

# **STRATABOUND MINERALS CORP. INTERIM MANAGEMENT DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED JUNE 30, 2012**

August 29, 2012

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Company's annual audited financial statements and related notes for the year ended December 31, 2011, the annual Management Discussion and Analysis dated April 30, 2012, and the Condensed Interim Financial Statements and related notes prepared by management for the period ended June 30, 2012 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

## **Description of Business**

Stratabound is in the business of mineral exploration and evaluation, with base metal, silver and gold properties in New Brunswick, and gold and base metal prospects in Quebec. The Company is currently engaged in building a resource base in the infrastructure-rich, world-class Bathurst Mining District of northern New Brunswick, on bringing the CNE lead-zinc-silver deposit into near-term production, and on exploring new properties within both provinces that present significant opportunity for mineral discovery. At the present time, the Company does not have any producing properties and consequently no revenues.

## **Overview and Summary**

### ***CNE Deposit***

During 2012 Stratabound's efforts have largely focused on bringing the Captain North Extension (CNE) deposit into production.

A partial list of 2012 activities directed towards this outcome includes:

- Completion and submission of Environmental Impact Assessment Regulation documents;
- Weather data from five stations;
- Baseline stream sediment data from Geological Survey of Canada (1988), Stratabound archives (1989-1996) and Stratabound (2007) survey;
- Additional water and stream sediment testing was requested by the New Brunswick Department of Environment and Local Government for more baseline water quality data and has been completed;
- Additional Fish Habitat study was required and has been completed;
- A preliminary invertebrate study is also being done to collect baseline data;
- The wood turtle is an endangered species observed to be present elsewhere in the Bathurst area. Research carried out for Stratabound by the Atlantic Canada Conservation Data Centre has determined that there has never been a documented sighting on or near the CNE site. Additional confirmation may be required;
- Site design of access road, ramp, settling ponds, waste and overburden pads, surface ditches;
- Preparation of environmental protection plans; detailed engineering for drainage control, water treatment, mining and reclamation;
- Research on local labour markets;

- Solicitation of contractor bids re construction, mining, trucking and reclamation;
- Public meetings in Bathurst and Miramichi following mail-out to stakeholders and public advertising;
- Filing report on results of the Public Consultation process;
- Contact with Aboriginal Affairs Secretariat; mail-out and meetings with First Nations' representatives, including Assembly of First Nations, to discuss potential employment and contracting opportunities arising from proposed production at CNE;
- Communication and cooperation with the Technical Review Committee, comprised of representatives of the various federal and provincial agencies involved in the permitting approval process;
- Meetings with Department of Environment and Local Government;
- Providing information to Transport Canada, Environment Canada, Fisheries and Oceans Canada, and New Brunswick Department of Natural Resources to head off any possible concerns regarding off-site areas set aside for preservation;
- Detailed metallurgical testing has been carried out by Xstrata Zinc in anticipation of delivery and custom milling at its Brunswick #12 mill. Separate zinc, lead-silver, copper, and bulk lead-zinc-silver concentrates would be produced;
- Meetings with Xstrata re coordination of anticipated delivery and milling schedules, storage and crushing at mill site;
- Feasibility study nearing completion, updating the November 23, 2011 Preliminary Economic Assessment for current lower metal prices and better defined capital and operating costs;
- Mine level plans and financial models nearing completion, using a variety of delivery cut-off grades;
- Watercourse Alteration Permit Application has been submitted. This permit will be required should we receive approvals for start-up.

### ***Elmtree Property Sale***

- On June 22, 2012, Stratabound sold its 40% interest in the Elmtree Gold property in northern New Brunswick to CNRP Mining Inc. for \$300,000 in cash and 10,000,000 shares of a new resource company, Winston Resources Inc. In July 2012 Stratabound distributed these shares to its shareholders as a dividend. Terms of the transaction are presented below ("Elmtree Gold Property, New Brunswick").

### ***Commander Claims***

- The Company has completed a gravity survey on the optioned Commander property adjoining our CNE and Captain claims which succeeded in locating a high priority drill target (see below).

