

ST. ELIAS MINES LTD.

FORM 51-102F1

MANAGEMENT'S DISCUSSION AND ANALYSIS

(January 26, 2011)

For the Six Months Ended November 30, 2011

The following discussion and analysis of the operations, results and financial position of St. Elias Mines Ltd. (the "Company") should be read in conjunction with the audited financial statements and related notes attached thereto for the six months ended November 30, 2011. The reader should also refer to the annual audited financial statements for the year ended May 31, 2011 and the Management Discussion and Analysis for this year. The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles.

All amounts are stated in Canadian dollars unless otherwise indicated.

Forward Looking Statements

Except for historical information, this Management's Discussion and Analysis may contain forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Business Overview

The Company is a reporting issuer in British Columbia and Alberta and its common shares are listed and posted for trading on the TSX Venture Exchange under the symbol "SLI".

The Company's head office is located at Suite 304, 700 West Pender Street, Vancouver, British Columbia, V6C 1G8, and its registered and records offices are located at Suite 304 – 700 West Pender Street, Vancouver, BC., V6C 1G8.

The principal business of the Company has been, and continues to be, the acquisition, exploration and development of natural resource properties. The Company currently owns, or has acquired an option to earn an interest in, properties located in Peru and British Columbia.

During the last three years, the Company has focused its exploration efforts on its 100% owned Tesoro Gold Property in southern Peru.

Additional information related to the Company is available on SEDAR at www.sedar.com.

Performance Summary

The following is a summary of significant events and transactions that occurred during the six months ended November 30, 2011:

Tesoro Gold Project, Peru

During the year, the Company continued with its exploration and development plan of the Tesoro Project which included additional bulk sampling, surface exploration and a Stage 1 and Stage 2 Titan Geophysical Survey.

The Tesoro Property has never been evaluated to depth or to its full strike potential. During the year ended May 31, 2010, the Company completed a Titan 24 Geophysical Survey on the Property. Results of the Titan 24 Survey will be used in assisting the Company in identifying potential for economic mineralized targets at depths. Targets identified from the Titan 24 Survey will be tested with drilling. An initial 10,000m drilling program is planned at Tesoro.

The Titan 24 Survey on the Property was conducted in two stages. During the fall of 2009, Quantec Geoscience Limited conducted Stage 1 of the survey which consisted of 9 lines covering approximately 21.6 line kilometres over the project area. Stage 2 of the survey, designed to follow-up the results of the 2009 Stage 1 survey, was conducted in spring of 2010 and comprised 18 Titan lines totalling 43.2 line kilometres infilling the area within the lines from the Stage 1 survey.

Stage 1 of the Titan 24 survey successfully identified 12 high priority targets and 8 second priority targets for follow up at the Tesoro Project. In addition, an ovoid (egg shaped) anomaly beneath the A-4 Vein at Zona Central that is approximately 1,450m long x 400m wide (open to the south) and 300-500m thick was identified.

During the year ended May 31, 2010, the Company completed the field portion of the Stage 2 Titan 24 Survey. The Stage 2 Survey was designed to follow-up the results of the recent Stage 1 Titan 24 Survey completed in fall 2009 and to extend the geophysical survey to cover the entire Property. The Stage 2 program consisted of 18 lines of survey totalling 43.2 line kilometres.

Subsequent to the year ended May 31, 2010, results from the Stage 2 Titan 24 Survey were received. The survey has successfully identified at least 19 first priority geophysical anomalies with potential for gold mineralization from near surface to >400 meters depth and 26 zones which are classified as second priority targets for follow up. These zones are interpreted to be related to, and/or the extension of, previously discovered mineralized zones in the Property. The completion of the Stage 2 program has resulted in the entire Tesoro Project being covered by Titan 24 survey and has provided detailed information for drilling and follow up 3D geological modelling.

The assay results (reproduced below) are initial results from 11 diamond drill holes (4,375 metres of a planned 5,500-metre Phase IA Drill Program at the Tesoro Gold Project.) These assay results represent the initial and ongoing systematic evaluation of high-priority targets identified by the 2009/2010 Titan 24 Geophysical Survey at the Tesoro Gold Property. The anomalies being tested by drilling include IP chargeability highs, resistivity lows and highs, and MT derivatives, as well as various combinations of these anomalies. Summary drilling results will be announced upon completion of the Phase IA Drill Program and compilation/interpretation of all data.

Drilling to date has focused on testing the Quantec Titan 24 geophysical targets primarily surrounding and within the large "ovoid" chargeability anomaly at Zona Central. Drill Hole TE-11-06 is located along the main Tesoro structural trend on the northern flank of this anomaly.

Drill Hole TE-11-06 returned compelling initial results and, while additional drill testing is required, the Company is in the process of completely sampling Drill Hole TE-11-06 from 60m to 170m on minimum 1.5-metre intervals to more accurately define a potential, bulk-tonnage mineralized target. The interval

from 90.6m to 128.5m in Drill Hole TE-11-06 assayed 0.74g/t Au over 37.85m, and includes 0.74m of 23.5g/t Au at 112.26m and 0.35m of 9.6g/t Au at 113.32m. These mineralized intersections have been interpreted to be related to widespread resistivity lows identified from the 2009/2010 Titan 24 Survey. This correlation has led management to utilize these Quantec resistivity lows zones associated with the known mineralized corridors to fine tune additional exploration targets for drilling.

The large "ovoid" geophysical (chargeability) anomaly identified by the Quantec Titan 24 Survey at depth on the Property has been limitedly tested by diamond drilling on this round of drilling. The Quantec survey data is currently being re-evaluated and re-interpreted to take into account the latest drill results in correlation with the geophysical targets.

Several sampled (halved core) intervals were noted to contain sulphide mineralization. Sulphide mineralization is directly associated with quartz/carbonate veins and/or veinlets and the restricted areas of alteration surrounding these veins. A review of the assay data compiled to date indicates a correlation between these visible sulphides and gold mineralization.

The Company is in the midst of a systematic program of re-sampling and drill core analysis with a focus on increasing the sampling intervals both above and below any noted quartz/sulphide intersections, and where areas of multiple sulphide mineralization were noted, continuous sampling through these zones to combine one single sampled interval. In this capacity, potentially mineralized wall rock between close spaced mineralized veins can be tested, towards bulk tonnage mineral potential.

The Company has employed a second drill rig, capable of drilling $\geq 1,000$ m holes, which will in increased productivity and quicker turnaround time for geological information and chemical analyses. Additional infrastructure, including expansion of camp facilities, additional water trucks and personnel (including two additional on-site geologists has been completed. There are currently four fulltime geologists working on the project under the guidance of James Thom, M.Sc. and Paul D. Gray, P.Geo.

