (Lemarchant Fault) appears to truncate the Main Zone massive sulphide mineralization and associated footwall stringer system down-dip to the east. The continuation of the massive sulphide mineralization is interpreted to be repeated at depth (~300 to 400 metres) to the west in the footwall of the Lemarchant thrust fault, and defined as the Lower Felsic Block target area. Evidence of the massive sulphides in the Lower Felsic Block is present in drillhole LM08-24ext (Section 105N) and drillhole LM08-37 (Section 106N) where semi-massive to massive sulphides have been intersected.

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The Lemarchant mineralization remains wide open for expansion along strike to the south and north of the current drilling, and at depth in the Lower Felsic Block target area where favourable felsic volcanic rocks and sulphide mineralization been defined between sections 101N and 108N. Numerous borehole PEM conductors associated with these areas remain untested as follows:

- South of section 101N along strike from massive sulphides intersected in drillhole LM07-13;
- North of section 108N coincident with the exhalative sediments intersected in drillholes LM11-49 and 50;
- North of section 106N coincident with exhalative sediments and stringer to semi-massive sulphide mineralization intersected in the Lower Felsic Block in drillholes LM08-29, 28 and 37; and
- At depth between section 101N and 106N where stringer to massive sulphides and associated exhalative sediments have been intersected in drillholes LM08-16 and 24.

A ground Pulse EM geophysical orientation survey (20.7 line kilometres) was completed over the Lemarchant Prospect in June 2011. The survey generated conductors very similar to that outlined by the airborne EM surveys. Interpretation of the Pulse EM surface dataset indicates that the numerous conductors detected and modeled from the borehole Pulse EM surveys and the conductive trends recognized in the 2008 Titan 24 geophysical survey were not reproduced by the surface Pulse EM geophysical survey. Survey parameters, such as insufficient current in the large loop, are thought to have been an influencing factor in the results.

***South Tally Pond Project – Airborne Geophysical Survey***

During the year ended September 2011, the Company completed 1,388 line kilometres of airborne electromagnetic and magnetic geophysical surveys in three areas (STP Extension, Gills Pond Block and Lemarchant Prospect area). The airborne survey consisted of a helicopter-borne AeroTEM IV time-domain electromagnetic (EM) and magnetic survey. Highlights include:

- Extension of two short strike length airborne conductors at the Lemarchant prospect from 450 to 800 metres and 350 to 600 metres strike length. The airborne EM conductors likely represent the pyrite and/or pyrrhotite-bearing mudstones located along the basalt - rhyolite contact. The mudstone horizon marking a time-break that caps the massive sulphides and associated VMS-style alteration zone in the underlying rhyolite footwall stratigraphy.
- The airborne magnetic data at Lemarchant outlines two magnetic highs to the immediate east of the two short strike length airborne conductors at the Lemarchant. The spatial correlation between the south magnetic high located above the Lemarchant Main Zone massive sulphides makes the northern magnetic high an excellent target for future drill testing.
- Airborne EM data over the Gills Pond Block outlined several high priority airborne conductors along the south-end of Lake Ambrose. A long conductive trend, with a strike length of 4 kilometres may be associated with similar conductive pyrite and/or pyrrhotite-bearing mudstones that cap the massive sulphide mineralization at the Lemarchant Prospect.

In June, 2011, the Company completed 9 days of prospecting to follow-up on the airborne geophysical results on the Gills Pond Block. A total of 58 rocks were collected and resulted in identifying disseminated base metal sulphides (assaying up to 770 ppm Zn) within altered felsic volcanic rocks immediately south of the long (4 kms) airborne conductor.

***South Tally Pond Project – Other Prospects***

A number of high priority target areas are located outside of the Lemarchant Prospect area and remain to be fully tested. These priority target areas have been identified based on airborne geophysics (short-strike length airborne EM anomalies), historical ground geophysics and rock geochemistry. Five of the high priority VMS target areas are summarized below, two of which were drill tested by the Company in 2011.

*Beaver Lake Prospect* - is located approximately 17 kilometres south-southwest of the Duck Pond Mine and was previously explored by Noranda. A high priority VMS target is located in the Main Grid area, where a significant short strike-length airborne EM conductor (1.2 kilometre-long) and coincident ground EM and gravity anomalies occur near

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altered, proximal felsic volcanic rocks and anomalous basal till samples (200 ppm Cu, 24 ppm Pb, 1200 ppm Zn and 1.9 ppm Ag).

In June 2011, the Company completed 3 initial drillholes, totaling 871 metres at the Beaver Lake Prospect. The drilling intersected thick sequences of altered felsic volcanic rocks (rhyolite) in all three drillholes which contained 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. Litho-geochemical sampling of the Beaver Lake drillholes shows that the alteration intensity is similar to that observed at the nearby Duck Pond Mine.

