

LIONS GATE METALS INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

April 29, 2011

1.1 Introduction

The following management discussion and analysis and financial review, prepared as of April 29, 2011, should be read in conjunction with Lions Gate Metals Inc.'s (the "**Company**", "**Lions Gate**", "**LGM**") audited consolidated financial statements as at and for the year ended December 31, 2010 and December 31, 2009 and the related notes thereto. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**"). Except as otherwise disclosed all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at www.sedar.com.

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenues earned and expenses incurred during the year. Actual results could differ from those estimates.

The Company's current items involving substantial measurement uncertainty are the carrying costs of investments, loans receivable, mineral property interests and their related deferred exploration expenditures, the provision for future site restoration and abandonment costs, determinations of stock-based compensation and share purchase warrant valuation assumptions and the future income tax asset valuation allowance. By their nature, these estimates are subject to measurement uncertainty, and the impact on the consolidated financial statements of future changes in such estimates could be material

Forward Looking Statements

All statements made in this MD&A, other than statements of historical fact, are forward-looking statements. The Company's actual results may differ significantly from those anticipated in the forward-looking statements and readers are cautioned not to place undue reliance on these forward-looking statements. Except as required by securities regulations, the Company undertakes no obligation to publicly release the results of any revisions to forward-looking statements that may be made to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events. Forward-looking statements include, but are not limited to, statements with respect to the future metal prices, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to the integration of acquisitions; future price of metals; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing. Although the Company has attempted to identify important factors that could cause actual actions,

events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Company Overview

The Company is a public company incorporated under the laws of the Province of British Columbia. The common shares of the Company are listed for trading on the TSX Venture Exchange (“TSXV”) under the symbol LGM. Effective July 21, 2008, the Company changed its name from Fortress Base Metals Corp. to Lions Gate Metals Inc. As a result of the name change, the Company’s stock symbol changed from “FBM” to “LGM”. On February 19, 2009 the Company announced that in accordance with TSXV Policy 2.5, the Company has met the requirements necessary to change from a Tier 2 issuer to a Tier 1 issuer.

The Company is a junior mineral exploration company engaged in the business of acquiring and exploring and evaluating natural resource property interests. As of April 29, 2011, the Company has not earned any production revenue, nor found any proven reserves on any of its mineral property interests.

While these consolidated financial statements have been prepared using Canadian GAAP applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events cast doubt on the validity of this assumption. For the year ended December 31, 2010, the Company reported a net loss of \$1,569,724 and as at that date had working capital of \$590,173 (\$769,125 and an accumulated deficit of \$13,488,271. The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional funding from loans or equity financings or through other arrangements. Subsequent to the year ended December 31, 2010, the Company raised additional funds through equity financings and believes it has sufficient working capital for the foreseeable future.

The recoverability of amounts shown for mineral property interests and their related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves. The Company does not generate sufficient cash flow from operations to adequately fund its exploration activities, and has therefore relied principally upon the issuance of securities for financing and proceeds from the sale of investments. The Company is currently focusing its resources on projects which have potential for near-term production and for potential acquisitions of businesses or assets.

1.2 Overall Performance

Poplar Property

On December 15, 2010, the Company renewed its Memorandum of Understanding with the Office of the Wet’suwet’en from August 20, 2009 renaming it a Communications and Engagement Agreement (the “CEA”). The CEA was signed by Chief Woos, representing the Gitdumden Clan, Chief Tah K’eght representing the Laksilyu Clan, Debbie Pierre representing the Office of the Wet’suwet’en and Arni Johansson representing Lions Gate Metals Inc. \$10,000 was provided to the Office of the Wet’suwet’en as capacity funding for the terms described in the CEA. Lions Gate has an ongoing positive relationship with the Wet’suwet’en stemming from the CEA and will continue to apply this progressive approach throughout the development of other properties within the territories represented by the Poplar Property.

In early January 2011, the Company commenced a drill program on the Poplar Property that comprised 5,569 meters of drilling in thirteen diamond drill holes. This diamond drill program was designed to test mineralization at depths of up to 600m, based on results of the Company’s 2009 deep induced polarization (“IP”) survey, as well as expanding the size of the Poplar Main Zone. The Company also plans to include these results in an updated, National Instrument 43-101 compliant resource expected to be published in the first half of 2011.

The goal of the drilling program will be to increase the size and grade of the published mineral resource at the Poplar Main Zone, and to test the depth extensions of the East Zone. Currently the published resource is 236,000,000 tonnes at 0.37% copper equivalent grade using a 0.25% copper equivalent grade cut-off (House and Ainsworth, 1995 in CIM Special Volume 46). This estimate was made on behalf of Utah Mines Ltd. in 1982 based on approximately 17,000 metres of diamond drill data collected to that time. Equivalent grades for copper were calculated using 1982 prices for copper and molybdenum. This reserve estimate was prepared prior to the implementation of National Instrument 43-101 Standards of Disclosure for Mineral Projects, and does not comply with that standard; nor does the term copper equivalent grade comply with that standard. As of April 13, 2011 the drill program has concluded and the results of that program are being compiled. The target objective is to complete the compilation of these results and previous results into a NI 43-101 compliant resource. Current Expectations are that this will be completed in July, 2011. Further, these results will be used to design further exploration programs. The initial program will include 5-10,000 meters of additional drilling.

As of April 29, 2011, results have been received for the following diamond drill holes:

Drill hole number	Results						
	From	To	Width	Cu %	Au g/t	% Mo	Ag g/t
11-PC-84	25.99	465.10	439.11	0.32	0.09	0.010	*
inc.	89.75	318.88	229.13	0.41	0.12	0.010	*
inc.	462.14	465.10	2.96	1.29	0.29	<0.001	*
11-PC-85	22.00	459.34	437.34	0.24	0.07	0.003	*
inc.	182.28	459.34	277.06	0.34	0.10	0.004	*
inc.	197.28	345.16	147.88	0.39	0.12	0.004	*
11-PC-86	11.75	355.70	343.95	0.31	0.07	0.008	*
inc.	11.75	232.70	220.95	0.44	0.11	0.010	*
11-PC-87	11.28	279.50	282.22	0.03	0.01	<0.001	*
inc.	14.33	96.13	81.80	0.19	0.04	<0.001	*
11-PC-88	5.79	502.00	496.21	0.35	0.10	0.015	*
inc.	23.79	322.00	298.21	0.44	0.13	0.022	*
11-PC-89	7.92	401.42	393.50	0.07	0.02	0.004	0.49
inc.	7.92	133.92	126.00	0.16	0.04	0.009	1.18
11-PC-90	3.05	599.54	596.49	0.18	0.04	0.009	1.57
inc.	91.38	487.35	395.87	0.25	0.06	0.012	1.91
inc.	193.38	415.35	221.97	0.35	0.09	0.016	2.59
11-PC-91	3.05	300.84	297.97	0.009	0.008	0.000	0.088

*Awaiting Assay Data

Andrew Gourlay is a qualified person pursuant to NI-43-101 and has reviewed and approved the disclosure of technical matters included herein.