Initial Drill Results

Summary table of >1 g/t Au assay results from the first 11 drill holes of the 2011 Tesoro Gold Property

Hole ID	Hole Depth (meters)	Zones Tested	From (meters)	To (meters)	Interval (meters) ⁽²⁾	Au (ppm or grams)	Au (ounces)
DDH_TE_01	241.50	Central	151.45	152.02	0.57	4.144	0.12
			154.71	154.97	0.26	4.551	0.13
DDH_TE_02	250.50	Central	30.80	31.22	0.42	3.432	0.10
DDH_TE_03	350.50	Central	183.26	183.53	0.27	1.441	0.04
			204.79	204.93	0.14	2.974	0.09
DDH_TE_04	576.10	Central	270.66	270.84	0.18	1.148	0.03
			330.69	331.12	0.43	9.438	0.28
DDH_TE_05	301.40	Central	29.33	29.46	0.13	2.074	0.06
			156.88	157.13	0.25	11.64	0.34
DDH_TE_06	338.10	Central	91.60	92.32	0.72	1.508	0.44
			112.26	113.00	0.74	23.50	0.69
			113.32	113.67	0.35	9.582	0.28
			124.70	125.70	1.00	1.051	0.03
			126.70	127.50	0.80	1.594	0.07
			156.09	156.46	0.37	5.089	0.15
			156.09	156.46	0.37	5.089	0.15
DDH_TE_07	380.25	Canchete	15.07	15.26	0.19	1.906	0.56
			62.07	62.28	0.21	1.252	0.04

			96.69	96.90	0.21	9.713	0.28
			119.25	119.49	0.24	19.74	0.58

Hole ID	Hole Depth (meters)	Zones Tested	From (meters)	To (meters)	Interval (meters) ⁽²⁾	Au (ppm or grams)	Au (ounces)
			133.46	133.59	0.13	2.744	0.08
			145.89	146.01	0.12	6.136	0.18
			146.88	147.00	0.12	1.926	0.06
			168.76	169.00	0.24	5.964	0.17
			169.29	169.38	0.09	1.473	0.04
			213.06	213.19	0.13	2.10	0.06
			213.19	213.45	0.26	5.353	0.16
DDH_TE_08	330.00	Canchete	31.70	31.85	0.15	1.353	0.04
			44.90	45.00	0.10	1.180	0.03
			53.07	53.19	0.12	2.233	0.07
			90.50	90.69	0.19	2.283	0.07
			93.88	94.12	0.24	1.827	0.05
			121.35	121.50	0.15	4.907	0.14
			137.77	137.98	0.21	4.579	0.13
			195.50	195.80	0.30	3.97	0.12
			213.41	213.54	0.13	3.468	0.10
DDH_TE_09 ⁽¹⁾	604.70	Central	533.44	533.78	0.34	0.416	0.01
DDH_TE_10 ⁽¹⁾	500.20	Central	63.95	64.02	0.07	0.259	0.01
DDH_TE_11	501.25	Central	52.00	52.30	0.30	1.069	0.03

(1) Highest gold value obtained in these drill holes

(2) The gold grades are uncut and the intercept reported drill core intercept widths do not necessarily reflect the true width of the mineralization encountered.

The Company utilizes an industry-standard quality assurance/quality control program. HQ and NTW diamond drill core is sawn in half with one-half shipped to the ISO-certified Canadian Institute of Mining, Metallurgy and Petroleum Peru SA assay laboratory in Lima, Peru, for chemical analysis. Blanks, duplicates and certified reference standards are inserted into the sample stream to monitor laboratory performance.

The Company staked six additional mineral concessions (Chance A to F) that the Company received government approval for between June 23, 2010 and August 09, 2010. The Company owns a 100% interest in the new concessions that total 6,300 hectares. Five of the new concessions adjoin the Tesoro Project with the other concession being located approximately 1.5km south of the Tesoro Project.

On August 31, 2011 the Company entered into a Property Option Agreement with Intigold Mines Inc. ("Intigold") on one of the new concessions staked at Tesoro. Intigold can acquire a 60% interest (subject to a 1.5-per-cent net smelter returns royalty (NSR) in the Chance E Property by paying \$500,000 to the Company, issuing 1,000,000 common shares of the Intigold to the Company and by incurring \$1,000,000 in exploration expenditures on the Chance E Property over a three-year period. Intigold's first year commitment under the option agreement is to pay \$25,000 to St. Elias and incur \$200,000 in exploration expenditures on the property.

Vilcoro Gold Property, Peru

During the year ended May 31, 2010 the Company gave a Notice of Default to Geneva Resources Inc. ("Geneva") pursuant to the Property Option Agreement dated January 22, 2007, and its amendments dated December 1, 2007, March 28, 2008, and June 4, 2008 (collectively, the "Agreement") between St. Elias and Geneva with respect to the Vilcoro Gold Property in Peru. The Agreement subsequently terminated.

During the year ended May 31, 2010, legal proceedings in the Supreme Court of British Columbia brought against each of St. Elias Mines Ltd. and John Brophy in November 2008 were dismissed. The legal proceedings related to an option granted to Geneva to acquire a 66% interest in the Vilcoro Property from St. Elias Mines Ltd. Geneva, St. Elias Mines and John Brophy agreed to terminate the litigation with no payment of damages by either party and with each party to bear its own costs.

During the year ended May 31, 2010, the Company entered into an agreement with Emilsen Medina Inga de Brophy ("Inga") to acquire a 50% interest in the Vilcoro Gold Property located in north-central Peru in consideration of making a cash payment of US\$10,000 and issuing 200,000 common shares to Inga.

During the year ended May 31, 2010, the Company and Inga (collectively, the "Vendors") entered into a letter agreement dated April 16, 2010 with Ansell Capital Corp. ("Ansell") whereby Ansell has agreed to acquire an option to earn a 65% interest in the Vilcoro Property (subject to a 1.5% NSR) from the Vendors. Under the terms of the letter agreement, Ansell can earn the 65% interest in consideration of making cash payments of \$500,000 to the Vendors over a two-year period, issuing 1,000,000 common shares in the capital of Ansell to the Vendors over a three-year period and incurring \$2,500,000 in exploration expenditures on the property over a three-year period. In addition, Ansell shall have the right to purchase one-half of the 1.5% NSR from the Vendors for the sum of \$1,500,000, thereby reducing the NSR payable to the Option from 1.5% to 0.75%. Ansell is a publicly traded mineral exploration company list on the TSX Venture Exchange under the symbol "ACP."

On April 1, 2011, the Company received a notice from Ansell Capital Corp ("Ansell"), on the Vilcoro Gold Property. The notice indicated that Ansell will not pursue its proposed acquisition of a 65% interest in and to the Vilcoro Gold Property. Ansell did not earn any interest in the Vilcoro Gold Property.

By Agreement dated January 20, 2011 the Company purchased the remaining 50% interest in the Vilcoro Gold Property from Emilsen Medina Inga de Brophy ("Inga") in consideration of \$578. The Company now owns a 100% interest in the Vilcoro Gold Property.

Cueva Blanca, Property Peru

The Company owns a 100% interest in the Cueva Blanca Property, covering 1,200 hectares, located in the Lambayeque Department in northern Peru.

During the year ended May 31, 2010, the Company entered into a letter agreement dated April 16, 2010 with Amarak Resources Inc. ("Amarok") whereby the Company granted an option to Amarak to earn a 60% interest, subject to a 1.5% net smelter return royalty ("NSR"), in the Cueva Blanca Property. Under the terms of the letter agreement, Amarak can acquire a 60% interest in the property (subject to a 1.5% NSR) in consideration of making cash payments of \$200,000 to St. Elias over a two-year period, issuing 100,000 common shares in the capital of Amarak to St. Elias and incurring \$1,500,000 in exploration expenditures on the property over a three-year period. In addition, Amarak shall have the right to purchase one-half of the 1.5% NSR from St. Elias for the sum of \$1,500,000 thereby reducing the NSR payable to from 1.5% to 0.75%. Amarak is a publicly traded mineral exploration company (US OTCBB - Symbol – AMOK.)

On April 26, 2011, the Company gave notice to Amarak Resources Inc., that it is terminating the Letter Agreement dated April 16, 2010.