*Duck Pond West Prospect* - is located 2.5 kilometres west of the Duck Pond Mine. The area hosts a 2 kilometre-long, poorly exposed, VMS-style alteration zone with widths up to 400 metres. Several strong and continuous EM conductors cross the area to the north and likely represent graphitic shale horizons overlying the felsic volcanics. A single historic drill hole in the area (HP90-01) intersected the interpreted west projection of the Duck Pond Thrust and the associated alteration zone. The bedrock in the area is poorly exposed, with numerous angular to sub-rounded felsic volcanic and graphitic shale boulders located on surface. Although these surface boulders are glacially dispersed, they are likely representative of local bedrock. The black graphitic shale boulders have faulted textures similar to that along the Duck Pond Thrust and felsic volcanic boulders (rhyolite) that are primarily volcanic breccias. Litho-geochemical sampling of felsic volcanic boulders returned weak to moderate alteration signatures.

In February 2011, the Company completed one drillhole (443 metres) at the Duck West Prospect. This initial drillhole intersected gabbroic intrusive rocks over most of its length with narrower sections of weakly altered felsic volcanic tuffs and breccias. No significant sulphide mineralization was encountered.

*Bindon's Pond Prospect* - is located approximately 2 kilometres east of the Lemarchant Prospect, and is interpreted to be the folded eastern exposure of the felsic rocks seen at the Lemarchant Prospect. Rock sampling has returned intense hydrothermal alteration signatures similar to massive sulphide-bearing host rocks at the nearby Lemarchant Prospect and Duck Pond Mine. Precious metal-rich, sulphide bearing mudstone float (assaying 264 ppb gold and 3.3 ppm silver) was discovered near a priority airborne EM target at Bindon's Pond. The nature of the sulphide-bearing mudstone is very similar to the mudstone horizon overlying the polymetallic massive sulphides at the Lemarchant Prospect. There has been no drilling on this target.

*Rogerson Lake Prospect* - is located 3.0 kilometres northwest of the Lemarchant Prospect. The Rogerson Lake alteration zone is a 700 metre wide and 5.6 kilometre long VMS-style alteration zone centred on the north end of Rogerson Lake. Alteration consists of intensely chlorite-altered felsic volcanic rocks (rhyolite) with locally strong silica and carbonate alteration and ubiquitous disseminated sulphide (pyrite) mineralization. Massive pyrite float has been discovered on surface in several places. Historical drillholes (28 drillholes totaling 3,514 metres) have intersected stringer to semi-massive sulphides (pyrite) hosted by graphitic sediments and felsic volcanic rocks. The widely-spaced drilling has demonstrated that the stratigraphy is very similar to that underlying the Lemarchant Prospect with geophysical EM anomalies that remain to be tested.

*Lemarchant SW Prospect* - is located 2.2 kilometres southwest of the Lemarchant massive sulphide discovery and is hosted within the same felsic volcanic stratigraphy. The prospect is characterized by a cluster of short strike length airborne EM anomalies that were drill tested (2 holes) by Noranda in 1983. Both drill holes intersected exhalative pyritic mudstone at the transition from overlying mafic volcanic rocks and underlying chlorite altered fragmental felsic volcanic rocks with stringer base metal mineralization.

### ***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 project area is underlain by a thick sequence of volcano-sedimentary stratigraphy similar to other sediment-rich VMS base metal camps such as the world-class Bathurst Mining Camp in northern New Brunswick. Exploration work completed by the Company to date has outlined four high priority areas on the property with potential to host large-tonnage base metal VMS deposits.

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*Lake Douglas Prospect* – the Lake Douglas massive sulphides discovered in 2006 are hosted in a thick sequence of pyritic, quartz-phyric felsic volcanic rocks, sedimentary rocks and lesser mafic volcanic rocks. The mineralized interval, exposed by trenching over a 60-metre strike length and intersected by drilling in 2007 is coincident with a multi-element soil geochemical anomaly (zinc-lead-silver-gold-arsenic) that extends over 1.2 kilometres. The mineralized zone is coincident with a property scale airborne EM conductor.

Drilling in 2007 (7 holes; 2,062 metres) intersected semi-massive to massive sulphide mineralization over 6.45 meters grading 6.30% zinc, 4.19% lead, 0.39% copper and 82.86 g/t silver. The zinc-lead-copper-silver sulphide mineralization is hosted within the sedimentary-volcanic sequence and is similar to the massive sulphides exposed in trenching, but lower in the volcanic stratigraphy. The other drillholes, completed along strike (in both directions) and down dip (LD07-05) of drillhole LD07-04 intersected zones of replacement-style disseminated, stringer and narrow semi-massive to massive base metal sulphides with elevated to anomalous zinc-lead-copper-silver-gold mineralization over widths of up to 23 metres.

*Flexure Prospect* – is located five kilometres southwest and along strike of the Lake Douglas massive sulphide occurrence. Geological mapping and airborne geophysical data indicate the area is underlain by the same stratigraphy that hosts the Lake Douglas massive sulphide occurrence. Altered felsic volcanic rocks mapped in the area coincide with a 1.5 kilometre-long multi-element (zinc-lead-silver-copper-gold) soil geochemical anomaly, a priority airborne EM anomaly and a multi-element till geochemical anomaly. No drilling has been completed in this area.