### ***Gemini Hills Gold Prospect, Quebec***

- Drilling was conducted on the Gemini Hills, Quebec gold property, funded by Canuck Exploration Ltd., a private company based in La Motte, Quebec, which has thereby earned a 25% interest in the property. No mineralization of interest was intersected.

### ***Financing***

- On April 17 the Company raised \$424,600 in a private placement of shares.

## **Overall Performance**

During the first six months of 2012 the Company spent \$211,581 on its mineral properties, compared with \$496,589 in the first six months of 2011. The six month mineral property expenditures include a non-cash item of \$36,645 related to options issued to consultants (2011 - \$16,250 a non-cash item related to shares issued for property acquisition).

The Company closed a non-brokered private placement on April 17, 2012 comprising 4,200,000 common shares at \$0.05 per share and 2,682,500 flow-through common shares at \$0.08 per share for proceeds of \$424,600.

At June 30, 2012 the Company had working capital of \$2,517,778 compared with \$338,295 at June 30, 2011 and a working capital deficit of \$89,020 at the end of 2011. Working capital at the end of the second quarter included available-for-sale investments valued at \$2,109,237 (2011 - \$78,419), resulting from the sale of the Elmtree property. At June 30, 2012 the Company held 10,000,000 shares of Winston Resources Inc. with a fair value of \$2,100,000. These shares were distributed to Stratabound shareholders via a dividend subsequent to the period end. Under IFRS, working capital is reduced by the liability incurred on the issuance of flow-through shares. The current liability of \$80,475 will be reversed when qualifying expenditures are renounced (see Note 6, Interim Financial Statements).

## **Selected Financial Information**

The financial data are presented in accordance with International Financial Reporting Standards (IFRS). The reporting currency is the Canadian dollar.

## **Summary of Quarterly Results**

<b>2012/2011</b>	<b>June 30/12</b>	<b>March 31/12</b>	<b>Dec 31/11</b>	<b>Sept 30/11</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue – interest income	294	50	43	2,424
Loss before income taxes (income)	(392,903)	(63,913)	322,633	81,404
Comprehensive loss (income)	(95,981)	(26,430)	452,047	96,762
Basic and diluted loss per share (income per share)	(0.001)	(0.001)	0.006	0.001

<b>2011/2010</b>	<b>June 30/11</b>	<b>March 31/11</b>	<b>Dec 31/10</b>	<b>Sept 30/10</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue – interest income	596	3,765	1,097	1,180
Loss before income taxes	141,327	66,910	169,891	850,094
Comprehensive loss (income)	160,708	86,446	28,950	801,794
Basic and diluted loss per share (income per share)	0.004	0.001	0.001	0.013

*As a result of impairment write-downs comprehensive losses can be extremely variable.*

## **Results of Operations**

Expenses relating to exploration and evaluation of mineral properties and their acquisition are capitalized as Mineral Exploration and Evaluation Assets on the condensed interim statement of financial position. Details of expenditures incurred on the Company's projects during the first six months of 2012 and 2011 are listed under the heading "Additional Disclosure" in this Management Discussion and Analysis.

General and administrative expenses in the first six months of 2012 were \$90,176 compared with \$240,577 for the corresponding period in 2011. The decrease is largely attributable to lower professional fees in 2012, as the IFRS conversion has been completed, decreased investor relations activities and lower office expenditures.

### **General and Administrative Expenses**

<b>Six months ended June 30</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Professional Fees	<b>30,381</b>	86,220
Salaries and benefits	<b>22,866</b>	35,399
Office and other	<b>17,547</b>	38,818
Filing fees & investor communications	<b>15,782</b>	50,988
Rent	<b>3,600</b>	2,850
Reassessment	-	26,302
<b>TOTALS</b>	<b>90,176</b>	240,577

The Company's condensed statements of comprehensive income for the six months ended June 30, 2012 show a gain of \$122,411 compared to a comprehensive loss of \$247,154 for the corresponding period in 2011. This is due to a gain on the disposal of the Elmtree property.