On June 1, 2011 the Company entered into a Property Option Agreement with Intigold Mines Inc. ("Intigold"). Intigold can acquire a 60% interest in the Cueva Blanca Property by paying \$200,000 to the

Company, issuing 1,000,000 common shares of the Intigold to the Company and by incurring \$1,500,000 in exploration expenditures on the Cueva Blanca Property over a three-year period. The remaining 40% interest in the Cueva Blanca Project is a carried interest to production. In addition, Intigold shall have the right to purchase one-half of the 1.5-per-cent NSR from St. Elias for the sum of \$1.5-million, thereby reducing the NSR payable from 1.5 per cent to 0.75 per cent.

Beaverdell Project, B.C.

The Company owns a 100% interest in the Beaverdell Silver/Gold Property. The Property is comprised of 56 mineral claims covering approximately 15, hectares (155.5 km²) and is located within the prolific Beaverdell Mining Camp of south-central B.C. The property covers at least 23 zones of silver and gold mineralization.

On August 15, 2007, as amended August 20, 2007, and January 15, 2010, the Company entered into a Property Purchase Agreement (collectively the "Property Agreement") with Intigold Mines Inc. ("Intigold"). Under the terms of the Property Agreement, the Intigold has the right to acquire a 100% interest (subject to a 1.5% net smelter royalty) in the Beaverdell Property. Pursuant to the terms of the Property Agreement, the Intigold can acquire a 100% interest in the Beaverdell Property by paying \$250,000 to the Company, issuing 400,000 common shares of the Intigold to the Company and by incurring \$1 million in exploration expenditures on the Beaverdell Property.

Exploration work on the Beaverdell Project is ongoing.

Strawberry Flats Gold Project, B.C.

The Company owns a 100% interest in the Strawberry Flats Gold Project in British Columbia. The Property is comprised of eight mineral claims covering 2,956.1 hectares (7,390 acres) and is located just north (approximately 12 kilometres) of the historic Rossland Gold Camp which produced over 2,700,000 ounces of gold between 1897 and the early 1940's.

During the year ended May 31, 2010, the Company entered into an option and joint venture agreement dated February 8, 2010 with Dorex Minerals Inc. ("Dorex") whereby Dorex has agreed to acquire up to an 80% interest, subject to a 1.5% NSR, in the Strawberry Flats Gold Project. Under the terms of the Agreement, Dorex can acquire an initial 60% interest in the property in consideration of making cash payments of \$50,827 to St. Elias over a two-year period, issuing 600,000 common shares in the capital of Dorex to St. Elias over a two-year period and incurring \$600,000 in exploration expenditures on the property over a three-year period. Dorex can elect to earn a further 20% interest in the property in consideration of making additional cash payments of \$200,000 to St. Elias, issuing an additional 600,000 common shares in the capital stock of Dorex to St. Elias and incurring an additional \$1,000,000 in exploration expenditures on the Property. In addition, Dorex shall have the right to purchase one-half of the 1.5% NSR from St. Elias for the sum of \$1,500,000 up until the earlier of either 10 years from the date of the Agreement or one year from the completion of a total of 10,000 tonnes of bulk sampling, thereby reducing the NSR payable to the Option from 1.5% to 0.75%.

On July 19, 2011, Dorex notified the Company that Dorex would not continue with the Property option agreement. The Company owns a 100% interest in the Property without any underlying royalties or obligations.

South Rim Project, B.C.

The Company owns a 100% interest in the South Rim Project. The Property, comprising 21 mineral claims covering 8,221.53 hectares, lies within a mineral-rich region of central British Columbia approximately 130 kilometres south of Houston.

On April 29, 2011 the Company entered into a Property Option Agreement with Inform Exploration Corp. ("Inform"). Under the terms of the Agreement, Inform has the right to earn up to a 75% interest in the South Rim Project (the "Property") from the Company in two phases by paying \$335,000, issuing 435,000 common shares of Inform to the Company and incurring \$2,100,000 in Property exploration expenditures.

During the summer of 2010, an exploration program with a budget of \$120,000 was carried out on the Property. This exploration work resulted in a geological review of the Tahtsa Lake to White Sail Lake Exploration District, a GIS compilation of all historic technical data within and adjoining the South Rim Property, a lineament study from a 2007 orthophoto, a petrographic study, a verification rock geochemical sampling and infill soil sampling program designed to evaluate the on strike projections of known mineral showings. A total of 1,283 soil samples and 81 rock samples were collected during the 2010 exploration program. The results of the 2010 exploration program are being released in a forthcoming 43-101 technical report filed by Inform Exploration Corp.

Casino Project, B.C.

The Company, by agreement dated April 12, 2010 purchased a 100% interest in past-producing Casino Gold Project for \$120,000. The Property is comprised of 2 mineral claims covering 4,877 hectares (48.77 km²) and is located within the historic Rossland Gold Camp, in south-central B.C., which produced over 2,700,000 ounces of gold between 1897 and the early 1940's. Exploration work carried out during 2010 confirmed high-grade gold within the underground workings.

Knight Inlet Project, B.C.

The Company, by agreement dated December 4, 2009 purchased a 100% interest in Knight Inlet Gold-Silver and Copper-Molybdenum Project for \$60,000. The Property is comprised of 12 mineral claims covering 4,877 hectares (48.77 km²) and is located approximately 90 kilometres north of Campbell River, B.C. The Property prospective for epithermal vein hosted Au-Ag mineralization and Cu-Mo porphyry mineralization. The property covers at least 5 zones of mineralization (Grizzly Creek, Grizzly North, Waterfall, Glacier and Valley).

Gold Summit Project, B.C.

The Company, by agreement dated July 15, 2010, purchased an 85% interest in three mineral claims and a 100% interest in 8 mineral claims and one placer claim referred to as the Gold Summit Project for \$150,000. The Property is comprised of a total of 11 mineral claims and one placer claim covering 3,201.29 hectares (32.01 km²) and is located approximately 25km east of the historic Bralorne-Pioneer Gold Camp which produced over 4,150,000 ounces of gold to date.

During July and August 2011 the Company incurred \$136,418 in exploration expenditures and completed a 43-101 report on the Property. The 43-101 report recommends a two phase exploration program be completed on the Property. The budget for the first phase is \$250,000 and the budget for the second phase is \$1,200,000.

Financings

During the six months ended November 30, 2011, the Company completed a non-brokered private placement consisting of 2,500,000 units at a price of \$1.80 per unit raising gross proceeds of \$4,500,000. Each unit consist of one common share and one common share purchase warrant ("Warrant"). Each whole warrant will entitle the holder to purchase one additional common share at a price of \$2.10. per

share for a period of 12 months from closing. The Company received \$1,768,003 on the exercise of stock options and \$1,002,900 on the exercise of warrants.

Incentive Stock Options

During the six months ended November 30, 2011, the Company granted the following incentive stock options to certain of the Company's directors, officers, employees and consultants under the Company's Stock Option Plan:

Date of Grant	Number of Options	Price Per Option	Expiry Date
June 29, 2011	3,000,000	\$2.01	June 29, 2013
August 22, 2011	100,000	\$2.09	August 22, 2013
October 13, 2011	420,000	\$1.98	October 13, 2013
November 23, 2011	1,000,000	\$2.04	Nov. 23, 2013

On January 12, 2012, the Company grants 1,500,000 incentive stock options at an exercise price of \$0.84 per share for a period of two years.

On January 13, 2012, the Company grants 1,500,000 incentive stock options at an exercise price of \$0.92 per share for a period of two years.