Rok-Coyote Property

On January 21, 2010, the Company entered into a letter of intent with Firesteel Resources Inc. (“**Firesteel**”) which grants Lions Gate an option (the “**Option**”) to acquire a seventy-five percent (75%) interest in the

Property. The Company has renegotiated the terms of that agreement and the agreement provides for the following payments:

Date	Cash to Firesteel (Cdn\$)	Lions Gate Shares	Work Commitment (Cdn\$)
On Execution of the LOI dated January 21, 2010	\$50,000 PAID	0	0
On later of execution of Formal Agreement or receipt of TSX-V approval (Effective Date) January 5, 2011	\$121,000 PAID	50,000 Issued	
January 5, 2012	\$50,000	50,000	\$350,000
January 5, 2013	\$75,000	100,000	\$450,000
January 5, 2014	\$100,000	200,000	\$700,000
January 5, 2015	\$100,000	250,000	\$1,000,000
Total	\$496,000	650,000	\$2,500,000

The cash payments of \$171,000, have been paid and will be credited towards Lions Gate work commitments on the Property.

Firesteel may acquire a 5% interest in the Property by paying Lions Gate \$200,000 which, if exercised, would result in the ownership being 70% Lions Gate and 30% Firesteel.

Further to the Company's News Release of November 2, 2010 with respect to the Company's acquisition of a 75% interest in the ROK-Coyote Mineral property (the "**Property**") located in the Stikine Arch region of northwestern British Columbia from Firesteel Resources Inc., the Company paid a cash finder's fee of \$22,000 to Mr. David Dupre with respect to the transaction.

ROK-Coyote Project

The Property is adjacent to and immediately northwest of the Imperial Metals Corporation's Red Chris copper-gold deposit (with Measured and Indicated Resources of 489.1 million tonnes at 0.43% Cu and 0.42 g/t Au, at 0.20% Cu % Cutoff, as reported on page 89 of Imperial Metals' Technical Report: 2010 Exploration, Drilling and Mineral Resource Update dated May 19, 2010). In a news release dated August 5, 2010 Imperial Metals also reported the Red Chris Drill hole RC09-393 returned 317.5 metres grading 1.08% copper and 1.46 g/t gold within a 1,112.5 metre mineralized section grading 0.54% copper, 0.61 g/t gold. Firesteel has reported that the Property covers a copper-gold porphyry target located within a large hydrothermal sulphide system measuring at least 9 sq. km. atop the Tanzilla Plateau. Access to the Property is easily gained from Hwy. 37 along the west side of the claim group or from the Ealue Lake secondary road which crosses the southern half of the Property in an east-west direction.

Plans for the summer exploration season are to include an airborne geophysical survey; expansion of the existing grid; ground geophysical survey; and the identification of drill targets for a late season drill program.

Hudson Bay Mountain Property

In addition the Company has acquired additional claims adjacent to its existing Hudson Bay Mountain Claims.

The Mason claims are located on Hudson Bay Mountain, a short distance west of Smithers BC. These mineral claims surround the old Yorke/Hardy Molybdenum showing which is adjacent to Thompson Creek Metals Company Inc.'s (TSX, NYSE: TCM) Davidson project. Thompson Creek operates the Endako open-pit molybdenum mine at Fraser Lake. The Mason claims are located approximately 10 km west of the town of Smithers BC and within sight of the Smithers airport. Access to the site is via a number of public roads on the

north side of the mountain and an extensive logging road network accessing the south and west sides of the area. Helicopter access to higher areas is easily made in a few minutes from the airport. These claims are also located within 5 kilometers of the Canadian National Railway lines.

Topography of the area is generally steep to rugged mountain slopes trending towards the north and south with elevations ranging from 600 to 2600 meters elevation.

The Mason claims include 60 tenures totaling over 17,780 hectares. These include a series of claims surrounding the Yorke Hardy project Mining Lease along with several claim blocks on the anticipated northwest and south east extension of the mineralization and alteration zone. The addition of these claims increases LGM's claims on Hudson Bay Mountain to 82 tenures totaling over 26,000 hectares.

Copperline Property

The Company entered into an agreement in which it had acquired a 60% interest in the Copperline property in British Columbia.

The Copperline property surrounds Skutsil Knob at the south end of the Driftwood Range, 25 km northwest of Takla Lake, and about 120 km northeast of Smithers, B.C. The property is situated approximately 10km south of the northern terminus of the BC Rail right-of-way and approximately 5 km from a nearby logging road network. Although access to the work area is currently by helicopter, road access into the alpine would be reasonably easy to develop by extension of existing logging roads.

The claims comprising the Copperline property cover a zone of volcanic redbed copper-silver mineralization which consists primarily of bornite with lesser chalcocite, chalcopyrite, and tetrahedrite. Copper oxides of malachite and azurite may visually mark mineralized zones. Some native copper has also been observed. Silver mineralization is intimately tied up in the copper sulphides. Some barite mineralization has also been found associated with the copper bearing zones. The mineralized zones have been located primarily in the alpine between 1500 to 1800 meter elevations. Other mineralized showings have also been discovered at lower elevations. In 2003, an exploration program was conducted which significantly improved the understanding of the copper-silver mineralization at the Main Zone on the Copperline property and provided sufficient confidence to recommend additional exploration work and preliminary development studies. Significant potential exists for the discovery of new deposits of volcanic redbed copper-silver mineralization in and around these claims.

Terms of the Acquisition

Pursuant to a sale and purchase agreement entered into between the Company and the two owners (the "**Vendors**") of a 60% interest in the Copperline property, the Company has acquired a 60% undivided beneficial and recorded interest in the Copperline property in consideration of the issuance to the Vendors of a total of 2,700,000 common shares in the capital of the Company. The remaining 40% interest in the property is held by Max Minerals Ltd. (TSXV: MJM) and following the acquisition of the 60% interest Lions Gate will assume the Vendors' rights and obligations under an existing joint venture with Max Minerals Ltd.