### **Bathurst Base Metal Properties, New Brunswick**

Stratabound owns a 100% interest in the CNE Mining Lease and the CNE/Captain, Taylor Brook and Nepisiguit Brook claim groups, totaling 6,405 hectares, within the Bathurst Mining Camp in northeast New Brunswick, Canada, one of the world's greatest zinc-lead-silver districts. In addition, Stratabound holds an option on 1,049 hectares adjoining the northern boundary of the CNE/Captain claim group. The option agreement is with Commander Resources Ltd., and enables Stratabound to acquire up to a 65% interest in Commander's claims.

These 100%-owned and optioned properties are all situated in the heart of the Bathurst camp, with three world-class base metal mines occurring within a 20 kilometre radius of them, namely Brunswick No. 12 (the world's largest underground zinc mine), Brunswick No. 6, and Heath Steele. The wholly-owned claims host three known base metal sulphide bodies: the Captain, CNE and Taylor Brook deposits, on properties with potential that has not been fully explored.

Stratabound's expenditures for the six month period ended June 30, 2012 on the Bathurst base metal properties not including Commander, totalled \$186,811. Cumulative expenditures to June 30, 2012 are \$6,059,178 net of provincial government incentive payments and property expense write-offs.

### ***Captain North Extension (CNE) Deposit***

In November 2011 an independent, National Instrument 43-101 compliant Preliminary Economic Assessment (PEA) was completed by Tetra Tech WEI Inc. of Toronto, Ontario in order to determine baseline economics.

The PEA concluded that the Captain North Extension (CNE) zinc-lead-silver deposit demonstrates robust economics as a potential open pit toll-milling operation, with an Internal Rate of Return of 292% (News Release dated December 1, 2011).

At a 1.5% ZnEq\* cut-off, Tetra Tech reports a Measured resource of 37,710 tonnes at 5.77% Zn, 1.91% Pb, 0.06% Cu and 63.91 g/t Ag; an Indicated resource of 277,044 tonnes at 4.54% Zn, 1.66% Pb, 0.11% Cu and 60.40 g/t Ag; and an Inferred resource of 16,517 tonnes at 2.74% Zn, 1.20% Pb, 0.06% Cu and 37.50 g/t Ag.

Based on sensitivity analysis results, the project is most sensitive to variation of the NSR value, much less sensitive to OPEX and least sensitive to CAPEX.

A number of undrilled geophysical anomalies located north, east and south of the CNE deposit require exploration in the future to determine whether they represent additional mineralization.

*\*Tetra Tech reports the resource estimate in a zinc equivalent (ZnEq%) cut-off. ZnEq% is often used in polymetallic deposits to value all other metals in the deposit as an equivalent to zinc. ZnEq% is calculated based on metal value and metal recovery. The following parameters and equation were employed in determining the ZnEq% values:  $ZnEq\% = (((Zn\ Price * Zn\ Grade * 22.04622 * Zn\ Recovery) + (Pb\ Price * Pb\ Grade * 22.04622 * Pb\ Recovery) * (Cu\ Price * Cu\ Grade * 22.04622 * Cu\ Recovery)) / (Zinc\ Price)) / 22.04622$ , where Zn price = \$1.06; Zn recovery = 76.50%; Pb price = \$0.99; Pb recovery = 80.75%; Cu price = \$3.01; Cu recovery = 82.03%; lbs per tonne = 2,204.622.*

### **Captain Deposit**

The most recent NI 43-101 compliant Technical Report and Resource Estimate, dated March 4, 2011, which is summarized below, reflects mineralization defined by 30 drill holes to date:

<p><b>At 1.0% CuEq* cut-off:</b> Measured &amp; Indicated 667,000 tonnes @ 1.42% Cu, 0.048% Co, 0.25 g/t Au; plus Inferred 298,000 tonnes @ 1.18% Cu, 0.038% Co, 0.20 g/t Au.</p>
<p><b>At 0.6% CuEq* cut-off:</b> Measured &amp; Indicated 1,006,000 tonnes @ 1.03% Cu, 0.051% Co, 0.20 g/t Au; plus Inferred 960,000 tonnes @ 0.64% Cu, 0.039% Co, 0.12g/t Au.</p>

*\*Based on total in-situ metal - no recovery factors applied*

The Preliminary Economic Assessment (PEA) of the Bathurst properties (November 23, 2011) indicates the Captain deposit to be non-economic at this time and recommends additional drilling to further extend and sample the higher grade core of the mineralized zone, which remains open at depth.

The PEA further recommended that bore hole electromagnetic surveying be undertaken. Strong off-hole anomalies delineated by such work should be considered high priority drilling targets for lead-zinc mineralization flanking the copper stockwork zone.

### **Taylor Brook Deposit**

This extensive blanket of pyritic massive sulphides is located 11 kilometres northwest of the CNE Deposit and 6 kilometres northeast of the 25 million tonne Heath Steele Mine.

As currently known this low-grade lead-zinc-silver deposit has a strike length of approximately 650 m and a down-dip extent of greater than 600 m.

It comprises one to four stratabound horizons of heavily disseminated to semi-massive and massive sulphides interlayered with hydrothermally altered volcanic rocks.

Width and grades of the base metal mineralization are highly variable within the sulphide zone. Metal zonation, that is, zinc and lead-rich tops and copper enriched bases, is locally developed on the scale of individual horizons or on the scale of total deposit thickness. The lead, zinc, and copper ratios are consistent with the same ratios from other deposits in the Bathurst Mining Camp.

The renowned Brunswick No.12 Mine contains perhaps 100 million tonnes of similar non-economic pyritic massive sulphides adjoining the high-grade ore bodies, and inasmuch as Taylor Brook is open along strike and down dip, additional drilling appears warranted.

A 1995/96 drill program by Stratabound located a "channel" containing 3% – 8% lead-zinc, representing much better grades than those obtained by previous operators, and indicating good exploration potential for Taylor Brook.

The Preliminary Economic Assessment of the Bathurst properties (November 23, 2011) states that further exploration is warranted and recommends that additional drilling be conducted to further investigate the known Taylor Brook deposit, as it has not been delineated laterally to the east or west, nor at depth, in order to determine the continuity of geology and to see whether metal grades improve in these directions. A 24-hole definition drill program is proposed.

The PEA notes that the Taylor Brook deposit appears to have a nucleus of higher grade massive sulphides concentrated in the northwest of the deposit, and proposes that 11 of the 24 holes be drilled along the western edge of the deposit, as there has been no drilling to determine the western extent of the massive sulphide zones.

Stratabound is seeking a joint-venture partner to further explore this potential.

### ***Commander Option***

In 2010 the Company entered into a 5-year agreement with Commander Resources Ltd. allowing Stratabound the option to acquire up to a 65% interest in a 1,049 hectare claim group adjoining the northern boundary of the CNE and Captain claims.

Stratabound's initial drilling was encouraging, intersecting good grades of copper-silver-cobalt-gold as disseminations and stringer-type pyrite-chalcopyrite veins (see news release dated February 16, 2011). This mineralization resembles the Captain deposit, located approximately 4.5 kilometres to the south.

The mineralization that was encountered, however, did not explain the very strong electromagnetic responses delineated by Stratabound's initial program of geophysical surveying, and a gravity survey has recently been completed to investigate whether massive sulphide mineralization may be present below the intersected stringer network. This newly completed survey has confirmed a high priority drill target with the detection of a significant gravity high. With an indicated strength of 0.9 mgal and a width of 400 to 500 metres, this gravity anomaly represents an impressive density contrast which is strengthening and becoming wider in a southward direction, where it remains "open", i.e. unsurveyed to date.

By way of comparison, Stratabound's nearby CNE zinc-lead-silver deposit is a 0.25 to 0.3 mgal anomaly.