*Lake of the Woods Prospect* - Numerous stringer-style and disseminated base-metal showings were discovered through prospecting and geological mapping in 2006. Numerous mineralized areas have been identified and occur within or near extensively altered (sericite-iron carbonate-silica-chlorite-kaolinite) felsic volcanic rocks that are traceable for over 4.5 kilometres. Previous assays of the mineralized showings have assayed up to 3.0% zinc, 1.7% lead, 627 g/t silver and 4.3 g/t gold. A priority airborne geophysical anomaly to the immediate north of the exposed altered and mineralized rocks forms a priority drill target. The airborne conductor coincides with a mafic-felsic contact zone to the north of the outcropping mineralization. No drilling has been completed in this area.

*Lake Douglas East Area* – Reconnaissance geological mapping and prospecting in the Lake Douglas East area has outlined altered felsic volcanic rocks that exhibit strong VMS-style alteration characteristics (sericite-silica-siderite+/-chlorite) and disseminated pyrite and base metal mineralization. The altered felsic volcanic rocks are overlain by a black shale unit similar to that seen at other VMS deposits in the Victoria Lake Volcanic Belt (Duck Pond, Boomerang, and Lemarchant) and at the nearby Haven Steady base metal prospect located 6 kilometres along strike to the northeast. Five priority EM anomalies have been identified in the Lake Douglas East area that coincides with altered felsic volcanic rocks and multi-element (Cu-Pb-Zn) soil geochemical anomalies. No drilling has been completed in this area.

During the year-ending September 30, 2011, the Company completed 3 days of prospecting on the Lake Douglas Project. A total of 23 samples (20 rocks, 3 stream silt samples) were collected. Assay highlights include 2.05% zinc from a mineralized felsic volcanic rock located at the south end of the Lake Douglas East area. A single sample assaying 0.45 g/t gold was collected from the western edge of the Lake Douglas East area, where a large scale shear zone transects the Lake Douglas Property.

## **Other Base Metal Projects**

### ***Winterhill JV Project***

The 100% owned Winterhill property is located 17 kilometres northeast of Harbour Breton on the south coast of Newfoundland, Canada. The Neoproterozoic-aged volcanic rocks underlying the Winterhill property are similar to that of the Arabian-Nubian Shield that hosts numerous large tonnage and high-grade VMS deposits. The property covers a 3.5 kilometre long zone of altered felsic volcanic and calcareous sedimentary rocks that host a number of base metal prospects including Winterhill, Winterhill East and Winterhill West Prospects. Previous drilling by Noranda at these prospects (18 holes, 3,872 metres) intersected massive sulphide mineralization with assays of 1.41% copper over 6.0 metres and 10.1 % zinc over 4.0 metres.

In 2010, a 300-metre drillhole funded by exploration partner Golden Touch successfully tested the centre of a 700-metre long, priority airborne EM conductor and coincident ground EM conductor located below a small lake on the property.

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Drilling intersected a thick, strongly altered sequence of felsic volcanic rocks which contained intervals of well-bedded to banded semi-massive to massive pyrite mineralization measuring 3.8 metres (128.9-132.7 metres), 2.0 metres (183.3-185.3 metres) and 1.85 metres (199.45-201.3 metres) in thickness. Anomalous zinc is associated with the pyrite mineralization. The altered host felsic volcanic rocks are overlain by unaltered “hangingwall” mafic volcanic rocks.

Golden Touch terminated its option to earn an interest in the Winterhill property in May 2011. The Company retains a 100% interest in the property.

***Seal Bay Project***

The Seal Bay Project is a volcanogenic massive sulphide (VMS) property located 50 kilometres north of the town of Grand Falls-Windsor, NL. The property consists of 3 mineral licenses and is underlain by Ordovician-aged bi-modal mafic and felsic volcanic rocks of the Wild Bight Group, which also hosts the nearby Point Leamington Deposit (12,300,000 tonnes grading 1.92% zinc, 0.88 g/t gold, 0.28% copper and 16.94 g/t silver; Calibre Mining Corp. NI43-101 report).

The Seal Bay claims cover at least two well documented mineralized zones including the Camp Zone and Main Zone. The Main zone consists of disseminated and lesser stockwork pyrite, chalcopyrite, sphalerite with minor galena and sporadic arsenopyrite hosted in the matrix of a silicified heterolithic and monolithic rhyolite breccia. The Camp Zone consists of disseminated and massive pyrite with arsenopyrite in vein stockwork and fracture filling in silicified and sericitized massive and autobrecciated rhyolite. The Company is looking for a partner to further advance the Seal Bay VMS project.

***Victoria Lake JV Project***

The Victoria Lake JV Project is a volcanogenic massive sulphide (VMS) property located 60 kilometres southwest of the town of Buchans, NL. The property is underlain by Ordovician-aged bi-modal mafic and felsic volcanic rocks of the Long Lake Belt. Three documented alteration zones are present on the property including the Long Lake, Swamp, and Henry Waters alteration zones. Drilling in 2005 outlined base metal stringer mineralization (copper-lead-zinc) that is hosted within thick sequences of altered felsic tuff and intercalated black shale. The Victoria Lake Property bears many similarities to the nearby Boomerang and Domino base metal deposits located 5 kilometres to the northwest.

Crosshair has earned a 60% interest in the property (Paragon - 40%) and the property is subject to joint venture terms. In February 2011, Crosshair completed a 404 line kilometres of airborne magnetic and electromagnetic survey over the property. Results of the airborne survey outlined a number of conductors for ground follow-up. Since earning a 60% interest in the Victoria Lake Option (Victoria Lake JV property and South Golden Promise JV gold property), Crosshair has funded approximately \$167,000 in exploration work. The Company has not participated in the funding of this exploration.