Other Corporate Matters

During the year ended May 31, 2011, the Company retained the Haft Group, Inc. to provide investor and financial public relations services to St. Elias. The Haft Group, based in New York, is a boutique consulting firm that specializes in providing tailored, strategic investor and financial public relations services to "select" small and mid cap companies in the public and private capital markets.

Subsequent to the six months ended November 30, 2011, the Company accepted the resignations of Duncan Bain and Allan St. James as its directors, and announced the appointments of Paul F. McDonald, Lloyd C. Brewer and Donald M. Bastien.

Selected Annual Information

The following table provides a brief summary financial data on the Company for the most recently completed three financial years. For more detailed information, refer to the annual audited financial statements:

	Year Ended May 31, 2011	Year Ended May 31, 2010	Year Ended May 31, 2009
Total Revenues	--	--	--
Net loss before other items	10,924,470	7,197,717	1,145,046
Net loss	10,833,812	7,241,400	1,088,026
Basic and diluted loss per share	0.11	0.09	0.01
Total assets	7,575,016	5,178,311	883,986
Total long-term liabilities	--	--	--
Cash dividends	--	--	--

In the year ended May 31, 2011, operating expenses increased from \$7,197,717 in 2010 to \$10,924,470 in 2011, reflecting significant increases with respect to: stock-based compensation (\$7,539,316 in 2011 as compared to \$5,345,471 in 2010); exploration expenses (\$918,153 in 2011 as compared to \$764,591 in 2010); and shareholders communications and promotion (\$649,207 in 2011 as compared to \$306,921 in 2010.) Accounting, audit and legal, decreased (\$102,061 in 2011; \$175,600 in 2010). Management and administrative fees increased from \$90,000 in 2010 to \$182,000 in 2011, reflecting an increase in senior management staff. Rent increased from \$37,923 in 2010 to \$53,335 in 2011 as the Company moved to new premises. Travel costs increased (\$798,566 in 2011; \$164,074 in 2010) due to an expanded promotional/marketing program. Total exploration expenditures costs on the Company's properties increased to \$10,388,667 as at May 31, 2011 from \$9,470,514 in

the previous year. As of May 31, 2011, the Company had liabilities of \$317,654 as compared to \$285,318 in the previous year.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

Results of Operations

Three Months Ended November 30, 2011 Compared to Three Months Ended November 30, 2010

The Company is an exploration company. During the three months ended November 30, 2011, the Company had no revenues.

Cumulative exploration expenditures and acquisition costs on the Company's properties increased to \$12,265,442 as at November 30, 2011 from \$10,388,667 in the previous year, primarily from exploration on the Tesoro Gold Property, Peru and the Gold Summit property in Canada.

The Company incurred a comprehensive loss for the three months ended November 30, 2011 of \$2,354,594 as compared to a comprehensive loss of \$3,586,136 for the corresponding period ended November 30, 2010.

Accounting, audit and legal, increased to \$297,631 for three months ended November 30, 2011 from \$59,165 for three months ended November 30, 2010, due to the increase in legal and accounting fees associated with the plan of arrangement regarding the creation of Havilah Mines Ltd and legal costs associated with the lawsuit alleging that the Company has not paid amounts owing on a consulting contract for services.

Consulting expense increased from \$97,727 for three months ended November 30, 2010, to \$126,958 for three months ended November 30, 2011. Consultants are paid based on specific projects/properties and tasks (including day-to-day services). This expense increased due to an increase in the Company's day-to-day activities.

Management and administration fees for three months ended November 30, 2011 was \$62,500 compared to \$34,500 for the three months ended November 30, 2010. The increase resulted from the addition of senior management as the Company increased its business activities.

Exploration expenses increased from \$123,361 for three months ended November 30, 2010 to \$1,144,822 for three months ended November 30, 2011. The increase was due to increased exploration activities at the Tesoro Gold property in Peru, (\$1,120,711).

Travel costs increased to \$315,990 for three months ended November 30, 2011, from \$96,632 for three months ended November 30, 2010. The increase was caused by the promotion/marketing efforts conducted by the Company.

Shareholders' communication and promotion expense increased from \$163,440 for three months ended November 30, 2010 to \$329,302 for three months ended November 30, 2011 due to the Company increasing its promotional/marketing programs as the Company continues to increase its shareholder base.

Stock based compensation expense decreased significantly from \$2,989,219 for three months ended November 30, 2010 to \$nil for three months ended November 30, 2011. The Company did not grant any stock options during the three months ended November 30, 2011. The Company uses the Black-Scholes method of calculating the stock based compensation expense.

Six Months Ended November 30, 2011 Compared to Six Months Ended November 30, 2010

The Company is an exploration company. During the three months ended November 30, 2011, the Company had no revenues.

Cumulative exploration expenditures and acquisition costs on the Company's properties increased to \$12,265,442 as at November 30, 2011 from \$10,388,667 in the previous year, primarily from exploration on the Tesoro Gold Property, Peru and the Gold Summit property in Canada.

The Company incurred a comprehensive loss for the six months ended November 30, 2011 of \$7,251,373 as compared to a comprehensive loss of \$5,284,989 for the corresponding period ended November 30, 2010.

Accounting, audit and legal, increased to \$358,180 for six months ended November 30, 2011 from \$72,705 for six months ended November 30, 2010, due to the increase in legal and accounting fees associated with the plan of arrangement regarding the creation of Havilah Mines Ltd and legal costs associated with the lawsuit alleging that the Company has not paid amounts owing on a consulting contract for services.

Consulting expense increased from \$170,977 for six months ended November 30, 2010, to \$242,375 for six months ended November 30, 2011. Consultants are paid based on specific projects/properties and tasks (including day-to-day services). This expense increased due to an increase in the Company's day-to-day activities.

Management and administration fees for six months ended November 30, 2011 was \$125,000 compared to \$57,000 for the six months ended November 30, 2010. The increase resulted from the addition of senior management as the Company increased its business activities.

Exploration expenses increased from \$516,651 for six months ended November 30, 2010 to \$1,875,775 for six months ended November 30, 2011. The increase was due to increased exploration activities at the Tesoro Gold property in Peru, (\$1,622,577) and at the Gold Summit property in Canada (\$151,388).

Travel costs increased to \$456,806 for six months ended November 30, 2011, from \$278,798 for six months ended November 30, 2010. The increase was caused by the promotion/marketing efforts conducted by the Company.

Shareholders' communication and promotion expense increased from \$373,421 for six months ended November 30, 2010 to \$485,416 for three months ended November 30, 2011 due to the Company increasing its promotional/marketing programs as the Company continues to increase its shareholder base.

Stock based compensation expense decreased from \$3,740,795 for six months ended November 30, 2010 to \$3,620,236 for six months ended November 30, 2011. The Company granted 3,100,000 stock options during the six months ended November 30, 2011. The Company uses the Black-Scholes method of calculating the stock based compensation expense.

Since incorporation, the Company has been exclusively a natural resource company engaged in the business of exploration of natural resource properties. The Company currently has no producing properties and consequently no operating income or cash flow.

The Company explores for minerals with an emphasis on gold, and has no operating property. The Company has no earnings and therefore finances these exploration activities by the sale of common shares. The key determinants of the Company's operating results are the following:

- (a) the state of capital markets, which affects the ability of the Company to finance its exploration activities;
- (b) the write down and abandonment of mineral properties as exploration results provide further information relating to the underlying value of such properties; and
- (c) market prices for natural resources.