Previous geophysical work shows that the new gravity anomaly correlates spatially with strong anomalies detected by airborne and ground TDEM; MaxMin EM; IP chargeability; downhole geophysics and airborne and ground magnetic surveys.

The confluence of strong gravity and magnetic anomalies with strong EM conductors, as well as near-surface copper-chlorite stringer showings, represents a first-class drill target for a dense, buried body such as massive lead-zinc mineralization.

Cumulative expenditures to June 30, 2012 on the Commander option are \$187,326.

### **Elmtree Gold Property, New Brunswick**

On June 22, 2012, Stratabound sold its remaining 40% interest in Elmtree to CNRP Mining Inc. Terms of the sale are:

- \$300,000 cash to Stratabound, payable \$100,000 at closing (received), \$100,000 on the six-month anniversary, and \$100,000 on the twelve-month anniversary; and
- 10,000,000 shares of Winston Resources Inc.

Stratabound has distributed the Winston shares to the shareholders of Stratabound as a dividend of 0.138 shares of Winston for every share of Stratabound that they own. Stratabound shareholders will therefore participate directly in any future developments at Elmtree or at Winston's other properties, with no requirement for Stratabound to contribute further to Elmtree project costs.

### **Ramsay Brook Gold Property (Murray Group), New Brunswick**

No work has been done on this 69 claim (1,110 hectare) property in 2012.

Cumulative expenditures to June 30, 2012 are \$398,105 net of government incentive grants.

### **Green Point, New Brunswick**

Stratabound has a 100% interest, subject to a 2% net smelter return royalty, in 118 claims (2,561 hectares) located 2.5 kilometres northeast of the Elmtree claims.

This grass-roots property contains ten known sulphide occurrences, most of which are irregular veins less than one metre wide, carrying base metal and gold values. Nine holes were drilled by a previous owner, Ben Baldwin. A major alteration zone was reportedly intersected in the drilling. The best intersection was in Hole 3 where 1.17 g/t was reported over a 15.5 metre core length.

In 2011 Stratabound completed an initial exploration program, collecting and assaying 149 soil samples west of the Baldwin gold occurrence. Three prominent soil anomalies were outlined and warrant further follow up, including soil/till sampling, prospecting, and geophysical surveys, with subsequent trenching or drilling if results warrant.

Cumulative expenditures to June 30, 2012 are \$45,028.

### **Lamoreaux Corner, Western New Brunswick**

The Company has a 100% interest in a 93 claims (2,060 hectares) gold prospect at Lamoreaux Corner. The property is situated along the Trans-Canada Highway near the U.S. border in western New Brunswick.

No work has been done on these claims in 2012. Cumulative expenditures to June 30, 2012 are \$31,072.

### **Loch Lomond Area, Southern New Brunswick**

The Company has a 100% interest in two properties (39 claims, 813 hectares) in the southern part of the province near the former Cape Spencer gold mine, close to the city of St. John.

The Grassy Lake claims cover a multi-element precious metal basal till anomaly (silver, gold, bismuth, antimony, tellurium) revealed in a New Brunswick Department of Natural Resources survey of basal tills.

The Shanklin Road claims enclose a precious, base and rare metals anomaly discovered by a New Brunswick Department of Natural Resources survey of basal tills.

No work has been done in 2012. Cumulative expenditures to June 30, 2012 are \$11,748.

### **Gemini Hills, Quebec**

This wholly-owned 519 hectare property is situated near the village of Saint-Gérard-de-Berry, 90 kilometres north of Val-d'Or, Quebec.

After acquiring the claims in September 2010, a number of gold targets were identified with prospecting, induced polarization and magnetics.

In 2011 four outcrops were stripped, washed, sampled and mapped. Channel sampling defined mineralized intervals of 3.71 g/t gold over 1.5m and 1.87 g/t gold over 3.0m, within a mineralized deformation system accompanied by alteration and hydrothermal quartz and pyrite.

An independent geological report interprets this mineralization to be part of a more extensive unexposed gold mineralized system and recommends additional exploration.