**Gold Projects**

***JBP Linear Project***

The 100% owned JBP Linear gold property is a high-grade gold target located near Gander, Newfoundland. To date, wide-spaced drilling on the property (54 holes, 9,879 metres) has identified high-grade gold mineralization in quartz veins at the H-Pond and Pocket Pond Prospects over a strike length of 700 metres and 950 metres, respectively and depth of 200 metres. The mineralization remains open along strike and to depth. The gold-bearing quartz vein system at the two prospects is characterized by fine to coarse-grained gold with 20 of the drillholes containing visible gold. Broad alteration zones of moderate to intense sericite and iron carbonate alteration typically envelopes the quartz vein zones. Significant drill intercepts include 255.0 grams per tonne (g/t) gold (7.45 oz/ton) over 0.5 metres at Pocket Pond and 52.4 g/t gold (1.53 oz/ton) over 0.35 metres at the H-Pond Prospect.

The H-Pond and Pocket Pond Prospects are located along a three-kilometre long quartz-vein zone that forms part of a larger, fifteen-kilometre long “linear” trend that extends across the property. Gold-bearing angular quartz float samples assaying up to 798.8 g/t gold (23.30 oz/ton) have been located along this trend approximately 2.5 kilometres northeast of

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the H-Pond Prospect. The angular nature of these large quartz float boulders suggests the source is nearby along the projected quartz-vein trend.

During the year ended September 30, 2011, the Company completed 74-line kilometres of grid (30 grid lines at 100 metre spacing) between the H-Pond Prospect and the 798 Prospect. 68.5 line kilometres of Time Domain Induced Polarization (IP) geophysical survey was completed on the newly cut grid in mid-March. The IP survey 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 partner to help advance this project.

***Golden Promise JV Project***

The Golden Promise property is a high-grade, gold target located in central Newfoundland near the town of Badger, Newfoundland. Five quartz vein zones characterized by coarse visible gold have been discovered on the property. The Jaclyn Main Zone is the most advanced and has been intersected over a strike length of 950 metres and to a depth of 400 metres. The zone remains open for expansion along strike and to depth. . A preliminary independent National Instrument (NI) 43-101 compliant resource estimate has been completed at the Jaclyn Main Zone. The report estimates an inferred resource of 89,500 ounces of gold (921,000 tonnes averaging 3.02 grams per tonne gold) at a cut-off of 1 gram per tonne gold. The resource estimate is classified as an inferred mineral resource consistent with the CIM definitions referred to in NI 43-101. The NI 43-101 compliant estimate was prepared by Gary H. Giroux, P.Eng., M.Sc., an Independent Qualified Person as defined in National Instrument 43-101.

The Golden Promise JV Project is subject to a Joint Venture Agreement with Crosshair Exploration and Mining Corp., where Crosshair holds a 60% interest in the property (Paragon – 40%). As part of the Joint Venture agreement, Crosshair is required to fund the first \$2.0 million in exploration by May 2013 (\$1.28 million incurred to September 30, 2011). Crosshair can acquire a further 10% interest (to 70%) by funding a further \$1.0 million in exploration by May 2015.

During the year ended September 30, 2011, Crosshair-funded metallurgical testing on drill core samples from the Jaclyn Zone, which confirmed that the gold can effectively be recovered using gravity separation in combination with leaching (up to 96% gold recovery), or by direct leaching (up to 93% recovery). In November 2010, Crosshair and the Company completed a surface bulk-sample program on the Jaclyn Main deposit. The bulk sample program was aimed at providing a more representative gold grade, testing structural and grade continuity and mining/milling characteristics for the Jaclyn Main Deposit.

A total of 2,174 tonnes were delivered to the Nugget Pond Mill in Baie Verte, Newfoundland owned and operated by Rambler Metals and Mining Canada Limited. Two gold bars weighing 5.37 kilograms were poured and shipped to Johnson Matthey Limited (“Johnson Matthey”) in Toronto for refining. In addition to the bars, the ball mill and SAG mill were cleaned out and 482.5 kg of concentrate were also shipped to Johnson Matthey for treatment and refining. After refining, the bars and the mill concentrate produced a total of 313.59 ounces of gold and 23.05 ounces of silver, which were sold for net receipts of CDN\$430,002 after treatment charges.

Based on the mill records and the total gold recovered, the average recovered gold grade was calculated at 4.47 g/t gold. The average tails grade was 1.12 g/t gold indicating a back-calculated head grade of 5.59 g/t gold with an 80% recovery. While an overall recovery of 80% is positive it is lower than predicted by the bench scale test work. It is believed that the lower than expected recovery is due to the presence of carbonaceous material in the waste rock. In future, this issue can be mitigated by modifying the circuit to a carbon in leach process as opposed to a carbon in pulp process. This would

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result in a minor modification to the flow sheet which will be further refined in future metallurgical test programs. For reconciliation purposes, the head grade was compared with the estimated sample grade using the block model prepared in April 2008 by Gary Giroux, P.Eng., which stated an inferred resource of 921,000 tonnes at 3.02 g/t gold (see Golden Promise NI43-101 Report on The Company's website for further details). Assuming a 2 metre deep trench and 25% dilution, Gary Giroux determined that the bulk sample would have a tonnage of 2,125 tonnes at an average grade of 4.42 g/t gold. This comparison indicates that the bulk sample grade of 5.59 g/t gold is approximately 26% higher than the modeled resource grade.