Significant Projects

Tesoro Gold Project, Peru

During the year, the Company continued with its exploration and development plan of the Tesoro Project which included additional bulk sampling, surface exploration and a Stage 1 and Stage 2 Titan Geophysical Survey.

The Tesoro Property has never been evaluated to depth or to its full strike potential. During the year ended May 31, 2010, the Company completed a Titan 24 Geophysical Survey on the Property. Results of the Titan 24 Survey will be used in assisting the Company in identifying potential for economic mineralized targets at depths. Targets identified from the Titan 24 Survey will be tested with drilling. An initial 10,000m drilling program is planned at Tesoro.

The Titan 24 Survey on the Property was conducted in two stages. During the fall of 2009, Quantec Geoscience Limited conducted Stage 1 of the survey which consisted of 9 lines covering approximately 21.6 line kilometres over the project area. Stage 2 of the survey, designed to follow-up the results of the 2009 Stage 1 survey, was conducted in spring of 2010 and comprised 18 Titan lines totalling 43.2 line kilometres infilling the area within the lines from the Stage 1 survey.

Stage 1 of the Titan 24 survey successfully identified 12 high priority targets and 8 second priority targets for follow up at the Tesoro Project. In addition, an ovoid (egg shaped) anomaly beneath the A-4 Vein at Zona Central that is approximately 1,450m long x 400m wide (open to the south) and 300-500m thick was identified.

During the year ended May 31, 2010, the Company completed the field portion of the Stage 2 Titan 24 Survey. The Stage 2 Survey was designed to follow-up the results of the recent Stage 1 Titan 24 Survey completed in fall 2009 and to extend the geophysical survey to cover the entire Property. The Stage 2 program consisted of 18 lines of survey totalling 43.2 line kilometres.

Subsequent to the year ended May 31, 2010, results from the Stage 2 Titan 24 Survey were received. The survey has successfully identified at least 19 first priority geophysical anomalies with potential for gold mineralization from near surface to >400 meters depth and 26 zones which are classified as second priority targets for follow up. These zones are interpreted to be related to, and/or the extension of, previously discovered mineralized zones in the Property. The completion of the Stage 2 program has resulted in the entire Tesoro Project being covered by Titan 24 survey and has provided detailed information for drilling and follow up 3D geological modelling.

The Company has completed an Environmental Impact Study which was necessary to obtain the required permitting for the drilling program. The Company is currently drilling on the Property.

The Company staked six additional mineral concessions (Chance A to F) that the Company received government approval for between June 23, 2010 and August 09, 2010. The Company owns a 100% interest in the new concessions that total 6,300 hectares. Five of the new concessions adjoin the Tesoro Project with the other concession being located approximately 1.5km south of the Tesoro Project.

On August 31, 2011 the Company entered into a Property Option Agreement with Intigold Mines Inc. ("Intigold") on one of the new concessions staked at Tesoro. Intigold can acquire a 60% interest (subject to a 1.5-per-cent net smelter returns royalty (NSR) in the Chance E Property by paying \$500,000 to the Company, issuing 1,000,000 common shares of the Intigold to the Company and by incurring \$1,000,000 in exploration expenditures on the Chance E Property over a three-year period. Intigold's first year commitment under the option agreement is to pay \$25,000 to St. Elias and incur \$200,000 in exploration expenditures on the property.

Vilcoro Gold Property, Peru

During the year ended May 31, 2010 the Company gave a Notice of Default to Geneva Resources Inc. ("Geneva") pursuant to the Property Option Agreement dated January 22, 2007, and its amendments dated December 1, 2007, March 28, 2008, and June 4, 2008 (collectively, the "Agreement") between St. Elias and Geneva with respect to the Vilcoro Gold Property in Peru. The Agreement subsequently terminated.

During the year ended May 31, 2010, legal proceedings in the Supreme Court of British Columbia brought against each of St. Elias Mines Ltd. and John Brophy in November 2008 were dismissed. The legal proceedings related to an option granted to Geneva to acquire a 66% interest in the Vilcoro Property from St. Elias Mines Ltd. Geneva, St. Elias Mines and John Brophy agreed to terminate the litigation with no payment of damages by either party and with each party to bear its own costs.

During the year ended May 31, 2010, the Company entered into an agreement with Emilsen Medina Inga de Brophy ("Inga") to acquire a 50% interest in the Vilcoro Gold Property located in north-central Peru in consideration of making a cash payment of US\$10,000 and issuing 200,000 common shares to Inga.

During the year ended May 31, 2010, the Company and Inga (collectively, the "Vendors") entered into a letter agreement dated April 16, 2010 with Ansell Capital Corp. ("Ansell") whereby Ansell has agreed to acquire an option to earn a 65% interest in the Vilcoro Property (subject to a 1.5% NSR) from the Vendors. Under the terms of the letter agreement, Ansell can earn the 65% interest in consideration of making cash payments of \$500,000 to the Vendors over a two-year period, issuing 1,000,000 common shares in the capital of Ansell to the Vendors over a three-year period and incurring \$2,500,000 in exploration expenditures on the property over a three-year period. In addition, Ansell shall have the right to purchase one-half of the 1.5% NSR from the Vendors for the sum of \$1,500,000, thereby reducing the NSR payable to the Option from 1.5% to 0.75%. Ansell is a publicly traded mineral exploration company listed on the TSX Venture Exchange under the symbol "ACP."

On April 1, 2011, the Company received a notice from Ansell Capital Corp. ("Ansell"), on the Vilcoro Gold Property. The notice indicated that Ansell will not pursue its proposed acquisition of a 65% interest in and to the Vilcoro Gold Property. Ansell did not earn any interest in the Vilcoro Gold Property.

By Agreement dated January 20, 2011 the Company purchased the remaining 50% interest in the Vilcoro Gold Property from Emilsen Medina Inga de Brophy ("Inga") in consideration of \$578. The Company now owns a 100% interest in the Vilcoro Gold Property.

Cueva Blanca, Property Peru

The Company owns a 100% interest in the Cueva Blanca Property, covering 1,200 hectares, located in the Lambayeque Department in northern Peru.

During the year ended May 31, 2010, the Company entered into a letter agreement dated April 16, 2010 with Amarok Resources Inc. ("Amarok") whereby the Company granted an option to Amarok to earn a 60% interest, subject to a 1.5% net smelter return royalty ("NSR"), in the Cueva Blanca Property. Under the terms of the letter agreement, Amarok can acquire a 60% interest in the property (subject to a 1.5% NSR) in consideration of making cash payments of \$200,000 to St. Elias over a two-year period, issuing 100,000 common shares in the capital of Amarok to St. Elias and incurring \$1,500,000 in exploration expenditures on the property over a three-year period. In addition, Amarok shall have the right to purchase one-half of the 1.5% NSR from St. Elias for the sum of \$1,500,000 thereby reducing the NSR payable to from 1.5% to 0.75%. Amarok is a publicly traded mineral exploration company (US OTCBB - Symbol - AMOK.)

On April 26, 2011, the Company gave notice to Amarok Resources Inc., that it is terminating the Letter Agreement dated April 16, 2010.

On June 1, 2011 the Company entered into a Property Option Agreement with Intigold Mines Inc. ("Intigold"). Intigold can acquire a 60% interest in the Cueva Blanca Property by paying \$200,000 to the Company, issuing 1,000,000 common shares of the Intigold to the Company and by incurring \$1,500,000 in exploration expenditures on the Cueva Blanca Property over a three-year period. The remaining 40%

interest in the Cueva Blanca Project is a carried interest to production. In addition, Intigold shall have the right to purchase one-half of the 1.5-per-cent NSR from St. Elias for the sum of \$1.5-million, thereby reducing the NSR payable from 1.5 per cent to 0.75 per cent.