The geological setting resembles the Kirkland Lake, Ontario gold camp, with a 4 kilometre diameter syenite stock intruding an assemblage of potassic-altered volcanic and Temiskaming-style conglomeratic rocks.

During the first quarter of 2012, Stratabound entered into an agreement with Canuck Exploration Ltd., a private company based in La Motte, Quebec. Canuck has earned a 25% interest in the property by drilling. No significant mineralization was found.

For additional information on the property see news release dated September 7, 2010.

Cumulative property expenditures to June 30, 2012 are \$204,711.

### **Enja Property, Quebec**

This wholly-owned property is drill-ready following detailed airborne magnetic and VTEM surveys and a MMI-M soil geochemical survey. Stratabound is seeking a joint venture partner for a drill program.



Enja (69 claims covering 3,830 hectares) is located in terrain with potential for both precious and base metals. It is situated in Enjalran and Massicotte Townships, northwest Quebec, between the Detour Lake and Casa Berardi gold camps, and 35 kilometres west of the Selbaie Mine, a major past producer of copper, zinc, gold and silver. The Company's ground extends from the Ontario border eastward beyond the Turgeon River, and includes a portion of a pronounced circular structure resembling the metals-rich Selbaie Caldera.

A gold-bearing sulphide to oxide iron formation over 1-kilometre in length has been identified in the western portion of the property, and a volcanogenic massive sulphide setting containing zinc has been identified within a separate fault block on the eastern claims.

Cumulative expenditures on the Enja property to June 30, 2012 are \$277,397 net of Quebec government incentives.

### **Liquidity**

At June 30, 2012, cash and cash equivalents totalled \$254,943 compared to \$570,119 at June 30, 2011 and \$6,432 at December 31, 2011. At June 30, 2012 the Company had working capital of \$2,517,778 compared with \$338,295 at June 30, 2011 and a working capital deficit of \$89,020 at the end of 2011. Working capital at the end of the second quarter included available-for-sale investments valued at \$2,109,237 (2011 - \$78,419), resulting from the sale of the Elmtree property. At June 30, 2012 the Company held 10,000,000 shares of Winston Resources Inc. with a fair value of \$2,100,000. These shares were distributed to Stratabound shareholders via a special dividend subsequent to the period end. Under IFRS, working capital is reduced by the liability incurred on the issuance of flow-through shares. The current liability of \$80,475 will be reversed when qualifying expenditures are renounced (see Note 6, Interim Financial Statements).

During the period the Company raised \$424,600 in a private placement financing. The Company anticipates it will receive an additional \$200,000 in proceeds from the disposition of its interest in the Elmtree property.

The Company intends to negotiate a loan arrangement to bring the CNE deposit into production following receipt of all necessary approvals and permits, and finalization of a toll milling contract, when a formal production decision will be made.

Future exploration is dependent on continued equity financing and/or joint ventures with other companies. The Company has no long-term debt, purchase obligations or off-balance sheet arrangements.

## **Additional Disclosure**

Detailed capitalized exploration and evaluation costs for the six months ended June 30, 2012 and 2011 are broken-down by project as follows:

<b>SIX MONTHS ENDED JUNE 30, 2012</b>										
	<b>Bathurst Properties, NB</b>	<b>Ramsay Brook, N.B.</b>	<b>Elmtree, N.B.</b>	<b>Green Point, NB</b>	<b>Enja Que.</b>	<b>Lamoreaux Corner, Western NB</b>	<b>Loch Lomond, Southern NB</b>	<b>Commander Option, NB</b>	<b>Gemini Hills, Que.</b>	<b>TOTALS</b>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost – Jan 01, 2012</b>	<b>5,873,490</b>	<b>396,485</b>	<b>2,006,771</b>	<b>44,188</b>	<b>277,397</b>	<b>30,988</b>	<b>11,588</b>	<b>169,875</b>	<b>200,421</b>	<b>9,011,203</b>
Acquisition & renewals	9,296	1,620	72	840		84	160	550		12,622
Assays and analyses										0
Core shack	21,428									21,428
Drilling								3,000		3,000
Geochemistry										0
Geology and supervision	108,997		254					6,371	1,847	117,468
Geophysics								6,530		6,530
Insurance	2,888									2,888
Line-cutting										0
Salaries	10,000							1,000		11,000
Trenching										0
Options to consultants	34,202								2,443	36,645
<b>Cost - June 30, 2012</b>	<b>6,060,301</b>	<b>398,105</b>	<b>2,007,097</b>	<b>45,028</b>	<b>277,397</b>	<b>31,072</b>	<b>11,748</b>	<b>187,326</b>	<b>204,711</b>	<b>9,222,784</b>
Government incentives	(1,123)								(66,517)	(67,640)
Property sale			(2,007,097)							(2,007,097)
<b>Cost - June 30, 2012</b>										<b>7,148,047</b>

SIX MONTHS ENDED JUNE 30, 2011												
	Bathurst Properties, NB	Marusia, Otish Mnts Que.	Ramsay Brook, N.B.	Elmtree, N.B.	Green Point, NB	Enja Que.	Lamorneaux Corner, West NB	Loch Lomond, South NB	Commander Option, NB	Gemini Hills, Que.	Lorenzo, NB, Noel-Mallet Option	TOTALS
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost – Jan 01, 2011</b>	<b>5,672,153</b>	<b>229,004</b>	<b>401,779</b>	<b>2,045,375</b>	<b>22,532</b>	<b>276,997</b>	<b>30,498</b>	<b>11,408</b>	<b>155,481</b>	<b>50,534</b>	<b>30,000</b>	<b>8,925,761</b>
Acquisition & renewals	8,700		1,380	72	2,130		490	180		318	17,611	30,881
Assays and analyses	342		216	342	3,650						1,322	5,872
Core shack	9,197			3,889	1,504						2,179	16,769
Drilling												0
Geochemistry											1,700	1,700
Geology and supervision	126,543		4,486	5,093	13,622				354	5,491	49,934	205,523
Geophysics										30,112	10,781	40,893
Insurance	2,750											2,750
Line-cutting										17,529	42,611	60,140
Salaries	7,000	400		2,000	400	400				800	5,000	16,000
Trenching										38,796	77,265	116,061
<b>Cost - June 30, 2011</b>	<b>5,826,685</b>	<b>229,404</b>	<b>407,861</b>	<b>2,056,771</b>	<b>43,838</b>	<b>277,397</b>	<b>30,988</b>	<b>11,588</b>	<b>155,835</b>	<b>143,580</b>	<b>238,403</b>	<b>9,422,350</b>
Government incentives	(40,000)		(14,000)									(54,000)
Option payments				(50,000)								(50,000)
<b>Cost - June 30, 2011</b>	<b>5,786,685</b>	<b>229,404</b>	<b>393,861</b>	<b>2,006,771</b>	<b>43,838</b>	<b>277,397</b>	<b>30,988</b>	<b>11,588</b>	<b>155,835</b>	<b>143,580</b>	<b>238,403</b>	<b>9,318,350</b>

### **Subsequent Events**

On July 15, 2012, Stratabound declared a dividend to distribute its shares of Winston Resources Inc. to its shareholders. Stratabound shareholders of record on July 15, 2012 have received 0.138 shares of Winston Resources Inc. for each share of the Company held.

On August 15, 2012 Stratabound issued 10,000 common shares at a deemed price of \$0.07 per share to Commander Resources Ltd. in consideration for extending the second year option term.

### **Related Party Transactions**

During the period, the Company paid rent of \$3,600 (2011 - \$2,850) for office space owned by officers of the Company.

During the period, the Company paid project management and administrative fees of \$16,000 (2011 - \$nil) to a corporation owned by officers of the Company. Of these fees paid, \$7,000 (2011 - \$nil) were capitalized as mineral exploration and evaluation assets.