Crosshair plans to prepare a new resource estimate that will include the 2010 drilling and 2011 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. The Company retains a 40% interest in the Golden Promise JV Project.

***Gold Star Project***

The 100% controlled 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 49 claims (502 units) covering 8,032 hectares.

The property is underlain by mafic and felsic volcanic rocks, with lesser mafic and felsic intrusive rocks, of the Archean Sturgeon Lake Greenstone Belt. The belt to the south is host to the past-producing Mattabi and Lyon Lake massive sulphide deposits. Numerous gold occurrences are located on the property including the Powell Prospect with up to 276.0 g/t gold (8.06 oz/ton), Davidson-Carr Prospect with up to 22.80 g/t gold (0.66 oz/ton) and the Y-Island Prospect with up to 49.8 g/t gold (1.45 oz/ton). Adjacent to the Gold Star Property is the past-producing St. Anthony Gold Mine that operated from 1934 to 1942 and resulted in the recovery of 63,310 oz. gold from 332,720 tons with an average recovered grade of 0.191 ounce gold per ton.

In November 2010, the Company completed a 3-week program of mechanical trenching to follow up on the results of the summer prospecting and geological mapping program. A total 206 channel samples collected from the trenching program that targeted the Thomas Lake, Mine Lake and Powell Prospects. The exploration work has led to the identification of two priority gold exploration areas: Thomas Lake-Mine Lake Deformation Zone and Northeast Arm Deformation Zone.

**Thomas Lake - Mine Lake Deformation Zone** is a large area (2.0 by 1.5 km) that is host to multiple mineralized trends including the Thomas Lake, Mine Lake, Mine Lake North, Stewart-Contact Zone and the Wagon Road prospects. Historically, the Mine Lake and the Stewart-Contact Zone saw extensive trenching, blasting of several pits, and the sinking of two shallow shafts with limited underground development. Limited historic diamond drilling (17 shallow holes for 1,078 metres) has targeted the area, with a majority of the drillholes completed in the Mine Lake and Mine Lake North prospects. No drilling has been completed at the Thomas Lake Prospect or the Stewart-Contact Zone and gold assay results were not reported for the majority of the historic drillholes.

Exploration work by the Company at the Thomas Lake and Mine Lake area has outlined at least two, near parallel north-south striking shear zones (D<sub>1</sub>/D<sub>2</sub>) intermittently exposed over a 1500 metre strike length and up to 50 metres in width. Moderate to intense iron-carbonate and sericite alteration mark the shear/deformation zones with increased sulphide content (pyrite/chalcopyrite) and gold-bearing quartz veins developed at the contacts between felsic volcanic rocks and gabbro intrusions. Trenching at Thomas Lake has uncovered four composite quartz, iron-carbonate and sulphide vein zones that measure between 0.3 to 3.0 metres in width. The vein zones are hosted by strongly sheared quartz porphyry rocks measuring up to 15 metres in width and marked by significant sericite, chlorite and Fe-carbonate alteration. The vein zone remains open along strike. A total of 114 channel samples were collected from the trench with significant assays of 15.4 g/t gold over 0.5 metres. No drilling has been reported in this area.

At the more southerly Mine Lake prospect, a newly recognized northwest trending shear zone or fault splay is interpreted to be related to the north-south deformation zone. The northwest trending shear zone is marked by intense iron-carbonate alteration and contains gold-bearing quartz and quartz-iron-carbonate vein zones measuring between 3 to 10 metres in width. Trenching and channel sampling completed by the Company returned 6.90 g/t gold over 3.2 metres including 20.1 g/t gold over 1.0 metre. These newly recognized northwest trending shear zones are interpreted to represent gold-bearing

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dilational structures extending from the main north-south deformation zone. These structures have not been drilled and represent excellent gold targets.

The nearby Stewart-Contact Zone is a parallel deformation zone located 500 metres west of the Thomas Lake - Mine Lake gold trend. Samples collected by the Company returned assays of up to 55.6 g/t gold from narrow (10-40 cm) outcropping quartz veins that contain visible gold.

**Northeast Arm Deformation Zone** is a five-kilometre wide, north-northeast striking, composite deformation zone that extends below the northeast arm of Sturgeon Lake and adjacent to the historic Powell, Davidson-Carr and Y-Island gold prospects. The deformation zone is exposed on a series of small islands between and south of the historic gold prospects and shows strong variability from locally weakly to intensely deformed and altered volcanic rocks.

Gold mineralization is interpreted to be associated with deformation along the Northeast Arm shear zone that occurred over a protracted period of time, where older ( $D_1$ ) shearing was overprinted by localized younger ( $D_2$ ) shears. These are typically marked by northeast striking zones of increased shear fabric development and associated iron carbonate, pyrite and sericite alteration. The shear zones due to their friable nature are generally more recessively eroded and overlain by water. The key historical gold prospects in the area are generally observed to be flanking the main deformation structures and include the Powell, Davidson Carr, Y-Island, and Richelieu gold prospects.