Beaverdell Gold/Silver Property, B.C.

The Company owns a 100% interest in the Beaverdell Gold/Silver Property located in south central British Columbia. The Company has granted to Intigold Mines Ltd. (“Intigold”) options to acquire up to a 70% interest in the Beaverdell Gold/Silver Property. Under the terms of the agreement, Intigold can acquire an initial 51% interest in the Property in consideration of incurring \$600,000 in exploration expenditures on the Property, issuing 400,000 common shares of Intigold to the Company and making cash payments of \$50,000 to the Company over a three-year period. In addition, Intigold can elect to earn a further 19% interest in the Property by incurring an additional \$1,500,000 in exploration expenditures, issuing an additional 600,000 common shares of Intigold to the Company and making additional cash payments of \$200,000 to the Company.

On January 15, 2010, an amended agreement was made between the Company and Intigold. The Company, in consideration of the sum of \$10, granted to Intigold the exclusive right and option to acquire a 100% interest in the Property, subject to a 1.5% NSR, by paying to the Company \$250,000 in cash, issuing to the Company 400,000 common shares of Intigold, and by incurring \$1,000,000 in exploration expenditures, to be paid and issued to the Company and to be incurred by Intigold as follows:

Year	Cash	Shares	Value	Expenditures
On January 15, 2010	\$ 5,000 (paid)	-	\$ -	\$ -
Within 10 days of listing date	\$ 10,000	200,000	\$ -	\$ -
Within 12 months from listing date	\$ 15,000	200,000	\$ -	\$ 400,000
Within 24 months from listing date	\$ 70,000	-	\$ -	\$ 600,000
Within 30 months from listing date	\$ 150,000	-	\$ -	\$ -
Totals	\$ 250,000	400,000	\$0	\$ 1,000,000

Intigold shall have exercised the option and acquired 100% interest in the Property by paying \$250,000, incurring \$1,000,000 in Exploration Expenditures and by issuing 400,000 common shares in the capital stock of Intigold to the Company. On September 13, 2011, the Company received 100,000 shares from Intigold.

Exploration work on the Beaverdell Project is ongoing.

South Rim Project, B.C.

The Company owns a 100% interest in the South Rim Project. The Property, comprising 21 mineral claims covering 8,221.53 hectares, lies within a mineral-rich region of central British Columbia approximately 130 kilometres south of Houston.

On April 29, 2011, the Company entered into an option agreement with Inform Exploration Corp., to option 51% undivided beneficial and recorded interest (“First Option”) in the Omineca Mining Division, British Columbia (“Property”) for total consideration of \$85,000, issuing an aggregate of 135,000 common shares and incurring aggregate expenditures of \$600,000.

During the summer of 2010, an exploration program with a budget of \$120,000 was carried out on the Property. This exploration work resulted in a geological review of the Tahtsa Lake to White Sail Lake Exploration District, a GIS compilation of all historic technical data within and adjoining the South Rim Property, a lineament study from a 2007 orthophoto, a petrographic study, a verification rock geochemical sampling and infill soil sampling program designed to evaluate the on strike projections of known mineral showings. A total of 1,283 soil samples and 81 rock samples were collected during the

2010 exploration program. The results of the 2010 exploration program are being released in a forthcoming 43-101 technical report filed by Inform Exploration Corp.

Strawberry Flats Gold Project, B.C.

The Company owns a 100% interest in the Strawberry Flats Gold Project in British Columbia. The Property is comprised of eight mineral claims covering 2,956.1 hectares (7,390 acres) and is located just north (approximately 12 kilometres) of the historic Rossland Gold Camp which produced over 2,700,000 ounces of gold between 1897 and the early 1940's.

During the year ended May 31, 2010, the Company entered into an option and joint venture agreement dated February 8, 2010 with Dorex Minerals Inc. ("Dorex") whereby Dorex has agreed to acquire up to an 80% interest, subject to a 1.5% NSR, in the Strawberry Flats Gold Project. Under the terms of the Agreement, Dorex can acquire an initial 60% interest in the property in consideration of making cash payments of \$50,827 to St. Elias over a two-year period, issuing 600,000 common shares in the capital of Dorex to St. Elias over a two-year period and incurring \$600,000 in exploration expenditures on the property over a three-year period. Dorex can elect to earn a further 20% interest in the property in consideration of making additional cash payments of \$200,000 to St. Elias, issuing an additional 600,000 common shares in the capital stock of Dorex to St. Elias and incurring an additional \$1,000,000 in exploration expenditures on the Property. In addition, Dorex shall have the right to purchase one-half of the 1.5% NSR from St. Elias for the sum of \$1,500,000 up until the earlier of either 10 years from the date of the Agreement or one year from the completion of a total of 10,000 tonnes of bulk sampling, thereby reducing the NSR payable to the Option from 1.5% to 0.75%.

On July 19, 2011, Dorex notified the Company that Dorex would not continue with the Property option agreement. The Company owns a 100% interest in the Property without any underlying royalties or obligations.

Kettle River, British Columbia, Canada

The Company entered into an agreement dated September 24, 2001 to acquire a 100% interest in 17 mineral claims located in the Greenwood Mining Division, British Columbia for total consideration of \$215,000. During the year ended May 31, 2005, the Company granted to Hi Ho Silver Resources Inc. options to earn up to a 70% interest in the property in consideration of making cash payments to the Company totaling \$75,000, incurring \$5,000,000 of exploration expenditures on the property and issuing 1,500,000 shares of Hi Ho to the Company, over a six-year period.

On July 16, 2008 the Company optioned the Kettle River property, British Columbia to Hi Ho Silver Resources Inc. Under the terms of the agreement the optionee was required to make certain payments to the Company, these payments included the issuance of free trading shares in the optionee company. These shares are held as an investment and carried at fair value and marked to market each period. The amount is applied to the original cost of the property as a recovery. All other payments required are current. The Company has received the first of these shares being 300,000 free trading shares, which allowed Hi-Ho to earn its 51% interest.

In July 2008, the Company granted the immediate and exclusive right and option to Hi Ho to acquire the remaining 49% interest in and to the Property, upon the following terms:

- (a) St. Elias shall retain a 1.5% net smelter return royalty in the Property;
- (b) Hi Ho shall pay the sum of \$750,000 cash to the Company;
- (c) Hi Ho shall issue an additional 3,500,000 shares of Hi Ho to the Company;
- (d) in the event that Hi Ho sells an interest or grants an option to acquire an interest in the Property to a third party, the Company shall receive a portion of the proceeds (cash and/or shares) realized from such sale of an interest or grant of an option payable to St. Elias either as a shareholder dividend or a direct payment. The amount the Company will receive shall be pro-rata in accordance with the percentage of shares that the Company owns of Hi Ho on the date that the proceeds of the option or sale are received by Hi Ho; and

- (e) following any distribution as set out above, Hi Ho shall have the right to purchase 1,750,000 of the said 3,500,000 shares from the Company at an exercise price of \$1.00 per share for a period of 10 years.

Casino Project, B.C.

The Company, by agreement dated April 12, 2010 purchased a 100% interest in past-producing Casino Gold Project for \$120,000. The Property is comprised of 2 mineral claims covering 4,877 hectares (48.77 km²) and is located within the historic Rossland Gold Camp, in south-central B.C., which produced over 2,700,000 ounces of gold between 1897 and the early 1940's. Exploration work carried out during 2010 confirmed high-grade gold within the underground workings.