## **Commitments and Contingencies**

At June 30, 2012, the Company has an outstanding lease commitment for the rental of a core shack/office/storage facility. The remaining obligation is \$2,700 and the lease expires on July 31, 2012. Subsequent to the period end the Company renewed the lease for an additional year on the same terms as previously.

The Company is committed to incur qualifying exploration expenditures of \$500,000 before December 31, 2012. At June 30, 2012 all funds were expended. This obligation relates to the flow-through share offering closed on February 24, 2011.

The Company is committed to incur qualifying exploration expenditures of \$214,600 before December 31, 2013. At June 30, 2012, the remaining expenditure obligation is \$195,614. This obligation relates to the flow-through share offering closed on April 17, 2012.

## **Share Capital**

The authorized capital of the Company consists of an unlimited number of common shares without par value. At June 30, 2012 the number of issued common shares was 72,077,611 (fully diluted 79,182,611). As at August 29, 2012 the number of common shares issued is 72,087,611 (fully diluted 79,192,611).

## **Options outstanding at August 29, 2012**

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
740,000	0.27	Aug. 30, 2012
50,000	0.42	Oct. 2, 2012
550,000	0.40	Jan. 9, 2013
2,125,000	0.10	August 17, 2014
50,000	0.12	August 17, 2014
950,000	0.10	September 2, 2015
415,000	0.13	July 12, 2016
2,225,000	0.10	May 17, 2017
<b>7,105,000</b>		

## **Risks and Uncertainties**

The business of exploration and mining is full of risk that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The operations to be conducted by the Company will be subject to all of the operating risks normally attendant upon mineral exploration and development. Failure to obtain financing can result in delay or indefinite postponement of exploration and development projects with the possible loss of such properties. While the Company has been successful in the past at raising funds, there can be no assurance that it will continue to do so. Equity financing opportunities require favorable market conditions and commodity prices that cannot be assured.

Whether a mineral deposit once discovered will be commercially viable depends on a number of factors, some of which depend on the particular attributes of the deposit, such as size, grade and proximity to infrastructure. These factors are beyond the control of the Company. The Company must also compete with a number of companies that may have greater technical or financial resources. The Company is unable to predict the amount of

time which may elapse between the date when any new mineral reserve may be discovered and the date when production will commence from any such discovery.

The exploration and development of mineral properties and the marketability of any minerals contained in such properties can be affected by many other factors beyond the control of the corporation, such as metal prices, availability of adequate refining facilities, or the imposition of new government regulation affecting existing taxes and royalties or environmental and pollution controls.

The directors of the Company are engaged and will continue to be engaged in the search for mining interests on their own behalf and on behalf of other companies, and situations may arise where the directors and officers may be in direct competition with the Company. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the *Business Corporations Act* (Alberta) which require a director or officer of a corporation who is a party to, or is a director or an officer of or has a material contract with the Corporation to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the *Business Corporations Act* (Alberta).

The Company's publicly filed documents are available on SEDAR at [www.sedar.com](http://www.sedar.com)

Additional information on the Company's projects including news releases, maps and photos can be viewed on the Company's website [www.stratabound.com](http://www.stratabound.com).

All scientific and technical data disclosed in this report has been reviewed and verified by Stan Stricker, P.Geol., a Qualified Person within the meaning of National Instrument 43-101.

John Duncan, P.Geol. is the Qualified Person for the Company's New Brunswick projects. Marc Boivin, P.Geol. is the Qualified Person for the Gemini Hills project in Quebec and John Charlton, P.Geol. is the qualified person for the Enja project in Quebec.

*Certain information regarding the Company contained herein may constitute forward looking statements. Forward looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Although the Company believes that the expectations reflected in such forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward looking statements. The Company does not plan to update or alter any forward looking statement except where required by law. Specific statements include plans for further drilling and raising additional equity, specific risks include operational and geological risks and the ability of the Company to raise necessary funds for exploration. The Company's forward looking statements are expressly qualified in their entirety by this cautionary statement.*