A portion of the claims comprising the Copperline property is subject to a 1.5% net smelter returns royalty held by Cominco Ltd. Kleinebar Resources Ltd. ("**Kleinebar**") also holds a 0.5% net smelter returns on the part of the property subject to the Cominco royalty, and a 1.25% net smelter returns royalty on the balance of the property. The Kleinebar royalty can be purchased at any time for \$500,000.

Kelly Creek

The property is centered near 54° 26' North latitude 128° 08' West longitude and is within NTS map-sheet 103I 08E and British Columbia map-sheet 103I 050. It is accessible from Terrace thirty kilometres westerly via British Columbia Highway 16 and Zymoetz River main logging road to the northern part of Kelly 1 and Kelly 2 mineral claims. Elevation at the property ranges between 220 metres and 1420 metres. Much of the property is covered in mature timber; with parts of it having been logged.

Previous exploration within the area now covered by Kelly Creek Project property includes: prospecting, trenching, soil geochemical surveying, induced polarization geophysical surveying core drilling in at least twenty-eight holes, driving of underground workings comprising three hundred and two metres, underground core drilling in at least twelve holes comprising 621.6 metres, rock and core sampling and geological evaluation. Not all results of past work are available. Drill holes in Upper Kelly Creek prospect area contained up to 5.35 per cent copper and 95.3 grams per tonne silver over 4.6 metres in underground drill hole UK5 and 1.30 per cent copper and 28.8 grams per tonne silver over 34.5 metres core length with an estimated true width of 22.5 metres in underground drill hole UK10.

In 1981 Cathedral Minerals Ltd. estimated a resource at Upper Kelly Creek prospect comprising an indicated resource of 2.27 million tonnes containing 1.03 per cent copper and 18.5 grams per tonne silver and an inferred resource of similar tonnage and grade as the indicated resource; this estimate was performed prior to the introduction of current resource reporting standards.

No exploration has been performed by Lions Gate Metals, the present property owners. A3 Phase Exploration Program has been recommended in the technical report.

1.3 Selected Annual Information

	Year Ended December 31, 2008 (audited)	Year Ended December 31, 2009 (audited)	Year Ended December 31, 2010 (audited)
Total Revenue	\$171,866	\$1,301,926	\$3,305
Assets	\$3,697,496	\$3,808,863	\$ 6,071,756
Net Loss	\$(1,445,772)	\$(2,235,579)	\$(1,569,724)
Basic and Diluted loss per common share	(\$0.15)	(\$0.21)	(\$0.12)
Long-term debt	\$164,278	\$ -	\$ -

1.4 Results of Operations

For the 4th Quarter ended December 31, 2010 the loss amounted to \$423,266 as compared to an income of \$487,388 in the prior year when a large gain was recorded on the sale of investments. The other significant difference was consulting fees were \$240,685 as opposed to \$133,941 which increased due to the payment of bonuses to management in the 4th Quarter of 2010.

For the year ended December 31, 2010 the overall loss decreased from \$2,235,579 to \$1,569,724. There were a number of factors that contributed to the decrease. An overall reduction in administrative expenses of \$1,782,317 resulted primarily from a reduction in stock based compensation from \$1,844,686 to \$135,602 reflective of reduced option grants during the year. As well there was a reduction of \$125,833 in legal fees. The reductions were offset by the reduction in other income which saw a gain on disposition of investments in 2009 as compared to a loss of \$72,833 and a permanent impairment of \$147,424 on its investments in 2010.

During the three month period ended September 30, 2010, the Company's most significant expense was consulting fees of \$118,264 (2009 - \$137,305).

During the three month period ended June 30, 2010, the Company's most significant expense was consulting fees of \$130,266 (2009 - \$135,949). Of this amount \$45,000 was related to a settlement agreement with its former CEO. The Company also spent \$111,920 on its Poplar property, and of this amount, \$30,704 related to camp costs and \$41,718 related to field personnel.

During the three month period ended March 31, 2010 the Company recorded a net loss of \$532,791 (\$261,502 in 2009) and a loss per share of \$0.05 (\$0.02 in 2009). Significant expenditures incurred during the three month period ended March 31, 2010 included \$125,070 (\$171,455 in 2009) for consulting fees, \$101,484 (\$32,125 in 2009) for legal fees primarily relating to transaction costs of the subsequently abandoned AusNiCo merger, \$25,250 for director fees (Nil in 2009) and \$126,561 (Nil in 2009) for stock based compensation relating to the grant of options.

Summary of Mineral Property Expenditures and Exploration Activities

Title to mineral property interests involve certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of them are in good standing.

Management reviewed the valuation of the mineral property interests and in previous years took the decision to write down acquisition costs to its cash outlays for its interests due to the lack of funds available at the time to further progress the interests. Until the development of a plan to further progress these property interests, management will continue to write down non cash outlays for property interests except for the Poplar, Hudson Bay Mountain, and Copperline mineral property interest. It is management's full intention to keep all of its current mineral property interests in good standing.

Poplar

By an agreement dated April 20, 2004, the Company was granted an option to acquire a 50% interest in 26 mineral claims, known as the Poplar mineral property interest, situated in the Omineca Mining Division of B.C. Consideration paid to exercise the option totaled \$147,777, share issuances of 40,000 common shares and aggregate exploration expenditures in excess of \$275,000.

In December 2007, the Company finalized terms with Hathor Exploration Limited to grant the Company an option to acquire the remaining 50% interest in the Poplar mineral property interest by issuing 240,000 common shares in stages and by making annual payments of \$75,000 in cash or shares, with reference to the initial payment which was made in December, 2005. The Company continues to make its obligated annual \$75,000 payments and has previously issued the 240,000 common shares, with the final 190,000 shares being issued by the Company in December 2007 to exercise its option.

The optionor of the mineral property interests retains a 2% net smelter return royalty ("NSR").

During the year ended December 31, 2005, the Company paid \$11,000 for a reclamation bond pursuant to regulatory requirements against reclamation obligations relating to exploration work on the Poplar mineral property interest. In August 2009, the Company paid an additional \$1,000 reclamation bond relating to its work program which was scheduled for the fall of 2009. On March 25, 2010 the Company paid an additional \$32,002 reclamation bond relating to its work program which was scheduled for the spring and summer of 2010, but occurred in the first Quarter of 2011.

During the year ended December 31, 2008, the Company staked 44,963 additional hectares in the area adjacent to the Poplar mineral property interest. These mineral claim holdings are 100% owned by the Company and all mineral claims are current and in good standing.