Knight Inlet Project, B.C.

The Company, by agreement dated December 4, 2009 purchased a 100% interest in Knight Inlet Gold-Silver and Copper-Molybdenum Project for \$60,000. The Property is comprised of 12 mineral claims covering 4,877 hectares (48.77 km²) and is located approximately 90 kilometres north of Campbell River, B.C. The Property prospective for epithermal vein hosted Au-Ag mineralization and Cu-Mo porphyry mineralization. The property covers at least 5 zones of mineralization (Grizzly Creek, Grizzly North, Waterfall, Glacier and Valley).

Gold Summit Project, B.C.

The Company, by agreement dated July 15, 2010, purchased an 85% interest in three mineral claims and a 100% interest in 8 mineral claims and one placer claim referred to as the Gold Summit Project for \$150,000. The Property is comprised of a total of 11 mineral claims and one placer claim covering 3,201.29 hectares (32.01 km²) and is located approximately 25km east of the historic Bralorne-Pioneer Gold Camp which produced over 4,150,000 ounces of gold to date.

During July and August 2011 the Company incurred \$136,418 in exploration expenditures and completed a 43-101 report on the Property. The 43-101 report recommends a two phase exploration program be completed on the Property. The budget for the first phase is \$250,000 and the budget for the second phase is \$1,200,000.

North Rim, British Columbia

On October 31, 2011, the Company entered into an agreement to purchase 100% legal and beneficial interest in certain mining claims located in the Omineca Mining Division, British Columbia, Canada, for \$230,000.

Exploration Costs

The following table provides a breakdown of material components of exploration costs on a property-by-property basis:

**Schedule of Exploration and Development Expenditures
November 30, 2011**

	2011								
	Total	Beaverdell	Gold Summit	Other	Cueva Blanca	Tesoro	Vilcoro	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Annual property and maintenance payments	190,531	-	-	13,447	28,824	139,507	8,417	335	84,051
Assays	20,758	-	-	-	-	20,758	-	-	6,611
Drilling cost	705,948	-	-	-	-	705,948	-	-	-
General (other)	249,260	-	79,341	10,593	7,765	149,384	78	2,100	227,135
Mapping, compilation and sundry	7,231	975	3,541	1,050	840	675	-	150	5,436
Mobilization and camp costs	57,228	-	12,178	1,975	-	42,437	-	638	190,113
Professional fees and wages	210,936	-	49,425	12,450	2,778	145,667	615	-	282,001
Telecommunications and shipping	432,984	-	6,904	9,700	79	416,301	-	-	122,002
Travel	1,900	-	-	-	-	1,900	-	-	804
	1,876,775	975	151,388	49,215	40,286	1,622,577	9,110	3,223	918,153
Exploration and development expenditures, beginning of year	10,388,667	578,014	578,014	578,014	3,282,768	2,470,408	10,615	3,128,709	9,470,514
Exploration and development expenditures, cumulative to date	12,265,442	578,989	729,402	627,229	3,323,054	4,092,985	19,725	3,131,932	10,388,667

Additional Disclosure for Venture Issuers Without Significant Revenue

As the Company has had little revenue since inception, the following is a breakdown of the material costs incurred:

	Six months ended November 30, 2011	Six months ended November 30, 2010
	\$	\$
Stock based compensation	3,620,236	3,740,795
Consulting	242,375	170,977
Management and administration fees	125,000	57,000
Accounting, Audit and legal	358,180	72,705
Office Expenses	42,795	21,169
General Exploration	1,876,775	516,651
Shareholders' communication and promotion	458,415	373,421
Travel	456,806	278,798

Summary of Quarterly Results

The following table sets forth selected financial information of the Company for each of the last eight quarters:

Period Ended	Nov 30 2011	Aug. 31 2011	May 31 2011	Feb. 28 2011	Nov 30 2010	Aug. 31 2010	May 31 2010	Feb. 28 2010
	Q1 – Note 2	Q1 – Note 2	Q4 – Note 2	Q3 – Note 2	Q2 – Note 2	Q1 – Note 2	Q4 – Note 1	Q3 – Note 1
Total assets	11,402,857	7,368,545	7,575,016	5,498,573	5,468,430	4,489,456	5,178,311	1,415,130
Exploration expenses	1,144,822	731,953	249,962	151,540	123,361	393,290		169,888
Working capital	9,858,364	5,833,766	6,015,627	4,263,243	4,246,962	3,320,207	3,971,920	710,533
Shareholders' equity	11,051,846	7,063,122	7,257,362	5,299,172	5,273,962	4,339,616	4,892,993	1,378,997
Revenues	-	-	-	-	-	-	-	-
Net loss	7,251,373	4,896,779	4,893,484	1,087,088	3,586,136	1,267,104	4,371,197	2,124,601
Earnings (loss) per share	(0.07)	(0.04)	(0.05)	(0.01)	(0.04)	(0.01)	(0.09)	(0.03)

Note 1 – Prepared under Canadian GAAP

Note 2 – Prepared under IFRS

The Company had no producing properties and consequently no operating income or cash flows. During the three months ended August 31, 2011, the Company experienced no revenues.

Liquidity and Capital Resources

As of November 30, 2011, the Company has accumulated a deficit of \$42,395,286 and has working capital of \$9,858,364.

The Company's operations consist of the exploration and evaluation of nature resource properties. The Company's financial success is dependent upon its ability to find economically viable properties and develop them. The process can take many years and largely dependent on factors beyond the control of the Company. The Company's historical capital needs have been met by the sale of the Company's stock. The Company's funds on hand have for the past several years been sufficient to cover the Company's exploration and administrative expenses. There is no assurance that equity funding will be possible at the times required by the Company.

To date, the Company's operations have been funded almost entirely through the sale of the Company's stock. There is no assurance that the Company will continue to be successful by funding its operations through equity financings. The Company will continue to seek capital through the issuance of common shares.

The Company is a junior exploration company with no revenue-producing operations. Activities include acquiring mineral properties and conducting exploration programs. The mineral exploration business is risky and most exploration projects will not become mines. For the funding of property acquisitions and exploration that the Company conducts itself, the Company does not use long-term debt. Rather, it depends on the issuance of shares from the treasury to investors. Such stock issues in turn, depend on numerous factors, important among are which are a positive mineral exploration climate, positive stock market conditions, a company's track record and experience of management.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

As of November 30, 2011, the Company had 115,641,355 issued and outstanding shares and 129,787,893 on a fully diluted basis. If the Company were to issue the additional 14,146,538 shares to reach the fully diluted amount, it would raise an additional \$22,778,142. These prospective funds comprise of \$17,523,228 from 11,644,198 stock options issued to employees, directors and consultants and \$5,254,914 from warrants to issue 2,502,340 shares.

During the six months ended November 30, 2011, the Company completed the following non-brokered private placements:

	Number of Shares	Gross Proceeds
Private placement at \$1.80	2,502,340	\$4,500,000
Total:	2,502,340	\$4,500,000

During the six months ended November 30, 2011, the Company issued common shares for gross proceeds of \$2,770,903 as follows:

	Number of Shares	Gross Proceeds
Exercise of Stock Options	2,091,614	\$1,768,003
Exercise of Warrants	2,228,666	\$1,002,900
Total:	4,320,280	\$2,770,903

To date, the Company's operations have been funded almost entirely through the sale of the Company's stock. There is no assurance that the Company will continue to be successful by funding its operations through equity financings. The Company will continue to seek capital through the issuance of common shares.