Trenching by the Company at the Powell Prospect was aimed at following-up on high grade gold rock grab samples collected from historic pits and trenches that assayed from 34.2 g/t to 276.0 g/t gold (0.99 to 8.06 oz/ton). Two trenches exposed three visible gold-bearing quartz vein zones hosted in variably sheared felsic and mafic volcanic and intrusive rocks. The quartz vein zones occur as boudinaged veins measuring up to 2.0 metres wide. A total of 19 channel samples were collected from the Powell Prospect with assays including 6.26 g/t gold over 0.3 metres.

Subsequent to year ended September 30, 2011, the Company completed a 4-week program of geological mapping and further prospecting. The work focused on further geological mapping and prospecting at the Thomas Lake-Mine Lake area and Stewart-Contact zone. Based on the results to date, the Company believes this area is an excellent gold target area for follow-up ground IP geophysics to aid in further defining targets and then trenching and/or diamond drilling. In addition, fourteen new claims (2,064 hectares) covering three key gold occurrences were added to the Gold Star property. These include the McEdwards Lake Prospect, Magee Lake Prospect, and Pointer Lake area claims.

**McEdwards Lake Prospect** – A total of 48 rock grab samples were collected by the Company from the McEdwards Lake Prospect with assays ranging from trace to 30.8 g/t gold. Nineteen of samples assayed greater than 0.5 g/t gold including 11 samples assaying greater than 5.0 g/t gold. The McEdwards Lake Prospect consists of a gold-bearing quartz vein zone associated with carbonate altered, pyritic-felsic rocks and lesser mafic rocks. The gold zone has been traced over a length of 180 metres and widths up to 7 metres by previous workers. The zone remains open along strike. Historic surface sample assays range from trace to 0.74 oz/ton gold and previous drilling (4 holes, 1,152 feet in 1984-85) has returned results of 0.25 oz/ton gold over 4 feet (DDH-ME-3).

**Magee Lake Prospect** – A total of 19 rock grab samples were collected by the Company from the historic trenches at the Magee Lake “B” prospect. Assays between trace to 22.4 g/t gold were obtained with 8 of the samples assaying over 0.5 g/t gold and 6 of these samples assaying over 5.0 g/t gold. The Magee Lake Prospect consists of a series of at least three separate gold occurrences, historically named the “A”, “B” and “C” areas during exploration from 1981 to 1982. The “B” and “C” prospects are located on ground now held by the Company. The “B” occurrence is comprised of quartz veins over a 90 metre strike extent with vein thicknesses up to 1.2 metres. Historical grab samples (1982) from the “B” area assayed up to 0.80 oz/ton gold and channel sample highlights from historic trenches include 1.20 oz/ton over 2.25 feet and 0.26 oz/ton over 2.3 feet.

**The Pointer Lake area** – Reconnaissance prospecting in the newly acquired Pointer Lake area identified two rock samples, collected 700 metres apart, which assayed 18.1 and 11.35 g/t gold. The two occurrences are smoky-grey quartz veins with associated semi-massive pyrite mineralization and hosted within mafic volcanic rocks. There is no record of previous sampling or exploration at these two sample sites.

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**Other Gold Projects**

***Huxter Lane JV Project***

The 100% owned Huxter Lane JV Project is near surface, bulk tonnage gold target located 90 kilometres south of Grand Falls-Windsor in central Newfoundland. The main target is the Mosquito Hill gold deposit, a gold-bearing porphyry intrusion that has been tested by 60 broad-spaced drill holes (10,305 metres) over a strike length of 900 metres and width of 500 metres. The mineralized intrusion is exposed along its northern edge and dips gently to the southwest at about 10 degrees (nearly flat lying) and typically contains up to 5% disseminated and vein-hosted arsenopyrite-pyrite mineralization. The mineralization remains open along strike and to depth.

In February 2009, the Company optioned the property to Golden Dory Resources Corp. whereby Golden Dory may earn up to a 60% interest in the property by funding \$2,000,000 in exploration expenditures over a four year period (\$840,000 incurred to September 30, 2011). Golden Dory may then earn an additional 10% interest (to 70%) by completing a bankable feasibility study. Golden Dory is the operator during the earn-in period.

In September 2010, Golden Dory and the Company announced an updated NI 43-101-compliant resource estimate on the Mosquito Hill gold deposit. The resource estimate was prepared by independent consultant Mr. Gary Giroux, P.Eng, of Giroux Consultants Limited. The NI 43-101 resource estimates that the Mosquito Hill Deposit contains an indicated resource of 11.18 million tonnes averaging 0.546 g/t gold for 196,257 ounces gold and an inferred resource of 38.76 million tonnes averaging 0.457 g/t gold for 569,496 ounces gold at a cutoff of 0.30 grams per tonne gold. Over 90% of the resource estimate occurs at depths shallower than 200 metres. This resource estimate is not an economic assessment of the Mosquito Hill Deposit, and a range of cutoff grades are listed below.