On April 15, 2009, the Company entered into an option agreement with an unrelated third party to earn the exclusive right and option to acquire 100% legal and beneficial interest on sixteen mineral claims south of Poplar Lake. The Company will earn its 100% interest in the property by issuing 10,000 of its common shares upon transfer of the claims to the Company, 20,000 common shares on the first anniversary of the transfer of claims to the Company, 30,000 common shares on the second anniversary of the transfer of claims to the Company and 40,000 common shares on the third anniversary of the transfer of claims to the Company. Additionally, should the claims be found to contain economically recoverable metal values, the Company may offer a total maximum payable of \$1,000,000 in the form of a 1% NSR or a one-time only buyout by the Company of \$1,000,000 less any NSR amounts previously paid. On April 30, 2009 the Company issued 10,000 of its common shares in respect of this agreement and valued these shares at \$9,500. On July 29, 2010 the Company issued 20,000 shares and valued these shares at \$11,200.

On May 25, 2009, the Company entered into an option agreement with an unrelated third party to earn the exclusive right and option to acquire 100% legal and beneficial interest on three mineral claims south of Poplar Lake. The Company will earn its 100% interest in the property by issuing 2,500 of its common shares upon transfer of the claims to the Company, 5,000 common shares on the first anniversary of the transfer of claims to the Company, 7,500 common shares on the second anniversary of the transfer of claims to the Company and 15,000 common shares on the third anniversary of the transfer of claims to the Company. Additionally, should the claims be found to contain economically recoverable metal values, the Company may offer a total maximum payable of \$100,000 in the form of a 1% NSR or a one-time only buy-out by the Company of \$100,000 less any NSR amounts previously paid. On May 25, 2009 the Company issued 2,500 of its common shares in respect of this agreement and valued the shares at \$2,000. On July 29, 2010 the Company issued 5,000 shares and valued these shares at \$2,800.

During the period between September and December 2009, the Company staked 10,169 additional hectares in the area adjacent to the Poplar mineral property interest. This staking covered areas of interest that were discovered while analyzing results of the Geoscience BC Quest-West airborne survey as well as more detailed target areas uncovered during the Company funded airborne survey of 2009.

Kelly Creek

By an agreement dated July 26, 2004, the Company was granted an option to acquire an undivided 100% interest in 8 mineral claims, known as the Kelly Creek mineral property interest, situated in the Omineca Mining Division of B.C.

Terms of the agreement were the payment of \$20,000 and the issuance of 100,000 common shares of the Company to be issued in various stages. The final 40,000 common shares were issued July 2007. The optionor retains a 2% NSR, in respect of these mineral claims, with the Company being granted the right to purchase 50% (1%) of this royalty for consideration of \$1,000,000.

The Kelly Creek mineral property interest is 100% owned by the Company and all related mineral claims are current and in good standing.

Hudson Bay Mountain

The Company acquired a 100% interest in certain mineral claims known as the Hudson Bay Mountain mineral property interest located near Smithers, British Columbia by issuing 460,000 common shares in May 2005 and by making annual payments of \$25,000, with reference to the initial payment which was made in May 2005. The Company has negotiated with the vendor and the previous annual \$25,000 payment obligation has been

waived by the vendor in connection with the 2010 agreement previously disclosed. The vendor retains a 2% NSR in respect of these mineral claims.

The Hudson Bay Mountain mineral property interest is 100% owned by the Company and all mineral claims are current and in good standing. During the year ended December 31, 2009, the Company renewed 21 claims on the Hudson Bay Mountain property totaling 8,199 hectares. 11 claims totaling 1,398 hectares were not renewed.

The Company is giving serious consideration to financing the next round of expenditures by way of an initial public offering of stock. To that end in December, 2010 the Company incorporated a wholly owned subsidiary Northern Canadian Metals Inc. ("NCM"). Subsequently to December 31, 2010, the Company is investigating the possibility of a sale of the Hudson Bay Mountain Property to NCM for shares to be followed by NCM filing a prospectus and becoming an independent company. Management and the Board feel that this strategy could unlock the value of this asset for the benefit of all shareholders. This transaction will be subject to all former arrangements being made, and all necessary approvals being obtained.

Summary of Mineral Property Interests and Deferred Exploration during the Year ended December 31, 2010:

Mineral Property Interests

	Balance December 31, 2009	Current Costs Incurred	Write-Down For Valuation	Balance December 31, 2010
Poplar mineral property interests				
Omineca Mining Division of B.C. 100% option interest	\$ 661,214	\$ 125,991	\$ -	\$ 787,205
Kelly Creek mineral property interests				
Omineca Mining Division of B.C. 100% option interest	1	16,000	(16,000)	1
Hudson Bay Mountain mineral property Interests				
Omineca Mining Division of B.C. 100% interest	125,000	1,086,959	(51,714)	1,160,245
Copperline property				
60% interest	-	1,630,760	-	1,630,760
Total	\$ 786,215	\$ 2,859,710	\$ (67,714)	\$ 3,578,211

Deferred Exploration Expenditures

	Balance December 31, 2009	Current Year Expenditures Incurred	Write-Down For Valuation	Balance December 31, 2010
Poplar Property				
Airborne survey	\$ 322,406	\$ 11,722	\$ -	\$ 334,128
Assays	29,301	3,590	-	32,286
Camp costs	191,826	37,173	-	222,530
Consulting	307,322	108,862	-	328,047
Drilling	297,579	-	-	297,579
Environmental	85,232	9,313	-	93,942
Field expenditures and personnel	291,057	200	-	350,320
Geophysical & IP magnetic survey	95,335	4,100	-	99,435
Line cutting	34,201	-	-	34,201
Maps and reports	423	390	-	813
Miscellaneous	20,626	3,286	-	22,676
Telecommunications	2,103	3,357	-	2,235
Travel and accommodation	65,138	5,244	-	67,835
Mining and Exploration tax Credits claimed		(286,369)		(286,369)
	1,742,549	(99,131)	-	1,643,418
Hudson Bay Mountain				
Consulting	-	12,094	(2,094)	10,000
Field Expenditures and Personnel	-	945	(945)	-
	-	13,039	(3,039)	10,000
Total	\$ 1,742,549	\$ (86,092)	\$ (3,039)	\$ 1,653,418

Summary of Mineral Property Interests and Deferred Exploration during the year ended December 31, 2009:

Mineral Property Interests

	Balance December 31, 2008	Current Year Costs Incurred	Write-Down For Valuation	Balance December 31, 2009
Poplar mineral property interests				
Omineca Mining Division of B.C. 100% interest	\$ 497,902	\$ 163,312	\$ -	\$ 661,214
Kelly Creek mineral property interests				
Omineca Mining Division of B.C. 100% interest	1	15,786	(15,786)	1
Hudson Bay Mountain mineral property interests				
Interests Omineca Mining Division of B.C. 100% interest	100,000	66,325	(41,325)	125,000
Total	\$ 597,903	\$ 245,423	\$ (57,111)	\$ 786,215

Deferred Exploration Expenditures

	Balance December 31, 2008	Current Period Expenditures Incurred	Write-Down For Valuation	Balance December 31, 2009
Poplar				
Airborne survey	\$ -	\$ 322,406	\$ -	\$ 322,406
Assays	27,286	2,015	-	29,301
Camp costs	184,662	7,164	-	191,826
Consulting	163,650	143,672	-	307,322
Drilling	297,579	-	-	297,579
Environmental	56,050	29,182	-	85,232
Field expenditures and personnel	236,937	54,120	-	291,057
Geophysical/IP magnetic survey	40,015	55,320	-	95,335
Line cutting	34,201	-	-	34,201
Maps and reports	-	423	-	423
Miscellaneous	10,694	9,932	-	20,626
Telecommunications	-	2,103	-	2,103
Travel and accommodation	36,477	28,661	-	65,138
Total	\$ 1,087,551	\$ 654,998	\$ -	\$ 1,742,549
Hudson Bay Mountain				
Airborne survey	\$ -	\$ 35,805	\$ (35,805)	\$ -
Consulting	-	1,894	(1,894)	-
Total	-	37,699	(37,699)	-
	\$ 1,087,551	\$ 692,697	\$ (37,699)	\$ 1,742,549

1.5 Summary of Quarterly Results

Summary of quarterly financial information and discussion

	Dec 31, 2010	Sept 30, 2010	Jun 30, 2010	Mar 31, 2010
Total assets	\$6,071,756	\$ 6,084,747	\$ 4,050,633	\$ 3,201,060
Working capital	590,173	733,952	1,234,931	464,130
Shareholders' equity	5,865,804	5,932,530	3,741,154	3,096,491
Loss (income)	423,266	412,257	201,410	532,791
Loss (income) per share	\$ 0.02	\$ 0.03	\$ 0.02	\$ 0.05

	Dec 31, 2009	Sept 30, 2009	Jun 30, 2009	Mar 31, 2009
Total assets	\$3,808,863	\$ 4,592,649	\$ 3,805,659	\$ 3,811,709
Working capital	1,010,597	2,347,726	1,928,338	1,900,688
Shareholders' equity	3,551,361	4,295,235	3,517,894	3,453,736
Loss (income)	(487,388)	147,257	2,314,208	261,502
Loss (income) per share	\$ (0.04)	\$ 0.05	\$ 0.22	\$ 0.02

1.6 & 1.7 Liquidity and Capital Resources

The Company's cash and cash equivalents position at December 31, 2010 was \$367,713. The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future, with the exception of its third party loan receivable. In November 2008, the Company loaned \$400,000 U.S. (the "Principal Sum") to a third party borrower. As security, the borrower provided a promissory note which acknowledged itself indebted to the Company and promised to pay on or before May 15, 2009 the Principal Sum, together with interest thereon at the rate of fifteen percent, payable at maturity. On May 20, 2009 the Company received \$100,000 U.S. and agreed to extend the payment terms to July 15, 2009. The third party borrower did not make payment on or before July 15, 2009. During the year ended December 31, 2010, the Company amended the repayment terms and balance owing. The total amount of the note receivable outstanding was \$378,360 (US \$360,000), which includes \$63,060 (US \$60,000) accrued interest (an effective interest rate of 20%). This balance was agreed to as the final amount owing and the repayment terms were to commence on March 5, 2010 and end on August 27, 2010.

The amended repayment terms were as follows:

	US
March 5, 2010	\$ 60,000
April 9, 2010	60,000
May 14, 2010	60,000
June 18, 2010	60,000
July 23, 2010	60,000
August 27, 2010	60,000
	<hr/> 360,000
Less: Allowance	(359,999)
	<hr/> <u>\$ 1</u>

On March 5, 2010, the third party who was required to make the payment failed to do so. Therefore, under the circumstances the Company made the decision to write-down the loan to \$1, and wrote down the note as at December 31, 2009. The Company has initiated discussions with legal counsel regarding the steps necessary in order to collect this outstanding note receivable.

Subsequent to the December 31, 2010, \$100,000US was received in respect of this receivable the balance has not been received and remains as a doubtful account. The balance owing remains the object of a reserve for doubtful accounts as the ultimate collectability remains in doubt.

The Company does not have any loans or bank debt and there are no restrictions on the use of its cash resources.

The Company does not have any loans or bank debt and there are no restrictions on the use of its cash resources other than the requirement to spend certain amounts on Canadian Exploration Expenses as defined in the *Income Tax Act (Canada)*.

Subsequent to December 31, 2010, as outlined in 1.11 below the Company raised \$6,031,200 in a private placement consisting of 1,052,632 flow through shares and 6,289,000 non flow through units. Finder's fees of \$229,728 in cash were paid and 275,318 in finders' warrants were issued in connection with this private placement financing. Each finders' warrant entitles the holder to acquire a common share for \$0.82 at any time within 18 months after the date the warrants were issued.

Management of the Company believes that it has sufficient funds to execute its business plan over the next year.

1.8 Off Balance Sheet Arrangement

The Company has no off balance sheet arrangements.

1.9 Transactions with Related Parties

During the year ended December 31, 2010 a director of the Company loaned the Company \$100,000. The loan was to earn interest at 1% per month compounded annually and there were no fixed terms of repayment. The amount was repaid prior to December 31, 2010.

During the year ended December 31, 2010 the Company was charged for various services and related out-of-pocket expenses paid on behalf of the Company by directors and officers, or by companies which are under their control.