Critical accounting estimates

The preparation of the Company's financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as revenue and expenses.

The most critical accounting estimates upon which company financial statements depend on those estimates of proven and probable reserves and resources, recoverable ounces there from, and assumptions of operating costs and future mineral prices. Such estimates and assumptions affect the potential impairment of long-lived assets and the rate at which depreciation, depletion and amortization. Our charge to earnings. In addition, management must estimate costs associated with mine reclamation's enclosure costs.

The Company presently has no properties with proven or inferred reserves. When such a situation arises. The Company will utilize existing industry standards, with respect to the reporting and accounting for these issues.

The Company accounts for all stock-based payments and awards using the fair value based method. Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity estimates issued, or liabilities incurred, which ever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change there in is recognized over the vesting period of the award and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested in non-forfeitable at the grant date is measured at that date compensation costs attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period.

The Company will have an obligation to reclaim its properties after the minerals have been depleted. These estimated costs, known as the Asset Retirement Obligation, will be recorded as a liability at their fair values in the periods in which they occur, and at each reporting period, are increased to reflect the interest(accretion expense) considered in the initial fair value management of the liabilities. Reclamation expenses vary from jurisdiction to jurisdiction. The Company has no material ARO at this time.

From time to time, the company must make accounting estimates. These are based on the best information available at the time, utilizing generally accepted industry standards.

Impact of Adopting IFRS on the Company's Business

As part of its analysis of potential changes to significant accounting policies, the Company has assessed what changes are required to its accounting systems and business processes. The Company believes that the changes identified are minimal and the systems and processes can accommodate the necessary changes.

The Company's staff involved in the preparation of financial statements was trained on the relevant aspects of IFRS and the changes to accounting policies. Employees of the Company affected by a change to business processes as a result of the conversion to IFRS trained as necessary.

First-time Adoption of IFRS

The Company prepares its financial statements in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In 2010, the CICA Handbook was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly the Company has commenced reporting on this basis in these consolidated interim financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1 First time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain IFRS 1 transition elections disclosed in note 17, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position as at June 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 19 discloses the impact of the transition to IFRS on the Company's reported statement of financial position and comprehensive income, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended May 31, 2011.

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("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 identified the following optional exemptions that it will apply in its preparation of an opening IFRS statement of financial position as at June 1, 2010, the Company's "Transition Date":

- To apply IFRS 2 *Share-based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 *Business Combinations* prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.
- To apply the transition provisions of IFRIC 14 *Determining whether an Arrangement Contains a Lease*, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date.
- To apply IAS 23 *Borrowing Costs* prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets. Prior to reporting interim financial statements in accordance with IFRS for the quarter ended August 31, 2011, the Company decided to apply other optional exemptions contained in IFRS 1. IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements. The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

1) Exploration and Evaluation Expenditures

IFRS 6 currently allows an entity to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions. The Company expects to retain its current policy of expensing exploration and evaluation expenditures as incurred. Therefore the Company does not expect that the adoption of IFRS will result in any significant change to the related line items within the consolidated financial statements.

2) Impairment of (Non-financial) Assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. The Company's accounting policies related to impairment of assets will be changed to reflect these differences. The Company, however, does not expect this change will have an immediate impact to the carrying value of its assets. The Company will perform impairment assessments as at the Transition Date in accordance with IFRS.

3) Foreign Currency

IFRS requires that the functional currency of the Company and its subsidiaries be determined separately, and the factors considered to determine functional currency are somewhat different than current Canadian GAAP. The Company does not expect any changes to its accounting policies related to foreign currency that would result in a significant change to line items within the consolidated financial statements at the Transition Date.

4) Share-based Payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP. The Company may expect changes to its accounting policies related to share-based payments that could result in a significant change to line items within the consolidated financial statements.

5) Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences. The Company, however, does not expect this change will have an immediate impact to the carrying value of its assets.

6) *Property and Equipment*

IFRS contains different guidance related to the recognition and measurement of property and equipment than current Canadian GAAP. The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within the consolidated financial statements.

7) *Income Taxes*

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes. The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

Internal control over financial reporting and disclosure controls and procedures

Management is responsible for the design and maintenance of both internal control systems over financial reporting and disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Current disclosure controls include meetings with the chief executive officer, chief financial officer and members of the Board of Directors and audit committee through e-mails, on telephone conferences and informal meetings to review public disclosure. All public disclosures are reviewed by certain members of senior management and the board of directors and audit committee the Board of Directors has delegated the duties to the chief executive officer who is primarily responsible for financial and disclosure controls.

The Company has assessed the effectiveness of its disclosure controls and procedures in the design of internal controls over financial reporting and during the process identifies certain weaknesses in internal controls.

The weaknesses are as follows:

- a) due to the limited number of staff it is not feasible to achieve complete segregation of incompatible duties; and
- b) due to the size of the Company and the limited number of staff the Company does not have the optimum complement of personnel with all the technical knowledge to address all complex non routine transactions that may arise.

Management and the board of directors continue to work to mitigate the risk of material misstatement and are of the opinion, that given the foregoing limitations it is not possible to totally eliminate these limitations.

Risk and uncertainties

While the Company has no operating properties for following is a brief discussion of those distinctive or special characteristics of the company's potential operations and industry, which may have a material impact on, or constitute risk factors in respect of the Company's financial performance.

Mining risks and insurance

The business of mining is subject to certain types of risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected changes to rock formations, changes to the regulatory environment, and general price volatility of the mineral market.

The Company is aware of potential risk and uncertainty, and intends to follow up. Generally accepted industry practices with respect to insurance, mineral price volatility, and such other areas that can occur. It is the decision

of company management to mitigate these risks to the best of its abilities. At present, the company has no properties with proven reserves, either inferred or otherwise.

Related Party Transactions

The Company incurred charges with key management personnel and companies with directors and officers in common as follows:

	November 30, 2011	November 30, 2010
Management and administration fees paid or accrued to a private companies owned by a director and officers of the Company	\$125,000	\$57,000
Consulting fees paid or accrued to a director of the Company	\$ 30,000	\$30,000
Accounting and consulting fees paid or accrued to an officer of the Company	\$ 18,360	\$ 8,000
Office, travel and entertainment expenses paid or accrued as payable to companies owned by the president of the Company and other directors and officers for service rendered	\$46,102	\$150,047

These charges were in the normal course of operations and were measured by the exchange amount which is the amount agreed upon by the transacting parties.

As at November 30, 2011, accounts payable and accrued liabilities include \$48,753 (May 31, 2011: \$53,758), due to these related parties.

The above transactions have been recorded at the exchange amount which is the amount that has been agreed upon by the transacting parties.

There are common directors for the Company and Intigold Mines Ltd. Refer to Note 5 – Mineral Properties for the description of the transactions.

Additional information

Additional information relating to the Company, including news releases, financial statements and prior period MD&A filings, Company annual information form is available on SEDAR at www.sedar.com.

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OFFICERS & DIRECTORS

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Tina Whyte
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Lloyd C Brewer
Director

Paul F. McDonald
Director

Murry Braucht
Vice President & Director

Donald M. Bastien
Director

LISTINGS

TSX Venture Exchange: **SLI**

CAPITALIZATION

(as at January 27, 2011)

Shares Authorized: Unlimited

Shares Issued: 117,118,355

REGISTRAR TRANSFER AGENT

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