**Mosquito Hill Zone - Indicated Resource within the mineralized solid**

<b>Au Cutoff (g/t)</b>	<b>Tonnes &gt; Cutoff (tonnes)</b>	<b>Grade &gt; Cutoff Au (g/t)</b>	<b>Contained Ounces Au</b>
0.10	16,760,000	0.438	236,015
0.20	15,020,000	0.471	227,448
<b>0.30</b>	<b>11,180,000</b>	<b>0.546</b>	<b>196,257</b>
0.40	7,560,000	0.642	156,044

**Mosquito Hill Zone - Inferred Resource within the mineralized solid**

<b>Au Cutoff (g/t)</b>	<b>Tonnes &gt; Cutoff (tonnes)</b>	<b>Grade &gt; Cutoff Au (g/t)</b>	<b>Contained Ounces Au</b>
0.10	59,400,000	0.375	716,157
0.20	52,370,000	0.404	680,228
<b>0.30</b>	<b>38,760,000</b>	<b>0.457</b>	<b>569,496</b>
0.40	21,310,000	0.548	375,452

Subsequent to the year ended September 30, 2011, Golden Dory began a 2,000 metre drill program on the property. The drilling is aimed at expanding the Mosquito Hill gold deposit.

***South Golden Promise JV Project***

The South Golden Promise JV project is located in central Newfoundland immediately south of the Golden Promise JV Project. The target is high grade gold vein systems hosted within late Ordovician sedimentary rocks of the Victoria Lake Group. Crosshair has earned a 60% interest in the property (Paragon - 40%) and is subject to joint venture terms. During the year ended September 30, 2011, Crosshair completed a limited geochemical sampling program on selected areas of the property. The Company did not participate in the funding of the exploration work.

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***Long Pond Project***

The 100% owned, Long Pond project is located in the Baie Verte area of north central Newfoundland. The target is a mesothermal gold vein environment with strong similarities to the mafic-ultramafic hosted gold deposits of the Abitibi greenstone belts in Canada. No fieldwork was completed during the fiscal year ending September 30, 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 2012 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 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 Winter Hill JV 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.

**SELECTED ANNUAL INFORMATION**

The following table sets out selected financial information for the Company which has been derived from the Company's audited financial statements for the fiscal years ended September 30, 2011, 2010 and 2009. These financial statements were prepared in accordance with accounting principles generally accepted in Canada and are in Canadian dollars.

	<b>Fiscal 2011 (\$)</b>	<b>Fiscal 2010 (\$)</b>	<b>Fiscal 2009 (\$)</b>
<b>Income Statement Data</b>			
Revenues	-	-	-
Net loss for the year	(248,526)	(1,889,241)	(1,402,949)
<b>Loss per common share outstanding - basic and diluted:</b>			
Net loss for the year	(0.01)	(0.06)	(0.05)
<b>Balance Sheet Data</b>			
Total assets	12,385,047	9,744,290	10,785,386
Total long-term liabilities	-	-	-
<b>Dividends</b>	-	-	-

**Factors That Affect the Comparability of the Annual Financial Data Disclosed Above**

During fiscal 2011, 2010, and 2009, the Company incurred net loss of \$248,526, \$1,889,241, and \$1,402,949, respectively. The significant variance was mainly attributable to general operating expenses (2011 - \$651,087, 2010 - \$533,412, 2009 - \$537,419), write-off of mineral property (2011 - \$195,945, 2010 - \$1,466,431, 2009 - \$1,445,619), gain

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on mineral properties (2011 - \$10,377, 2010 - \$nil, 2009 - \$363,014), and future income tax recovery (2011 - \$486,593, 2010 - \$231,000, 2009 - \$218,911).

**RESULT OF OPERATIONS**

For the year ended September 30, 2011, the Company incurred a net loss of \$248,526 as compared to a net loss of \$1,889,241 incurred in the year ended September 30, 2010. The net loss in 2011 is inclusive of general administrative expenses of \$651,087 (2010 - \$533,412), loss from other items of \$84,032 (2010 - \$1,586,829) and future income tax recovery of \$486,593 (2010 - \$231,000).

General operating expenses excluding stock-based compensation expenses for the year ended September 30, 2011 were \$519,590 (2010 - \$413,894). The variance in the general administrative costs is mainly attributable to:

- Investor relations of \$88,909 (2010 - \$28,686) relates to fees to investor relations consultants and costs of printing promotional materials and attending 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.
- Professional fees of \$93,571 (2010 - \$79,333) are comprised of \$34,906 (2010 - \$20,294) for legal fees and \$58,665 (2010 - \$59,039) for accounting related fees. The increase in legal fees relates mainly to the annual general meeting and other general corporate matters.
- Salaries and benefits of \$166,482 (2010 - \$155,354) mainly relate to salaries of the Company's CEO and CFO.
- Travel and accommodation of \$28,559 (2010 - \$11,609) 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 \$131,497 (2010 - \$119,518), a non-cash charge, are the estimated fair value of the vesting portion of stock options granted in fiscal 2011 and 2010. The Company used the Black-Scholes option pricing model for the fair value calculation.

Income from other items mainly include a gain of \$82,464 (2010 - a loss of \$121,328) on sale of marketable securities and a write-off of mineral properties of \$195,945 (2010 - \$1,466,431). Future income tax recovery of \$486,593 (2010 - \$231,000) is a non-cash item and mainly relates to the renunciation of flow through expenditures to shareholders.