Related party transactions which are not disclosed elsewhere in the consolidated financial statements are as follows:

1. \$288,000 (\$135,000 in 2009) was expensed by the Company for consulting services of the CEO. A total of \$Nil (\$15,750 in 2009) remains in accounts payable for unpaid fees and is owed to the CEO as at December 31, 2010 and 2009;
2. \$125,731 (\$178,387 in 2009) was paid to a company controlled by a director and officer of the Company for reimbursement of various administrative and overhead costs. These reimbursed consisted of the following: \$44,400 (\$44,400 in 2009) related to office rent, \$48,775 (\$93,670 in 2009) related to shared office consultants, \$9,023 (\$10,830 in 2009) related to telephone expenses and the balance of \$23,533 (\$29,487 in 2009) related to general office and administration expenses;
3. \$90,102 (\$141,000 in 2009) was paid to a company controlled by the former CEO;
4. \$15,000 (\$29,937 in 2009) was paid to the former CFO;
5. \$14,969 (\$Nil in 2009) was paid to a company controlled by the CFO;
6. \$14,000 (\$Nil in 2009) was paid to a company controlled by the current corporate secretary;
7. Blair McIntyre, President and Director of the Company was paid \$78,000 (\$48,000 in 2009).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Commitments

The Company's minimum mineral property interest payment requirements over the next five years and thereafter is \$75,000 per year.

The Company expects to make annual \$10,000 payments until such time as the MoU with the Wet'suwet'en is terminated by either party. This contract has expired and was renewed. The payment for 2010 of \$10,000 was made subsequent to the year end.

The Company has entered into various option agreements which require annual share issuances. Please see Note 8 to the consolidated financial statements as at and for the year ended December 31, 2010.

The Company raised \$1,000,000 by way of a flow through offering in June 2010. The Company has the obligation to renounce the related expenditures passing the tax attributes of those expenditures on to investors.

The renunciation occurred February 18, 2011 and the Company has incurred CEE in April of 2011 to complete the obligations under the 2010 flow through financing.

In March 2011 a further \$1,000,000 of flow through was raised and based on current planning this should be expended on programs ending in September or October 2011. The Company has until December 31 2012 to spend these funds on qualifying expenditures.

1.11 Proposed Transactions

Subsequent to the Balance sheet date the Company completed a private placement on terms as follows:

	Units/Shares	\$	Price
Flow Through Shares	1,052,632	\$ 1,000,000	\$ 0.95
Units	6,289,000	\$ 5,031,200	\$ 0.80
	7,341,632	\$ 6,031,200	

Each unit consisted of one share and one half of a share purchase warrant each warrant entitling the holder to acquire a common share for \$1.20 for one year and \$1.50 for the second year

On January 5, 2011 the Company commenced a 5,500 meter drilling program on the Poplar Property, and that program was completed at a cost slightly in excess of \$ 1,000,000 in early April, 2011. Results of the program are currently being analyzed and partial results have been summarized elsewhere in this document.

The Company is giving serious consideration to financing the next round of expenditures by way of an initial public offering of stock. To that end in December, 2010 the Company incorporated a wholly owned subsidiary Northern Canadian Metals Inc. ("NCM"). Subsequently to December 31, 2010, the Company is investigating the possibility of a sale of the Hudson Bay Mountain Property to NCM for shares to be followed by NCM filing a prospectus and becoming an independent company. Management and the Board feel that this strategy could unlock the value of this asset for the benefit of all shareholders. This transaction will be subject to all former arrangements being made, and all necessary approvals being obtained.

John Tapics and Gordon Keevil have been appointed to the Board replacing Mark Hewett who will join the Advisory Board.

1.12 Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of consolidated the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

The most significant assumption is that management is assuming that financings contemplated will be closed in the amounts announced and that capital markets will enable future financing to occur. The Company's consolidated financial statements are prepared on the going concern assumption.

Significant accounts that require estimates as the basis for determining the stated amounts include mineral property interest and their related deferred exploration expenditures and stock-based compensation.

The Company has adopted amortization policies, which, in the opinion of management, are reflective of the estimated useful lives and abandonment cost, if any, of its assets. LGM has not yet recorded any amounts in respect of abandonment, as none of these costs has been identified.

In addition, the Company is capitalizing costs related to the development and furtherance of its exploration property interests. The recovery of those costs will be dependent on the ability of the Company to discover and develop economic reserves and then to develop such projects in an economic fashion. Management believes that costs capitalized in respect of these projects are not impaired and no adjustments to carrying values are required at this time other than those written down in the consolidated financial statements.

The Company uses the Black Scholes valuation model in calculating stock based compensation expenses. The model requires that estimates be made of volatility, interest rates, and the ensuing results could vary significantly if changes are made in these assumptions.

1.13 Changes in Accounting Policies

EIC 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee (“EIC”) of the CICA issued EIC - 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that the Company’s credit risk and the credit risk of the counter party should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company adopted this standard on January 12, 2009. The adoption of this standard had no impact on the Company’s presentation of its financial position or results of operations as at and for the years ended December 31, 2010 and 2009.

EIC 174 - Mining Exploration Costs

In March 2009, the EIC of the CICA issued EIC-174, “Mining exploration costs”, which provides guidance on capitalization of exploration costs related to mineral property interests. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its property interests in assessing whether impairment in such property interests is required. This EIC also provides additional discussion on recognition for long lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC- 174. The EIC should be applied to financial statements issued after March 27, 2009 and the Company has adopted EIC-174. The adoption of this standard had no impact on the Company’s presentation of its financial position or results of operations as at and for the years ended December 31, 2010 and 2009.

International Financial Reporting Standards

Transition to International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will apply accounting policies consistent with IFRS beginning with its interim financial statements for the quarter ended March 31, 2011. The Company's 2011 interim and annual financial statements will include comparative 2010 financial statements, adjusted to comply with IFRS.

IFRS Transition Plan

The Company has established an IFRS transition plan and engaged third-party advisers to assist with the planning and implementation of its transition to IFRS.

During Q4 2010, the company's implementation team has been working to complete its detailed analysis of the relevant IFRS requirements and identified the areas where accounting policy changes are required, and those for which accounting policy alternatives are available. The team has been working to complete its assessment of the first-time adoption requirements and alternatives.

Discussions of the results of this analysis with management and the Company's advisors will continue during Q1 2011, after which the Company will finalize its determination of changes to accounting policies under IFRS and the resulting impact on the opening IFRS balance sheet (as at January 1, 2010).

The following summarizes the Company's progress and expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete.
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	In progress, to be completed during Q1 2011
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	In progress, to be completed during Q1 2011
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	In progress, to be completed during Q1 2011
Quantification of the financial statement impact of changes in accounting policies.	The Company has not yet determined the quantification of the impact of changes in accounting policies on its opening IFRS balance sheet. To be completed during Q1 2011.
Management and employee education and training.	Throughout the transition process

Impact of Adopting IFRS on the Company's Business

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

The Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of the consolidated financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies.

The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

First-time Adoption of IFRS

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.

To date, the Company has identified the following IFRS optional exemptions it may apply in the preparation of an opening IFRS statement of financial position as at January 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 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.
- To not reassess whether arrangements contain a lease under IFRS where the same determination that would be made under IFRIC 4 Determining whether an Arrangement Contains a Lease (IFRIC 4) was made previously in accordance with Canadian GAAP.
- To apply the transitional provisions of IFRIC 4 to leases which the same determination as IFRIC 4 was not made previously in accordance with Canadian GAAP. Therefore, the determination of whether these arrangements contain a lease is based on the circumstances existing at the Transition Date.

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.

Impact of Adopting IFRS on the Company's Financial Statements

Mineral Property Interests And Deferred Exploration Expenditures

IFRS 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 capitalizing costs related to exploration. However the Company expects to change its accounting policies such that capitalized exploration costs are reclassified to deferred development costs when technical feasibility and commercial viability are demonstrable.

The Company does not expect this change in accounting policy to have a significant effect on its financial statements at the Transition Date.

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. In addition, the grouping of assets for the purposes of impairment may be different under IFRS than currently used under Canadian GAAP. Depending on the circumstances, this may lead to the recognition of impairment losses under IFRS that would not otherwise have been recognized under current Canadian GAAP.

The Company will change its accounting policies accordingly, but does not expect the changes will have a significant impact its financial statements at the Transition Date.

Provisions, including asset retirement obligations

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. In addition, IFRS differs in certain respects related to the measurement of provisions, including asset retirement obligations.

The company will change its accounting policies to reflect these differences, but does not expect the changes will have a significant impact its financial statements at the Transition Date.

Foreign Currencies

IFRS requires that the functional currency of the company and its subsidiaries be determined separately, and the process of considering factors to determine functional currency are somewhat different than current Canadian GAAP.

The Company does not expect any change that will have a significant effect on the financial statements at the Transition Date.

Share-based payments

In certain circumstances, IFRS requires a different measurement of share-based compensation than current Canadian GAAP. Due to the nature of the Company's stock option plan and the terms of the currently outstanding stock options, the Company does not expect any changes that will have a significant impact on its financial statements at the Transition Date.

Accounting for income taxes

While accounting for income taxes is similar under IFRS and Canadian GAAP, in certain circumstances there are differences in the measurement of future tax assets and future tax liabilities.

The Company is in the process of determining whether any changes in its accounting policies related to income taxes will have a significant effect on its financial statements.

Flow-through Shares

Unlike Canadian GAAP, IFRS has no specific guidance for the accounting treatment associated with flow-through shares.

The Company is in the process of determining whether any changes to its accounting policy for flow-through share is necessary on adoption of IFRS.

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected as follows:

- The Company's first financial statements prepared with accounting policies consistent with IFRS will be the interim consolidated financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011, will also include 2010 consolidated financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (at January 1, 2010).

Significant Accounting Policies

Goodwill and Intangible Assets

CICA Handbook Section 3064, Goodwill and Intangible Assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period.

As a result of the withdrawal of EIC 27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at and for the years ended December 31, 2010 and 2009.

Normal Course Issuer Bid

Effective September 18, 2008, the TSXV approved the Company's application for a normal course issuer bid. The Company had the right to purchase up to 5% of its outstanding common shares. The actual number of shares and the timing of purchase were determined by the Company and all purchased shares were ultimately cancelled. The purchase of shares was governed by the policies of the TSXV. During the year ended December 31, 2008, 55,500 shares were purchased in the market at an average price of \$1.15. During the year ended December 31, 2009, 14,000 additional shares were purchased in the market at an average price of \$0.64. 54,000 of the shares were cancelled as of February 26, 2009 and the remaining 15,500 were cancelled as of May 11, 2009. The Company did not reapply for a normal course issuer bid and effective September 22, 2009, the Company is no longer a Normal Course Issuer.

Private Placements

On June 30, 2010 the Company announced that it completed the first tranche of its non-brokered private placement of flow-through and non-flow-through units. The first tranche was placed exclusively with the MineralFields Group to raise aggregate gross proceeds of \$1,080,000. The Company issued 1,200,000 flow-through units to the MineralFields Group at a price of \$0.90 per unit. Each unit is comprised of one flow-through common share of the Company and one-half of one share purchase warrant of the Company, with each whole warrant being exercisable to purchase one non-flow-through common share of the Company at a price of \$1.00 per share until June 30, 2012. A cash finder's fee of \$75,600, representing 7% of the proceeds raised, was paid to Limited Market Dealer Inc. in connection with the placement to the MineralFields Group.

On July 13, 2010 the Company announced it had completed the second tranche of the non-brokered private placement of flow-through and non-flow-through units. The second tranche consisted of 312,500 non-flow-through units at a price of \$0.80 per unit for gross proceeds of \$250,000. Each unit is comprised of one common share of the Company and one-half of one share purchase warrant of the Company, with each whole warrant being exercisable to purchase one common share of the Company at a price of \$1.00 per share until July 13, 2015.

As noted in 1.11 above the Company completed a private placement subsequent to December 31, 2010 which raised \$6,031,200.

Stock Options

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The term of the stock options granted are fixed by the board of directors and are not to exceed 5 years. The exercise prices of the stock options are determined by the board of directors but shall not be less than the closing price of the Company's common shares on the day proceeding the day on which the directors grant the stock options, less

any discount permitted by the TSXV. The stock options vest immediately on the date of grant unless otherwise required by the TSXV, however, a four month hold period applies to all shares issued under each stock option, commencing on the date of grant. Other terms and conditions are as follows: all stock options are nontransferable; no more than 5% of the issued shares may be granted to any one individual in any 12 month period; no more than 2% of the issued shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period; disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the holder is an insider, (ii) any grant of stock options to insiders, within a 12 month period, exceeding 5% of the Company's issued shares; and stock options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares.