**SUMMARY OF QUARTERLY RESULTS**

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

	For the Three Months Ending							
	Fiscal 2011				Fiscal 2010			
	Sept. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010	Jun. 30, 2010	Mar. 31, 2010	Dec. 31, 2009
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Income Statement Data</b>								
Total revenues	-	-	-	-	-	-	-	-
Net income (loss)	206,741	(165,727)	(253,787)	(35,753)	(1,348,490)	(153,070)	(226,104)	(161,577)
<b>Income (loss) per common share outstanding – basic and diluted</b>								
Net income (loss) per share	0.00	(0.00)	(0.01)	(0.00)	(0.04)	(0.00)	(0.01)	(0.01)

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.

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**FOURTH QUARTER**

In the fourth quarter ended September 30, 2011, the Company incurred a net income of \$206,741 (2010 - \$1,348,490). The income incurred in the fourth quarter was mainly a result of general operating expenses of \$167,428 (2010 - \$113,314) and write-off of mineral properties of \$195,945 (2010 - \$1,466,431), mitigated by future income tax recovery of \$486,593 (2010 - \$231,000). Factors affecting the general administrative expenses for the current quarter are similar to those explained under the "Results of Operations" Section.

During the quarter ended September 2010, the Company completed diamond drilling (17 holes, 4,813 metres) on the South Tally Pond VMS project (Lemarchant Prospect). Highlights of the work are summarized in the Exploration Update – South Tally Pond Project - Lemarchant Prospect. The Company also initiated the first National Instrument (NI) 43-101 resource estimate on the Lemarchant Main Zone in September 2011. The resource estimate and preliminary metallurgical testing is scheduled to be completed by mid-late December 2011.

The Company also completed a geological mapping and prospecting program at the Gold Star property between September 15 and October 18, 2011. A total of 311 rock float and grab samples were collected. The prospecting program was designed to follow-up on trenching and existing mineral occurrences sampled in 2010. Highlights of the work are summarized in the Exploration Update– Gold Star Project.

**LIQUIDITY AND CAPITAL RESOURCES**

As at September 30, 2011, the Company had cash and cash equivalents of \$1,101,845 compared to \$318,693 as at September 30, 2010. The Company had working capital as at September 30, 2011 of \$1,076,406 compared to working capital of \$532,990 as at September 30, 2010.

During the year ended September 30, 2011, the cash and cash equivalent balance increased by \$783,152. The Company spent \$504,841 in operating activities and, net of recoveries, \$2,045,967 on mineral properties. The Company received net proceeds of \$2,903,753 from the issuance of shares and \$311,002 from sale of a portion of its marketable securities.

Management estimates that the general operating costs, excluding stock-based compensation expense, for fiscal 2012 will be approximately \$500,000. The Company has commitments of \$153,000 under the mineral property option agreements for the next fiscal year. At present, management believes that the current working capital is sufficient to fund its operating and capital requirements for the next 12 months. The Company's priority in 2012 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.

**Use of Proceeds from Financings**

<b>Planned Use of Proceeds as Previously Disclosed</b>	<b>Actual Use of Proceeds to December 16, 2011</b>
<b>December 3, 2010 Financing as Previously Disclosed</b>	
<ul style="list-style-type: none"><li>• Exploration on the Company's South Tally Pond, Gold Star, and JBP Linear projects; and as general working capital.</li></ul>	<ul style="list-style-type: none"><li>• All funds have been applied as committed</li></ul>

**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 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**.

## **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. Receivables mainly consist of harmonized sale tax and Newfoundland mining exploration grants due from the federal and provincial governments. 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

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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, amounts 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:

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Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,101,845	\$ -	\$ -	\$ 1,101,845
Marketable securities	\$ 36,000	\$ -	\$ -	\$ 36,000

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**OUTSTANDING SHARE DATA**

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

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Issued and Outstanding Common shares	52,949,254
Stock options	3,873,333
Warrants	12,226,602
Finder’s warrants	1,003,553
	<hr/>
	70,052,742

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**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

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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

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 the Company's interest in its mineral properties.

Title

There is no guarantee that title to properties in which the 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 the 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, landslides 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.

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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) 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 The Company and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for The Company'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

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will issue its first set of financial statements prepared under IFRS for the interim periods ending December 31, 2011 and for the fiscal year ending September 30, 2012. The standard also requires that the comparative figures for 2011 be based on IFRS.

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 fiscal 2011.

- *Share-Based Payment* (“IFRS 2”)

IFRS and Canadian GAAP largely converge on the accounting treatment for share based transactions 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 recognizes the expense on a straight line basis. Starting the first quarter of 2010, the Company moved from a straight line basis to a graded vesting basis 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 periods. 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 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.

IASB will continue to issue new accounting standards during the conversion period. Management will continue to review new standards, as well as the impact of the new accounting standards, to ensure all relevant changes are addressed.

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**EFFECTIVENESS OF DISCLOSURE CONTROLS**

The Chief Financial Officer and Chief Executive Officer have evaluated the effectiveness of the Company's disclosure controls as of September 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](http://www.sedar.com) and on the Company web site at [www.paragonminerals.com](http://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.