During the year ended December 31, 2010 a total of 244,000 stock options were granted to an officer and a consultant of the Company. The estimated fair value for the options granted was \$135,602 which has been expensed as stock based compensation in the statement of operations with a corresponding amount recorded as contributed surplus in shareholders' equity. The fair value has been estimated at the grant dates using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options. Assumptions used in the pricing model for the grant of options are as follows:

Risk-free interest rate	0% to 2.7%
Expected life of options	0 to 5 years
Annualized volatility	103% to 131%
Dividend rate	Nil

A summary of the number of options outstanding at December 31, 2010 and the changes for the year then ended is presented below:

	#	Weighted Average Price
Balance, December 31, 2009	1,015,000	\$ 1.07
Exercised	(194,000)	(1.10)
Granted	244,000	1.04
Cancelled/Expired	(355,000)	(1.03)
Balance, December 31, 2010	710,000	\$ 1.07

Stock options exercisable and outstanding at December 31 2010 are presented below:

Options Exercisable	Options Outstanding	Exercise Price	Expiry Date
#	#	\$	
111,000	111,000	1.10	June 26, 2011
39,000	39,000	1.10	September 14, 2011
300,000	300,000	1.12	June 23, 2013
10,000	10,000	1.40	July 23, 2013
75,000	75,000	0.72	April 2, 2014
25,000	25,000	1.07	September 18, 2014
150,000	150,000	1.10	January 15, 2015
710,000	710,000		

Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding share purchase warrants at December 31, 2010 and the changes for the year ended December 31, 2010 are presented below:

	#
Balance, December 31, 2009	5,593,702
Issued	756,250
Expired	-
Exercised	-
Balance, December 31, 2010	6,349,952

Common shares reserved pursuant to the Company's outstanding share purchase warrants and at December 31, 2010 are presented below:

#	Exercise Price	Expiry Date
	\$	
4,393,702	0.72	June 25, 2012
1,200,000	0.72	May 23, 2013
600,000	1.00	June 30, 2012
156,250	1.00	July 13, 2015
6,349,952		

During the year ended December 31, 2009, the 4,393,702 share purchase warrants which were to expire on June 25, 2009 had their expiry date extended to June 25, 2012, and the 1,200,000 share purchase warrants which were to expire on May 23, 2010 had their expiry date extended to May 23, 2013. The modification of the terms of the warrants is treated as an exchange of the original warrants for new warrants. The incremental value of the new warrants has been recorded at an estimated fair value of \$1,687,299 as stock based compensation in the Company's statement of operations with a corresponding amount recorded as share purchase warrants in the equity portion of the Company's balance sheet. The fair value of the warrants has been estimated at the amendment date using the Black-Scholes pricing model with the following assumptions:

Risk-free interest rate:	2.0%
Estimated volatility:	150%
Expected life:	3 additional years
Expected dividend yield:	0%

Off-Balance Sheet Arrangements

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

Outstanding Share Data

The Company's authorized share capital is an unlimited number of common shares without par value. As at December 31, 2010, there were 16,231,694 common shares outstanding, 710,000 stock options outstanding and 6,349,952 warrants outstanding. The exercise price of options varies from \$0.72 to \$1.40 and the share purchase warrants have an exercise price ranging from \$0.72 to \$1.00. As at the date of this management of discussion and analysis the Company has 23,623,326 common shares outstanding.

Management of Capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, investments, loan receivable as well as cash and cash equivalents. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

Management of Financial Risk

The Company's financial instruments are exposed to certain financial risks, including credit, liquidity, and market risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are held through large Canadian financial institutions. Cash equivalents are comprised of financial instruments guaranteed by the bank. Additional financial instruments that potentially subject the Company to credit risk consist of amounts and loans receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities and amounts due to related parties are due within the current operating period.

The Company's expected source of cash flow in the upcoming year will be through equity financing. The Company made a decision as at December 31, 2009 to write-down one of its note receivables to \$1, however the Company has had discussions with legal counsel advising the Company of the steps necessary to try and recover some or all of the remaining outstanding receivable.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

a. **Currency risk**

Other than the Company's loan receivable, its working capital balances are all held in Canadian dollars and are therefore not subject to fluctuation against the Canadian dollar.

b. **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

Other Risk Factors

An investment in the Company involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this report in evaluating the Company and its business before making any investment decision in regards to the common shares of the Company.

The Company's business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Company. Additional risks not presently known to us may also impair business operations.

Exploration and Mining Risks

The Company is engaged in mineral exploration and development activities. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines.

The long-term profitability of our operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors beyond our control. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral resources, any of which could result in work stoppages, damage to property, and possible environmental damage. Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fire, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labour are involved in mineral exploration, development and operation. We may become subject to liability for pollution, cave-ins or hazards against which we cannot insure or against which we may elect not to insure. The payment of such liabilities may have a material, adverse effect on our financial position. The Company relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.

Financing Risks

The Company is limited in both financial resources, and sources of operating cash flow and has no assurance that additional funding will be available to us for further exploration and development of our projects or to fulfill our obligations under any applicable agreements. There can be no assurance that we will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of our projects with the possible loss of such properties.

Regulatory Requirements

Even if our mineral properties are proven to host economic reserves of mineral resources, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits or repatriation of profits. The Company may acquire other properties in other jurisdictions or countries. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect our business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

No Assurance of Titles

It is possible that any of our properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits as may be required to carry out exploration, development and mining operations at our projects will be granted.

Competition

The mineral industry is intensely competitive in all its phases. We compete with many companies possessing greater financial resources and technical facilities than the Company for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Company may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing our investment capital.

Environmental Regulations

Our operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of

various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our operations.

Stage of Development

The Company is in the business of exploring for, with the ultimate goal of producing, mineral resources from our mineral exploration properties. None of our properties have commenced commercial production and we have no history or earnings or cash flow from our operations. As a result of the foregoing, there can be no assurance that we will be able to develop any of our properties profitably or that our activities will generate positive cash flow.

A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of our management in all aspects of the development and implementation of our business activities.

Markets for Securities

There can be no assurance that an active trading market in our securities will be established and sustained. The market price for our securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

Reliance on Key Individuals

Our success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

Geopolitical risks

The Company may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, currency availability, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on mineral exports, increased financing costs, and site safety. In addition, legislative enactments may be delayed or announced without being enacted and future political action that may adversely affect the Company cannot be predicted.

Corporate Governance

As of December 31, 2010 the Company's Board was not independent and one of the goals is to strengthen and make the Board more independent over the next year. The Board of Directors has recently commenced this

process with the appointment of John Tapics and Gordon Keevil as Directors. John is an experienced director and has long term experience in the mining industry and in running small and medium sized public companies.

The Board intends to seek at least 1 other independent director for nomination at the AGM which will be held later this year.

Andrew Gourlay P Geo. is our Vice President of Exploration and he is a Qualified Person pursuant to NI 43-101 and he has reviewed and approved the disclosure of technical matters included herein.

Other information about the Company and our properties is available at www.sedar.com or on the Company website www.lionsgatemetals.com.

“Arni Johannson”

Arni Johannson, CEO and Director

Vancouver, Canada

April 29, 2011